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

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

QUALITY LIVING ENVIRONMENT
FOR THE COMMUNITY

2018
ANNUAL REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

*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.*

Contents

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	4
Biographical Details of Directors and Senior Management	10
Corporate Governance Report	14
Report of the Directors	25
Independent Auditor's Report	35
Consolidated Statement of Comprehensive Income	39
Consolidated Statement of Financial Position	40
Consolidated Statement of Changes in Equity	41
Consolidated Statement of Cash Flows	42
Notes to the Consolidated Financial Statements	43
Financial Summary	86

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

Non-executive Directors

Ms. Tam Mo Kit
Mr. Tam Kam Cheung Patrick

Independent Non-executive Directors

Dr. Chan Man Wai
Mr. Wong Siu Fai Albert
Mr. Ng Kee Fat Ronny

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)*
Dr. Chan Man Wai
Mr. Ng Kee Fat Ronny

REMUNERATION COMMITTEE

Mr. Ng Kee Fat Ronny *(Chairman)*
Dr. Chan Man Wai
Mr. Wong Siu Fai Albert

NOMINATION COMMITTEE

Dr. Chan Man Wai *(Chairman)*
Mr. Wong Siu Fai Albert
Mr. Ng Kee Fat Ronny

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

COMPLIANCE ADVISER

Ballas Capital Limited
Unit 1802, 18/F, 1 Duddell Street
Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong law
ONC Lawyers
19th Floor, Three Exchange Square
8 Connaught Place
Central
Hong Kong

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

PO Box 1350
Clifton House, 75 Fort Street
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

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House, 75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE

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 2018.

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, it has 26 public housing estates, 3 Home Ownership Scheme ("**HOS**") estates awarded by the Hong Kong Housing Authority ("**HA**"), and 2 and 2 standalone service contracts awarded by the HA and the Urban Renewal Authority ("**URA**") respectively under management.

The total revenue of the Group for the year ended 31 December 2018 was approximately HK$371.21 million (2017: HK$356.44 million), representing an increase of approximately 4.14% as compared with last year. Consolidated operating profit of the Group for the year ended 31 December 2018 was approximately HK$15.12 million (2017: HK$2.01 million), representing an increase of approximately 652.24% as compared with last year. The increase in operating profit was mainly due to listing expenses of HK$15.92 million being not incurred during the year ended 31 December 2018. Excluding the effect of listing expenses, the profit for the year decreased by approximately 11.77% from approximately HK$13.76 million for the year ended 31 December 2017 to approximately HK$12.14 million for the year ended 31 December 2018.

The earnings per share for the year ended 31 December 2018 was HK$1.52 cents (2017: loss per share of HK$0.34 cents).

The Company does not declared any interim or special dividend for the year ended 31 December 2018 (2017: HK$10 million). The Board recommended the payment of a final dividend of HK$0.005 per share, totalling HK$4 million for the year ended 31 December 2018 (2017: Nil).

Details of the Group's performance, financial position and results of operation for the year ended 31 December 2018 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 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, 22 March 2019

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 2018, the HA was the Group's largest customer and contributed most of the Group's total revenue. The Group's property management services include (i) estate management services (entailing general management, tenancy management, financial management, minor repairs and maintenance as well as project management services); (ii) security services; and (iii) cleaning services.

Looking forward, the property management services sector is still full of challenges. 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. The Group intends to execute its development plan as set out in the prospectus of the Company dated 31 October 2017 (the "**Prospectus**") carefully and prudently, with an aim to bring a higher return to the shareholders of the Company and facilitate for long-term growth of the business of the Group.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 4.14% from approximately HK$356.44 million for the year ended 31 December 2017 to approximately HK$371.21 million for the year ended 31 December 2018. The increase was primarily attributable to (i) the additional service fee income from one new HOS estate awarded by HA and one new stand-alone security service contract awarded by the URA during the year; and (ii) the upward adjustment on service fee for some of the Group's existing contracts in accordance with the adjustment mechanism as stipulated in those contracts.

The following table sets out the number of properties the Group was contracted to provide services to at the end of the reporting period.

	Types of properties	Number of estates/ contracts
(1)	Public estates (excluding HOS estates)	26
(2)	HOS estates	3
(3)	Stand-alone service contracts	4

Other Income

Majority of other income mainly represented cleaning services to ancillary facilities within the estates managed by the Group. Other income increased by approximately HK$0.1 million from approximately HK$0.25 million for the year ended 31 December 2017 to approximately HK$0.35 million for the year ended 31 December 2018. The increase was mainly due to increase in the cleaning services income from the estates for the year ended 31 December 2018.

Other Gains, Net

Other gains remained stable at approximately HK$0.06 million for the year ended 31 December 2017 and 2018, respectively.

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 2018, the Group had a total of 2,410 employees (2017: 2,362 employees).

The total employee benefits expenses amounted to approximately HK$330.48 million (2017: HK$319.38 million) for the year ended 31 December 2018, representing approximately 89.03% (2017: 89.6%) of the Group's revenue. The total employee benefits expenses increased by approximately 3.48% for the year ended 31 December 2018 from the previous year, such increase was mainly attributable to (i) the salaries and wages for the additional staff employed for the two new contracts awarded by HA and URA during the year; and (ii) the annual increase in salaries and wages.

Cleaning Material Costs

The cleaning material costs incurred was approximately HK$5.6 million for the year ended 31 December 2018 (2017: HK$4.54 million), representing an increase of 23.35% as compared with last year. The increase was mainly due to the construction waste disposal charge paid to the sub-contractor for the new HOS estate commenced during the year.

Other Operating Expenses

Other operating expenses amounted to approximately HK$16.36 million (2017: HK$10.8 million) for the year ended 31 December 2018, representing an increase of approximately 51.48% from the previous year. Other operating expenses mainly included insurance expense, office supplies expense, security charges for specialist guard company to escort money in transit, guarantee fee for performance bonds, entertainment, travelling expense, and estate maintenance expense.

The increase in other operating expenses was mainly attributable to (i) increase in general expenses such as ISO accreditation, advertising; (ii) increase in various compliance costs; (iii) increase in office supply, uniform and laundry; and (iv) increase in insurance expense and guarantee fees.

Finance Costs

Finance costs decreased by approximately HK$0.84 million from approximately HK$1.44 million for the year ended 31 December 2017 to approximately HK$0.6 million for the year ended 31 December 2018. The decrease was mainly due to decrease in the average amount of factoring loans and bank overdrafts used during the year ended 31 December 2018.

Income Tax Expense

Income tax expense remained stable at approximately HK$2.38 million for the year ended 31 December 2018 (2017: 2.73 million). Profit before income tax amounted to approximately HK$14.52 million for the year ended 31 December 2018 compared with approximately HK$16.5 million for the year ended 31 December 2017 (excluding the non-recurring listing expenses approximately HK$15.92 million).

Profit/(loss) and total comprehensive income/(loss) attributable to owners of the Company

As disclosed in the Prospectus, the non-recurring listing expenses had a significant financial impact on the Group's financial performance. Total comprehensive income for the year ended 31 December 2018 was approximately HK$11.25 million as compared to the total comprehensive loss of approximately HK$1.83 million for the year ended 31 December 2017. Such increase in profit was mainly due to listing expenses not being incurred during the year ended 31 December 2018 as compared to the non-recurring listing expenses of approximately HK$15.92 million as mentioned above. Profit for the year ended 31 December 2018 was approximately HK$12.14 million, as compared with HK$13.76 million for the year ended 31 December 2017 (excluding the non-recurring listing expenses), representing a decrease of approximately 11.77%. Such a decrease was mainly due to the increase in various compliance costs and increase in insurance expense for the year ended 31 December 2018.

DIVIDENDS

On 24 October 2017, the Company declared special dividends totalling HK$10 million to the then shareholders of the Company prior to the Listing.

The Board recommended the payment of a final dividend of HK$0.005 per share, totalling HK$4 million for the year ended 31 December 2018 (2017: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

	2018 **HK$'000**	2017 HK$'000
Financial position		
Current assets	**153,919**	171,127
Current liabilities	**49,337**	78,255
Net current assets	**104,582**	92,872
Total assets	**162,408**	180,772
Borrowings	**13,854**	47,478
Cash and bank balances	**30,208**	58,163
Pledged bank deposits	**28,668**	36,768
Total equity	**111,789**	100,542
Key financial ratios		
Return on equity *(Note 1)*	**10.86%**	-2.15%
Return on total assets *(Note 2)*	**7.48%**	-1.19%
Current ratio *(Note 3)*	**3.12**	2.19
Gearing ratio *(Note 4)*	**12.39%**	47.22%

Notes:

1. Return on equity is calculated as the profit/(loss) for the year divided by total equity.
2. Return on total assets is calculated as the profit/(loss) 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 bank borrowings and finance lease liabilities.

The current ratio as at 31 December 2018 was 3.12 times as compared to that of 2.19 times as at 31 December 2017. The increase was mainly due to increase in repayment of bank borrowings during the year ended 31 December 2018.

As at 31 December 2018, the Group's cash and bank balances were approximately HK$30.21 million (2017: approximately HK$58.16 million). As at 31 December 2018, the Group's bank borrowings were approximately HK$12.42 million, which bear interest at 2.15%–5.13% per annum (2017: HK$45.53 million, which bear interest at 2.74%–5.05% per annum). Further details and the maturities of the Group's total borrowings are set out in note 23 to the consolidated financial statements.

The gearing ratio stood at approximately 12.39% as at 31 December 2018 (2017: approximately 47.22%). With the availability of cash and bank balances and bank facilities, the Group has sufficient liquidity to satisfy its funding requirements. The Directors are of the view that the Group's financial position is solid.

CAPITAL STRUCTURE

Since the Company's listing on GEM of the Stock Exchange on 10 November 2017, there has been no change in the capital structure of the Company. The share capital of the Group only comprises of ordinary shares.

As at 31 December 2018, 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 2018. Details of the Group's share capital are set out in note 21 to the consolidated financial statements in this annual report.

COMMITMENT

The operating lease commitment of the Group was related to the lease of its office premise. The Group's operating lease commitment amounted to approximately HK$0.57 million as at 31 December 2018 (2017: HK$0.95 million).

SEGMENT INFORMATION

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2018, 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 2018.

SIGNIFICANT INVESTMENT

The Group held investment in an insurance contract of approximately HK$2.18 million as at 31 December 2018 (2017: HK$2.11 million). The gain on investments in the insurance contract amounted to approximately HK$0.06 million for the year ended 31 December 2018 (2017: HK$0.06 million). Other than the insurance contract as mentioned above, the Group did not have other significant investment as at 31 December 2018.

CONTINGENT LIABILITIES

Save as disclosed in note 27 to the consolidated financial statements, as at 31 December 2018 and 2017, 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.

CHARGE OF GROUP'S ASSETS

As at 31 December 2018, the Group has pledged its bank deposits of approximately HK$28.67 million (2017: approximately HK$36.77 million) and investment in an insurance contract of approximately HK$2.18 million (2017: approximately HK$2.11 million) to a bank for securing its performance bonds of approximately HK$61.27 million (2017: approximately HK$58.52 million) and bank borrowings of approximately HK$12.42 million (2017: approximately HK$45.53 million) under certain banking facilities. The Group no longer pledged its trade receivables as security as at 31 December 2018 (2017: approximately HK$23.09 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had a total of 2,410 employees (2017: 2,362 employees). The Group's employee benefits expenses for the year ended 31 December 2018 amounted to approximately HK$330.48 million (2017: HK$319.38 million). To ensure that the Group is able to attract and retain Directors and staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 31 December 2018 and up to the date of this document.

USE OF PROCEEDS FROM THE LISTING

The final offer price for the Listing was HK$0.30 per share, and the actual net proceeds from the Listing were approximately HK$34.85 million, after deducting the listing-related expenses of approximately HK$25.15 million (of which, approximately HK$15.92 million and HK$9.23 million are recognised in the consolidated statement of comprehensive income and the consolidated statement of changes in equity, respectively). This amount was lower than the estimated net proceeds of approximately HK$44.5 million, which was based on a mid-point offer price of HK$0.34 per share, as disclosed in the Prospectus. In light of the difference between the actual and estimated amount of the net proceeds, the Group has adjusted the use of net proceeds in the same manner and in the same proportion as shown in the Prospectus:

	Adjusted use of actual net proceeds in the same manner and proportion as stated in the Prospectus up to 31 December 2019 HK$ million	Actual utilised amounts as at 31 December 2018 HK$ million	Unutilised amount out of the planned amount as at 31 December 2018 HK$ million
Satisfying the additional working capital requirement by the HA and additional cash to be deposit as collateral of the performance bond for tendering for additional property management service contracts from the HA	25.80	3.36	22.44
As additional working capital and satisfying additional cash to be deposited as collateral of the performance bond for tendering for additional stand-alone cleaning or security service contracts from the HA	9.05	–	9.05
Total:	34.85	3.36	31.49

From the Listing Date to 31 December 2018, HK$2.75 million and HK$0.61 million were utilised as performance bond and working capital respectively to secure a new HOS contract awarded by the HA. The Company intends to continue to apply the net proceeds in accordance with the section headed "Future Plans and Use of Proceeds" of the Prospectus. As at 31 December 2018, the unutilised portion of the proceeds of approximately HK$31.49 million was placed in interest bearing account with bank and partially paid down the bank borrowings in accordance with the disclosure in the Prospectus.

COMPARISON OF BUSINESS STRATEGIES AND ACTUAL BUSINESS PROGRESS

An analysis comparing the business strategies as disclosed in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 December 2018 is set out below:

Business objectives	Actual progress
Upgrading the computer system	The Group has started evaluation of its computer system and the enhancement started in the second quarter of 2018.
Development a mobile application for the use of the staff	The Group has commenced to streamline its day-to-day management system.
Tender submission for contracting work from various departments	The Group closely evaluates its capacity for its submission for tenders. The Group will submit tenders as and when suitable opportunity is available.

Since the shares of the Company were listed on GEM of the Stock Exchange on 10 November 2017, the Group has commenced to incur expenditure to implement the above business strategies during the year ended 31 December 2018.

EXECUTIVE DIRECTORS

Mr. Ho Chu Ming (何柱明先生), aged 60, 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 25 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 Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors since October 1987 and March 1989, respectively.

Mr. Ng Fuk Wah (吳福華先生), aged 59, 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 deemed as one of controlling shareholders of the Company as his spouse, Ms. Tam Mo Kit, is one of the controlling shareholders of the Company. Mr. Ng is responsible for the overall business development, strategic planning and major decision-making of the Group.

Mr. Ng has over 24 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 form 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 (宋理明先生), aged 61, 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 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 Shen You Holdings Limited.

Mr. Tang Kong Fuk (鄧降福先生), aged 53, 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 29 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.

NON-EXECUTIVE DIRECTORS

Ms. Tam Mo Kit (譚慕潔女士), aged 59, 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 one of the controlling shareholders of the Company and 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.

Mr. Tam Kam Cheung Patrick (譚錦章先生), aged 68, was appointed as a Director on 6 July 2017 and was designated as a non-executive Director on 14 July 2017. He is primarily responsible for strategic planning of the Group.

Mr. Tam retired from the Hong Kong Institute of Certified Public Accountants in September 2015 and his last position was a director in corporate & mainland affairs.

Mr. Tam could proactively assist the Group by providing strategic planning and corporate governance advice to the Company as he has gained relevant experience during his employment at the Hong Kong Institute of Certified Public Accountants. Given his expected involvement as we expect Mr. Tam to provide such strategic planning and corporate governance advice to the Group on a regular basis.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Chan Man Wai (陳文偉), aged 62, was appointed as an independent non-executive Director on 24 October 2017. He is primarily responsible for providing independent advice to the Board.

Dr. Chan has over 30 years of experience in the real estate industry. In January 2016, Dr. Chan became the Professor of Practice (Programme Management) of the Department of Building & Real Estate of The Hong Kong Polytechnic University.

Dr. Chan graduated with a bachelor's degree in building surveying (commendation) from De Montfort University, the United Kingdom in 1979. Dr. Chan also obtained a master degree in construction project management and doctor of philosophy, both from The University of Hong Kong in 1988 and 1998, respectively. Dr. Chan obtained his master degree of international and public affair from The University of Hong Kong in 2002. Dr. Chan also obtained a master degree in major programme management from the University of Oxford (St. Catherine's College), the United Kingdom in 2016.

In June 1982 and October 1989, Dr. Chan was admitted as an associate and a fellow of the Royal Institution of Chartered Surveyors, respectively. He has become an authorised person (under the List of Surveyors) of the Building Authority, Hong Kong in August 1983. Dr. Chan has further been admitted as a member and fellow of The Hong Kong Institute of Surveyors in August 1984 and April 1992, respectively. Since April 1993, Dr. Chan is a registered professional surveyor in building surveying division of Hong Kong. Dr. Chan was admitted as a member of Canadian Institute of Surveyors and a fellow of the Hong Kong Institute of Facility Management in January 1991 and August 1999, respectively.

Mr. Wong Siu Fai Albert (黃紹輝), aged 59, was appointed as an independent non-executive Director on 24 October 2017. He is primarily responsible for providing independent advice to the Board. Mr. Wong is the chief financial officer and the secretary of Walcom Group Limited, a company listed on AIM of the London Stock Exchange since December 2006. He has over 33 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 Holding Limited (Stock Code: 515), a company listed on the Main Board of the Stock Exchange.

Mr. Ng Kee Fat Ronny (吳紀法先生), aged 71, 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 38 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.

Save as disclosed above, each of the Directors did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

SENIOR MANAGEMENT

Ms. Lau Wai Kay Vicky (劉慧琪女士), aged 46, 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 16 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 (盧美儀女士), aged 44, 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 20 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 (殷國烴先生), aged 63, 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 41 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 (陳桂珠女士), aged 55, 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 29 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 (姚炳強先生), aged 58, 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 38 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 (陳雅旋女士), aged 30, 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 (吳福華先生) 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 (宋理明先生) is the compliance officer of the Company. Please refer to the paragraph headed "Executive Directors" above for a biography of Mr. Sung.

CORPORATE GOVERNANCE PRACTICES

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

The Board has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. Upon the Listing Date and up to 31 December 2018 (the "**Reporting Period**"), 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

Non-executive Directors
Ms. Tam Mo Kit
Mr. Tam Kam Cheung Patrick

Independent Non-executive Directors
Dr. Chan Man Wai
Mr. Wong Siu Fai Albert
Mr. Ng Kee Fat Ronny

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Ho Chu Ming is the chairman of the Board. According to the code provision A.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 three 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 the 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 has established the Audit Committee on 24 October 2017 with written terms of reference in compliance with paragraph C.3.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Dr. Chan Man Wai, Mr. Wong Siu Fai Albert and Mr. Ng Kee Fat Ronny. Mr. Wong Siu Fai Albert has been appointed as the chairman of the Audit Committee, and is the independent non-executive Director with the appropriate professional qualifications.

The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process, to nominate and monitor the Company's external auditors, 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 28 March 2018, 11 May 2018, 9 August 2018 and 9 November 2018 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 22 March 2019, during which the Audit Committee has, among other things, reviewed the consolidated financial statements of the Group for the year ended 31 December 2018, 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:

Name of member of the Audit Committee	Attendance/ number of meeting held
Mr. Wong Siu Fai Albert *(Chairman)*	4/4
Dr. Chan Man Wai	4/4
Mr. Ng Kee Fat Ronny	4/4

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee on 24 October 2017 with written terms of reference in compliance with paragraph B.1.2 of the CG Code. The Remuneration Committee has three members, namely Dr. Chan Man Wai, 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 and structure 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.

Name of member of the Remuneration Committee	Attendance/ number of meeting held
Mr. Ng Kee Fat Ronny *(Chairman)*	1/1
Dr. Chan Man Wai	1/1
Mr. Wong Siu Fai Albert	1/1

NOMINATION COMMITTEE

The Company has established the Nomination Committee on 24 October 2017 with written terms of reference in compliance with paragraph A.5.2 of the CG Code. The Nomination Committee consists of three members, namely Dr. Chan Man Wai, Mr. Wong Siu Fai Albert and Mr. Ng Kee Fat Ronny. Dr. Chan Man Wai 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, and to make recommendations to the Board on relevant matters relating to appointments of Directors.

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

Name of member of the Nomination Committee	Attendance/ number of meeting held
Dr. Chan Man Wai *(Chairman)*	1/1
Mr. Ng Kee Fat Ronny	1/1
Mr. Wong Siu Fai Albert	1/1

Nomination criteria

Pursuant to the amended disclosure requirements effective in 2019, the Company should disclose its policy for nomination of directors in the summary of work performed by the Nomination Committee in its corporate governance report. In evaluating and selecting any candidate for the directorship, the following criteria should be considered:

(i) character and integrity;

(ii) 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 on 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) 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.

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 5.46 to 5.67 of the GEM Listing Rules (the "**Model Code**"). The Company had also made specific enquiry to each of the Director and all Directors confirmed that they have complied with the required standards set out in the Model Code regarding Directors' securities transactions throughout the Reporting Period. The Company was not aware of any non-compliance with the Model Code by the Directors since the Listing Date and up to the date of this 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.

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 year ended 31 December 2018.

BOARD MEETING, GENERAL MEETING AND PROCEDURES

During the Reporting Period, 4 Board meetings were held. For the financial year commencing on 1 January 2018, 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 Board meetings
Executive Directors	
Mr. Ho Chu Ming *(Chairman)*	4/4
Mr. Ng Fuk Wah *(Chief Executive Officer)*	4/4
Mr. Sung Alfred Lee Ming *(Chief Financial Officer)*	4/4
Mr. Tang Kong Fuk	4/4
Non-executive Directors	
Ms. Tam Mo Kit	4/4
Mr. Tam Kam Cheung Patrick	4/4
Independent Non-executive Directors	
Dr. Chan Man Wai	4/4
Mr. Wong Siu Fai Albert	4/4
Mr. Ng Kee Fat Ronny	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.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Under provision A.4.1 of the CG Code, 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 an initial term of three years commencing from the Listing Date 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.

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 year ended 31 December 2018, 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 2018, 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.

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 year ended 31 December 2018, the remuneration paid or payable to PricewaterhouseCoopers, the external auditor of the Company, in respect of their audit services and non-audit services for the Group was as follows:

Categories of Services	**2018** HK$'000
Audit services	1,200

COMPANY SECRETARY

Mr. Ng Fuk Wah has taken no less than 15 hours of relevant professional training for the year ended 31 December 2018. 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 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, Level 22, Hopewell Centre, 183 Queen's Road East, 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.

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 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 from the 1 January 2018 to 31 December 2018, 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.

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 divided policy (the "**Dividend Policy**"), and 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 any 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.

The Board is pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 32 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 year ended 31 December 2018 are set out in the consolidated statement of comprehensive income on page 39 of this annual report.

The Company does not declared a special dividend for the year ended 31 December 2018 (2017: HK$10 million).

The Board recommended the payment of a final dividend of HK$0.005 per share, totalling HK$4 million for the year ended 31 December 2018 (2017: Nil).

CHARITABLE DONATIONS

During the year, the Group made charitable donations totalling HK$56,000 (2017: HK$24,000).

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 23 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 year ended 31 December 2018 are set out below:

Strategy	KPI
Maximise value for the shareholders	Return on equity = 10.86% (2017: -2.15%) *Note 1*
Improve the Group's liquidity	Current ratio = 3.12 (2017: 2.19)

Note 1: For the year ended 31 December 2018, the Group recorded a profit for the year of approximately HK$12.14 million. Excluding the non-recurring listing expenses of approximately HK$15.92 million, the Group would have recorded a return on equity of approximately 13.69% for the year ended 31 December 2017.

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.

PRINCIPAL RISK AND UNCERTAINTIES

The Group believes that the risk management practices are important and use 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 86 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 for the year ended 31 December 2018, 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 on page 41 and note 32 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 2018 amounted to approximately HK$41.05 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.

RELATIONSHIP WITH KEY STAKEHOLDERS

Customers

The HA is the Group's single largest and most important customer. For the year ended 31 December 2018, the aggregate revenue attributable to the HA amounted to approximately HK$367.49 million, representing approximately 99% of the total revenue.

Suppliers

For the year ended 31 December 2018, purchases from the Group's five largest suppliers (in respect of cleaning materials, plastic bags and uniforms) amounted to approximately HK$5.56 million as compared to approximately HK$4.87 million for the year ended 31 December 2017. The increase was mainly due to increase in purchasing cleaning material and uniforms for new contracts for the year ended 31 December 2018.

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.

None of the Directors, their respective associates, or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any significant beneficial interest in the major customer and suppliers disclosed above.

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

Non-executive Directors

Ms. Tam Mo Kit
Mr. Tam Kam Cheung Patrick

Independent non-executive Directors

Dr. Chan Man Wai
Mr. Wong Siu Fai Albert
Mr. Ng Kee Fat Ronny

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.

Accordingly, three Directors, namely Ms. Tam Mo Kit, Mr. Tam Kam Cheung Patrick and Mr. Ng Kee Fat Ronny will retire from office as Directors at the forthcoming annual general meeting to be held on Wednesday, 22 May 2019 and are eligible and will offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 10 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date 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 an initial term of three years commencing from the Listing Date 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 an initial term of three year commencing from the Listing Date 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 25 to the consolidated financial statements.

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 2018, 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[1]	Approximate percentage of interest in the Company
Ms. Tam Mo Kit[2]	Interest in a controlled corporation	504,960,000 (L)	63.12%
Mr. Ng Fuk Wah[3]	Interest of spouse	504,960,000 (L)	63.12%
Mr. Ho Chu Ming	Beneficial owner	300,000 (L)	0.04%

Notes:

1. The letter "L" denotes the person's long position in the Shares.

2. R5A Group Limited is the registered owner of 491,440,000 Shares, representing approximately 61.43% of the Company's issued share capital. R5A Group Limited is owned as to 55.23% by Ms. Tam Mo Kit, 16.28% by Mr. Sung Alfred Lee Ming, 13.96% by Mr. Ho Chu Ming, 12.79% by Mr. Tang Kong Fuk, 1.16% by Mr. Ho Tik Wai and 0.58% by Mr. Yiu Ping Keung. Therefore, Ms. Tam Mo Kit is deemed to be interested in all the Shares held by R5A Group Limited for the purposes of the SFO. Mr. Ng Fuk Wah is the beneficial owner of 13,520,000 Shares in the Company, representing approximately 1.69% of the issued share capital of the Company. As Ms. Tam Mo Kit is the spouse of Mr. Ng Fuk Wah, Ms. Tam Mo Kit is also deemed to be interested in the same number of Shares held by Mr. Ng Fuk Wah under the SFO.

3. Mr. Ng Fuk Wah is the beneficial owner of 13,520,000 Shares in the Company, representing approximately 1.69% 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	950	55.23%
Mr. Sung Alfred Lee Ming	R5A Group Limited	Beneficial owner	280	16.28%
Mr. Ho Chu Ming	R5A Group Limited	Beneficial owner	240	13.96%
Mr. Tang Kong Fuk	R5A Group Limited	Beneficial owner	220	12.79%

Save as disclosed above and so far as is known to the Directors, immediate following the Listing, 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.

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 2018, the following persons/entities other than a Director or the chief executive of the Company had interests or short positions in the shares and underlying shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued voting shares of the Company:

Long positions in the ordinary shares of the Company

Name of Shareholder	Nature of interest/ holding capacity	Number of shares (1)	Approximate percentage of interest in the Company
R5A Group Limited (2)	Beneficial owner	491,440,000 (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 55.23% by Ms. Tam Mo Kit, 16.28% by Mr. Sung Alfred Lee Ming, 13.96% by Mr. Ho Chu Ming, 12.79% by Mr. Tang Kong Fuk, 1.16% by Mr. Ho Tik Wai and 0.58% by Mr. Yiu Ping Keung.

Save as disclosed above and so far as is known to the Directors, 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.

SHARE OPTION SCHEME

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

The following is a summary of the principal terms of the Share Option Scheme but it does not form part of, nor was it intended to be part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(1) Purpose of the Share Option Scheme

The Share Option Scheme is established: (i) to recognise and acknowledge the contributions that eligible participants have made or may make to the Group; (ii) to motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group; and (iii) to attract and retain or otherwise maintain ongoing business relationship with the eligible participants.

(2) Who may join and basis of eligibility

The Board may at its discretion grant right(s) to subscribe for share(s) pursuant to the terms of the Share Option Scheme (the "**Option**") to any of the following persons (the "**Eligible Participants**"):

(a) any Director, employee or officer of any company in the Group who is employed by any company in the Group (whether full time or part time) (the "**Employee**"), consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company (the "**Affiliate**"); or

(b) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, Employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or

(c) a company beneficially owned by any Director, Employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

(3) Price of shares

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board and shall be less than the highest of:

(a) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a day on which the Stock Exchange is open for the business of dealing in securities (the "**Trading Day**");

(b) the average closing price of a share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the Option; and

(c) the nominal value of a share on the date of grant.

(4) Grant of options and acceptance of offers

An offer shall be deemed to have been accepted when the Company receives the letter containing the offer duly signed by the grantee together with a remittance of HK$1.00 (or such other nominal sum in any currency as the Board may determine) in favour of the Company as consideration for the grant thereof. Such remittance shall in no circumstances be refundable. Once accepted, the Option is granted as from the date on which it was offered to the relevant Eligible Participant.

(5) Maximum number of shares

(a) Subject to paragraphs (b) to (d) below, 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 (the "**Scheme Mandate Limit**") unless approved by the shareholders of the Company pursuant to paragraph (c) below. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

(b) Subject to paragraphs (c) and (d) below, the Scheme Mandate Limit may be renewed by the shareholders of the Company in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the shares in issue as at the date of approval of such renewal by the shareholders of the Company in general meeting. Upon such renewal, all options granted under the Share Option Scheme and any other share option schemes of the Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed.

(c) Subject to paragraph (d) below, the Board may seek separate shareholders' approval in general meeting to grant Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by the Company before such approval is sought and the Company must issue a circular to the shareholders of the Company containing such relevant information from time to time as required by the GEM Listing Rules in relation to any such proposed grant to such Eligible Participants.

(d) 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. Notwithstanding anything to the contrary in the terms of the Share Option Scheme, no options may be granted under the Share Option Scheme or any other share option schemes of this Company if this will result in the said 30% limit being exceeded.

(6) Maximum number of shares of each participant

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. Any grant of further Options above this limit shall be subject to the following requirements:

(a) approval of the shareholders of the Company in general meeting, with such Eligible Participant and his/her close associates abstaining from voting;

(b) a circular in relation to the proposal for such further grant having been sent by the Company to the shareholders with such information from time to time as required by the GEM Listing Rules;

(c) the number and terms of the Options to be granted to such proposed Eligible Participant shall be fixed before the shareholders' approval mentioned in paragraph (a) above; and

(d) for the purpose of calculating the minimum exercise price for the shares in respect of the further Options proposed to be so granted, the date of the Board meeting for proposing such grant of further Options shall be taken as the date of offer of such Options.

(7) Time of exercise of options

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.

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 2018, 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.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Ballas Capital Limited ("**Ballas**") to be the compliance adviser. As at 31 December 2018, as notified by Ballas, except for the compliance adviser agreement entered into between the Company and Ballas dated 18 July 2017, neither Ballas nor any of its directors or employees or associates, has or may have, any interest in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities).

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group are set out in note 30 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 year, 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 2018.

SUFFICIENCY OF PUBLIC FLOAT

Since the Listing Date and up to the date of this annual report, 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.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2018 and up to the date of this annual report.

AUDITOR

The 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.

A separate environmental, social and governance report is expected to be published on the Stock Exchange's website and the Company's website no later than three months after this annual report has been published.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting to be held on Wednesday, 22 May 2019, the register of members of the Company will be closed from Friday, 17 May 2019 to Wednesday, 22 May 2019 (both dates inclusive), during which period no transfer of the shares will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 16 May 2019.

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out on pages 14 to 24 of this annual report.

REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2018 have been reviewed by the audit committee. The audit committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2018 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, 22 March 2019

羅兵咸永道

To the Shareholders of Modern Living Investments Holdings Limited
(Incorporated in 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") set out on pages 39 to 85, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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, which include a summary of significant accounting policies.

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 2018, 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 ("HKSAs") 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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.

Key audit matters identified in our audit are summarised as follows:

- Occurrence and completeness of employee benefits expenses

Key Audit Matter	How our audit addressed the Key Audit Matter
Occurrence and completeness of employee benefits expenses	
Refer to note 2.19, note 10 and note 25 to the consolidated financial statements. The Group operates in a labour-intensive industry and manages over 2,300 employees. For the year ended 31 December 2018, HK$330 million of employee benefits expenses, which consisted of basic salaries, staff benefits, pension cost, provision of annual leave and provision for long service payments, were incurred by the Group and accounted for approximately 92% of the total cost incurred for the year. Also, management judgements are involved in estimating the provision of annual leave and long service payments. In view of the significance of employee benefits expenses to the consolidated comprehensive income and the management judgement involved, significant auditor's effort is involved in verifying the occurrences and completeness of such expense. Therefore, we determined this area to be a key audit matter.	Our audit procedures included testing the Group's internal controls over employee benefits expenses. 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. 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. We also assessed and challenged management's assumptions over the provision of annual leave and long service payment 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 re-perform the calculation of the provision of long service payment using our in-house model, and to review the reasonableness of assumptions 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. Based on our audit procedures performed, we found that the occurrence and completeness of the employee benefits expenses was supported by the available evidence.

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 AND AUDIT COMMITTEE 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.

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 skepticism 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.

- 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 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 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, related safeguards.

From the matters communicated with 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 Fong Wan Huen.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March, 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018 HK$'000**	2017 HK$'000
Revenue	*6*	**371,208**	356,441
Other income	*7*	**347**	246
Other gains, net	*8*	**63**	61
Employee benefits expenses	*10*	**(330,477)**	(319,376)
Cleaning material costs		**(5,596)**	(4,536)
Utilities expenses		**(1,836)**	(1,937)
Depreciation	*16*	**(2,232)**	(2,164)
Other operating expenses		**(16,356)**	(10,804)
Listing expenses		**–**	(15,924)
Operating profit	*9*	**15,121**	2,007
Finance income		**255**	4
Finance costs		**(852)**	(1,440)
Finance costs, net	*12*	**(597)**	(1,436)
Profit before income tax		**14,524**	571
Income tax expense	*13*	**(2,382)**	(2,731)
Profit/(loss) for the year		**12,142**	(2,160)
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	*25*	**(895)**	326
Other comprehensive (loss)/income for the year, net of tax		**(895)**	326
Total comprehensive income/(loss) for the year		**11,247**	(1,834)
Earnings/(loss) per share			
Basic and diluted (HK cents per share)	*15*	**1.52**	(0.34)

The notes on pages 43 to 85 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Plant and equipment	*16*	**4,177**	5,701
Retention money receivables	*18*	**2,019**	1,714
Investment in an insurance contract	*17*	**2,177**	2,114
Rental deposit	*18*	**116**	116
		8,489	9,645
Current assets			
Trade and unbilled receivables	*18*	**75,873**	71,117
Contract assets	*18*	**12,223**	–
Prepayments, deposits and other receivables	*18*	**6,947**	5,079
Pledged bank deposits	*19*	**28,668**	36,768
Cash and bank balances	*20*	**30,208**	58,163
		153,919	171,127
Total assets		**162,408**	180,772
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*21*	**8,000**	8,000
Reserves	*21*	**103,789**	92,542
Total equity		**111,789**	100,542
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	*24*	**369**	535
Borrowings	*23*	**913**	1,440
		1,282	1,975
Current liabilities			
Trade payables	*22*	**368**	312
Other payables and accrued liabilities	*22*	**34,708**	31,035
Borrowings	*23*	**12,941**	46,038
Current income tax liabilities		**1,320**	870
		49,337	78,255
Total liabilities		**50,619**	80,230
Total equity and liabilities		**162,408**	180,772

The notes on pages 43 to 85 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 39 to 85 were approved by the Board of Directors on 22 March 2019 and were signed on its behalf

Ng Fuk Wah
Director and Chief Executive Officer

Sung Alfred Lee Ming
Director and Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital HK$'000 *(Note 21)*	Share premium HK$'000 *(Note 21)*	Contribution reserves HK$'000 *(Note 21)*	Retained earnings HK$'000	Total equity HK$'000
Balance at 1 January 2017	21,460	–	810	39,330	61,600
Loss for the year	–	–	–	(2,160)	(2,160)
Other comprehensive income:					
Remeasurements of employee benefit obligations	–	–	–	326	326
Total comprehensive loss	–	–	–	(1,834)	(1,834)
Transactions with owners in their capacity as equity owners:					
Shares issued pursuant to the Reorganisation	(21,460)	–	21,460	–	–
Shares issued pursuant to the Capitalisation	6,000	(6,000)	–	–	–
Shares issued pursuant to the Listing	2,000	58,000	–	–	60,000
Listing expenses charged to share premium	–	(9,224)	–	–	(9,224)
Dividends paid *(Note 14)*	–	–	–	(10,000)	(10,000)
	(13,460)	42,776	21,460	(10,000)	40,776
Balance at 31 December 2017	8,000	42,776	22,270	27,496	100,542
Balance at 1 January 2018	**8,000**	**42,776**	**22,270**	**27,496**	**100,542**
Profit for the year	**–**	**–**	**–**	**12,142**	**12,142**
Other comprehensive loss:					
Remeasurements of employee benefit obligations	**–**	**–**	**–**	**(895)**	**(895)**
Total comprehensive income	**–**	**–**	**–**	**11,247**	**11,247**
Balance at 31 December 2018	**8,000**	**42,776**	**22,270**	**38,743**	**111,789**

The notes on pages 43 to 85 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018 HK$'000**	2017 HK$'000
Cash flows from operating activities			
Net cash generated from operations	*26*	**(418)**	896
Hong Kong profits tax paid		**(708)**	(3,165)
Net cash used in operating activities		**(1,126)**	(2,269)
Cash flows from investing activities			
Purchases of plant and equipment		**(708)**	(1,043)
Interest received		**255**	4
Increase in pledged bank deposits		**8,100**	(214)
Net cash used in investing activities		**7,647**	(1,253)
Cash flows from financing activities			
Interest paid		**(775)**	(1,340)
Dividend paid		**–**	(10,000)
Proceeds from bank borrowings		**188,533**	48,476
Repayment of bank borrowings		**(225,488)**	(27,610)
Repayment of finance lease liabilities		**(591)**	(591)
Repayment of loans from the then shareholders		**–**	(17,388)
Repayment from a director		**–**	300
Issuance of ordinary shares pursuant to the Listing	*21*	**–**	60,000
Payment of listing expenses	*21*	**–**	(9,224)
Net cash (used in)/generated from financing activities		**(38,321)**	42,623
Net (decrease)/increase in cash and cash equivalents		**(31,800)**	39,101
Cash and cash equivalents at beginning of the year		**58,163**	19,062
Cash and cash equivalents at end of the year	*20*	**26,363**	58,163

The notes on pages 43 to 85 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION AND REORGANISATION

1.1 General information

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

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

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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited on 10 November 2017 (the "Listing").

1.2 Reorganisation

Prior to the incorporation of the Company and the reorganisation as described below, the Listing Business was carried out by Modern Living Property Management Limited, a company incorporated in Hong Kong (the "Operating Subsidiary"). The Operating Subsidiary was previously held by Ms. Tam Mo Kit ("Ms. Tam") as to 45.24%, Mr. Sung Alfred Lee Ming ("Mr. Sung") as to 13.33%, Mr. Ho Chu Ming ("Mr. C. M. Ho") as to 11.43%, Mr. Tang Kong Fuk ("Mr. Tang") as to 10.48%, Ms. Yeung Siu Wen ("Ms. Yeung") as to 9.52%, Ms. Lok Sau Lin ("Ms. Lok") as to 5.71%, Mr. Yun Kwok King ("Mr. Yun") as to 1.91%, Mr. Ho Tik Wai ("Mr. T. W. Ho") as to 0.95%, Mr. Ho King Tung ("Mr. K. T. Ho") as to 0.95% and Mr. Yiu Ping Keung ("Mr. Yiu") as to 0.48%, respectively (collectively as the "Shareholders").

In preparation for the Listing, the Group underwent a reorganisation (the "Reorganisation") as set out below:

(i) On 23 June 2017, R5A Group Limited was incorporated in the British Virgin Islands ("BVI") with an authorised share capital of 50,000 shares with a par value of US$1 each. On the date of incorporation, one share was allotted and issued as fully paid to Mr. Sung at par. On 6 July 2017, 950 shares, 279 shares, 240 shares, 220 shares, 20 shares, 10 shares of the issued share capital of R5A Group Limited was allotted to Ms. Tam, Mr. Sung, Mr. C.M. Ho, Mr. Tang, Mr. T. W. Ho and Mr. Yiu at par, respectively. R5A Group Limited was set up as a corporate shareholder of the Company.

(ii) On 26 June 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. One share at par value was allotted and issued as fully paid to an initial subscriber at par, and was subsequently transferred to R5A Group Limited on the date of incorporation.

(iii) On 27 July 2017, Modern Living Investments Limited was incorporated in the BVI with an authorised share capital of 50,000 shares with a par value of US$1 each. On the date of incorporation, 1 share of Modern Living Investments Limited were allotted and issued at par to the Company as fully paid and it became a wholly-owned subsidiary of the Company.

1. GENERAL INFORMATION AND REORGANISATION *(Continued)*

1.2 Reorganisation *(Continued)*

(iv) On 10 July 2017, the Shareholders transferred their respective holding of shares of the Operating Subsidiary, representing the entire issued share capital, to the Company in consideration of the Company allotting and issuing 1,719 shares, 200 Shares, 120 Shares, 40 Shares and 20 Shares to R5A Group Limited, Ms. Yeung, Ms. Lok, Mr. Yun and Mr. K.T. Ho respectively.

(v) On 24 October 2017, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$20,000,000 by creation of an additional 1,962,000,000 shares of HK$0.01 each.

(vi) Pursuant to the written resolutions passed by the shareholders on 24 October 2017, conditional upon Listing and subject to the share premium account of the Company being credited as a result of the share offer, the directors of the Company are authorised to allot and issue a total of 599,997,900 shares credited as fully paid at par to the Shareholders by way of capitalisation of HK$5,999,979 standing to the credit of the share premium account of the Company.

On 10 November 2017, the shares of the Company was listed on the GEM of the Hong Kong Stock Exchange Limited and the aforementioned conditions were fulfilled. Accordingly, the said amount was capitalised standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 599,997,900 shares for allotment and issue to the persons whose names appeared on the register of members of the Company.

(vii) On 10 November 2017, upon the completion of the Listing, the Company has issued a total of 200,000,000 ordinary share of HK$0.01 each at a price of HK$0.30 per share to public investors with a gross proceeds of HK$60,000,000. HK$2,000,000 was credited to the share capital account and HK$48,776,000 (net of listing expenses of HK$9,224,000) was credited to the share premium account.

Following the Reorganisation, the Listing Business continues to be carried out by the Operating Subsidiary.

Upon completion of the Reorganisation and as at the date of this report, the Company became the holding company of the subsidiaries now comprising the Group. The directors of the Company considers R5A Group Limited as the ultimate holding company of the Company and Ms. Tam as the ultimate controlling party of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 January 2018:

- Classification and Measurement of Share-based Payment Transactions — Amendments to HKFRS 2
- Financial Instruments — HKFRS 9
- Revenue from Contracts with Customers — HKFRS 15
- Transfers to Investment Property — Amendments to HKAS 40
- Foreign Currency Transactions and Advance Consideration — HK (IFRIC) 22
- Annual Improvements 2014–2016 cycle

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15. For details, please refer to Note 2.2. The other amendment listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(ii) New standards and amendments to existing standards that have been issued but are not effective and have not been early adopted by the Group

		Effective for annual periods beginning on or after
Annual Improvements Project	Annual improvements 2015–2017 cycle	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKAS 1 and HKAS 8 (Amendment)	Definition of Material	1 January 2020
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contract	1 January 2021
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(ii) New standards and amendments to existing standards that have been issued but are not effective and have not been early adopted by the Group *(Continued)*

The above new standards, amendments to existing standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group intends to adopt the above new standards, amendments to existing standards and interpretation when they become effective. The Group's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 16, Leases

Nature of change

HKFRS 16 provides new provisions for the accounting treatment of leases which does not require lessees to classify their leases as either finance leases or operating leases and account for those two types of leases differently. HKFRS 16 will no longer allow lessees to account for certain leases outside the statements of financial position. Instead, all long-term leases must be recognised in the form of assets (for the rights of use) and lease liabilities (for the payment obligations), both of which may be carried initially at the discounted present value of the future operating lease commitments subject to certain exceptions and arrangements that do not qualify as leases under HKFRS 16. Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the consolidated statement of financial position. In profit or loss, rental expenses will be replaced with depreciation and interest expense and the classification of cash flows in the consolidated statement of cash flows may also be affected.

Impact

The Group is a lessee of its office which is currently classified as an operating lease. The Group's current accounting policy for such leases is set out in Note 2.16. The Group's current accounting for such leases is to record the rental expenses in the Group's consolidated statement of comprehensive income in the year they are incurred with the related operating lease commitments being separately disclosed.

The adoption of HKFRS 16 will therefore result in increase in right-of-use assets and increase in lease liabilities in the Group's consolidated statement of financial position. In the Group's consolidated statement of comprehensive income, the operating lease rental expense will decrease, while depreciation of right of use of assets and interest expense arising from the lease liabilities will increase.

As at the reporting date, the Group has non-cancellable operating lease commitments of HK$566,000 (Note 31). The Group does not expect the application of HKFRS 16 would have material impact on the Group's consolidated financial statements and results of operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(ii) New standards and amendments to existing standards that have been issued but are not effective and have not been early adopted by the Group *(Continued)*

HKFRS 16, Leases *(Continued)*

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Change in accounting policies

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" ("HKFRS 9") and HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") on the Group's consolidated financial statements and the new accounting policies as disclosed in note 2.8 and note 2.20 that have been applied from 1 January 2018, where they are different to those applied in prior periods.

Certain of the Group's accounting policies have been changed to comply with the adoption of HKFRS 9 and HKFRS 15. HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments — Disclosures". HKFRS 15 replaces the provisions of HKAS 18 "Revenue" ("HKAS 18") and HKAS 11 "Construction Contracts" ("HKAS 11") that relate to the recognition, classification and measurement of revenue and costs.

(i) HKFRS 9 — Impact on the consolidated financial statements of the Group

As a result of the changes in the Group's accounting policies, as explained below, HKFRS 9 was generally adopted without restating any comparative information. The adoption of HKFRS 9 in the current period does not result in any impact on the amounts reported in the financial statement except that, the Group has adopted the accounting policies on financial instruments with effect from 1 January 2018.

There is no impact on the Group's accounting for financial assets and financial liabilities. The Group's financial assets and financial liabilities previous carried at amortised costs remained to be measured at amortised costs under HKFRS 9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Change in accounting policies *(Continued)*

(ii) HKFRS 15 — Impact on the consolidated financial statements of the Group

As a result of the changes in Group's accounting policies, as explained below, except for the reclassification of the contract assets from unbilled receivables (Note 18(iii)), HKFRS 15 was generally adopted without restating any other comparative information. The adoption of HKFRS 15 in the current year does not result in any impact on the amounts reported in the consolidated financial statements except that, the Group has adopted the following accounting policies on revenues with effect from 1 January 2018.

HKFRS 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods or services to the customer. As such upon adoption, this requirement under HKFRS 15 has not resulted in any significant impact to the financial statements as the timing of revenue recognition on service income is nearly unchanged. Thus there was no impact on the Group's consolidated statement of financial position as of 1 January 2018.

2.3 Subsidiaries

(a) Consolidation

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) 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.

2.4 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 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 gains, net".

2.6 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 2.7).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 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 date.

2.8 Financial assets

(i) Classification

From 1 January 2018, the Group classifies its financial assets as those to be measured at amortised cost.

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

See note 29 for details of each type of financial asset.

The Group reclassifies debt investment 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 plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

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

Impairment on other receivables and deposits, cash and bank balances 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 measured as lifetime expected credit losses.

(v) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, retention money receivables, deposits and other receivables, pledged bank deposits and cash and bank balances in the consolidated statement of financial position.

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.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

(v) Accounting policies applied until 31 December 2017 *(Continued)*

Impairment *(Continued)*

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position 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.

2.10 Trade and other 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.

For unbilled receivables and contract assets, please refer to Note 18(iii) for details.

2.11 Cash and cash equivalents

In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Bank balances in client accounts

Certain bank accounts were opened and held in the name of the entity within the Group on behalf of some 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.

2.13 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.

2.14 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.

2.15 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.

2.16 Leases (as a lessee)

(a) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Leases (as a lessee) *(Continued)*

(b) Finance leases

The Group leases certain plant and equipment. Leases of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of 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. The plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.17 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 prepayment 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.

Borrowings are removed from the consolidated statement of financial position 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.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. 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.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, 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, the deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Employee benefits *(Continued)*

(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

The Group's net obligation in respect of lump sum long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance 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 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 as an expense on a straight-line basis over the average period until the benefits become vested.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 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 good 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.

(i) Property management services income

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

(ii) Interest income

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

2.21 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.

2.22 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.

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 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 bank balances, pledged bank deposits, trade and unbilled receivables, contract assets, other receivables and deposits, and retention money receivables. The carrying amounts of these balances in the consolidated statement of financial position 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 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 2018, the Group has a high concentration of credit risk as 99% (2017: 99%) of the total trade receivables and contract assets were due from the largest customer (2017: 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.

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 all retention money receivables, trade receivables and contract assets.

As at 31 December 2018, the Group has assessed that the expected loss rate for retention money receivables, trade receivables and contract assets from public estates was immaterial. Thus no loss allowance provision for retention money receivables, trade receivables and contract assets from public estates was recognised during the year.

(ii) Other receivables and deposits

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

As at 31 December 2017 and 2018, 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. Thus no loss allowance provision was recognised during the year.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Interest rate risk

Other than the 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 2018, 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$90,000 lower/higher (2017: loss for the year would have been approximately HK$115,000 higher/lower), 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$. For the bank borrowings denominated in USD and when expressed in HK$ are reasonably stable due to the HK$/USD Linked Exchange Rate System. In the opinion of directors, the exposure to foreign exchange rate risk is considered low. As such, no sensitivity analysis is presented. 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 2018.

(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 the 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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Liquidity risk *(Continued)*

	Within 1 year/ repayable on demand HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2018				
Trade payables	**368**	**–**	**–**	**368**
Other payables	**2,707**	**–**	**–**	**2,707**
Borrowings, excluding finance lease liabilities	**12,415**	**–**	**–**	**12,415**
Finance lease liabilities	**580**	**950**	**–**	**1,530**
	16,070	**950**	**–**	**17,020**
At 31 December 2017				
Trade payables	312	–	–	312
Other payables	2,251	–	–	2,251
Borrowings, excluding finance lease liabilities	45,525	–	–	45,525
Finance lease liabilities	590	1,531	–	2,121
	48,678	1,531	–	50,209

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in the above table.

Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity analysis — Bank borrowings subject to a repayment on demand clause based on scheduled repayments			
	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 5 years HK$'000	Total outflows HK$'000
At 31 December 2017	34,905	11,326	–	46,231
At 31 December 2018	**12,739**	**–**	**–**	**12,739**

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 borrowings. 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 borrowings less cash and bank balances. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratios as at 31 December 2018 and 2017 are as follows:

	2018 **HK$'000**	2017 HK$'000
Total borrowings *(Note 23)*	**13,854**	47,478
Less: cash and bank balances *(Note 20)*	**(30,208)**	(58,163)
Net cash	**(16,354)**	(10,685)
Total equity	**111,789**	100,542
Total capital	**95,435**	89,857
Net gearing ratio	**N/A**	N/A

As at 31 December 2018, the Group maintained a net cash position of HK$16,354,000 (2017: HK$10,685,000), thus no net gearing ratio is presented.

3.3 Fair value estimation

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

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.

Impairment of trade and unbilled 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 and unbilled 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.

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 service in Hong Kong. Since the operation of provision of property management services attributes to all of the Group's revenue, and a majority of results and assets during the year ended 31 December 2017 and 2018, no business segment analysis is presented accordingly.

Geographical information

The Group's revenue is derived from customers in Hong Kong. All the assets of the Group were also located in Hong Kong as at 31 December 2017 and 2018. Accordingly, no analysis by geographical segment is provided.

Information about major customer

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

	2018 **HK$'000**	2017 HK$'000
Customer A	**367,493**	355,268

No other single customers contributed 10% or more to the Group's revenue for the year ended 31 December 2017 and 2018.

6 REVENUE

	2018 HK$'000	2017 HK$'000
Property management services income	**371,208**	356,441

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

7 OTHER INCOME

	2018 HK$'000	2017 HK$'000
Sundry income	**347**	246

8 OTHER GAINS, NET

	2018 HK$'000	2017 HK$'000
Gain on investment in an insurance contract *(Note 17)*	**63**	61

9 EXPENSES BY NATURE

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

	2018 HK$'000	2017 HK$'000
Employee benefits expenses *(Note 10)*	**330,477**	319,376
Auditor's remuneration	**1,200**	800
Depreciation of plant and equipment *(Note 16)*	**2,232**	2,164
Operating lease rentals in respect of rental premises	**359**	358
Cleaning material costs	**5,596**	4,536
Insurance fee	**4,696**	2,597
Guarantee fee	**868**	781
Security expenses	**707**	716
Utilities expenses	**1,836**	1,937
Office supplies	**1,435**	1,138
Listing expenses	**–**	15,924

10 EMPLOYEE BENEFITS EXPENSES

	2018 HK$'000	2017 HK$'000
Wages, salaries and other allowances (including directors' emoluments)	**317,107**	305,725
Pension costs — defined contribution plan	**13,397**	13,207
Accrual for unutilised annual leave	**(421)**	142
Accrual for long service payment	**394**	302
	330,477	319,376

(a) Pensions — defined contribution plans

Contributions totaling approximately HK$2,250,000 (2017: HK$2,178,000) are paid or payable to the MPF fund as at 31 December 2018.

(b) Five highest paid individuals

For the year ended 31 December 2018, the five individuals whose emoluments were the highest in the Group include 3 (2017: 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:

	2018 HK$'000	2017 HK$'000
Basic salaries and allowances	**1,603**	2,374
Discretionary bonuses	**–**	75
Employer's contribution to defined contribution plan	**36**	36
	1,639	2,485

The emoluments of the remaining 2 individuals above fell within the band of Nil — HK$1,000,000 during the year ended 31 December 2018 (2017: 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 2018 (2017: Same).

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 2018 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
For the year ended 31 December 2018					
Executive directors					
Ng Fuk Wah *(CEO)*	–	925	–	18	943
Ho Chu Ming *(chairman)*	–	766	–	18	784
Sung Alfred Lee Ming	–	624	–	21	645
Tang Kong Fuk	–	727	–	18	745
Non-executive directors					
Tam Kam Cheung Patrick	144	–	–	–	144
Tam Mo Kit	–	–	–	–	–
Independent non-executive directors					
Chan Man Wai	120	–	–	–	120
Ng Kee Fat	120	–	–	–	120
Wong Siu Fai Albert	120	–	–	–	120
	504	3,042	–	75	3,621

The remuneration of each director and the chief executive officer ("CEO") for the year ended 31 December 2017 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
For the year ended 31 December 2017					
Executive directors					
Ng Fuk Wah *(CEO)*	–	576	65	18	659
Ho Chu Ming *(chairman)*	–	920	52	18	990
Sung Alfred Lee Ming	–	80	–	3	83
Tang Kong Fuk	–	680	41	18	739
Non-executive directors					
Tam Kam Cheung Patrick	24	–	–	–	24
Tam Mo Kit	–	–	–	–	–
Independent non-executive directors					
Chan Man Wai	20	–	–	–	20
Ng Kee Fat	20	–	–	–	20
Wong Siu Fai Albert	20	–	–	–	20
	84	2,256	158	57	2,555

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)*

Ms. Tam Mo Kit and Mr. Tam Kam Cheung Patrick were appointed as the Company's non-executive directors on 6 July 2017 and Dr. Chan Man Wai, Mr. Ng Kee Fat and Mr. Wong Siu Fai Albert were appointed as the Company's independent non-executive directors on 24 October 2017.

None of the directors of the Company or Operating Subsidiary waived nor agreed to waive their emoluments (2017: Ms. Tam Mo Kit has agreed to waive her director's fee of HK$24,000).

(b) Directors' retirement benefits

No retirement benefits were paid to the directors of the Company during the year ended 31 December 2018 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 2018 (2017: same).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2018 (2017: same).

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

During the year ended 31 December 2018, the Group did not pay any consideration to any third parties for making available the services of themselves as directors of the Group (2017: same).

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

(i) The information about loans, quasi-loans and other dealings entered into by the Company or Operating Subsidiary in favour of a director is as follows:

Name of the director	Outstanding at the beginning of the year HK$'000	Outstanding at the end of the year HK$'000	Maximum outstanding during the year HK$'000
At 31 December 2017:			
Tam Mo Kit	300	–	300
At 31 December 2018:			
Tam Mo Kit	**–**	**–**	**–**

The amount was unsecured, interest-free and repayable on demand. During the year ended 31 December 2017, the amount was repaid. As at 31 December 2018 and 2017, there was no balance with Mr. Tam Mo Kit.

(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, R5A 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 year ended 31 December 2018 and 2017.

12 FINANCE COSTS, NET

	2018 HK$'000	2017 HK$'000
Bank interest income	**255**	4
Interests on borrowings	**(775)**	(1,340)
Interests on finance lease liabilities	**(77)**	(100)
	(852)	(1,440)
	(597)	(1,436)

13 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year, except for the first HK$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25%, in accordance with the new two-tiered tax rate regime with effect from the year of assessment 2018/2019.

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

	2018 HK$'000	2017 HK$'000
Hong Kong profits tax:		
Current income tax	**2,595**	2,845
Over provision in prior year	**(47)**	(31)
	2,548	2,814
Deferred income tax *(Note 24)*	**(166)**	(83)
	2,382	2,731

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:

	2018 HK$'000	2017 HK$'000
Profit before income tax	**14,524**	571
Calculated at applicable tax rate	**2,231**	94
Income not subject to taxation	**(53)**	(11)
Expenses not deductible for taxation purposes	**251**	2,679
Over provision in prior year	**(47)**	(31)
	2,382	2,731

14 DIVIDENDS

	2018 HK$'000	2017 HK$'000
Proposed final dividend	4,000	–

On 22 March 2019, the Board of Directors proposed a final dividend in respect of the year ended 31 December 2018 of HK$4,000,000, representing HK$0.005 per ordinary share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. These consolidated financial statements do not reflect this dividend payable.

During the year ended 31 December 2017, a special dividend of HK$10,000,000 was declared on 24 October 2017 and paid to its the then shareholders before the Listing. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

15 EARNINGS/(LOSS) PER SHARE

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

	2018 HK$'000	2017 HK$'000
Profit/(loss) attributable to owners of the Company	12,142	(2,160)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	800,000,000	628,493,151
Earnings/(loss) per share (HK cents)	1.52	(0.34)

The weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per shares has been determined on the assumption that the Reorganisation and Capitalisation Issue as described in Note 1.2 had been effective from 1 January 2016.

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

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
At 1 January 2017					
Cost	3,762	605	1,867	4,688	10,922
Accumulated depreciation	(1,710)	(256)	(935)	(1,199)	(4,100)
Net book value	2,052	349	932	3,489	6,822
Year ended 31 December 2017					
Opening net book value	2,052	349	932	3,489	6,822
Additions	907	22	–	114	1,043
Depreciation charge	(846)	(110)	(291)	(917)	(2,164)
Closing net book value	2,113	261	641	2,686	5,701
At 31 December 2017					
Cost	4,669	627	1,867	4,802	11,965
Accumulated depreciation	(2,556)	(366)	(1,226)	(2,116)	(6,264)
Net book value	2,113	261	641	2,686	5,701
Year ended 31 December 2018					
Opening net book value	**2,113**	**261**	**641**	**2,686**	**5,701**
Additions	**683**	**–**	**–**	**25**	**708**
Depreciation charge	**(978)**	**(113)**	**(207)**	**(934)**	**(2,232)**
Closing net book value	**1,818**	**148**	**434**	**1,777**	**4,177**
At 31 December 2018					
Cost	**5,352**	**627**	**1,867**	**4,827**	**12,673**
Accumulated depreciation	**(3,534)**	**(479)**	**(1,433)**	**(3,050)**	**(8,496)**
Net book value	**1,818**	**148**	**434**	**1,777**	**4,177**

As at 31 December 2018, office equipment of net book value of HK$1,369,000 (2017: HK$1,897,000) where the Group is a lessee, are under non-cancellable finance lease agreements. The lease terms are five years.

17 INVESTMENT IN AN INSURANCE CONTRACT

	2018 HK$'000	2017 HK$'000
As at 1 January	**2,114**	2,053
Gain on investment in an insurance contract *(Note 8)*	**63**	61
As at 31 December	**2,177**	2,114

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 23 to the consolidated financial statements. Changes in value of the investment in an insurance contract are recorded in "other gains, net" in the consolidated statement of comprehensive income.

18 RECEIVABLES, CONTRACT ASSETS, PREPAYMENTS AND DEPOSITS

	2018 HK$'000	2017 HK$'000
Non-current:		
Retention money receivables *(Note i)*	**2,019**	1,714
Rental deposit	**116**	116
	2,135	1,830
Current:		
Trade and unbilled receivables *(Notes ii and iii)*	**75,873**	71,117
Contract assets *(Note iii)*	**12,223**	–
	88,096	71,117
Utilities deposits	**525**	479
Prepaid insurance	**3,973**	2,089
Prepayment	**528**	235
Other receivables	**1,921**	2,276
Total current prepayments, deposits and other receivables	**6,947**	5,079
	95,043	76,196
Total receivables, contract assets, prepayments and deposits	**97,178**	78,026

Notes:

(i) In accordance with the service contracts with the customer and the common practice in the industry, the customer withholds a portion of the payments in relation to the project management services for maintenance works rendered by the Group as retention money. The retention money normally represents 5% of the service income of the project management services for maintenance works and is accumulated until the sum retained reaches the limit stated in the service contracts. The retention money will be released to the Group according to the terms and conditions of the service contracts. The balances are regularly reviewed by management with reference to the historical default rates or forfeiture rate. There is no history of forfeiture and default of these balances during the year ended 31 December 2017 and 2018. The carrying amounts of retention money receivables approximate their fair values as the impact of discounting is not significant.

18 RECEIVABLES, CONTRACT ASSETS, PREPAYMENTS AND DEPOSITS *(Continued)*

Notes: (Continued)

(ii) The Group entered into a trade receivable factoring arrangement and transferred certain trade receivables to a bank. If the trade receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognise the full carrying amount of the receivables. Cash received from the bank is recognised as factoring loans and are disclosed in Note 23 to the consolidated financial statements. As at 31 December 2018, no trade receivables that have been transferred to a bank (2017: HK$23,085,000). The carrying amount of the factoring loans as at 31 December 2018 were HK$Nil (2017: HK$20,776,000).

(iii) 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.

Unbilled receivables are reclassified as contract assets upon adoption of HKFRS 15.

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

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

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

	2018 **HK$'000**	2017 HK$'000
Unbilled receivables *(Note iii)*	**–**	12,338
Contract assets *(Note iii)*	**12,223**	–
Trade receivables:		
Up to 30 days	**33,222**	32,398
31 to 60 days	**29,799**	23,537
61 to 90 days	**12,852**	2,844
	88,096	71,117

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 and unbilled receivables, contract assets, other receivables, and deposits approximate their fair values. Trade and unbilled receivables, contract assets, other receivables and deposits are mainly denominated in HK$.

19 PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to a bank to secure performance bonds as set out in Note 27 and the banking facilities granted to the Group as set out in Note 23 to the consolidated financial statements. The Group's pledged bank deposits are denominated in HK$ and earn interest at a rate of 0.01% as at 31 December 2018 (2017: 0.01%).

20 CASH AND BANK BALANCES

	2018 HK$'000	2017 HK$'000
Cash at banks and on hand	**30,208**	58,163
Maximum exposure to credit risk	**29,945**	57,923

Cash at banks earns interest income of floating rates based on daily bank deposit rates and mainly denominated in HK$.

Cash and bank balances and bank overdrafts include the following for purposes of the consolidated statement of cash flows:

	2018 HK$'000	2017 HK$'000
Cash at banks and on hand	**30,208**	58,163
Bank overdrafts *(Note 23)*	**(3,845)**	–
Cash and cash equivalents	**26,363**	58,163

21 SHARE CAPITAL AND RESERVES

(a) Share capital and premium

	Notes	No. of shares	Nominal value of ordinary shares HK$'000	Share premium HK$'000
Authorised:				
Ordinary shares at HK$0.01 each as at 26 June 2017 (date of incorporation)	*(i)*	**38,000,000**	**380**	**–**
Increase in the authorised share capital on 24 October 2017	*(iii)*	**1,962,000,000**	**19,620**	**–**
At 31 December 2017 and 1 January 2018 and 31 December 2018		**2,000,000,000**	**20,000**	**–**
Issued and fully paid:				
Ordinary share at HK$0.01 each as at 26 June 2017 (date of incorporation)	*(i)*	**1**	**–**	**–**
Shares issued pursuant to the Reorganisation	*(ii)*	**2,099**	**–**	**–**
Shares issued pursuant to the Capitalisation	*(iv)*	**599,997,900**	**6,000**	**(6,000)**
Shares issued pursuant to the Listing	*(v)*	**200,000,000**	**2,000**	**58,000**
Listing expenses charged to share premium		**–**	**–**	**(9,224)**
At 31 December 2017 and 1 January 2018 and 31 December 2018		**800,000,000**	**8,000**	**42,776**

Notes:

(i) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 26 June 2017 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each, of which one share was allotted and issued as fully paid to an initial nominee subscriber, and was subsequently transferred to R5A Group Limited on the date of incorporation.

(ii) Pursuant to the Reorganisation as set out in Note 1.2 to the consolidated financial statements, on 10 July 2017, the Shareholders transferred their respective holding of shares of the Operating Subsidiary, representing the entire share capital, to Modern Living Investments Limited in consideration of the Company allotting and issuing 1,719 shares, 200 shares, 120 shares, 40 shares and 20 shares (all credited as fully paid) to R5A Group Limited, Ms. Yeung, Ms. Lok, Mr. Yun and Mr. K.T. Ho respectively.

(iii) On 24 October 2017, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$20,000,000 by creation of an additional 1,962,000,000 shares of HK$0.01 each.

(iv) Pursuant to the written resolutions passed by the shareholders on 24 October 2017, conditional upon Listing and subject to the share premium account of the Company being credited as a result of the share offer, the directors of the Company are authorised to allot and issue a total of 599,997,900 shares credited as fully paid at par to the Shareholders by way of capitalisation of HK$5,999,979 standing to the credit of the share premium account of the Company.

On 10 November 2017, the shares of the Company was listed on the GEM of the Hong Kong Stock Exchange Limited and the aforementioned conditions were fulfilled. Accordingly, the said amount was capitalised standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 599,997,900 shares for allotment and issue to the Shareholders.

(v) On 10 November 2017, upon the completion of the Listing, the Company has issued a total of 200,000,000 ordinary share of HK$0.01 each at a price of HK$0.30 per share for a total consideration of HK$60,000,000.

21 SHARE CAPITAL AND RESERVES *(Continued)*

(b) Contribution reserve

As at 31 December 2017 and 2018, contribution reserve in the consolidated statement of financial position represents (i) the contribution made by the Shareholders for 2,099 shares of the Company as part of the Reorganisation and 1 share on the date of its incorporation, totalled to HK$21,460,000, and (ii) the difference between the nominal value of the unsecured, interest-free loans from the then shareholders of HK$17,388,000 and their fair values of HK$16,578,000, amounting to HK$810,000. Such difference was regarded as contribution from the then shareholders and credit to contribution reserve at the issuance date of the interest-free loans from the then shareholders.

(c) Share options scheme

A share option scheme (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.

As of the date of this annual report, no option has been granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme.

22 TRADE AND OTHER PAYABLES AND ACCRUED LIABILITIES

	2018 HK$'000	2017 HK$'000
Trade payables	**368**	312
Provision for long service payment *(Note 25)*	**5,998**	4,709
Provision for unutilised annual leave	**2,843**	3,264
Accrued wages, salaries and pensions	**21,180**	20,221
Other accrued expenses and payables	**4,687**	2,841
Total other payables and accrued liabilities	**34,708**	31,035
Total trade and other payables and accrued liabilities	**35,076**	31,347

At 31 December 2017 and 2018, the ageing analysis of the trade payables based on invoice date was as follows:

	2018 HK$'000	2017 HK$'000
0–30 days	**368**	312

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.

23 BORROWINGS

	2018 HK$'000	2017 HK$'000
Non-current		
Finance lease liabilities *(Note b)*	**913**	1,440
Current		
Bank borrowings *(Note a)*	**12,415**	45,525
Finance lease liabilities *(Note b)*	**526**	513
	12,941	46,038
Total borrowings	**13,854**	47,478

23 BORROWINGS *(Continued)*

Notes:

(a) Bank borrowings

	2018 HK$'000	2017 HK$'000
Bank overdrafts	3,845	–
Factoring loans *(Note 18(ii))*	–	20,776
Bank loans due for repayment within one year	8,570	13,582
Bank loans due for repayment after one year which contain a repayment on demand clause	–	11,167
	12,415	45,525

As at 31 December 2017 and 2018, the bank borrowings bear interest at floating rates and the effective interest rates are as follows:

	2018	2017
Bank overdrafts	5.13%	5.05%
Bank loans and factoring loans	2.15%–4.51%	2.74%–3.30%

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

As at 31 December 2017 and 2018, the bank borrowings are denominated in HK$.

As at 31 December 2017 and 2018, 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:

	2018 HK$'000	2017 HK$'000
Within 1 year	12,415	34,358
Between 1 and 5 years	–	11,167
	12,415	45,525

As at 31 December 2018, bank borrowings and the banking facilities granted to the Group are secured by:

(i) The Group's Insurance Policy of HK$2,177,000 (2017: HK$2,114,000) (Note 17);

(ii) The Group's pledged bank deposits of HK$28,668,000 (2017: HK$36,768,000) (Note 19);

(iii) The Group's trade receivables of HK$Nil (2017: HK$23,085,000) (Note 18 (ii)); and

(iv) The corporate guarantee executed by the Company.

23 BORROWINGS *(Continued)*

Notes: (Continued)

(b) Finance lease liabilities

	2018 HK$'000	2017 HK$'000
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	**580**	590
Later than 1 year and no later than 5 years	**950**	1,531
	1,530	2,121
Future finance charges on finance leases	**(91)**	(168)
Present value of finance lease liabilities	**1,439**	1,953
The present value of finance lease liabilities is as follows:		
No later than 1 year	**526**	513
Later than 1 year and no later than 5 years	**913**	1,440
	1,439	1,953

As at 31 December 2018, finance lease liabilities were secured by certain office equipment (Note 16).

24 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.

	2018 HK$'000	2017 HK$'000
Deferred tax liabilities		
— to be settled after more than 12 months	**369**	535

The movement of deferred tax liabilities arisen from accelerated tax depreciation is as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	**535**	618
Credit to profit or loss *(Note 13)*	**(166)**	(83)
At 31 December	**369**	535

At 31 December 2018, the Group has no significant unrecognised deferred tax assets.

25 EMPLOYEE BENEFIT OBLIGATIONS — LONG SERVICE PAYMENT

Under the Hong Kong Employment Ordinance, the 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. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Operating Subsidiary's retirement plan that are attributable to contributions made by the Operating Subsidiary. The Group does not set aside any assets to fund any remaining obligations. The long service payments are paid out from the Group's cash in hand when such payments are required.

The latest actuarial valuation as at 31 December 2017 and 2018 specifically designated for the Group's employees was completed by a qualified actuary, Roma Appraisals Limited, using projected unit credit method.

(a) The amounts recognised in the consolidated statement of financial position are as follows:

	2018 **HK$'000**	2017 HK$'000
Present value of employee benefit obligations	**5,998**	4,709

(b) Movements in the net liability recognised in the consolidated statement of financial position are as follows:

	2018 **HK$'000**	2017 HK$'000
At 1 January	**4,709**	4,733
Expenses recognised in the consolidated statement of comprehensive income	**394**	302
Income recognised in the other comprehensive income	**895**	(326)
At 31 December	**5,998**	4,709

25 EMPLOYEE BENEFIT OBLIGATIONS — LONG SERVICE PAYMENT *(Continued)*

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

	2018 HK$'000	2017 HK$'000
Current service cost	**281**	219
Interest cost	**113**	83
	394	302

(d) Income recognised in the other comprehensive income is as follows:

	2018 HK$'000	2017 HK$'000
Actuarial gain — demographic assumptions	**895**	306
Actuarial gain — financial assumptions	**–**	20
	895	326

(e) The principal actuarial assumptions used as at 31 December 2017 and 2018 (expressed as weighted average) are as follows:

	2018	2017
Discount rate	**1.97%**	1.85%
Future salary increment	**2.50%**	1.70%

	Impact on employee benefit obligations		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
At 31 December 2017:			
Discount rate	0.25%	Decrease by 3.39%	Increase by 3.57%
Salary growth rate	0.25%	Increase by 5.49%	Decrease by 5.36%
At 31 December 2018:			
Discount rate	**0.25%**	**Decrease by 3.17%**	**Increase by 3.32%**
Salary growth rate	**0.25%**	**Increase by 4.87%**	**Decrease by 4.79%**

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.

26 CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Profit before income tax		**14,524**	571
Adjustments for:			
Depreciation	*16*	**2,232**	2,164
Interest income	*12*	**(255)**	(4)
Finance costs	*12*	**852**	1,440
Gain on investment in an insurance contract	*17*	**(63)**	(61)
Provision for long service payment		**394**	302
Operating profit before working capital changes		**17,684**	4,412
Changes in working capital:			
Retention money receivables		**(305)**	(201)
Trade and unbilled receivables and contract assets		**(16,979)**	(5,819)
Prepayments, deposits and other receivables		**(1,868)**	482
Trade payables		**56**	74
Other payables and accrued liabilities		**994**	1,948
Cash (used in)/generated from operations		**(418)**	896

(b) Reconciliation of liabilities arising from financing activities

	Note	As at 31 December 2017 HK$'000	Cash (outflows)/ inflows HK$'000	Interest on finance lease liabilities HK$'000	**As at 31 December 2018 HK$'000**
Finance lease liabilities	*23*	1,953	(591)	77	**1,439**
Bank borrowings	*23*	45,525	(33,110)	–	**12,415**
Total borrowings		47,478	(33,701)	77	**13,854**

27 CONTINGENT LIABILITIES

The Group had contingent liabilities in respect of the following:

(i) As at 31 December 2018, the Group had entered into 33 (2017: 30) performance bonds with a bank. The aggregate amount of the performance bonds was HK$61,265,000 (2017: HK$58,518,000) as at 31 December 2018. The directors do not consider it is probable that a claim on the performance bonds will be made against the Group; and

(ii) In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Company mainly includes claims for compensation by the Group's existing or former employees for work related injuries. The Group maintains insurance cover and, in the opinion of the directors of the Group, based on current available evidence, any such existing claims and legal proceedings against the Company have no material financial impact to the Company as at 31 December 2017 and 2018.

28 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 2018, the Group held a total of HK$122,428,000 (2017: HK$93,769,000) 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.

29 FINANCIAL INSTRUMENTS BY CATEGORIES

	Financial assets at amortised cost HK$'000
Assets as per financial position	
As at 31 December 2018	
Retention money receivables *(Note 18)*	**2,019**
Trade receivables and contract assets *(Note 18)*	**88,096**
Deposits and other receivables *(Note 18)*	**2,562**
Pledged bank deposits *(Note 19)*	**28,668**
Cash and bank balances *(Note 20)*	**30,208**
Total	**151,553**

	Loans and receivables HK$'000
As at 31 December 2017	
Retention money receivables *(Note 18)*	1,714
Trade and unbilled receivables *(Note 18)*	71,117
Deposits and other receivables *(Note 18)*	2,871
Pledged bank deposits *(Note 19)*	36,768
Cash and bank balances *(Note 20)*	58,163
Total	170,633

29 FINANCIAL INSTRUMENTS BY CATEGORIES *(Continued)*

	Other financial liabilities at amortised cost HK$'000
Liabilities as per financial position	
As at 31 December 2018	
Trade payables *(Note 22)*	**368**
Other payables	**2,707**
Borrowings (including finance lease liabilities) *(Note 23)*	**13,854**
Total	**16,929**
As at 31 December 2017	
Trade payables *(Note 22)*	312
Other payables	2,251
Borrowings (including finance lease liabilities) *(Note 23)*	47,478
Total	50,041

30 RELATED PARTY TRANSACTIONS

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 has the following related party transactions:

(a) Key management compensation

Key management compensation are as follows:

	2018 HK$'000	2017 HK$'000
Basic salaries, allowances and benefits	**3,488**	3,448
Discretionary bonuses	**–**	146
Employer's contribution to a defined contribution plan	**107**	106
	3,595	3,700

31 OPERATING LEASE COMMITMENTS

The Group leases office under non-cancellable operating leases expiring within 3 years. The operating lease rental are charged to the consolidated statement of comprehensive income are included in Note 9 to the consolidated financial statements.

	2018 HK$'000	2017 HK$'000
No later than 1 year	**375**	359
Later than 1 year and no later than 5 years	**191**	593
	566	952

32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Notes	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	*a*	**111,831**	111,831
		111,831	111,831
Current assets			
Cash and bank balances		**609**	555
		609	555
Total assets		**112,440**	112,386
EQUITY			
Equity attributable to the owners of the Company			
Capital		**8,000**	8,000
Reserves	*b*	**102,653**	104,152
Total equity		**110,653**	112,152
LIABILITIES			
Current liabilities			
Other payables and accrued liabilities		**148**	148
Amount due to a subsidiary		**1,639**	86
Total liabilities		**1,787**	234
Total equity and liabilities		**112,440**	112,386

The Company was incorporated on 26 June 2017 and, as at 31 December 2017 and 2018, the Company has authorised share capital of HK$20,000,000, divided into 2,000,000,000 shares of HK$0.01 each.

The balance sheet of the Company was approved by the Board of Directors on 22 March 2019 and was signed on its behalf.

Ng Fuk Wah
Director and Chief Executive Officer

Sung Alfred Lee Ming
Director and Chief Financial Officer

32 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 2018	2017
Directly held					
Modern Living Investments Limited	British Virgin Islands, limited liability company	United States dollar ("USD") 1	Investment holding in Hong Kong	**100%**	100%
Indirectly held					
Modern Living Property Management Limited	Hong Kong, limited liability company	HK$21,460,000	Provision of property management services	**100%**	100%

(b) Reserve movement of the Company

	Notes	Share premium HK$'000	Contribution reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 26 June 2017 (date of incorporation)	*21(i)*	–	–	–	–
Profit and total comprehensive profit for the year		–	–	9,776	9,776
Transactions with owners in their capacity as equity owners:					
Shares issued pursuant to the Reorganisation	*21(ii)*	–	61,600	–	61,600
Shares issued pursuant to the Capitalisation	*21(iv)*	(6,000)	–	–	(6,000)
Shares issued pursuant to the Listing	*21(v)*	58,000	–	–	58,000
Listing expenses charged to share premium		(9,224)	–	–	(9,224)
Dividends paid *(Note 14)*		–	–	(10,000)	(10,000)
		42,776	61,600	(10,000)	94,376
At 31 December 2017		42,776	61,600	(224)	104,152
As at 1 January 2018	*21(i)*	42,776	61,600	(224)	104,152
Loss and total comprehensive loss for the year		–	–	(1,499)	(1,499)
		–	–	(1,499)	(1,499)
At 31 December 2018		42,776	61,600	(1,723)	102,653

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		
	2018	2017	2016
	HK$'000	HK$'000	HK$'000
Revenue	**371,208**	356,441	344,464
Other income	**347**	246	406
Other gains/(losses), net	**63**	61	132
Employee benefits expenses	**(330,477)**	(319,376)	(294,164)
Subcontracting cleaning fee and cleaning material costs	**(5,596)**	(4,536)	(18,245)
Utilities expenses	**(1,836)**	(1,937)	(2,012)
Depreciation	**(2,232)**	(2,164)	(1,874)
Other operating expenses	**(16,356)**	(10,804)	(11,663)
Listing expenses	**–**	(15,924)	–
Operating profit	**15,121**	2,007	17,044
Finance costs, net	**(597)**	(1,436)	(1,070)
Profit before income tax	**14,524**	571	15,974
Income tax expense	**(2,382)**	(2,731)	(2,674)
Profit/(loss) for the year	**12,142**	(2,160)	13,300
ATTRIBUTABLE TO OWNERS OF THE PARENT	**12,142**	(2,160)	13,300

ASSETS AND LIABILITIES

	As at 31 December		
	2018	2017	2016
	HK$'000	HK$'000	HK$'000
Total assets	**162,408**	180,772	143,275
Total Liabilities	**50,619**	80,230	81,675