Hang Chi Holdings Limited
恒智控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8405

2022
Annual Report

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Yik Tak Chi *(Chairman)*
Mr. Chung Kin Man
Ms. Chung Wai Man
Mr. Lui Chi Tat

Non-executive Director

Mr. Lau Joseph Wan Pui

Independent non-executive Directors

Mr. Chan Ching Sum Sam
Mr. Lau Tai Chim
Mr. Wong Wai Ho

BOARD COMMITTEES

Audit Committee

Mr. Chan Ching Sum Sam *(Chairman)*
Mr. Lau Tai Chim
Mr. Wong Wai Ho

Nomination Committee

Mr. Yik Tak Chi *(Chairman)*
Mr. Lau Tai Chim
Mr. Wong Wai Ho

Remuneration Committee

Mr. Lau Joseph Wan Pui *(Chairman)*
Mr. Chan Ching Sum Sam
Mr. Lau Tai Chim

Joint Company Secretaries

Ms. Leung Pui Shan *(HKICPA)*
Ms. Chu Kit Ying

Authorised Representatives

Mr. Chung Kin Man
Ms. Leung Pui Shan

Compliance Officer

Mr. Chung Kin Man

Registered Office

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in Hong Kong

Unit 09, 7/F., FTLife Tower
No. 18 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

Auditor

Prism Hong Kong and Shanghai Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal Bankers

Hang Seng Bank Limited
Wing Lung Bank Limited
Bank of China (Hong Kong) Limited

Principal Share Registrar and Transfer Office in the Cayman Islands

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F.
148 Electric Road
North Point
Hong Kong

Stock Code

8405

Company's Website

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Contact Information

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FINANCIAL HIGHLIGHTS

	2022 HK$'000	2021 HK$'000	Change % (approximate)
Consolidated statement of profit or loss and other comprehensive income			
Revenue	**193,041**	203,849	-5.30%
EBITDA	**91,117**	97,872	-6.90%
Profit for the year	**38,610**	52,191	-26.02%
Consolidated statement of financial position			
Cash and cash equivalents	**38,491**	66,329	-41.97%
Fixed bank deposits	**37,826**	–	N/A
Trade receivables	**480**	165	190.91%
Net assets value	**211,151**	179,141	17.87%

CHAIRMAN'S STATEMENT

Dear Shareholders,

My sincere greetings to every one of you. The year 2022 was an arduous year. The fifth wave of COVID-19 ravaged Hong Kong in the beginning of the year with all elderly residential care homes confronting it strenuously until it gradually stabilized towards the end of the year. I am convinced that our efforts will eventually pay off and it is now time to share with you the results of our industrious and diligent works in the past year. I would like to present the annual results of the Company and its subsidiaries (collectively with the Company, the "Group") for the year ended 31 December 2022 (the "Reporting Year").

Review

The COVID-19 had raged for three years and almost everyone in the society kept on fighting at all times. All industries and sectors endeavoured to sustain operation and it was already fortunate to be still in business, let alone achieving performance growth. Unfortunately, the Group was also affected by the fifth wave of COVID-19. The outbreak of the fifth wave of COVID-19 in the beginning of the year led to increasing number of elderly fatalities. Our elderly residential care homes had many vacant residential care places which hindered us from delivering positive performance growth like we always did. Fortunately, the occupancy rate of the elderly residential care homes of the Group gradually picked up since the second half of 2022 and we expect a recovery by mid-2023.

Furthermore, the Group undertook the provision of care support services to the quarantine center established by the Social Welfare Department at the Pokfulam Jockey Club PHAB Camp since April 2020. To act in concert with the government policies in preventing the epidemic, the quarantine center was relocated from Pokfulam to Penny's Bay in the beginning of 2022 and the operation subsequently ceased by the end of December due to government's revised and updated epidemic prevention policies. Despite the decrease in revenue of the Group due to quarantine center shutdown, I believe that we are more pleased to see a Hong Kong with no quarantine center.

To enhance our capability in responding to emergencies in future, the Group set up a backend support team whose members are those brave enough to step up to the frontline and possess healthcare qualifications. The team plays a pivotal role in providing assistance in human resources and emergency supplies in case of emergencies in elderly residential care homes.

Future Development

Looking back into three years of experience in fighting against the epidemic, the Group deeply understands that only through active talent training can we respond to events that may happen in the future. The provision of care support services to the quarantine center provided us with precious experience. In future, the Group will continue to focus on the development of elderly care business in Hong Kong, and gradually expand our business by opening, acquiring or merging residential care homes, so as to provide more quality residential care home services for the elderly in need.

Appreciation

Once again I would like to express my heartfelt thanks to shareholders, elderly residents and business partners of the Group and the board of directors of the Company (the "Board") as well as all units for their trust and support. I must also take this opportunity to pay the highest tribute to our frontline staff and every frontline medical staff of the public medical institutions in Hong Kong for their courage to bear and selfless dedications. I look forward to the recovery of the society after the epidemic and wish to share the results and joy with every one of you in our annual report every year in future.

Yik Tak Chi
Chairman and Executive Director

Hong Kong, 21 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is an established operator of elderly residential care homes in Hong Kong providing comprehensive residential care home services to the elderly residents including: (i) the provision of accommodation with dietician-managed meal plans, 24-hour nursing and caretaking assistance and professional services such as regular medical consultation, physiotherapy, occupational therapy, psychological and social care services; and (ii) the sale of healthcare and medical consumable products and the provision of customisable add-on healthcare services to the elderly residents. During the Reporting Year, the Group derived its revenue from seven elderly residential care homes across different districts in Hong Kong, including four "Shui On瑞安", one "Shui Hing瑞興", one "Shui Jun瑞臻" and one "Guardian Home佳安家" branded elderly residential care homes.

Business and Operational Review

In response to the outbreak of coronavirus in Hong Kong, the Company has formed a crisis response team to monitor the situation of its residential care homes and launched a series of special measures to strengthen infection control. The crisis response team holds meetings regularly to review the adequacy of current measures. During the Reporting Year, the Group's revenue amounted to approximately HK$193,041,000, representing a slight decrease of 5.30% as compared with that of last year. Profit for the year decreased by approximately 26.02% to approximately HK$38,610,000. The Group will continue to optimise existing resources, strengthen staff training, and save costs through cost control measures.

Prospect

Hong Kong is experiencing the structural issue of aging population. According to the "Hong Kong Population Projections 2020–2069" of the Hong Kong SAR Government, the population of elderly will almost double by 2040. Therefore, demand of the society for elderly residential care services will continue to rise, and will become the main driver for the development and growth of the elderly residential care home industry. With the Group's experienced management team and reputation in the market, the Group will strengthen talents training and continue to expand its network of elderly residential care homes at strategic locations in Hong Kong, so as to serve more elderly residents.

Strategic locations of the Group's **elderly residential care homes**

263 residential care places

KWAI TSING

Shui On Nursing Centre (Kwai Shing E.) Co. Limited

131 of residential care places under EBPS EA1*

244 residential care places

SHATIN

Guardian Home (Chun Shek) Integrated Nursing Home

20 of residential care places under EBPS EA1*

2017

2019

2016

207 residential care places

KWUN TONG

Shui Jun Nursing Centre (Yau Tong) Company Limited

40 of residential care places under EBPS EA2*

2016

2011

91 residential care places

SHATIN

Shui On Nursing Centre (Sun Tin Wai) Company Limited

90 residential care places

KWUN TONG

Shui Hing Nursing Centre Limited

2008

72 residential care places

EASTERN

Shui On Nursing Centre (Hing Wah) Company Limited

2007

118 residential care places

KWUN TONG

Shui On Nursing Centre (Shun On) Company Limited

59 of residential care places under EBPS EA1*

*Classification under the Enhanced Bought Place Scheme (the "EBPS")

Operating Performance

Revenue

The breakdown of revenue by types of services provided by the Group for the Reporting Year and year ended 31 December 2021 are set out as follows:

	2022		2021	
	Revenue HK$'000	Percentage of segment revenue approximate %	Revenue HK$'000	Percentage of segment revenue approximate %
Rendering of elderly home care services				
– residential care places leased by the Social Welfare Department (the "SWD") under the Enhanced Bought Place Scheme (the "EBPS")	**40,067**	**20.75%**	39,024	19.14%
– residential care places leased by the SWD under the Bought Place Scheme on Day Care Units (the "Day Care Services")	**4,805**	**2.49%**	4,759	2.33%
– residential care places leased by individual customers	**99,991**	**51.80%**	107,488	52.73%
– residential care places leased by non-governmental organisations	**281**	**0.15%**	620	0.30%
	145,144	**75.19%**	151,891	74.5%
Sales of elderly related goods and provision of healthcare services	**47,897**	**24.81%**	51,958	25.5%
Total	**193,041**	**100.00%**	203,849	100.00%

During the Reporting Year, the Group's revenue slightly decreased from approximately HK$203,849,000 for the last year to approximately HK$193,041,000 representing an approximately 5.30% decrease.

Operating Performance *(Continued)*

Rendering of elderly home care services

The revenue from rendering of elderly home care services was derived from the provision of, among others, residence, nursing and caretaking services, health and medical services, rehabilitation services, meal preparation services and social care services in Hong Kong. The revenue decreased from approximately HK$151,891,000 for the last year to approximately HK$145,144,000 for the Reporting Year, representing an approximately 4.44% decrease.

- *Residential care places leased by the SWD under the EBPS*

  During the Reporting Year, the revenue derived from the SWD, which leased a fixed number of residential care places at the Group's elderly residential care homes under the EBPS, increased from approximately HK$39,024,000 for the last year to approximately HK$40,067,000, representing an approximately 2.67% increase.

  The increment was mainly due to that Guardian Home (Chun Shek) Limited ("Chun Shek") has participated in the EBPS and has been classified as EA1 under the EBPS since October 2022. Therefore, the number of the Group's elderly residential care homes classified as EA1 under the EBPS increased from two elderly residential care homes for last year to three elderly residential care homes for the Reporting Year.

- *Residential care places leased by the SWD under the Day Care Services*

  Two of the Group's elderly residential care homes under the EBPS have participated in the Day Care Services for elderly of the SWD. The Group provided 40 day care units with a range of centre-based care and services for elderly since May 2020.

  During the Reporting Year, the revenue derived from the SWD, which elder persons nominated and arranged by the SWD to receive the Day Care Services at the Group's elderly residential care homes under the Day Care Services increased from approximately HK$4,759,000 for the last year to approximately HK$4,805,000, representing an approximately 0.97% increase.

- *Residential care places leased by individual customers*

  The revenue derived from rendering of elderly home care services to individual customers, together with the unsubsidised portions paid by individual customers under the EBPS decreased from approximately HK$107,488,000 for the last year to approximately HK$99,991,000 for the Reporting Year, representing an approximately 6.98% decrease. The decrement was the result of less residents admitted during the Reporting Year.

- *Residential care places leased by non-governmental organisations*

  The revenue derived from the non-governmental organisations which leased residential care places from the Group's elderly residential care homes decreased from approximately HK$620,000 for the last year to approximately HK$281,000 for the Reporting Year, representing an approximately 54.68% decrease. The decline in revenue was due to the reduction on referrals of customers from non-governmental organisation as a result of the epidemic.

Operating Performance *(Continued)*

Sales of elderly related goods and provision of healthcare services

The revenue from sales of elderly related goods and provision of healthcare services was derived from the sales of adult nappies, nutritional milk, other medical consumable products, daily supplies and provision of additional healthcare services to the residents. The revenue decreased from approximately HK$6,542,000 for the last year to approximately HK$47,897,000 for the Reporting Year, representing an approximately 7.82% decrease.

Average occupancy rates of the elderly residential care homes

The average occupancy rates of the Group's elderly residential care homes for the Reporting Year and last year are set out as follows:

	2022 approximate %	2021 approximate %
Average occupancy rates		
– elderly residential care homes under the EBPS	**87.49%**	92.26%
– non-EBPS elderly residential care homes	**75.92%**	82.17%

The decrease in average occupancy rates during the Reporting Period was attributable to the decrease in the number of residents admitted to the Group's elderly residential care homes as a result of the COVID-19 pandemic.

Staff costs

Staff costs are the largest component of the operating expenses, which comprised of wages, salaries, bonuses, long service payments, retirement benefit costs and other allowances and benefits payable to employees. During the Reporting Year, since more staff have been employed for (i) providing health and personal care services to service users of residential care homes who were admitted for quarantine; and (ii) additional works of residential care homes under the ravages of the epidemic, the amount of staff costs increased from approximately HK$83,464,000 for the last year to approximately HK$99,781,000 for the Reporting Year, representing an approximately 19.55% increase.

Property rental and related expenses

Property rental and related expenses mainly represented by the rental and ancillary office payments under operating leases related to the elderly residential care homes. The amount of property rental and related expenses decreased from approximately HK$18,540,000 for the last year to approximately HK$13,638,000 for the Reporting Year, representing an approximately 26.44% decrease. With the adoption of IFRS 16 Leases, the rental expenses were re-allocated between Property rental and related expenses, Depreciation and amortisation and Finance costs. The rental and related expenses payments for the elderly residential care homes and office amounted to approximately HK$6,542,000 in total for the Reporting Year.

Profit for the year

During the Reporting Year, the Group recorded a profit of approximately HK$38,610,000 and approximately HK$52,191,000 was noted for the last year. During the Reporting Year, the Group had allocated more resources in manpower and materials for epidemic prevention measures. This led to an increment in the costs and resulted in a drop in profit for the year.

Liquidity, Financial Resources, Gearing and Capital Structure

Liquidity

As at 31 December 2022, current assets amounted to approximately HK$90,530,000 (2021: approximately HK$74,917,000). Current liabilities were approximately HK$69,023,000 (2021: approximately HK$53,244,000).

Financial Resources

As at 31 December 2022, the Group had total fixed bank deposits and cash and cash equivalents of approximately HK$37,826,000 and HK$38,491,000 (2021: nil and approximately HK$66,329,000) respectively.

As at 31 December 2022, the Group had trade receivables of approximately HK$480,000 (2021: approximately HK$165,000).

Gearing

The gearing ratio of the Group as at 31 December 2022 was 19% (2021: 15%) as the Group incurred the lease liabilities with the adoption of IFRS 16 Leases during the Reporting Year. The Group was not in need of any material debt financing during the Reporting Year.

The approach of the Board to manage the Group's working capital is to ensure sufficient liquid assets to meet its matured liabilities so as to avoid any unacceptable losses or damage to the Group's reputation.

Capital Structure

The shares of the Company (the "Shares") were successfully listed on GEM of the Stock Exchange on 12 July 2017. There has been no change in the capital structure of the Company since then. The capital of the Company only comprises of ordinary shares.

As at 31 December 2022, the total equity of the Group was approximately HK$211,151,000 (2021: approximately HK$179,141,000).

Dividend

The Directors recommend the payment of a final dividend of HK$0.10 per ordinary share, totaling HK$40,000,000 (2021: nil) for the Reporting Year.

Significant Investments Held by the Group

As at 31 December 2022, there was no significant investment held by the Group.

Future Plans for Material Investment and Capital Assets

As at 31 December 2022, the Group did not have any plan 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 Reporting Year.

Charge on Group Assets

As at 31 December 2022, the Group did not have any charge on its assets.

Foreign Exchange Exposure

The Group's sales and purchases were denominated in HK$. As such, the Group has limited exposure to any significant foreign currency exchange risks. The Board does not expect any material impact on the Group's operations caused by any foreign currency fluctuations. No financial instruments were employed by the Group for hedging purpose during the Reporting Year.

Contingent Liabilities

As at 31 December 2022, the Group had no material contingent liabilities (2021: nil).

Capital Expenditure

During the Reporting Year, the Group's capital expenditure amounted to approximately HK$22,654,000 (2021: approximately HK$3,255,000) which was used for the acquisition of property, plant and equipment in the elderly residential care homes.

Human Resources and Remuneration Policy

As at 31 December 2022, the Group had 437 employees (2021: 389 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme (the "Share Option Scheme") has been adopted on 21 June 2017 for, among others, the employees of the Group.

The remuneration of the members of the senior management by band for the Reporting Year is set out below:

	Number of persons
Less than HK$500,000	–
HK$500,001 to HK$1,000,000	6
Over HK$1,000,001	–

Potential Relocation of Shui Jun Nursing Centre (Yau Tong) Company Limited

The Company identified that (i) the use of properties (the "Yau Tong Properties") by Shui Jun Nursing Centre (Yau Tong) Company Limited ("Shui Jun (Yau Tong)") for the operation of an elderly residential care home is inconsistent with the user stated in the deed of mutual covenants and occupation permits, which also constitutes a breach of the government lease; and (ii) Shui Jun (Yau Tong) or the relevant landlords failed to serve a notice under Section 25 of the Buildings Ordinance (Cap. 123 of the Laws of Hong Kong) to the Building Authority about the intended change of user of the Yau Tong Properties.

As at the date of this report, no warning letters from the Lands Department were received nor any inspection/fines/prosecution action had been taken by the Hong Kong Government or any competent authorities with respect to the said incident. As advised by the legal counsel, (a) the failure to issue the Section 25 notice to the Building Authority for change of land use took place before the 12-month prosecution time bar under section 40(8) of the Buildings Ordinance; and (b) the risk of enforcement action by the Lands Department in the form of re-entry is remote because Shui Jun (Yau Tong) has not received any warning letter from the Lands Department regarding misuse of the Yau Tong Properties.

The Company has prepared a relocation plan and has been considering potential relocation of the elderly residential care home operated by Shui Jun (Yau Tong) to other properties. In the event the Company could not find a suitable property, the Company may consider a potential disposal of Shui Jun (Yau Tong), subject to the then market condition, to minimise any impact of the aforesaid incident to the Group. As at the date of this report, the Group has not engaged in any formal negotiations or signed any documents regarding the potential disposal with any potential buyers.

Change of Independent Non-Executive Directors and Composition of Board Committees

Mr. Kwok Chi Shing (郭志成) has resigned as an independent non-executive Director, the chairman of the audit committee of the Company (the "Audit Committee") and a member of the remuneration committee of the Company (the "Remuneration Committee") with effect from 15 August 2022 in order to devote more time to his respective other business commitments.

Mr. Chan Ching Sum Sam (陳錚森) has been appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee with effect from 15 August 2022.

For details of the change of independent non-executive Directors, please refer to the announcement of the Company dated 15 August 2022.

Appointment of Joint Company Secretary

Ms. Chu Kit Ying (朱潔瑩) has been appointed as the joint company secretary of the Company with effect from 15 August 2022. Ms. Leung Pui Shan, the existing company secretary of the Company, will continue to act as the other joint company secretary of the Company.

For details of the appointment of joint company secretary, please refer to the announcements of the Company dated 15 August 2022 and 23 September 2022, respectively.

Acquisition of a Property

On 14 October 2022, Telecom World Limited (the "Vendor"), Shui On Nursing Home Holdings Limited (the "Purchaser", an indirect wholly-owned subsidiary of the Company) and a third party property agent entered into the provisional agreement for sale and purchase, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell, the property which consists of Unit 1107 on 11/F of Tower III Enterprise Square, No.9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong (the "Property") at the consideration of HK$16,474,500 (before the Purchaser's costs and expenses). On 7 November 2022, the Purchaser and the Vendor signed the formal agreement for sale and purchase in respect of the Property. The Group intends to use the Property as office.

Given that one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the acquisition of the Property exceed 5% but all are less than 25%, the acquisition of the Property constitutes a discloseable transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules.

For details of the acquisition of the Property, please refer to the announcements of the Company dated 14 October 2022 and 7 November 2022, respectively.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Yik Tak Chi (易德智先生) ("Mr. Yik"), aged 70, was appointed as a Director on 16 February 2016, and was redesignated as the Chairman and an executive Director, and appointed as the CEO on 7 February 2017. Mr. Yik stepped down as the CEO with effect from 22 January 2018. He is also the chairman of the Nomination Committee. Mr. Yik is the founder of the Group, who also serves as a director of all of the subsidiaries of the Company. Mr. Yik is responsible for the overall management, strategic planning, business development and major decision-making of the Group.

After Mr. Yik received approximately six years of primary education in the PRC in the 1960s, he moved to Hong Kong in 1979 to start working as an apprentice in the renovation industry. After gaining experience in the renovation industry form approximately six years, Mr. Yik worked in a construction company which mainly engaged in the building maintenance works during the period between 1982 and 1985. In 1985, he set up his own company to undertake projects in the field of building maintenance until 1992. During such period, he had started gaining relevant knowledge and experience in elderly residential care home business in Hong Kong when he was involved in renovation projects for elderly residential care homes and assisted in the design of two elderly residential care homes, namely Shui On Aged Home and Kowloon Tong Shui On Convalescent Home, established by his sister to meet the relevant requirements for obtaining the operating licence.

In 1993, Mr. Yik and his sister co-founded Shui On Aged Home (Prince Edward Road), a private elderly residential care home located in Kowloon. Since then, he has been actively involved in the planning and establishment, the daily management and operation of elderly residential care homes and has accumulated more than 28 years of experience in the operation and management of elderly residential care homes. Other than the elderly residential care homes of the Group, Mr. Yik also assisted in management and operation of three other elderly residential care homes before the establishment of the Group.

Mr. Yik is the brother-in-law of Mr. Chung Kin Man and Ms. Chung Wai Man, the other two executive Directors, and also the uncle of Mr. Lui Chi Tat, the CEO.

Mr. Chung Kin Man (鍾建民先生) ("Mr. Chung"), aged 59, was appointed as an executive Director and the compliance officer of the Company on 7 February 2017. Mr. Chung also serves as a director of the Group companies, namely, Shui On Nursing Centre (Shun On) Company Limited ("Shui On (Shun On)") and Shui On Nursing Home Holdings Limited ("Shui On Holdings (HK)"). Mr. Chung is currently responsible for human resource management, staff training and daily operation of the Group. He also assists Mr. Yik in affairs such as corporate strategic planning and business development of the Group.

Mr. Chung obtained a degree of Bachelor of Technology (Computer Technology) from La Trobe University in Australia in May 1999, a degree of Master of Information Technology from Monash University in Australia in November 2001, and a degree of Associate of Social Science in Social Work from The City University of Hong Kong in July 2009. Mr. Chung also completed the Health Worker Training Course from Management Society for Healthcare Professionals in Hong Kong in 2003 and has been registered as a health worker by the SWD since October 2003. He has also been a social worker registered with the Social Workers Registration Board in Hong Kong since October 2009.

Mr. Chung has over 19 years of work experience in elderly residential care homes. Prior to joining the Group, Mr. Chung worked as a health worker in other elderly residential care homes, and primarily assisted the nurses and physiotherapists in taking care of the elderly residents and handling administrative duties. Mr. Chung first joined the Group as the director of Shui On (Shun On) in March 2006 and became the home manager of Shui On (Shun On) in September 2007. He was responsible for the daily management and operation of Shui On (Shun On). From June 2011 to April 2019, Mr. Chung was further appointed as the director of Shui Hing Nursing Centre Limited and was responsible for staff training and daily operation of the Group in view of the Group's expansion.

Mr. Chung is the brother-in-law of Mr. Yik, an executive Director and the Chairman, and is the brother of Ms. Chung Wai Man, an executive Director.

Executive Directors *(Continued)*

Ms. Chung Wai Man (鍾慧敏女士) ("Ms. Chung"), aged 57, was appointed as an executive Director on 7 February 2017. Ms. Chung also serves as a director of medical service of Shui On (Shun On). Ms. Chung is currently responsible for making healthcare policies, procedures, training programs for the medical staff at all levels in the Group, and also responsible for allocating, distributing and supervising the medical and nursing work, and evaluating the work efficiency from time to time. She also assists Mr. Yik in recruiting, supervising and managing the medical staff at all levels in the Group.

Ms. Chung obtained a degree of Bachelor of Nursing from The University of Newcastle in Australia in April 1996 and a Post-Experience Diploma in Nursing Management from The Hong Kong Polytechnic University in November 1998. She has been a registered nurse registered with the Nursing Council of Hong Kong since December 1990. Ms. Chung has over 30 years of experience as a registered nurse in Hong Kong in geriatrics and rehabilitation and extended care. Ms. Chung received nursing training in Kwong Wah Hospital from 1987 to 1990, and was employed as a registered nurse in Geriatrics of Caritas Medical Centre from 1991 to 1993. She then worked in the Department of Rehabilitation and Extended Care in Tung Wah Group of Hospitals Wong Tai Sin Hospital from 1996 to 2006. Ms. Chung was subsequently employed as a registered nurse in Shui On Nursing Centre (Shatin) Limited. She joined the Group as a director of Shui On Nursing Centre (Hing Wah) Company Limited in November 2007.

Ms. Chung is the sister-in-law of Mr. Yik, an executive Director and the Chairman, and is the sister of Mr. Chung, an executive Director.

Mr. Lui Chi Tat (雷志達先生) ("Mr. Lui"), aged 49, was appointed as the CEO on 22 January 2018. He has been appointed as an executive Director on 27 February 2019. Mr. Lui also serves as a director of all of the subsidiaries of the Company, except Shui On Nursing Home Holdings (BVI) Limited. He is currently responsible for the daily operation and management of the Group.

Mr. Lui started working as an apprentice in the renovation industry after his graduation from secondary school in 1991. He then joined the industry of elderly residential care homes by working in Jun Pak Limited (formerly known as Shui On Nursing Centre Limited), which operated an elderly residential care home in Yau Tong district, as a general clerk in 1994. Mr. Lui subsequently became the deputy home manager of the aforesaid elderly residential care home from 2001 to 2004 and the home manager of an elderly residential care home in Shatin district, from 2004 to 2010. Since 2010, Mr. Lui has been appointed as a director of Shui On Nursing Centre (Kwai Shing E.) Co. Limited ("Shui On (Kwai Shing E.)"). He also served as the home manager of Shui On (Kwai Shing E.) from July 2010 to June 2016. As a home manager, Mr. Lui has been responsible for daily operation, management and administration of the above elderly residential care homes during the relevant period. Mr. Lui has accumulated more than 21 years of experience in the management and operation of elderly residential care homes.

Mr. Lui is the nephew of Mr. Yik, an executive Director and the Chairman, and the son of Ms. Yik Wai Hang, one of the controlling shareholders (as defined under the GEM Listing Rules) of the Company.

Non-Executive Director

Mr. Lau Joseph Wan Pui (劉允培先生) ("Mr. Joseph Lau"), aged 71, was appointed as a non-executive Director on 7 February 2017. He is also the chairman of the Remuneration Committee. Mr. Joseph Lau is currently responsible for providing advice on the business strategies of the Group.

Mr. Joseph Lau obtained a degree of Bachelor of Science from Concordia University in May 1975 and a degree of Master of Business Administration from The University of Ottawa in Canada in May 1997. He was a Dean's Advisory Board Member of Telfer School of Management of The University of Ottawa. Mr. Joseph Lau has extensive experience in finance and planning, marketing and international business. He is currently chairman and co-founder of Rockhound Limited, a mineral professional firm. Mr. Joseph Lau was appointed as a non-executive director of Wealth Glory Holdings Limited (stock code: 8269) from September 2013 to October 2016, the shares of which are listed on GEM. He also served as a director of the Shui On (Kwai Shing E.) from January 2008 to March 2011.

From 2002 to 2004, Mr. Joseph Lau was appointed as an executive director and chief executive officer of WLS Holdings Limited (stock code: 8021), the shares of which are listed on GEM. From 1997 to 1999, he was appointed as an executive director of Tse Sui Luen Jewellery (International) Limited (stock code: 0417), the shares of which are listed on the Main Board. From 1995 to 1996, he was appointed as an executive director of Build King Holdings Limited (formerly known as Seapower International Holdings Limited) (stock code: 0240), the shares of which are listed on the Main Board. He also served as an independent non-executive director of Larry Jewelry International Company Limited (stock code: 8351) from November 2012 to June 2013, the shares of which are listed on GEM, and re-designated as its nonexecutive director from June 2013 to December 2013.

Mr. Lau Joseph Wan Pui has been appointed as a director of Auxico Resources Canada Inc. whose shares are listed on the Canadian Securities Exchange, with effect from 1 April 2019.

Independent Non-Executive Directors

Mr. Chan Ching Sum Sam (陳錚森) ("Mr. Chan"), aged 40, was appointed as an independent non-executive Director on 15 August 2022. He is also the chairman of the Audit Committee and a member of the Remuneration Committee.

Mr. Chan obtained a degree of Bachelor of Business Administration with Accounting from the Hong Kong Baptist University in November 2005, and a degree of Master of Science with Financial Analysis from The Hong Kong University of Science and Technology in November 2012. Mr. Chan is currently a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Institute of Public Accountants in Australia, a fellow member of the Institute of Financial Accountants in the United Kingdom and a member of the Institute of Certified Management Accountants in Australia.

Mr. Chan has over 17 years of experience in the finance and accounting industry. He has extensive knowledge and experience in cross-border as well as domestic mergers and acquisitions transactions and capital market transactions including initial public offerings, takeovers and financial advisory.

Mr. Chan has served as an independent non-executive director of Satu Holdings Limited (舍圖控股有限公司), the shares of which are listed on GEM (stock code: 8392), since September 2017.

Mr. Chan has served as a head of mergers and acquisitions & ESG of Wai Chi Opto Technology Limited since September 2022, wholly owned subsidiary of Wai Chi Holdings Company Limited, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1305). From May 2020 to July 2022, Mr. Chan served as a head of mergers and acquisitions and an executive director of the corporate finance department for Eddid Capital Limited. From December 2017 to May 2020, he served as a director of First Shanghai Capital Limited. From February 2013 to February 2017, he served at Changjiang Securities Holdings (HK) Limited with his last position being senior vice president of the corporate finance department. From December 2010 to August 2012, he served as an investment banking analyst at Piper Jaffray Asia Limited. From July 2009 to December 2010, he was an accounting senior officer in the finance division worked at China Construction Bank Corporation, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0939). From March 2008 to July 2009, he worked at PricewaterhouseCoopers as senior associate in the assurance department. From September 2005 to March 2008, he worked at Ernst & Young as accountant in the assurance and advisory business services department.

Mr. Lau Tai Chim (劉大潛先生) ("Mr. Lau"), aged 71, was appointed as an independent non-executive Director on 21 June 2017. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee.

Mr. Lau is a solicitor practising law in Hong Kong. Mr. Lau has cultivated over 30 years of law practising experience. He has been a partner of the firm Messrs. T.C. Lau & Co. since 1986. He obtained a degree of Bachelor of Laws from The University of Buckingham in England in February 1981. Apart from practising as a solicitor in Hong Kong, Mr. Lau has also been a solicitor in England and Wales since May 1988 as well as in the Republic of Singapore since February 1995. Mr. Lau is also a notary public and a China appointed attesting officer.

Mr. Lau has been appointed as an independent non-executive director of Future Bright Mining Holdings Limited (高鵬礦業控股有限公司) from December 2014 to September 2018, the shares of which are listed on the Main Board (stock code: 2212). Mr. Lau also served as an independent non-executive director of Warderly International Holdings Limited (匯多利國際控股有限公司) (currently known as Fullshare Holdings Limited (豐盛控股有限公司)) from April 2002 to September 2010, the shares of which are listed on the Main Board (stock code: 0607), and was appointed as a non-executive director of Kingboard Chemical Holdings Limited (建滔化工集團有限公司) from March 2001 to September 2004, the shares of which are listed on the Main Board (stock code: 0148).

Independent Non-Executive Directors *(Continued)*

Mr. Wong Wai Ho (黃偉豪先生) ("Mr. Wong"), aged 73, joined the Group and was appointed as an independent nonexecutive Director on 21 June 2017. He is also a member of the Audit Committee and the Nomination Committee.

Mr. Wong obtained a degree of Bachelor of Business Administration from The Chinese University of Hong Kong in October 1971 and a degree of Master of Law from Renmin University of China 中國人民大學 in June 2004.

Mr. Wong has served as an independent non-executive director since 2014 as well as a member of the audit committee and nomination committee of Road King Infrastructure Limited (路勁基建有限公司) since 2015, a company whose shares are listed on the Main Board (stock code: 1098). Mr. Wong was an executive director of Proactive Technology Holdings Limited (currently known as Chinese Strategic Holdings Limited 華人策略控股有限公司) from 2000 to 2006, a company whose shares are listed on GEM (stock code: 8089).

Mr. Wong has also been actively involved and participated in the public services. He was a director of executive committee of The Canadian Chamber of Commerce in Hong Kong (香港加拿大商會) from 2013 to 2016. He was also a member of the board of trustees of Chung Chi College (崇基學院) in The Chinese University of Hong Kong, and he worked for Hong Kong Trade Development Council (香港貿易發展局) from 1976 to 1987 and from 1989 to 1992. As a director of Canada of the Hong Kong Trade Development Council, Mr. Wong provided secretarial supporting services to Hong Kong Canada Business Association (港加商會) from 1989 to 1992.

Senior Management

Joint Company Secretaries

Ms. Leung Pui Shan (梁佩珊女士) ("Ms. Leung") and **Ms. Chu Kit Ying (朱潔瑩女士)** ("Ms. Chu") are currently the joint company secretaries of the Company.

Ms. Leung, aged 42, joined the Group as the chief financial officer in Shui On Holdings (HK) in December 2015 and was appointed as the chief financial officer and company secretary of the Company on 7 February 2017. She has been serving as the joint company secretary since 15 August 2022. She is currently responsible for accounting, financial management and company secretarial matters of the Group.

Ms. Leung obtained a degree of Bachelor of Business Administration (Honours) in Accountancy and Management Information Systems from The City University of Hong Kong in November 2004, and a degree of Master of Science in Accountancy from The Hong Kong Polytechnic University in October 2011. She has been a member of the Hong Kong Institute of Certified Public Accountants since 2011. Ms. Leung has over 15 years of experience in auditing, advisory accounting and financial management. For the period from May 2012 to April 2015, Ms. Leung served at Manwell (China) Limited (萬華(中國)有限公司), a subsidiary of China Tianyi Holdings Limited (中國天溢控股有限公司) (stock code: 0756) (currently known as Tianyi (Summi) Holdings Limited (天溢(森美)控股有限公司)), a company whose shares are currently listed on the Main Board, with her last position being financial controller and company secretary. Ms. Leung had worked in the field of audit in Ernst & Young from 2011 to 2012, Deloitte Touche Tohmatsu from 2006 to 2009 and K.W. Tam & Co. from 2004 to 2005.

Ms. Chu, aged 37, was appointed as the assistant company secretary and financial controller of the Company in July 2017. She has been appointed as the joint company secretary of the Company with effect from 15 August 2022. She is currently responsible for accounting, financial management and company secretarial matters of the Group.

Senior Management *(Continued)*

Joint Company Secretaries *(Continued)*

Ms. Chu obtained a degree of Bachelor of Commerce in Accounting from Macquarie University in Australia in November 2008. She has been a member of the CPA Australia since 2012 and is currently a student member of The Hong Kong Chartered Governance Institute. For the period from March 2015 to April 2016, Ms. Chu served as a company secretarial officer at Imagi International Holdings Limited (意馬國際有限公司), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0585). For the period from December 2012 to March 2015, Ms. Chu served at Manwell (China) Limited (萬華（中國）有限公司), a subsidiary of China Tianyi Holdings Limited (中國天溢控股有限公司) (currently known as Tianyi (Summi) Holdings Limited (天溢（森美）控股有限公司)), the shares of which are currently listed on the Main Board of the Stock Exchange (stock code: 0756), with her last position being deputy company secretary. Ms. Chu had worked in the field of audit in Jupiter Lee & Co. from April 2009 to August 2012.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Company believes that good corporate governance provides a framework that is crucial for effective management, healthy corporate culture, sustainable business growth and promoting shareholders' value. The corporate governance principles of the Company emphasise a quality Board, proper internal controls, and improves transparency and accountability for the benefit of the Shareholders.

During the Reporting Year, the Company has adopted and complied with, where applicable, the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules.

Code of Conduct of Directors' Securities Transactions

The Company has adopted the required standard of dealings (the "Required Standard of Dealings") as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. In response to the specific enquiry made by the Company, all Directors confirmed that they fully complied with the Required Standard of Dealings throughout the Reporting Year.

Board of Directors

The Board has a balance of skills and experience required of the Group's business. As at the date of this report, the Board comprised four executive Directors, one non-executive Director and three independent non-executive Directors, whose biographies are set out in the section headed "Board of Directors and Senior Management" on pages 12 to 16 of this report. An updated list of Directors by category identifying their roles and functions is at all times available on the websites of the Company and the Stock Exchange. Save as disclosed under the section headed "Board of Directors and Senior Management", there is no other financial, business, family or other material or relevant relationships between the Board members, and in particular, between the Chairman and the CEO.

The Company has in place mechanisms which ensure independent views are available to the Board. During the Reporting Year, the Board maintained a high level of independence, with more than one-third of the Board comprised of independent non-executive Directors, who had exercised independent judgement, took the lead where potential conflicts of interests arise, and served on the Audit Committee, Remuneration Committee and Nomination Committee (as set out in the paragraph headed "Meetings" below). During the Reporting Year, the Chairman also held a meeting with the independent non-executive Directors without the presence of other directors. The independent non-executive Directors are expressly identified in all corporate communications whenever the names of Directors are disclosed. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive Directors satisfied the GEM Listing Rules requirement of independence for the Reporting Year.

The non-executive Director, Mr. Lau Joseph Wan Pui, also exercises his independent judgement and advise on the future business direction and strategies of the Company. He is also the chairman of the Remuneration Committee.

Board of Directors *(Continued)*

Meetings

The Board meets regularly at least four times each year. In addition to regular meetings, it meets as and when warranted by particular circumstances. The Directors attend the meetings in person or by telephone in accordance with the articles of association of the Company (the "Articles of Association"). An agenda and board papers of the regular meetings are sent to the Directors in advance within reasonable time and the Directors are free to contribute and share their views at the meetings. The Chairman promotes a culture of openness in the meetings of the Board and encourages Directors with various views to voice their opinion and be actively engaged in the Board's affairs.

The composition of the Board and their respective attendance in the general meetings, the Board meetings and other committee meetings during the Reporting Year are as follows:

	Number of meetings attended/held during the respective tenure				
	General Meeting	Board Meetings	Audit Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meeting
Chairman and Executive Director					
Mr. Yik Tak Chi	2/2	7/7	n/a	1/1	n/a
Executive Directors					
Mr. Chung Kin Man	2/2	7/7	n/a	n/a	n/a
Ms. Chung Wai Man	2/2	7/7	n/a	n/a	n/a
Mr. Lui Chi Tat	2/2	7/7	n/a	n/a	n/a
Non-executive Director					
Mr. Lau Joseph Wan Pui	2/2	7/7	n/a	n/a	1/1
Independent non-executive Directors					
Mr. Chan Ching Sum Sam (appointed on 15 August 2022)	1/2	2/7	1/4	n/a	1/1
Mr. Kwok Chi Shing (resigned on 15 August 2022)	1/2	5/7	3/4	n/a	1/1
Mr. Lau Tai Chim	2/2	7/7	4/4	1/1	1/1
Mr. Wong Wai Ho	2/2	7/7	4/4	1/1	n/a

The joint company secretaries are responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes which are recorded in sufficient detail the matters considered and decisions reached will normally be circulated to the Directors for comment within a reasonable time after each meeting and the final version is open for the Directors' inspection.

Board of Directors *(Continued)*

Responsibilities and Delegation

The Board is vested with the key roles of formulating the Group's corporate strategies and policies, monitoring the financial and operating performance, reviewing the effectiveness of internal control system and overseeing the performance of management, who is delegated with the responsibilities of executing the Board's decision and in-charging day-to-day operation. In discharging its responsibilities, the Board meets regularly and acts in good faith, with due diligence and care.

The Directors have recourse to seek independent professional advice in performing their duties at the Company's expenses.

The delegated functions are reviewed by the Board periodically to ensure that the needs of the Group are accommodated. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group.

During the Reporting Year, the Board has reviewed and discussed the corporate governance policies of the Group and is satisfied with the effectiveness of the corporate governance policies.

Financial Reporting

During the Reporting Year, the management of the Company has provided to the Board quarterly updates with quarterly consolidated financial statement of the Company's performance, position and prospects in sufficient details during the regular Board meetings of the Company. In addition, the management has provided the Board with in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board. The management discussion and analysis prepared by the management and reviewed by the Board are included in pages 4 to 11 of this report.

Induction and Continuous Professional Development

Every newly appointed Director will receive a comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

The Directors confirmed that they have complied with the code provision C.1.4 of the CG Code on Directors' training. To ensure their contributions to the Board remains informed and relevant, all the Directors have participated in continuous professional development to develop and refresh their knowledge and skill. During the Reporting Year, all the Directors were provided with regular updates and presentations on changes and developments of the Group's business and the latest developments in laws, rules and regulations relating to director's duties and responsibilities.

Chairman and Chief Executive Officer

Under code provision C.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yik Tak Chi is the Chairman of the Board and Mr. Lui Chi Tat is the CEO. The roles of the Chairman and the CEO are defined clearly and set out in writing to ensure their accountability and responsibility with respect to the management of the Company.

The Chairman is responsible for providing leadership to, and overseeing, the functioning of the Board and seeking to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive, in a timely manner, adequate and reliable information. The CEO is responsible for managing the business of the Group and leading the management team to implement strategies and objectives adopted by the Board.

Board of Directors *(Continued)*

Appointment and Re-election of Directors

Each executive Director has entered into a service contract with the Company for an initial fixed term of three years, which is renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter. Each non-executive Director and independent non-executive Director has entered into a letter of appointment with the Company for an initial fixed term of three years, provided that either party can at any time terminate the appointment by giving to the other party not less than three months' prior notice in writing. However, the appointments of the Directors are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provision of the Articles of Association.

The Articles of Association provides that at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years.

Insurance of the Directors and Officers

The Company has bought liability insurance for Directors and officers in respect of legal action against the Directors and officers which is in compliance with the CG Code.

Remuneration of Directors and Senior Management

The Remuneration Committee has consulted the Chairman and/or the CEO about proposals relating to the remuneration packages and other human resources issues of the Directors and senior management. The Director's remuneration policy is determined by the Board with recommendation of the Remuneration Committee and in accordance with market level, individual qualifications, as well as contribution and commitments to the Company.

Details of the emoluments/fee of the Directors and five individuals with highest remuneration are set out in notes 13 and 14 to the consolidated financial statements.

Board Diversity Policy

The Board adopted a board diversity policy (the "Board Diversity Policy") on 20 March 2018. With the objective of enhancing the Board effectiveness and corporate governance, the Company recognises increasing diversity at Board level as an essential element in maintaining a competitive advantage. The Company endorses and recognises the benefits of having a diversified Board.

Selections on the Board for appointments are based on an appropriate range of diversity of perspectives, including but not limited to skills, knowledge, gender, age, ethnicity, cultural and educational background, and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption.

Board Diversity Policy *(Continued)*

The Board is of the view that board diversity has been substantially achieved and implementation of the Board Diversity Policy is effective in the current composition of the Board:

– Age: The age of the Directors ranges from 40 to 73.

– Gender: The Company has a mixed gender Board.

– Professional and industry experience: The Board members have diversified experiences in different fields, including management of residential care homes, business administration, corporate governance, accounting, legal, nursing and social work.

– Education background: Most of the Board members obtained a bachelor's degree or above in local or overseas universities.

The Board comprised of seven male members and one female member. The Board will take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. The workforce (including senior management) of the Group consisted of 336 female members and 45 male members. As most of the Group's employees consist of health workers, care workers and ancillary workers, and the majority of these workers available in the market are female, having considered the characteristics of this industry, the Board is of the view that the achieving of gender diversity across the workforce is less relevant.

Nomination Policy

The Board adopted a nomination policy (the "Nomination Policy") on 18 January 2019. The purpose is to identify and evaluate a candidate for nomination to the Board for appointment or to the Shareholders for election as a Director. The nomination committee of the Company (the "Nomination Committee") shall consider, among others, the following criteria in evaluating and selecting candidates for directorships:

(a) diversity in all its aspects, including but not limited to skills, knowledge, gender, age, ethnicity, cultural and educational background, professional experience and other personal qualities of the candidate;

(b) ability to exercise sound business judgment and possess proven achievement and experience in directorship including effective oversight of and guidance to management;

(c) commitment of the candidate to devote sufficient time for the proper discharge of the duties of a Director. In this regard, the number and nature of offices held by the candidate in public companies or organisations, and other executive appointments or significant commitments will be considered;

(d) potential/actual conflicts of interest that may arise if the candidate is selected;

(e) independence of the independent non-executive director candidates must satisfy the independence requirements under the GEM Listing Rules; and

(f) in the case of a proposed re-appointment of an independent non-executive director, the number of years he/she has already served.

Each proposed new appointment, election or re-election of a director shall be assessed and/or considered against the criteria and qualifications set out in the Nomination Policy by the Nomination Committee which shall recommend its views to the Board and/or the Shareholders for consideration and determination.

In addition to the policy above, the Company also requires the directors to disclose to the Company at the time of their appointment and notify the Company as soon as reasonably practicable thereafter the number and nature of offices held in public companies or organisations and other significant commitments should there be any change.

Nomination Policy *(Continued)*

The Board will from time to time review the Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practice.

Board Committees

The Board has established three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee to oversee particular aspects of the Company's affairs. The Board committees report to the Board of their decisions and recommendations at the Board meetings.

Audit Committee

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee the risk management and internal control systems the Company. The terms of reference of the Audit Committee are available and accessible at the websites of the Company (www.shuionnc.com) and the Stock Exchange (www.hkexnews.hk).

Currently, the Audit Committee comprises three members who are all independent non-executive Directors, namely Mr. Chan (as chairman of the committee), Mr. Lau and Mr. Wong.

During the Reporting Year, the Audit Committee held four meetings. Details of the committee members' attendance at these meetings are set out in the section "Meetings" above. A summary of work performed by the Audit Committee during the Reporting Year is set out as follows:

(a) reviewed with the management and the external auditor the effectiveness of audit process and the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual results of the Company for the year ended 31 December 2021, the first quarterly results of the Company for the three months ended 31 March 2022, the interim results of the Company for the six months ended 30 June 2022 and the third quarterly results of the Company for the three months ended 30 September 2022;

(b) met with the external auditor to discuss the accounting and audit issues of the Group and reviewed their findings, recommendations and representations;

(c) reviewed with the management the risk management and internal control system of the Group;

(d) conducted annual review on the exempt continuing connected transactions of the Group;

(e) recommended the Board on the re-appointment of external auditor at the 2022 annual general meeting; and

(f) reviewed the independence of external auditor and approved its engagement.

The Company's annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee in conjunction the management and the external auditor. The Audit Committee was satisfied that the consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2022.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice if it considers necessary. It is given access to and assistance from the employees and reasonable resources to discharge its duties properly.

Board Committees *(Continued)*

Audit Committee *(Continued)*

According to code provision A.2.1 of the CG Code, the Audit Committee is also responsible for performing certain corporate governance duties as delegated by the Board. During the Reporting Year, the Audit Committee developed and reviewed the Company's corporate governance policies and practices, reviewed and monitored the continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and reviewed Company's compliance with the CG Code and disclosure in this corporate governance report.

The Audit Committee reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, and financial reporting.

The Audit Committee is mandated to monitor the independence of the Group's external auditor, Prism Hong Kong and Shanghai Limited ("Prism"), to ensure its objectivity in auditing the financial statements. All services provided by Prism must be approved by the Audit Committee. During the Reporting Year, the Audit Committee reviewed Prism's statutory audit scope and non-audit services and approved its fees.

The Board has had no disagreement with the Audit Committee's view on the re-appointment of the external auditor during the Reporting Year.

Nomination Committee

The Nomination Committee was established with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board on regular basis; identify individuals suitably qualified to become members of the Board; assess the independence of the independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO. The terms of reference of the Nomination Committee are available and accessible at the websites of the Company (www.shuionnc.com) and the Stock Exchange (www.hkexnews.hk).

The Nomination Committee comprises three members, being the chairman of the Board, namely Mr. Yik (as chairman of the committee), and two independent non-executive Directors, namely Mr. Lau and Mr. Wong.

During the Reporting Year, the Nomination Committee held one meeting. Details of the committee members' attendance at these meetings are set out in the section "Meetings" above. A summary of work performed by the Nomination Committee during the Reporting Year is set out as follows:

(a) reviewed the existing structure, size, composition and diversity of the Board;

(b) assessed the independence of the independent non-executive Directors and reviewing the independent non-executive Directors' annual confirmations on their independence;

(c) made recommendation to the Board on the re-election of Directors at the 2022 annual general meeting; and

(d) considered the appointments of the proposed independent non-executive Director and joint company secretary, and made recommendation to the Board on the appointments of and the proposed independent non-executive Director and joint company secretary.

The Company recognises increasing diversity at Board level as an essential element in maintaining a competitive advantage in order to enhance effectiveness of the Board and corporate governance of the Company. Selections of candidates for appointment as the Board members are based on an appropriate range of diversity of perspectives and the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Board Diversity Policy regularly to ensure the effectiveness of the Board Diversity Policy. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

Board Committees *(Continued)*

Remuneration Committee

A remuneration committee (the "Remuneration Committee") was established with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance-based remuneration; and ensure none of the Directors determine their own remuneration. The terms of reference of the Remuneration Committee are available and accessible at the websites of the Company (www.shuionnc.com) and the Stock Exchange (www.hkexnews.hk).

The Remuneration Committee comprised three members, being one non-executive Director, namely Mr. Joseph Lau (chairman of the committee), and two independent non-executive Directors, namely Mr. Chan and Mr. Lau.

During the Reporting Year, the Remuneration Committee held one meeting. Details of the committee member's attendance of these meetings are set out in the section "Meetings" above. A summary of work performed by the Remuneration Committee during the Reporting Year is set out as follows:

(a) recommended to the Board on the remuneration package regarding the newly appointed independent non-executive Director and joint company secretary; and

(b) considered and reviewed the executive Directors' remuneration.

Risk Management and Internal Controls

The Board is responsible for establishing a risk management and internal control policies and systems and monitoring their effectiveness. The Board has adopted procedures for developing and maintaining the risk management and internal control systems on a continuous basis in accordance with the applicable laws and regulations. The risk management and internal control systems cover operations, management, legal matters, corporate governance, finance and audit, in accordance with the needs of the Group. The Board is of the view that the risk management and internal control procedures and systems are sufficient in terms of comprehensiveness, practicability and effectiveness.

The risk management and internal control systems of the Company is largely top-down, involving the Board, the Audit Committee, and key business units. These parties all play important roles in the system. Such system is designed to ensure that significant risks are properly managed rather than eliminated from, the Company's business environment.

The Board, through the Audit Committee, reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, and financial reporting functions at the Board meeting and noted that the Company has been in compliance with the code provisions of the CG Code for the Reporting Year.

The Company does not have internal audit department, but the executive directors and management of the Company are responsible to review the effectiveness of the Group's internal control system. In addition, there is regular dialogue with the Group's external auditors so that both are aware of the significant factors which may affect their respective scope of work.

A review of the effectiveness of the Group's system of internal control covering all key controls, including financial, operational and compliance and risk management controls, is conducted annually. During the Reporting Year, the review based on a framework which assesses the Group's internal control system into corporate level controls. The examination consisted of enquiry, discussion and validation through observation and inspection (if necessary). The result of the review has been reported to the Board and areas of improvement, if any, have been identified and appropriate measures have been put in place to manage the risks.

During the Reporting Year, the Board considered the risk management and internal control systems of the Group as adequate and effective and that the Company has complied with the code provisions of the CG Code on internal control.

Dissemination of inside Information

The Group is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted the Required Standard of Dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to the same dealing restrictions. The Group also strictly prohibits the Directors from the unauthorised use of confidential or inside information to the advantage of himself or others. The Company promptly identifies, assesses and escalates any inside information and any information which may potentially constitute inside information to the Board, which decides the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of the Stock Exchange and the Company in due course.

Dividend Policy

The Board has approved and adopted a dividend policy (the "Dividend Policy") on 18 January 2019 in compliance with code provision F.1.1 of the CG Code. It is the policy of the Board, in considering the payment of dividends, to allow Shareholders to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities.

When considering whether to declare any dividends and determining the dividend amount, the Board will take into consideration, inter alia, the following factors:

(a) the actual and expected financial performance of the Group;

(b) the capital and debt level of the Group;

(c) the general market conditions;

(d) any working capital requirements, capital expenditure requirements and future development plans of the Group;

(e) retained earnings and distributable reserves of the Company and each of the members of the Group;

(f) the liquidity position of the Group;

(g) any restrictions on dividend payouts imposed by any of the Group's lenders;

(h) the statutory and regulatory restrictions which the Group is subject to from time to time; and

(i) any other relevant factors that the Board may deem appropriate.

The payment of the dividends by the Company will also be subject to any restrictions imposed by the applicable laws, rules and regulations as well as the Articles of Association.

The Board will from time to time review the Dividend Policy and may exercise at its absolute and sole discretion to update, amend and/or modify the Dividend Policy at any time as the Board deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any specific reporting period.

Whistleblowing Policy and anti-Corruption Policy

The Group is committed to achieving and maintaining high standards of openness, probity and accountability and to conduct business fairly, with integrity, honesty and transparency. In line with this commitment, the Company expects and encourages employees of the Group and those who deal with the Group (e.g. customers, suppliers, creditors, debtors, etc.) to report to the Company any actual or suspected impropriety, misconduct or malpractice within the Group.

The Group is also committed to upholding high standards of business integrity, ethical business practices, honesty, fairness, impartiality and transparency in all its business dealings.

The Board has implemented and adopted the Whistleblowing Policy and Anti-Corruption Policy pursuant to code provisions D.2.6 and D.2.7 of the CG Code, respectively during the Reporting Year in March 2022.

The Audit Committee will be responsible for the day-to-day implementation, supervision, monitoring and enforcement of the Whistleblowing Policy, and the interpretation, review and amendment of all the rules and procedures set out in the Whistleblowing Policy from time to time.

The Audit Committee has overall responsibility for the Anti-Corruption Policy but has delegated day-to-day responsibility for overseeing and implementing it to the joint company secretaries of the Company. The Audit Committee is also responsible for the interpretation, review and amendment of all the rules and procedures set out in the Anti-Corruption Policy from time to time.

Details of the Whistleblowing Policy and Anti-Corruption Policy are available on the website of the Company.

Auditor's Remuneration

During the Reporting Year, remuneration in respect of audit service provided by the auditor of the Company to the Group was approximately HK$1,200,000.

Directors and Auditor's Responsibilities for Financial Statement

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Year. The auditor of the Company acknowledges its reporting responsibilities in the auditor's report on the financial statement during the year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as going concern. The statement made by the auditor of the Company regarding their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 74 to 75 of this report.

Joint Company Secretaries

The joint company secretaries are full-time employees of the Company and have day-to-day knowledge of the Company's affairs. The joint company secretaries report to the Chairman and are responsible for advising the Board on corporate governance matters and facilitating communication between the Board members, the Shareholders and the management of the Company. During the Reporting Year, each of the joint company secretaries undertook more than 15 hours of relevant professional training. The Directors have access to the joint company secretaries for ensuring that Board procedures, and all applicable law, rules and regulations, are followed. The biography of the joint company secretaries are set out in the section headed "Board of Directors and Senior Management" on pages 16 to 17 of this report.

Shareholders' Rights

Set out below is a summary of certain rights of the Shareholders.

Way to Convene an Extraordinary General Meeting

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 carrying the right of voting at general meetings of the Company shall at all times have the right to require an extraordinary general meeting to be called by the Board. The requisition shall be in writing stating the purposes of the meeting, signed by the requisitionists, addressed to the Board or the joint company secretaries and deposited at the principal place of business in Hong Kong of the Company and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Enquiries to the Board

Shareholders may at any time put their enquires to the Board in writing by sending to the principal place of business in Hong Kong of the Company at Unit 09, 7/F., FTLife Tower, No. 18 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong or to the email address ir@shuionnc.com for the attention of the Board or the joint company secretaries.

Procedures for Putting Forward Proposals at Shareholders' Meeting

Shareholders are welcomed to put forward proposals relating to the operations and management of the Group to be discussed at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Way to Convene an Extraordinary General Meeting".

Procedures for Shareholders to Propose a Person for Election as a Director

With respect to the Shareholders' right in proposing persons for election as Directors, please refer to the procedures available on the website of the Company.

Investor Relations

Communication with Shareholders

The Board recognises the importance of good and effective communication with its shareholders. The Company has adopted a shareholders communication policy with the objective of ensuring that the Shareholders will have ready, equal and timely access to balanced and understandable information about the Company in order to enable the Shareholders to exercise their rights in an informed manner. The Company has established a range of communication channels between itself and the Shareholders, its investors and other stakeholders. Full text of the shareholders communication policy is available on the website of the Company.

Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

The latest information in relation to the Group is disseminated to the Shareholders in a timely manner through a number of formal channels, which include quarterly reports, interim reports, annual reports, announcements, circulars, notices of general meetings and other regulatory disclosures, which are published on the website of the Stock Exchange and the Company website (www.shuionnc.com).

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the Shareholders. The Directors actively seeks to participate at the annual general meeting and to answer any questions from the Shareholders.

The Board, having reviewed the existing measures under the shareholders communication policy, is of the view that the shareholders communication policy has been successfully implemented and remained effective during the Report Year. The Board will review the shareholders communication policy on a regular basis.

Constitutional Documents

During the Reporting Year, the Company adopted the second amended and restated Articles of Association of the Company on 2 December 2022, a copy of which is available on the websites of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Introduction

The Group is an established operator of elderly residential care homes in Hong Kong providing comprehensive residential care home services to the elderly residents including: (i) the provision of accommodation with dietician-managed meal plans, 24-hour nursing and caretaking assistance and professional services such as regular medical consultation, physiotherapy, occupational therapy, psychological and social care services; and (ii) the sale of healthcare and medical consumable products and the provision of customisable add-on healthcare services to the elderly residents.

As a Hong Kong based company, the Group adheres to develop sustainably in accordance with the environmental, social and governance ("ESG") management principles, and is committed to effectively and responsibly handling the Group's ESG issues as a core part of the Group's business strategy as the Group believes this is the key to its continuous success in the future.

The ESG Governance Structure

The Group has established a ESG governance structure to guarantee that it is consistent with its business strategy and integrate ESG management into its business operations and decision-making process.

The Board holds an overall and collective responsibility for the Group's ESG strategies and reporting, as well as overseeing and managing its ESG-related issues. The Board has a balance of skills, expertise, experience, and diversity of perspectives to appropriate to the Group's ESG strategies. The Board is required to formulate the ESG management structure, policies, strategies, priorities and objectives. In order to better manage the Group's ESG performance, related issues and potential risks, the Board discusses, evaluates and identifies the Group's ESG risks and opportunities, and reviews their performance and progress in view of ESG-related goals and targets at least once per year. The Board is also responsible for ensuring the effectiveness of risk management and internal monitoring systems, as well as approving disclosures in the environmental, social and governance report (the "ESG Report").

In order to closely monitor and manage the impact of the Group on ESG aspects, the Group has established the ESG Task Force (the "Task Force"). The Task Force comprises core members from different departments of the Group to assist the Board in the oversight and management of ESG matters. The Task Force is responsible for collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance, following up and reviewing the progress of the Group's ESG-related goals and targets, ensuring the compliance with ESG-related laws and regulations, assisting in materiality assessments, and preparing the ESG Report. In order to enhance the overall ESG performance of the Group, the Task Force arranges meetings and reports to the Board on an annual basis to assist in identifying and evaluating the Group's ESG risks and opportunities, ensuring the effectiveness of risk management and internal monitoring mechanisms, and making recommendations for improvement when necessary.

Reporting Scope

This ESG Report follows the reporting scope of the Group's annual report. As in previous reports, this ESG Report continues to cover the business area that is under the Group's direct operational control, namely the operation of elderly residential care homes. It includes the Hong Kong head office and seven elderly residential care homes, including four "Shui On 瑞安", one "Shui Hing 瑞興", one "Shui Jun 瑞臻", and one "Guardian Home 佳安家" branded elderly residential care homes.

Reporting Period

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2022 (the "Reporting Period" and "2022").

Reporting Framework

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 20 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The corporate governance practices of the Group are published in the "Corporate Governance Report" of this annual report.

During the preparation of this ESG Report, the Group has adopted the reporting principles set out in the aforementioned ESG Reporting Guide, which include:

Materiality: The Group has conducted materiality assessment to identify material issues during the Reporting Period, and has made the identified material issues as the focus of the ESG Report. The materiality of the issues has been reviewed and confirmed by the Board and the Task Force. For further details, please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment".

Quantitative: The standards and methodologies, as well as the applicable assumptions used for calculating data of ESG key performance indicators ("KPIs") have been supplemented in the explanatory notes.

Consistency: Unless otherwise stated, the preparation approach of this ESG Report is substantially consistent with the previous years, including the year ended 31 December 2021 ("2021") for meaningful comparison. If there is any change in the scope of disclosure and calculation methodology, which may affect the comparison with previous reports, explanation will be provided to the corresponding data.

Director Statement

Dear Stakeholders,

On behalf of the Board, I am pleased to present this ESG Report to demonstrate the Group's performance and commitment to ESG during the Reporting Period.

The Group believes that integrating the concept of sustainable development into corporate strategies will help the Group enhance its long-term value and drive its future development. Therefore, the Group also strives to develop a sound governance structure to align ESG governance with the Group's business strategy and effectively manage ESG matters related to the Group. In addition to taking responsibility for ESG matters and incorporating them into the Group's strategies, the Board is also responsible for guiding the management and monitoring of ESG issues related to the Group, such as evaluating the potential impacts of ESG issues on the overall strategy of the Group, formulating ESG management policies and strategies, and monitoring the corporate risks on the Group's ESG issues. During the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and monitoring systems for ESG matters, and confirmed that the disclosed content complies with the requirements of the ESG Reporting Guide. Information on the Group's ESG governance structure is set out in the section headed "The ESG Governance Structure" of this ESG Report.

In order to manage ESG matters more effectively, the Group has established the Task Force reporting to the Board to assist in identifying the Group's ESG risks and evaluating the effectiveness of its internal monitoring mechanisms. The Board has appointed the Task Force and engaged an independent professional third party to conduct a materiality assessment with different stakeholders. Information on the communication channels of stakeholders and the materiality assessments conducted by the Group are set out in the sections headed "Stakeholder Engagement" and "Materiality Assessment" respectively. The Group will further strengthen the communication with stakeholders so as to gain a better understanding of their expectations for the sustainable development of the Group, as well as formulate relevant sustainable development policies and measures with reference to their opinions, with an aim of improving the Group's ESG performance.

Although the Group's operation of residential care homes for the elderly does not have a significant impact on the environment, the Group still actively responds to environmental policies on carbon neutrality, energy conservation and waste reduction, to promote sustainable development of the enterprise. In addition, the Group believes that setting ESG-related targets can enhance the Group's commitment to corporate social responsibility and allow stakeholders of the Group to better understand the Group's ESG performance. Accordingly, the Group has formulated quantitative targets on issues that are material to the Group, including greenhouse gas ("GHG") emissions, waste management, energy management and water management. The Board reviews the progress of relevant targets through the Task Force at least one per year and ensures that the Group possesses sufficient measures and resources to achieve the set targets. During the Reporting Period, the Board has confirmed that the progress towards the targets has been satisfactory and expects steady progress to continue.

Lastly, on behalf of the Board and management team of the Group, I would like to express the Group's cordial thanks to its esteemed stakeholders for their unremitting support and valuable contributions to the development of the Group. In the future, the Group will continue to enhance its governance and transparency, provide quality services and focus on the efficient use of resources, so as to fulfill corporate social responsibility and achieve a sustainable future.

Yik Tak Chi
Chairman and Executive Director

Stakeholder Engagement

The Group values different stakeholders and their feedback on the Group's business and ESG issues. To understand and address the concerns of each stakeholder, the Group has maintained close communication with stakeholders. The Group will continue to strengthen the stakeholder engagement through constructive dialogue in order to create a blueprint for long-term prosperity. By understanding the expectations and concerns of our stakeholders, the Group will be able to make corresponding strategic adjustments to lead the Group towards sustainable development. The Group's communication channels with stakeholders and stakeholders' expectations on the Group are as follows:

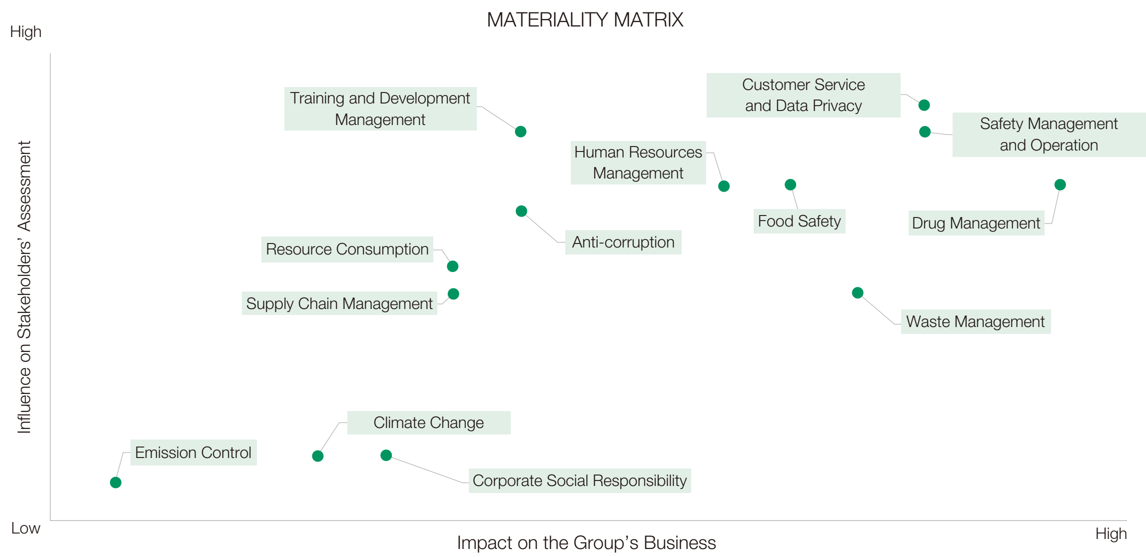
Stakeholder	Communication Channels	Expectations
Shareholders and investors	• Annual general meeting and other shareholders meetings • Financial reports • Announcements and circulars	• Compliance with related laws and regulations • Disclosing latest information in due course • Financial performance • Corporate sustainable development
Customers	• Customer satisfaction surveys • Customer service center • Customer service manager • Complaints revision meetings	• Fulfilling product and service responsibility • Customer service and privacy protection
Suppliers	• Supplier management meetings and events	• Fair competition • Business ethics and reputation • Win-win cooperation
Employees	• Employee satisfaction survey • Opinion collection boxes • Regular management communication and performance reviews • Employee communication channel and broadcast • Intranet	• Health and safety • Equal opportunities • Remuneration and benefits • Career development
Government and regulatory bodies	• Regular meetings • Written response to public enquires • Site visits	• Tax payment according to law • Business ethics • Compliance with related laws and regulations
Communities, non-governmental organisations, and media	• Community activities and partner programs • Community investment plans • ESG reports	• Payback to society • Environmental protection • Compliance with related laws and regulations

The Group is committed to cooperating with every stakeholder to improve its performance on ESG aspects and continuously creating greater value for a broader society.

Materiality Assessment

In order to better understand the opinions and expectations of stakeholders on the Group's ESG performance, the Group adopts a systematic approach to conduct its annual materiality assessment. With reference to the Group's business development strategies and industry practices, the Group identified and confirmed a list of material ESG issues by evaluating their importance to the Group and its stakeholders. The Group compiled a survey based on the identified ESG issues and invited various stakeholders of the Group to participate in the survey and rate potential material issues. The results of the materiality survey were analysed and presented by a materiality matrix. The identified material issues and stakeholder concerns are reviewed and confirmed by, as well as discussed, with the Board and the Task Force every year, and disclosed in this ESG Report.

The following materiality matrix summarises the Group's material ESG issues:



Contact Us

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advices in respect of the ESG Report or the Group's performances in sustainable development by email at ir@shuionnc.com.

A. Environmental

The Group is aware of the importance of sustainable development, and is committed to preventing any environmental pollution and conserving resources as much as possible during its daily operations. As the Group will generate certain amount of clinical waste during the operation of the elderly residential care homes, the Group values the importance of environmental management, and strives to protect the environment in order to fulfill the Group's commitment on social responsibility. Therefore, the Group has formulated the Environmental Policy and Waste Management Measures together with various environmental policies. The Group has also established a mechanism to monitor the implementation of the environmental protection measures adopted by each department as well as implemented an effective environmental management system to achieve the Group's environmental targets and indicators.

During the Reporting Period, the Group has not identified any material non-compliance of related environmental laws and regulations in relation to exhaust gas and GHG emissions, water and land discharge, and the generation of hazardous and non-hazardous wastes that have a significant impact to the Group. Such laws and regulations include but are not limited to the Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong), the Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong), and the Environmental Impact Assessment Ordinance (Cap. 499 of the Laws of Hong Kong).

A. Environmental *(Continued)*

Environmental Targets

Focus area	Targets	Progress
GHG emissions	Reduce its total GHG emissions intensity (tCO_2e/employee) by 2% by 2026, using 2021 as the baseline year.	In progress
Waste	Reduce its total non-hazardous waste intensity (tonnes/employee) by 2% by 2026, using 2021 as the baseline year.	In progress
Energy	Reduce total energy consumption intensity (MWh/employee) by 2% by 2026, using 2021 as the baseline year.	In progress
Water	Reduce total water consumption intensity (m^3/employee) by 2% by 2026, using 2021 as the baseline year.	In progress

A1. Emissions

Emission Control

Air Emissions

The Group has taken the initiative to examine the issue of air emissions across all operations so as to comply with relevant regulations. Due to its business nature, the Group considers the relevant air emissions generated are not significant. Nonetheless, the Group still pays attention to environmental protection, and always promotes the concepts of environmental protection and sustainable development to employees through different channels. The Group strives to achieve energy saving and waste reduction during daily work processes, in order to reduce air emissions.

GHG Emissions

The Group's GHG emissions include direct GHG emissions (Scope 1) and energy indirect GHG emissions (Scope 2). Emission sources include the combustion of petrol, diesel and liquefied petroleum gas ("LPG") for transportation, towngas used for cooking and purchased electricity. To minimise the Group's carbon footprint and achieve its emissions target, the Group has actively adopted electricity conservation and energy saving measures to reduce GHG emissions. Related measures are described in the section headed "Energy Management" under aspect A2. Through the implementation of related measures, employees' awareness on GHG emissions reduction has been raised. During the Reporting Period, the Group's total GHG emissions intensity has decreased by approximately 37.37%. The Group's GHG emissions performance is summarised as follows:

Indicators[1]	Unit	Emissions	
		2022	2021
Direct GHG emissions (Scope 1)	tCO_2e	43.04	48.51
Energy indirect GHG emissions (Scope 2)	tCO_2e	1,224.22	1,750.86
Total GHG emissions (Scope 1 and 2)	**tCO_2e**	**1,267.26**	**1,799.37**
Total GHG emissions intensity	**tCO_2e/employee[2]**	**2.90**	**4.63**

A. Environmental *(Continued)*

A1. Emissions *(Continued)*

Emission Control (Continued)

GHG Emissions (Continued)

Notes:

1. GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, including but not limited to, the "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, "2021 Sustainability Report" published by CLP Holdings Limited, "Sustainability Report 2022" published by Hong Kong Electric and "Sustainability Report 2021" published by the Hong Kong and China Gas Company Limited, and the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5).

2. As at 31 December 2022, the Group had a total of 437 full-time employees (as at 31 December 2021: 389) in respect of the Reporting Scope. The data is also used for calculating other intensity data.

Domestic sewage

Due to the Group's business nature, the Group cannot avoid the generation of certain amount of domestic sewage in the course of its daily operations, and such domestic sewage is mainly toilet flushing sewage and cleansing water. The Group complies with relevant laws and regulations by discharging domestic sewage to the public wastewater collection sewer and sewage is processed centrally by the public wastewater sewerage system. The Group has formulated relevant water-saving measures, specific measures on reducing sewage generated are described in the section headed "Water Management" under aspect A2.

Waste Management

Non-Hazardous Waste Management – Food Waste and Others

The Group's elderly home services for elderly residents include catering services and therefore food waste is generated during operation. In order to achieve the target, the Group continues to support the Environmental Protection Department's Food Wise Charter to reduce food waste. The Group has also formulated the Food and Environmental Hygiene Guideline for its kitchens to provide notes on food preparation, and the control of food processing. The Group also introduces various food waste reduction measures, such as monitoring the amount of food wastes generated on a regular basis, estimating the number of diners and food portions, setting food storage guidelines and making better use of food ingredients.

Apart from food waste, the Group also generates paper wastes and other domestic wastes during its daily operation. In order to raise the environmental awareness of employees, the Group encourages employees to reduce the generation of wastes through various means as follows:

- Encourage paper recycling and proper reusing of recycled paper;
- Encourage duplex printing or photocopying;
- Promote paperless working environment, encourage employees to work and communicate through emails and e-format documents; and
- Post "Environmental Information" reminders on office equipment.

Through the above measures, the Group's employees' awareness on waste management has been raised. During the Reporting Period, the Group had generated approximately 1,166.60 tonnes of food wastes and domestic wastes (2021: approximately 1,236.40 tonnes) and consumed approximately 2.55 tonnes of paper (2021: approximately 1.88 tonnes). The Group's total non-hazardous waste intensity has decreased by approximately 15.72% from approximately 3.18 tonnes per employee in 2021 to approximately 2.68 tonnes per employee in 2022.

A. Environmental *(Continued)*

A1. Emissions *(Continued)*

Waste Management (Continued)

Hazardous Waste Management – Clinical Waste and Others

The Group is required to supply, manage and dispose of various types of medical related products during its operations, therefore the generation of a small amount of hazardous clinical wastes cannot be avoided in the course of its operations. The Group is cautious about the management of generated wastes, and provides clear guidelines and measures for employees to ensure employees' safety when handling hazardous wastes. The Group follows various guidelines and standards to comply with relevant laws and regulations on waste management. Such relevant laws and regulations include the Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong), the Waste Disposal (Chemical Waste) (General) Regulation (Cap. 354C of the Laws of Hong Kong), and the Waste Disposal (Clinical Waste) (General) Regulation (Cap. 354O of the Laws of Hong Kong).

The major hazardous clinical wastes generated by the Group's operations are mainly used or contaminated sharp objects such as syringes and needles, as well as dressings and the medication left by the elderly residents. Therefore, the Group strictly complies with relevant laws and regulations such as the Waste Disposal Ordinance, the Waste Disposal (Clinical Waste) (General) Regulation and the Clinical Waste Code of Practice in respect to the production, storage, collection and disposal of clinical waste. The Group has also formulated the In-House Manual which is updated regularly with reference to the Waste Disposal (Clinical Waste) (General) Regulation to raise employees' awareness of the processing and management of hazardous wastes. During the Reporting Period, the Group was not subjected to any actual or threatened proceedings brought under, or received any written complaint or warnings in relation to the production, storage, collection and disposal of clinical waste under the Waste Disposal Ordinance and the Waste Disposal (Clinical Waste) (General) Regulation.

Apart from clinical waste, the Group's operation also involves the production, storage, collection and disposal of chemical wastes. According to the Waste Disposal Ordinance and the Waste Disposal (Chemical Waste) (General) Regulation, chemical wastes are defined as the unused or expired medications. To properly and effectively manage the related chemical wastes, the Group has formulated relevant codes in the In-House Manual, and arranged on-job trainings for employees to handle such chemicals. The chemical wastes processed by the Group were transferred to licensed waste handling company for further treatment.

During the Reporting Period, the Group has generated a total of approximately 0.21 tonnes of hazardous wastes (2021: approximately 0.16 tonnes), and the total hazardous wastes intensity has increased by approximately 25.00% from approximately 0.0004 tonnes per employee in 2021 to approximately 0.0005 tonnes per employee in 2022. The Group will continue to monitor its performance and seek to reduce the amount of hazardous waste generated.

A2. Use of Resources

The Group aims to actively promote the effective use of resources, and timely monitors the potential environmental impacts brought by business operations. In addition, the Group is committed to promoting the culture of "Smart Usage" of resources, promotes green operating environment, and aims to minimise the environmental impacts brought by the Group's operation. The Group is also cautious about the consumption habit, in particular on the use of water and electricity so as to minimise consumption and reduce consumption footprint.

A. Environmental *(Continued)*

A2. Use of Resources *(Continued)*

Resource Consumption

Energy Management

During the course of daily operation, the Group's major source of energy consumption is electricity consumption for operation and fuel consumption by transportation. In line with the Group's commitment to increase energy efficiency, the Group has formulated power management policy and relevant guidelines to effectively reduce electricity consumption as well as to achieve efficient use of electricity. Relevant measures are as follows:

- Remind employees to turn off lights and photocopiers after use;
- Set the temperature of air-conditioner to 25.5°C;
- Equip ventilation equipment with a timer to control the starting time, and set the start and stop time according to the actual needs so as to reduce the damage of equipment and waste of electricity; and
- Use time switch to locally control air conditioners.

The Group reviews the effectiveness of the above measures from time to time and makes adjustments according to the operational situation, so as to achieve the purpose of improving the efficiency of resource use. Moreover, the Group has replaced lighting equipment in its elderly residential care homes with LED lighting. The Group has also joined the Electrical Equipment Upgrade Scheme organised by CLP Holdings Limited, which provided consultancy service to review whether the Group's equipment selection is able to enhance energy efficiency of the lighting system.

In addition, in order to reduce the fuel usage of the Group's vehicles during its operation, the Group has put in place a number of measures, such as the use of smaller displacement vehicles and regular maintenance in order to ensure optimal engine performance and energy usage. During the Reporting Period, the Group's total energy consumption intensity has decreased by approximately 13.44%. The Group's energy consumption performance is summarised as follows:

Indicators	Unit	Consumption	
		2022	2021
Direct energy consumption[3]	**MWh**	**188.26**	**207.59**
Petrol	MWh	10.88	9.55
Diesel	MWh	35.34	53.11
LPG	MWh	66.88	76.81
Towngas	MWh	75.16	68.12
Indirect energy consumption	**MWh**	**2,937.32**	**3,004.94**
Purchased electricity	MWh	2,937.32	3,004.94
Total energy consumption	**MWh**	**3,125.58**	**3,212.53**
Total energy consumption intensity	**MWh/employee**	**7.15**	**8.26**

Note:

3. The unit conversion method of energy consumption data is formulated based on the "Energy Statistics Manual" issued by the International Energy Agency.

A. Environmental *(Continued)*

A2. Use of Resources *(Continued)*

Water Management

The Group's water use is mainly domestic water. Thus, the Group strives to achieve its water efficiency target by encouraging all employees to develop the habit of saving water. The Group has strengthened the promotion of water conservation through posting water-saving slogans in kitchens and toilets so as to guide employees to use water reasonably. The followings are water conservation measures taken in the Group's elderly residential care homes:

- Use water-saving appliances as much as possible;
- Close faucet at all times after use of water to prevent water long-flowing, running, dripping and leaking; and
- Notify relevant departments if abnormal conditions are found to prevent the waste of water resources.

Through the implementation of related measures, employees' awareness on water efficiency has been raised. During the Reporting Period, the Group's total water consumption was approximately 49,365.00 m^3 of water (2021: approximately 49,297.40 m^3). The Group's total water consumption intensity has decreased by approximately 10.87% from approximately 126.73 m^3 per employee in 2021 to approximately 112.96 m^3 per employee in 2022. Due to the Group's operation locations, the Group does not encounter any significant issues in sourcing water that is fit for purpose.

Use of Packaging Material

Due the Group's business nature, the Group does not consume and use packaging materials during daily operations.

A3. The Environment and Natural Resources

With the aim of actively promoting environmental protection and efficient use of resources, the Group adopts the four basic principles of reduce, reuse, recycle and replace to reduce the consumption of environmental and natural resources. Apart from complying with related environmental laws and regulations as well as international standards, the Group has also integrated the concept of environmental protection and natural resource conservation into its internal management and daily operations in order to achieve environmental sustainability.

Indoor Air Quality

In order to ensure a healthy and comfortable environment is being provided for elderly residents and employees in the elderly residential care homes, the Group specifically values the importance of indoor air quality, and therefore has formulated the Guideline for Cleanliness of Residential Care Homes, and has established relevant measures to maintain air quality. Such measures include regular cleaning of air conditioners and air filters to ensure the air intake spots are being kept away from the pollution source; using furniture that is free from volatile compounds; installing air fresheners or other devices to remove odours; as well as encouraging and educating elderly residents to open windows in any weather condition to maintain air ventilation.

A. Environmental *(Continued)*

A4. Climate Change

Climate change poses escalating risks and challenges to the global economy, meanwhile brings potential negative impacts on the Group's business. Therefore, the Group understands the importance of identifying and mitigating any material impacts of climate change. Relevant policies and response mechanisms have been formulated to identify and mitigate climate change issues that potentially bring significant impacts. The management of the Group has evaluated and fully understood the climate-related risks and corresponding opportunities that have an impact on the Group's business. According to the evaluation results, the identified climate-related risks and corresponding management measures of the Group are as follows:

Physical Risks

Climate change is causing more frequent and severe extreme weather events, bringing potential impacts on daily operations. In view of it, the Group has formulated emergency measures in advance to deal with extreme weather caused by climate change and to standardise the operating procedures under tropical cyclone warnings and bad weather conditions, so as to enhance the Group's ability to cope with disasters and accidents caused by extreme weather.

Transition Risks

In order to achieve sustainable development, local governments and regulatory bodies have successively enacted climate-related legislations or tightened regulations to support the vision of global decarbonisation. For instance, the Stock Exchange requires listed companies to enhance climate-related disclosures in their ESG reports, which may result in higher compliance costs. If the Group fails to meet the legal and regulatory requirements related to climate change, it may face compliance and litigation risks, which will reduce its corporate reputation. Therefore, the Group monitors existing and emerging trends, policies and regulations related to climate change regularly to avoid compliance risks and reputational risks due to delayed responses.

In addition, in order to reduce the Group's impact on the environment and meet the requirements of the Stock Exchange, the Group actively promotes effective use of resources and energy, and has set targets to reduce energy consumption and GHG emissions. The Group continues to evaluate the effectiveness of the Group's actions on climate change and enhance its ability in encountering climate-related issues.

B. Social

B1. Employment

The Group strongly believes that employees are the most important and valuable asset of the Group and the core of its competitive advantage, as well as the basis of the Group's sustainable development. To respect and protect the legitimate rights and interests of each employee and ensure fair treatment, the Group has standardised labour and employment management to protect employees' occupational health and safety, strengthen democratic management, safeguard employees' interest, fully respect and value employees' enthusiasm, initiative and creativity, and strive to build a harmonious labour relationship. The Group has formulated the Employee Handbook and the operating mechanisms for administrative and human resources systems to provide employees a healthy and positive working atmosphere, and guide employees to integrate their personal pursuit into the long-term development of the Group.

During the Reporting Period, the Group has not identified any material non-compliance of employment-related laws and regulations that would have a significant impact to the Group. Such laws and regulations include but not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong), and the Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong).

B. Social *(Continued)*

B1. Employment *(Continued)*

Human Resources Management

Employment, Promotion and Dismissal

To ensure that employees and applicants are treated and evaluated fairly, the Group continuously establishes and improves the talent recruitment system. During the recruitment process, the Group standardises the recruitment procedures and principles, and adheres to the recruitment principles of morality, knowledge, ability, experience and physique suitable for the position, as well as the principles of openness, fairness, competition and merit, so as to continuously attract and recruit outstanding talents. The Group's comprehensive Recruitment Procedures has detailed the recruitment applications, recruitment procedures, prohibition and responsibilities.

The Group has established clear basis and procedures for employees' promotion, transfer and downgrade management, and has standardised the post-employment procedures so as to protect the interest of both employees and the Group. Relevant processes and terms are listed in the Employee Handbook and the Human Resources Management Policy. The Group has implemented a fair and open appraisal system and supervision mechanism to assess the performance of employees in every quarter, and provided opportunities for promotion and development according to the employees' appraisal result.

The Group's post-employment is divided into three categories, which are resignation, voluntary resignation, and dismissal. The definitions of each categories and related procedures are detailed in the Employee Handbook. Employee must notify the Group in seven days, fourteen days or one month in advance or the equivalent notice period in lieu of notice (as the case may be) when deciding to leave the Group.

Compensation and Benefits

The Group has established a fair, reasonable and competitive remuneration system for paying employees based on the principles of fairness, competitiveness, incentives, reasonableness, and legality. The Group offers competitive remuneration package, which includes fixed salaries and annual performance bonuses, to encourage and praise employees' performance. The Group has also established the Remuneration Committee, and with the written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set in Appendix 15 to the GEM Listing Rules, to ensure the competitiveness of the remuneration scheme.

The principal duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and packages for all Directors and senior management of the Group, to review performance-based remuneration, and to ensure none of the Directors determine their own remuneration. Members of the Remuneration Committee meet regularly to review the remuneration policy of Directors, assess the performance of executive Directors and certain senior management of the Group. The emolument of the Group's employee is determined by the Remuneration Committee. Employees are offered with competitive remuneration package, discretionary bonuses and social insurance benefits based on merit, qualifications and competence.

In addition, the Group's employees' salary and benefits level are reviewed annually by the management team based on related performance appraisals. The Group has adopted the share option scheme and the share award scheme for purpose of recognising the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group, while to align the interests of the eligible participants with those of the shareholders of the Company.

Moreover, the Group provides various benefits to all employees, such as long service payments, retirement benefit, social and medical insurance, annual leave, sick leave, maternity leave, compensation leaves and other allowances. The Group also implements the Mandatory Provident Fund ("MPF") system in accordance with the Hong Kong legislations. The Group also respects the rights of employees to rest and holidays, regulates employees' working hours and protect their right to various types of rest periods and holidays.

B. **Social** *(Continued)*

B1. Employment *(Continued)*

Human Resources Management (Continued)

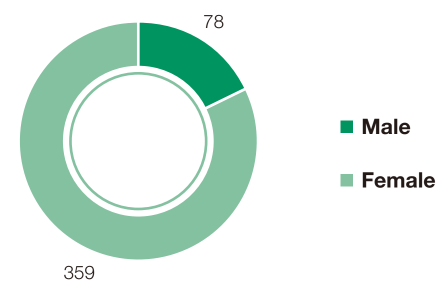
Equal Opportunities, Diversity and Anti-Discrimination

As an equal opportunity employer, the Group is committed to providing and safeguarding an inclusive and collaborative workplace culture. The Group is committed to providing equal opportunities for all employees in all aspects of employment, while ensuring employees will not experience discrimination, and physical and verbal harassment on the basis of race, religious belief, colour, gender, physical or mental disability, age, national origin, marital and family status, and sexual orientation. Any employee who is intimidated, humiliated, bullied or harassed (including sexual harassment) may report to employee representative, management representative, or directly to the general manager. The Group will handle complaints seriously after complaints are received.

As at 31 December 2022, the total number of employees was 437 (as at 31 December 2021: 389) in respect of the Reporting Scope, all of them are working in Hong Kong, and details on the breakdown of the Group's employees are shown in the following graphs:

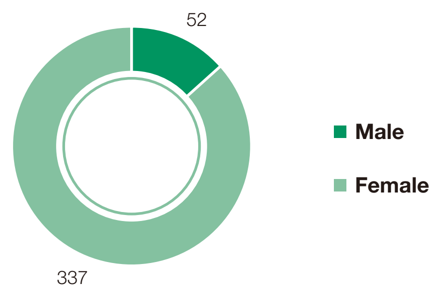
As at 31 December 2022

Gender Distribution

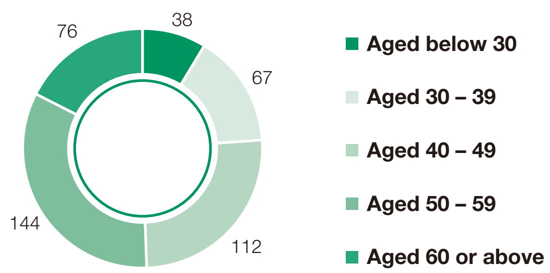


As at 31 December 2021

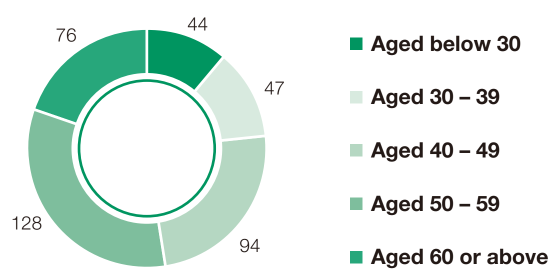
Gender Distribution



Age Distribution



Age Distribution



B. Social *(Continued)*

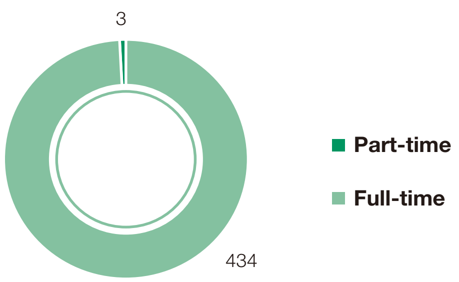
B1. Employment *(Continued)*

Human Resources Management (Continued)

Equal Opportunities, Diversity and Anti-Discrimination (Continued)

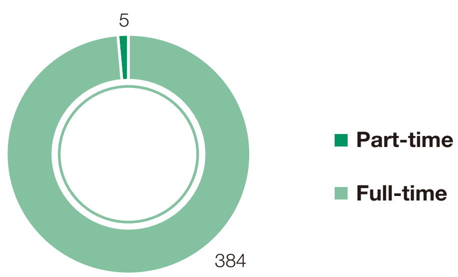
As at 31 December 2022

Employment Type



As at 31 December 2021

Employment Type



The details of the employee turnover rate[4] of the Group during the Reporting Period are set out in the table below:

	2022	2021
Gender		
Male	92.31%	51.92%
Female	67.41%	55.79%
Age Group		
Age below 30	197.37%	120.45%
Age 30–39	67.16%	44.68%
Age 40–49	66.96%	62.77%
Age 50–59	51.39%	45.31%
Age above or 60	59.21%	31.58%
Geographical Region		
Hong Kong	71.62%	55.27%

Note:

4. The turnover rate is calculated by dividing the number of employees in the specified category leaving employment during the reporting period by the number of employees in the specific category as at the end of the reporting period.

B. Social *(Continued)*

B2. Health and Safety

The Group has always taken the health of its employees and residents as the main consideration in its operations, and is dedicated to maintaining a high occupational safety and health standard and providing a safe and comfortable working and living environment to staff and elderly residents. The Group has formulated relevant internal policies and mechanisms for employees on workplace safety operation guidelines to raise the safety awareness during the operation process, and rule regarding recording and managing accidents and compliance. To minimise work-related injuries, the Group has also purchased various aiding tools and instruments, and arranges staff (including nurses and health workers) to receive trainings.

Directors, senior management and home managers are responsible to ensure that professional staff and employees have strictly complied with relevant laws, regulations, industrial standards and protocols while providing services to elderly residents. The Quality Control Procedure and the Employee Handbook are provided to staff at all levels whilst the management supervises the execution.

During the Reporting Period, the Group only recorded 67 (2021: 37.5) lost days due to work injuries at the elderly residential care homes as a result of the implementation of comprehensive safety management and internal control procedure. The impact of such work-related injuries was considered minor and did not cause a material adverse impact on the Group's business, financial condition or result operations.

In the past three years (including the Reporting Period), the Group did not record any accidents that resulted in death or serious physical injury, and no claims or compensation were paid to its employees due to such events. The Group has also not identified any material non-compliance of laws and regulations relevant to health and safety. Such laws and regulations include but not limited to the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong).

Safety Management and Operation

To provide a risk-free living environment to elderly residents, the Group has formulated the Internal Control Policies and Procedures which is enforced and led by the home manager. The elderly residential care homes have adopted the Stringent Security Protocols and Fire and Explosive Protection Procedures for cases of emergency. The Group has installed electronic security and surveillance systems at the elderly residential care homes, which are controlled by clerical staff in order to monitor the premises and record emergency events and incidents, and they may be used as evidence in case of disputes or investigations. The Group's maintenance division is responsible for emergency incidents relating to water, electricity and gas, such as power outage or water leakage at the elderly residential care homes and developing a variety of countermeasures to ensure the safety of every employee and residents. The Group has installed emergency lighting systems in the elderly residential care homes in accordance with the Fire Services Ordinance (Cap. 95 of the Laws of Hong Kong) for safety compliance. The medical and cleaning division is responsible for cleaning and disinfection of the elderly residential care homes, while ensuring that employees are adhering to the Cleaning Protocols.

Kitchen Safety

As the elderly residential care homes operated by the Group have kitchens and will provide catering services, therefore the Group has formulated the Kitchen Operation Manual with clear guidelines relating to safety matters for kitchen staff. Employees are required to strictly follow the guidelines during their daily operations, and any violations will be recorded and reviewed as part of the employee performance assessment at the end of the year. The Group believes that related measures can enhance employees' awareness on workplace safety, thus reducing work-related injuries and lowering the severity of related injuries (if any), and effectively prevent serious work-related injuries.

B. Social *(Continued)*

B2. Health and Safety *(Continued)*

Safety Management and Operation (Continued)

Response measures for COVID-19 pandemic

In response to the COVID-19 pandemic, the Group has set up an infection control team headed by the home manager to closely monitor the health of the elderly residents and has taken a series of measures to ensure the health and safety of its staff. The Group strictly complied with the "Guidelines for Residential Care Homes for the Elderly and Residential Care Homes for Persons with Disabilities for the Prevention of Coronavirus disease (COVID-19)" established by the Hong Kong's Centre for Health Protection and other health and safety arrangements established by the Hong Kong Government.

The Group also implemented the Response Measures for COVID-19 during the outbreak of the pandemic. All employees and visitors are required to wear surgical masks, wash their hands or rub their hands with alcohol based handrub, take body temperature and register before entering the home. Besides, the visiting hours will be shortened or family visits will be suspended depending on the severity of the pandemic. Apart from controlling visits by staff and family members, residents were advised not to go out, and all large-scale volunteer visits, performances, tea and outings were suspended to reduce the chance of virus transmission to the home.

The Group also stocked sufficient masks, protective gears and alcohol-based handrubs in each home for three months to ensure that the home had sufficient supplies to continue its effort against the pandemic. The Group also requires its staff to keep the home well-ventilated and to increase the frequency of cleaning. If any employee or resident is diagnosed with COVID-19, the Group has put in place emergency response measures to deal with the situation and implement corresponding isolation measures.

B3. Development and Training

The Group understands that talents are the cornerstone of the Group's continued success. The Group has established internal training and development system, and promoted staff personal growth as well as the sustainable development of the Group. The Group regularly arranges drills and comprehensive professional trainings on potential problems that might happen during daily operation for employees to raise their alertness, while improving their skills and maintaining service quality.

Training and Development Management

In order to cater the training needs of different employees, the Group has established the Staff Training Guidelines, which lists out relevant training objectives, requirements and content. The management is responsible for the design of the continuing education programs that best meet the training needs of the directors and staff so as to enhance their professional knowledge, skills and conduct. When developing the training plans, management takes into consideration of the institutional size, the corporate structure, the risk management system, the scope of business activities, and the development plan at that time to decide on the training content. The management reviews the training programs at least once per year, and arranges appropriate training activities for employees according to the priority order. At each training, the Group monitors whether employees have complied with the continuous training requirement, home managers or supervisors are responsible for keeping record and signing it with employees to record the training histories of relevant personnel. Both home managers and supervisors have the responsibility to keep the relevant training records. Failure to show the related training records may result in disciplinary actions.

B. Social *(Continued)*

B3. Development and Training *(Continued)*

Training and Development Management (Continued)

Training programs provided by the Group are divided into two categories: basic elderly and nursing care trainings and technical trainings. Basic elderly and nursing care trainings are targeted for health and care workers and caregivers, and training contents include proper use of wheelchair, tooth care, prevention of flu, practical techniques in lifting and transfer, feeding skills, skin and incontinence care, knowledge on cognitive disorders, diabetes and herpes zoster, etc. Technical trainings are targeted for nurses, and contents include the improvement, update and refreshment of knowledge on drug management, resistance issue, vaccinations and constraints trainings.

The Group also provides induction trainings to newly recruited employees. Each home manager or supervisor is required to provide induction guidance for new recruits to ensure their ability and professionalism. Each elderly residential care home also provides continuous trainings on elderly care to staff, and staff at each level should receive no less than two trainings per year. If any employee fails to meet the target, home managers or supervisors should bear the responsibility.

The Group believes that continuous education is the key to maintain the professionalism of staff, and it plays a key role to the Group's business growth and long-term sustainable development. Therefore, training schemes take into consideration many factors including employees' career development, and personal health and growth to provide appropriate trainings to employees. The Group encourages the employees to participate seminars relating to occupational safety and health to expand their professional knowledge, thus widening their career path. The Group also encourages staff to participate in seminars on handling stress in work and workers pressure sharing sessions to maintain good physical and mental health. During the Reporting Period, 97.60%[5,7] of the Group's employees had participated in a total of 216 training sessions (2021: 393 sessions) while the average training hours per employee[6] were 3.39 hours (2021: 0.98 hours).

During the Reporting Period, the breakdown of employees trained and the average training hours by gender and employee category are as follows:

	2022		2021	
	Breakdown of Employees Trained (%)[7, 8]	**Average Training Hours (Hours)[9]**	**Breakdown of Employees Trained (%)**	**Average Training Hours (Hours)[9]**
Gender				
Male	19.51	0.67	N/A	1.21
Female	80.49	4.07	N/A	0.98
Employee Category				
Home Manager	1.09	10.19	N/A	1.11
Social Worker	1.23	1.56	N/A	1.34
Occupational Therapist Assistant	–	–	N/A	0.81
Physiotherapist Assistant	1.23	3.83	N/A	0.94
Registered Nurse	4.64	1.35	N/A	0.80
Enrolled Nurse	8.46	1.49	N/A	1.00
Care Worker	34.11	6.63	N/A	0.95
Health Worker	15.69	3.28	N/A	1.01
Assistant Worker	33.42	0.99	N/A	0.95
Others	0.13	0.05	N/A	N/A

B. Social *(Continued)*

B3. Development and Training *(Continued)*

Training and Development Management (Continued)

Notes:

5. The percentage of employees trained is calculated by dividing the number of trained employees during the reporting period by the total number of employees during the reporting period, covering existing and resigned employees.

6. The average training hours per employee is calculated by dividing the total number of training hours during the reporting period by the total number of employees during the reporting period, covering the existing and resigned employees.

7. Due to the enhancement of our data collection mechanism, the breakdown of employees trained during the Reporting Period has been disclosed since 2022.

8. The breakdown of employees trained by category is calculated by dividing the number of trained employees in the specified category during the reporting period by the total number of employees trained during the reporting period, covering existing and resigned employees.

9. The average training hours by category is calculated by dividing the number of training hours for employees in the specified category during the reporting period by the total number of employees in the specified category during the reporting period, covering existing and resigned employees.

B4. Labour Standards

Prevention of Child and Forced Labour

The Group strictly complies with the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), and prohibits the employment of child and forced labour. The Group clearly stipulates in job advertisements and leaflets that only employees age 18 or above would be employed, and requests new employees to provide true and accurate personal information.

In order to ensure that all recruitment practices of the Group are in compliance with the current regulations and to ensure information provided by the employees are true and accurate, recruitment staff will stringently verify their information including academic certificates and ID cards, etc. The Group has established a comprehensive recruitment process for candidates' background checks, and the Human Resources Management Policy to deal with any exceptional situations. To prevent any violations, the Group conducts regular inspections to prevent any child labour or forced labour in any of the operating elderly residential care homes. If violations are involved, the Group will investigate immediately and take disciplinary action against or dismiss relevant employees. Concerning any violations, the Group will further improve its recruitment mechanism when necessary.

For overtime working, the Group stipulates in the Employee Handbook that employees are required to acquire permission from the Group to work overtime, and the Group must arrange compensatory leave or salary for the overtime work. Any personnel in any department of the Group are prohibited to detain employees' ID card, deposit or salary for any reasons. The Group also does not allow corporal punishment, mental abuse and fines, and prohibits punitive measures such as abuse, corporal punishment, violence, mental stress, sexual harassment (including inappropriate language, posture and physical contact) and sexual abuse for any reason in management methods and behaviours.

During the Reporting Period, the Group was not aware of any material non-compliance with any laws and regulations in relation to the prevention of child and forced labour that would have a significant impact to the Group. Such laws and regulations include but are not limited to the Employment Ordinance (Cap. 57 of the Laws of Hong Kong).

B. **Social** *(Continued)*

B5. Supply Chain Management

The Group is well aware of the importance of environmental and social risks management in the supply chain, and has established standards and requirements for controlling environmental and social risks in its procurement system and supplier selection process. The Group has implemented relevant selection process for all suppliers and encouraged suppliers to proactively create a sustainable relationship with the Group. During the Reporting Period, the Group has 71 (2021: 127) major suppliers, all of which are located in Hong Kong.

The Group has established a comprehensive and stringent procurement system and supplier selection process, which includes qualifications check, production inspection, and annual review and re-evaluation to ensure suppliers' responsibility on products and the quality of raw materials are maintained. The Group believes that good supply chain management is closely related to the high quality of service, therefore, the Group conducts strict measures to ensure that the suppliers comply with the specifications and meet the Group's standards in terms of quality, environment, safety and social aspects. Especially, during the food procurement process, suppliers or food manufactures are required to provide relevant safety documents to ensure the compliance with relevant legislations in Hong Kong; if there are no safety certifications, elderly residential care homes will switch to suppliers with good reputation to procure goods. The Group also requires suppliers to maintain the food delivery vehicles and containers clean, food be kept at proper temperature and delivered at appropriate or scheduled time.

The Group also conducts regular supplier performance reviews and assessment, proposes improvement plans as needed, and is committed to building good working relationships with suppliers and maintaining the quality of supply chain and products. The Group takes relevant measures to monitor whether the suppliers or contractors complied with relevant laws and regulations, or fulfilled other standards in terms of health and safety, forced labour and child labour. The Group meanwhile investigates suppliers' awareness of the above aspects through visits and field trips. Apart from social factors, the Group also pays close attention to the environmental consciousness of the suppliers, and promotes good environmental performance and governance practices among the business partners and suppliers. In order to encourage suppliers to pursue sustainable development in their operations, the Group maintains close communication with the suppliers and provides guidance on how to implement environmental protection practices throughout the supply chain when necessary, so as to actively mitigate the impact on the environment.

In order to uphold the Group's business integrity, the Group will not tolerate any corrupt practices. The Group's procurement process is conducted in an open, fair and impartial manner while not discriminating against any suppliers or providing special incentives. Employees and other individuals who have interests with relevant suppliers are not allowed to participate in related procurement activities. The Group also focuses on the integrity of suppliers and partners, and only selects and collaborates with suppliers and partners who have good track records in the past with no serious violations on business ethics. The Group has zero tolerance for bribery and corruption, and strictly prohibits suppliers and partners from obtaining procurement contracts or partnerships through any forms of interest transfer.

B. Social *(Continued)*

B6. Product Responsibility

The Group dedicates its effort to maintain a good relationship with customers and suppliers, and actively ensure the quality of products and services through internal controls. The Group has always taken customer satisfaction as an important consideration and maintains on-going communication with customers to ensure that the customers' needs and expectations for products and services are fully understood and satisfied. During the Reporting Period, the Group was not aware of any influential material seriously non-compliance with any laws and regulations in relation to product and service quality that would have a significant impact to the Group. Such related laws and regulations include but are not limited to the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong). In addition, due to the nature of the Group's business, the disclosure of the number of sold or delivered products that should be recalled for safety and health reasons is not applicable.

Food Safety

Food safety is a critical part of the Group's service. The Group has formulated measures relating to the preparation and storage of food, cooking utensils, and maintenance of kitchen facilities, while at the same time requiring kitchen staff to strictly comply with the implemented Quality Control Procedure and Guideline on Food and Environmental Hygiene. In terms of quality control of food ingredients, the Group's quality inspection team (including chefs and kitchen staff of each elderly residential care homes) is responsible to inspect the quality and supply of food ingredients. In addition, the Group provides trainings and guidelines related to maintaining food and environmental hygiene to chefs and kitchen assistants.

Chefs and home managers are responsible for supervising the food preparation process and food safety, and cooking in accordance with the standardised food preparation procedure. When there is any food that has not been prepared in accordance with standardised food preparation procedures or does not meet the standard is identified, the food will not be considered for serving and shall be disposed. In addition, the Quality Control Procedure also sets out the storage procedures, hygiene standards, and kitchen staff's code of conduct. The Group requires kitchen staff to strictly adhere to the stipulated quality standard and procedures in order to ensure the food ingredients supplied to the elderly residential care homes and kitchens are safe for consumption. The Group continually provides related trainings to chefs and kitchen staff relating to food handling process to ensure the safety of the food supplied, and the compliance with the operational procedures and quality standards.

Drug Management

As confirmed by the Directors, Shui On (Shun On), Shui Hing, Shui On (Hing Wah), Shui On (Sun Tin Wai), Shui On (Kwai Shing E), Shui Jun (Yau Tong) and Guardian Home (Chun Shek) have registered with the Environmental Protection Department as chemical waste producers. Staff in each elderly residential care home strictly follow the operation procedure as set out in the Pharmacy and Poisons Ordinance (Cap. 138 of the Laws of Hong Kong) and the Group's In-House Manual in regards to the collection, storage, handling and dispensation of chemicals.

B. Social *(Continued)*

B6. Product Responsibility *(Continued)*

Drug Management (Continued)

Drug Storage and Record

The elderly residential care homes operated by the Group provide safety guidelines (among other things) on the preparation, handling, and usage of medication, such guidelines include requiring staff to verify all medications taken and owned by elderly residents (include medication details and records); sorting drugs in accordance with their ingredients, nature and residents' category; placing drugs in locked cabinets or other specific places; complying and following the relevant instructions stated on the package. Meanwhile, all medication must be kept and accessed by designated personnel who are required to perform "three checks five rights" (i.e. ensuring (i) right elderly resident; (ii) right drugs; (iii) right time; (iv) right order; and (v) right dosage, for three times) prior to giving a medication. Monthly investigation is conducted to ensure the drug storage record of the Group's residential care homes is consistent with the elderly residents medication record.

If there are any changes in the elderly resident's medication (e.g. drug replaced after attending medical follow-up), their personal medication record will be updated by the staff in elderly care homes. When drugs are expired or being reported on changes in colour, taste or thickness, the Group's staff consult the hospital and seek for advices. Unused drugs are stored and disposed safely in accordance with the Waste Disposal (Chemical Waste) (General) Regulation, and violators of the drug handling and safety procedures may be dismissed.

Drug Disposal

The Group has formulated a detailed drug management guideline, which includes storage, record, listing, preparation and disposal of drugs. As for the disposal of the Group's chemical and medical waste or expired and redundant drugs, the Group has required employees to ensure that all disposal of medical waste must be placed in designated containers, and employs chemical and medical waste collector.

Customer Service and Data Privacy

The Group strives to maintain the good relationship with customers and suppliers, and treats it as an opportunity to optimise the business. The Group evaluates and adjusts the business model of the Group through convening complaint revision meetings. The Group also maintains an open engagement channel with customers which allows clients to express their worries or demands. The Group will listen to and resolve all worries from clients in an open manner in order to assess the Group's operation performance. It was proven that such meetings are effective in understanding the latest updates and improving the services so as to build a closer relationship with clients.

In order to quickly resolve customer concerns, the Group has adopted a comprehensive complaint mechanism to handle customer complaints, enabling the senior management to act directly to customer feedbacks, and to resolve issues quickly. When the Group receives complaints from the elderly residents or their families, the home managers or personnel in charge will contact the aggrieved customers and offer comfort at the first instance. Home managers then conduct investigation based on the severity and the information provided by relevant personnel. Home managers are required to keep detailed records of the disputes in accordance with the standard procedures, and report the incidents to the executive director, while informing the family of the concerned elderly resident the solution that the elderly residential care homes have taken.

B. Social *(Continued)*

B6. Product Responsibility *(Continued)*

Customer Service and Data Privacy (Continued)

As all elderly residential care homes in Hong Kong are monitored externally by the Social Welfare Department ("SWD") for compliance with rules and regulations, SWD has also adopted its own mechanism for handling complaints in any elderly residential care home in Hong Kong. Complainants may file their complaints directly to SWD, and SWD will investigate the complaints and make appropriate enforcement actions against the elderly residential care home if it is found to be in breach of rules and regulations. For complaints reported to the Group through SWD, the home managers investigate whether complaints are substantiated together with the Group's healthcare professionals. The senior management inspects the complaint records periodically, review and improve the processes when needed. The home managers then follow up with SWD to ensure that all concerns have been addressed appropriately in a timely manner.

The Group collects and holds the personal data of many elderly residents according to operational needs. To protect the privacy of residents' and customers' data, the Group exerts extra caution in safeguarding their personal data, and has taken appropriate measures to avoid the leakage of personal information. The Group has adopted policies to protect the personal data of elderly residents in accordance with relevant laws and regulations. To further ensure the rights to data privacy of elderly residents, the Group has restricted access of the information systems with designated employees so that certain information can only be obtained upon an as-needed basis. In addition, employees and professional staff are required to sign confidentiality agreements under which they commit to keeping all personal data confidential.

Service Quality

To ensure the overall quality has met the Group's standard, and maintain the mental and well-being of elderly residents, on-site managers and social workers are responsible for the operation control of the homes, such as infection control of the elderly residential care homes, Quality Assurance Scheme for elderly residential care homes, and quality control on the handling and management of suspicious cases of abuse. During the Reporting Period, the Group has not received any material complaints lodged directly with the elderly residential care homes; SWD has also not received complaints on any elderly residential care homes owned by the Group.

Intellectual Property Rights

Despite the insignificance of intellectual property rights to the Group due to the nature of the Group's business, relevant policies have been established to govern the management of information technology within the Group. The Information Technology Department is responsible for ensuring that the software, hardware and information used by the Group in its business operations are properly licensed. The copying or downloading of information, software and pictures from the Internet must be approved by the relevant departments. In addition, the Group closely monitors and prevents infringements, such as counterfeiting of trademarks, in the market. The Group will monitor continuously in order to ensure that the intellectual property rights are not infringed.

Advertising and Labelling

Due to the Group's business nature, the Group only conducts limited publicity activities. Therefore, the Group's business operation does not involve any advertising and labelling related matters.

B. Social *(Continued)*

B7. Anti-corruption

The Group promotes honesty, fairness and transparency in all business activities and requires employees, especially the management, to regard honesty, trustworthiness, integrity and probity as the most basic code of conduct. The Group strictly complies with all laws and regulations, and is fully committed to restricting any illegal activities, including corruption and bribery. The Group has established an Anti-Corruption Policy, which has been reviewed and approved by the Audit Committee in March 2022, to promote anti-corruption in the Group. Meanwhile, the Group requires staff to understand and avoid the happening of any forms of illegal activities during daily operation to protect the Group's reputation. All employees are given with an Employee Handbook upon employment to ensure that all employees clearly understand the guidelines on professional ethics and prevention of fraud, negligence, anti-bribery and corruption, and the employees must abide by the rules and guidelines during their employment. During the Reporting Period, the Directors and employees of the Group have received a total of 4 hours (2021: 4 hours) and 8 hours (2021: 8 hours) of anti-corruption training on anti-corruption-related legislations, corporate integrity governance and ethics, respectively. In addition, the Group strives to strengthen compliance training and encourages employees to actively explore the latest developments and future trends, in view of global anti-money laundering and compliance work.

During the Reporting Period, the Group has not received any concluded legal cases concerning corruption against the Group or its employees and was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact to the Group. Such related laws and regulations include but are not limited to the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).

Whistleblowing Mechanism

The Group is committed to cultivating an open and transparent, fair and honest standardised internal management atmosphere, requiring employees, in particular the management to be honest and trustworthy as the basic code of conduct stated. The Group does not tolerate malpractices, corruption, bribery, concealment and deceit for personal interests. The Group has established a Whistleblowing Policy, which has been reviewed and approved by the Audit Committee in March 2022 to encourage employees and stakeholders to report any suspected misconduct to the Audit Committee with full details and evidence. The management will investigate any suspicious or illegal conduct to protect the interests of the Group. The Group promotes confidentiality mechanism that protects whistleblower from unfair dismissal, victimisation or unwarranted disciplinary action. When a crime is suspected, the Audit Committee will report to the relevant regulatory authorities or law enforcement agencies upon the approval of the Board as necessary.

B. Social *(Continued)*

B8. Community Investment

Corporate Social Responsibility

In addition to bringing profits for stakeholders, the Group also bears social responsibilities and gives back to the community whenever necessary. Therefore, the Group has established relevant community investment guidelines and strives to contribute to the society through sustainable community service to fulfil its corporate social responsibility. During the Reporting Period, The Group donated a total of HK$42,000 (2021: HK$49,000) to the community, including a donation to 1600 PANDAS WORKSHOP.

The Group has actively cultivated employees' sense of social responsibility, encouraging employees to participate in social charity during their work and private time. The Group aims to send happiness and care to every Hong Kong's senior resident meanwhile spreading the message of elderly care through organising various events. In February 2022, Shui Hing elderly residential care homes organised weekly lunchbox distribution activities and donated 50 food boxes each week to the elderly living in the nearby community. By expressing love and care, the Group wishes to contribute to building a better and harmonious community.

Social Caring Pledge

The Group has joined the Social Caring Pledge Scheme held by the Social Enterprise Research Academy. The Group has signed a voluntary agreement about social responsibility and care, and has committed to promoting and enforcing corporate social responsibility by participating a voluntary set of ethical standards in the areas of human rights, labour, environment and anti-corruption.

The ESG Reporting Guide Content Index of the Stock Exchange of Hong Kong Limited

Mandatory Disclosure	Section/Statement
Governance Structure	The ESG Governance Structure
Reporting Principles	Reporting Framework
Reporting Scope	Reporting Scope

Subject Areas, Aspects, General Disclosure and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental; Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Emission Control (Not applicable – Explained)
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Emission Control
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management – Hazardous Waste Management – Clinical Wastes and Others
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management – Non-Hazardous Waste Management – Food Wastes and Others
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental – Environmental Targets; Emissions – Emission Control
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental – Environmental Targets; Waste Management

Subject Areas, Aspects, General Disclosure and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Resource Consumption
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Resource Consumption – Energy Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Resource Consumption – Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Environmental – Environmental Targets; Resource Consumption – Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental – Environmental Targets; Resource Consumption – Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Resource Consumption – Use of Packaging Material (Not applicable – Explained)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources – Indoor Air Quality
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosure and KPIs	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment – Equal Opportunities, Diversity and Anti-Discrimination
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment – Equal Opportunities, Diversity and Anti-Discrimination
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities	Health and Safety
KPI B2.2	Lost days due to work injuries	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety – Safety Management and Operation
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training – Training and Development Management
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training – Training and Development Management

Subject Areas, Aspects, General Disclosure and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards – Prevention of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards – Prevention of Child and Forced Labour
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosure and KPIs	Description	Section/Declaration
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility (Not applicable – Explained)
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Customer Service and Date Privacy
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Food Safety; Drug Management
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Customer Service and Date Privacy
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Anti-corruption – Whistleblowing Mechanism
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption

Subject Areas, Aspects, General Disclosure and KPIs	Description	Section/Declaration
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment – Corporate Social Responsibility
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Group for the Reporting Year.

Principal Activities

The Company is an investment holding company. The activities of the subsidiaries are set out in note 35 to the consolidated financial statements.

Results and Dividends

The results of the Group for the Reporting Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 76 of this report.

The Board recommend the payment of a final dividend of HK$0.10 per ordinary share, totaling HK$40,000,000 for the Reporting Year (2021: nil).

Business Review

The business review of the Group for the Reporting Year is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 11 of this report.

Principal Risks and Uncertainties in Relation to COVID-19

In view of the outbreak of COVID-19 in Hong Kong, the Company has formed a crisis response team to monitor the situation of its residential care homes. The Group has accordingly launched a series of special measures to strengthen infection control, such as shortening the visiting time of the elderly residential care homes and preparing adequate reserve of health protection equipment for its employees and elderly residents. The crisis response team holds meetings regularly to review the adequacy of current measures.

The costs or expenses incurred/to be incurred by the Group on the precautionary measures taken to prevent the spread of COVID-19 mainly relate to (i) daily consumable materials used (such as face masks, hand sanitisers and other personal protective equipment) for the Group's normal operations, and accordingly, the consumable expenses incurred by the Group during the Reporting Year were approximately HK$2,713,000, comparing to that of approximately HK$1,975,000 for the last year (the period before impact from the fifth wave of COVID-19 in Hong Kong); and (ii) infection control (i.e allowance for vaccination and for staff under on-site quarantine/isolation) subsidised by the SWD to the Group's elderly residential care homes, which amounted to approximately HK$444,800 for the Reporting Year. Accordingly, the Company is of the view that COVID-19 has no material adverse impact on the Group's financial performance.

Having considered (i) the HK Government's support to the players in the elderly residential care home industry to tackle COVID-19; (ii) the Company has not been informed of any material disruptions of the Group's major suppliers due to COVID-19; and (iii) the Group's enhanced infection control measures and business contingency plan in response to the spread of COVID-19, the Company is of the view that COVID-19 has no material adverse impact on the Group's business operations and financial condition during the Reporting Year and up to the date of this report.

Financial Summary

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 134 of this report.

Property, Plant and Equipment

Details of movements during the Reporting Year in the share capital of the Company are set out in note 17 to the consolidated financial statements.

Share Capital

Details of movements during the Reporting Year in the share capital of the Company are set out in note 28 to the consolidated financial statements.

Subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2022 are set out in note 35 to the consolidated financial statements.

Purchase, Sale or Redemption of Securities

During the Reporting Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Major Customers and Suppliers

During the Reporting Year, the Group sold less than 30% of its goods and services to its five largest customers in which the largest customer of the Group was the SWD.

During the Reporting Year, the Group's largest supplier and the five largest suppliers accounted for approximately 28.54% (2021: approximately 20%) and approximately 79.99% (2021: approximately 55.7%) respectively, of the Group's total purchases.

Mr. Yik, the Chairman, an executive Director, and one of the Company's controlling shareholders, holds approximately 6.8% interest in Yu Fat Hong (Hong Kong) Limited, being the largest supplier of the Group for the Reporting Year, whereas such supplier is not a connected person of the Company as defined under the GEM Listing Rules. The Directors confirm that all of the five largest suppliers of the Group during the Reporting Year were not connected persons of the Company.

Except for Yu Fat Hong (Hong Kong) Limited, the largest supplier of the Group for the Reporting Year, of which Mr. Yik is a director and currently holds 6.8% interest, none of the Directors or their close associates or any Shareholders holding more than 5% of the total issued share capital of the Company had any interest in any of the five largest suppliers of the Group during the Reporting Year.

Environment and Compliance with Laws

The Group is committed to reduce the impact of our business activities on the environment. Details of such measures are set out in the section headed "Environmental" in the "Environmental, Social and Governance Report" in this report. As far as the Board is aware, the Group has complied with the relevant laws and regulations in all material aspects during the Reporting Year.

Reserves

Details of movements in the reserves of the Group and the Company during the Reporting Year are set out in the consolidated statement of changes in equity on page 79 of this report and note 29 to the consolidated financial statements respectively. As at 31 December 2022, the Company's reserves that were available for distribution to the Shareholders amounted to HK$204,981,000 (2021: HK$168,483,000).

Directors

The Directors during the Reporting Year and up to the date of this report were:

Executive Directors

Mr. Yik Tak Chi *(Chairman)*
Mr. Chung Kin Man
Ms. Chung Wai Man
Mr. Lui Chi Tat

Non-executive Director

Mr. Lau Joseph Wan Pui

Independent non-executive Directors

Mr. Chan Ching Sum Sam (appointed on 15 August 2022)
Mr. Kwok Chi Shing (resigned on 15 August 2022)
Mr. Lau Tai Chim
Mr. Wong Wai Ho

Pursuant to article 83(3) of the Articles of Association, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. In accordance with article 84 of the Articles of Association, at each annual general meeting ("AGM"), one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an AGM at least once every three years. In addition, any Director appointed by the Board pursuant to article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Accordingly, Mr. Yik Tak Chi, Mr. Lui Chi Tat and Mr. Lau Joseph Wan Pui, being eligible, will offer themselves for re-election at the forthcoming AGM.

Directors' Service Contracts

Each executive Director has entered into a service contract with the Company for an initial fixed term of three years, which is renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter. Each non-executive Director and independent non-executive Director has entered into a letter of appointment with the Company for an initial fixed term of three years, and shall be extended thereafter for such period as the Company and the respective non-executive Director/independent non-executive may agree, provided that either party can at any time terminate the appointment by giving to the other party not less than three months' prior notice in writing.

None of the Directors has a service contract with the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all of the independent non-executive Directors to be independent.

Directors' Material Interests in Transactions, Arrangements and Contracts that are Significant in Relation to the Company's Business

Save as disclosed in the paragraph headed "Continuing Connected Transactions" below, no transactions, arrangements contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Reporting Year.

Competing Business of Directors and Controlling Shareholders

For the Reporting Year, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) are engaged in any business that competes or may complete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

Emolument Policy

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Remuneration Committee, with reference to their respective experience, responsibilities with the Group and general market conditions.

The Company has adopted the Share Option Scheme as an incentive to the Directors and eligible employees, details of the Share Option Scheme are set in the section headed "Share Options" below.

Details of the emoluments of the Directors and five individuals with highest remuneration are set out in note 13 and note 14 to the consolidated financial statements.

Donations

During the Reporting Year, the Group made charitable donation in the amount of approximately HK$42,000 (2021: HK$49,000).

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 31 December 2022, the interests and short positions of the Directors and 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 (Chapter 571 of the Laws of Hong Kong) ("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 interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the Shares

Name of Directors/ chief executive	Capacity/Nature of interests	Number of Shares held/ interested in	Approximate percentage of shareholding (Note 1)
Mr. Yik Tak Chi ("Mr. Yik")	(i) Interest of controlled corporation (Note 2) (ii) Beneficial owner (Note 2)	256,744,000	64.19%
Mr. Lui Chi Tat ("Mr. Lui")	(i) Interest of controlled corporation (Note 3) (ii) Beneficial owner (Note 3) (iii) Interest of spouse (Note 3)	36,032,000	9.01%
Mr. Chung Kin Man ("Mr. Chung")	Beneficial owner	40,000	0.01%
Ms. Chung Wai Man ("Ms. Chung")	Beneficial owner	20,000	0.005%

Notes:

1. The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at 31 December 2022.

2. As at 31 December 2022, Mr. Yik was interested in 256,744,000 Shares, of which 248,700,000 Shares were held by Shui Wah Limited ("Shui Wah") and 8,044,000 Shares were directly held by him. Shui Wah was owned as to 100.00% by Lucky Expert Investments Limited ("Lucky Expert"), which was in turn owned as to 59.88% by Hang Chi Development & Investment Limited ("HCDI"). Mr. Yik indirectly owned the entire issued share capital of HCDI through Multifield Investment Development Limited ("Multifield"). By virtue of the SFO, Mr. Yik is deemed to be interested in the same number of shares in Lucky Expert held by HCDI, same number of shares in Shui Wah held by Lucky Expert, and all the Shares held by Shui Wah. Mr. Yik is the sole director of Shui Wah, Lucky Expert, HCDI and Multifield.

   Subsequent to the Reporting Year, on 6 January 2023, Mr. Yik purchased 344,000 Shares at a consideration of HK$268,320. Upon completion of such share purchase, Mr. Yik directly held 8,388,000 Shares.

3. As at 31 December 2022, Mr. Lui was interested in 36,032,000 Shares, of which 15,300,000 Shares were held by Jumbo Sino Investment Limited ("Jumbo Sino"), a company incorporated in Hong Kong and wholly owned by Mr. Lui, 20,720,000 Shares were directly held by him and 12,000 Shares were held by his spouse. By virtue of the SFO, Mr. Lui is deemed to be interested in all the Shares held by Jumbo Sino and his spouse. Mr. Lui is a director of Jumbo Sino.

   Subsequent to the Reporting Year, on 13 January 2023, Jumbo Sino as vendor and Mr. Lui as purchaser entered into a sale and purchase agreement for transfer of 15,300,000 ordinary Shares in the consideration of HK$12,240,000. The above share transfer was completed on the same date and Mr. Lui directly held 36,020,000 Shares accordingly.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation *(Continued)*

Long Positions in the ordinary shares of associated corporation

Name of Directors/ chief executive	Name of associated corporation	Capacity/ Nature of interests	Number of shares held/ interested in	Percentage of shareholding
Mr. Yik	Multifield	Beneficial owner (Note)	1	100.00%
	HCDI	Interest of controlled corporation (Note)	20,000	100.00%
	Lucky Expert	Interest of controlled corporation (Note)	5,988	59.88%
	Shui Wah	Interest of controlled corporation (Note)	10,000	100%
Mr. Chung	Lucky Expert	Beneficial owner	493	4.93%
Ms. Chung	Lucky Expert	Beneficial owner	602	6.02%
Mr. Lui	Jumbo Sino	Beneficial owner	3	100.00%

Note:

As at 31 December 2022, the Company was owned as to approximately 62.18% by Shui Wah. Shui Wah was owned as to 100.00% by Lucky Expert, which was in turn owned as to 59.88% by HCDI. Mr. Yik indirectly owned the entire issued share capital of HCDI through Multifield. By virtue of the SFO, Mr. Yik is deemed to be interested in the same number of shares in Lucky Expert held by HCDI, same number of shares in Shui Wah held by Lucky Expert and all the Shares held by Shui Wah. Accordingly, Multifield, HCDI, Lucky Expert and Shui Wah are associated corporations of the Company.

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which was required to be notified the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or otherwise to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Substantial Shareholders' Interest and Short Positions in Shares and Underlying Shares

As at 31 December 2022, as far as known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had the interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in the Shares

Name of Shareholders	Capacity/Nature of interests	Number of Shares held/ interested in	Approximate percentage of shareholding (Note 1)
Shui Wah	Beneficial owner (Note 2)	248,700,000	62.18%
Lucky Expert	Interest in controlled corporation (Note 2)	248,700,000	62.18%
Multifield	(i) Interest in controlled corporation (Note 2) (ii) Interest held jointly with other person (Note 3)	256,744,000	64.19%
HCDI	(i) Interest in controlled corporation (Note 2) (ii) Interest held jointly with other person (Note 3)	256,744,000	64.19%
Ms. Yik Wai Hang ("Ms. WH Yik")	Interest held jointly with other person (Note 3)	256,744,000	64.19%
Ms. Chung Shuk Man	Interest of spouse (Note 4)	256,744,000	64.19%
Yingfeng International Investment Limited (盈豐國際投資有限公司) ("Yingfeng International")	Beneficial owner (Note 5 & 6)	32,000,000	8.00%
Ruipei Industrial (Shanghai) Co., Ltd.* (芮沛實業（上海）有限公司) ("Ruipei")	Interest in controlled corporation (Note 5 & 6)	32,000,000	8.00%
Zhongchuang Investment (Holdings) Limited (眾創投資（控股）有限公司) ("Zhongchuang")	Interest in controlled corporation (Note 5 & 6)	32,000,000	8.00%
China Minsheng Futurelife Holding Group Co., Ltd.* (中民未來控股集團有限公司) ("CMIG Futurelife")	Interest in controlled corporation (Note 5 & 6)	32,000,000	8.00%
China Minsheng Investment Group Co., Ltd.* (中國民生投資股份有限公司) ("CMIG")	Interest in controlled corporation (Note 5 & 6)	32,000,000	8.00%

* For identification purposes only

Substantial Shareholders' Interest and Short Positions in Shares and Underlying Shares *(Continued)*

Long Positions in the Shares *(Continued)*

Notes:

1. The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at 31 December 2022.

2. As at 31 December 2021, Shui Wah held 248,700,000 Shares. Shui Wah was owned as to 100.00% by Lucky Expert, which was in turn owned as to 59.88% by HCDI. Mr. Yik indirectly owned the entire issued share capital of HCDI through Multifield. By virtue of the SFO, each of Mr. Yik, Multifield, HCDI and Lucky Expert is deemed to be interested in all the Shares held by Shui Wah.

3. On 13 December 2016, Mr. Yik, Multifield, HCDI and Ms. WH Yik entered into an acting in concert agreement (the "Acting In Concert Agreement") to acknowledge and confirm, among other things, that they are parties acting in concert (having the meaning as ascribed thereto in The Codes on Takeovers and Mergers and Share Buy-backs) in respect of each of the members of the Group from the date of which both Mr. Yik and Ms. WH Yik became the shareholders of Shui On Nursing Home Holdings Limited (i.e. 31 July 2013) and will continue to be parties acting in concert until such arrangement is terminated in writing by them pursuant to the Acting In Concert Agreement. As such, they are deemed to be interested in the Shares held by the others.

   As disclosed above, as at 31 December 2022, Mr. Yik was interested in 256,744,000 Shares. Accordingly, by virtue of the Acting in Concert Agreement, Mr. Yik, Multifield, HCDI and Ms. WH Yik together control approximately 64.19% of the issued share capital of the Company.

4. Ms. Chung Shuk Man is the spouse of Mr. Yik. By virtue of the SFO, Ms. Chung Shuk Man is deemed to be interested in all the Shares in which Mr. Yik is interested.

5. As disclosed in the Prospectus, on 21 June 2017, Yingfeng International, as cornerstone investor, entered into a cornerstone investment agreement with, among others, the Company, pursuant to which Yingfeng International subscribed for a total number of 32,000,000 Shares.

6. Yingfeng International is a company incorporated under the laws of British Virgin Islands. To the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, Yingfeng International is wholly-owned by Zhongchuang, a company incorporated in Hong Kong. Zhongchuang is wholly owned by Ruipei, which is in turn wholly owned by CMIG Futurelife. CMIG Futurelife is held as to 65% by CMIG and 35% by an independent third party. Each of Ruipei, CMIG Futurelife and CMIG is established under the laws of the People's Republic of China.

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Arrangements to Acquire Shares and Debentures

Other than the Share Option Scheme and as disclosed under the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, at no time during the Reporting Year, was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

Share Option Scheme

The Company adopted the Share Option Scheme on 21 June 2017 which shall be valid and effective for a period of 10 years commencing on 21 June 2017, after which no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

The purpose of the Share Option Scheme is to provide incentives to or to reward the contributions of the Directors and other eligible participants. Eligible participants under the Share Option Scheme include any full-time or part-time employee of the Group, including any Directors, suppliers, customers, agents, advisors and consultants of the Group.

The total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and other share option scheme is 40,000,000, representing 10% of the Shares in issue as at the date of this report. The maximum number of shares issuable upon exercise of the options granted to each eligible participant under the Share Option Scheme and any other share option scheme of the Group in any twelve-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval. The total number of Shares issued and to be issued upon exercise of the options granted to each eligible participant under the Share Option Scheme and any other share option scheme of the Group in any twelve-month period shall not exceed 1% of the Shares in issue from time to time. Any further grant of share options in excess of this limit is subject to shareholders' approval.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, shall require the approval of the independent non-executive directors.

If any grant of share options to a substantial shareholder or an independent non-executive director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the share options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme or other share option schemes in any twelve-month period up to and including the date of the grant (i) representing in aggregate 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK$5 million, then the proposed grant of share options must be approved by the Shareholders in advance in a general meeting.

As an overall limit, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company shall not, in aggregate, exceed 30% of the Company's shares in issue from time to time.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the eligible person. The exercise period of the share options granted is determined by the Board, which shall not end on a date more than 10 years from the date on which the share option is granted in accordance with the Share Option Scheme. Unless otherwise determined by the Board, the Share Option Scheme does not require a minimum period for which the share options must be held or a performance target which must be achieved before the share options can be exercised.

Share Option Scheme *(Continued)*

The subscription price for the Shares subject to share options will be a price determined by the and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the share options; and (iii) the nominal value of a Share.

Details of the Share Option Scheme are disclosed in the section headed "Statutory and General Information" of the Prospectus.

No share option had been granted, exercised or cancelled by the Company under the Share Option Scheme since adoption and during the Reporting Year and there is no outstanding share option as at the date of this report.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float as required under the GEM Listing Rules.

Connected Transactions

As the original tenancy agreements would expire on 30 June 2022, on 14 March 2022, Shui Jun (Yau Tong), a wholly-owned subsidiary of the Company, as tenant, entered into two new tenancy agreements (collectively, the "Tenancy Agreements") with Ever Premier Limited ("Ever Premier") and Roymark Limited ("Roymark"), as landlords, respectively, to renew the original tenancy agreements expired on 30 June 2022. The premises under the Tenancy Agreements are rented by Shui Jun (Yau Tong) for the operation of the elderly residential care home under the name of Shui Jun Nursing Centre (Yau Tong) Company Limited (瑞臻護老中心(油塘)有限公司) from 1 July 2022 to 30 June 2026 at the monthly rental of HK$200,000 and HK$890,000 per month, respectively.

As at the date of this report, (i) Roymark is beneficially owned as to 40% by Mr. Yik (through HCDI), 25% by Ms. WH Yik and 35% by two other Independent Third Parties; (ii) the board of directors of Roymark consists of five directors, including Mr. Yik, Ms. WH Yik, Mr. Lui and two other Independent Third Parties (as defined in the GEM Listing Rules); (iii) Ever Premier is wholly-owned by Roymark; and (iv) the board of directors of Ever Premier consisted of two directors, including Mr. Yik and Mr. Lui.

As (a) Mr. Yik is an executive Director and a controlling shareholder of the Company; (b) Mr. Lui is the chief executive officer of the Company and an executive Director; and (c) Ms. WH Yik is a controlling shareholder of the Company, a sister of Mr. Yik and the mother of Mr. Lui, Roymark and Ever Premier are associates of connected persons of the Company under the GEM Listing Rules and the transactions contemplated under the Tenancy Agreements constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Furthermore, by virtue of the aforesaid relationship, the transactions contemplated under the Tenancy Agreements are required to be aggregated for the purpose of classification of connected transactions in accordance with Rule 20.79 of the GEM Listing Rules.

The aforesaid connected transactions have been reviewed by the independent non-executive Directors, who are of the view that the transactions are on normal commercial terms and in the ordinary and usual course of business of the Group and the terms of the Tenancy Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to IFRS16, leases shall be recognised as right-of-use assets in the Group's consolidated statement of financial position. Accordingly, the entering into of the Tenancy Agreements will be regarded as a one-off acquisition of assets of the Group for the purposes of the GEM Listing Rules.

Connected Transactions *(Continued)*

Given that one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Tenancy Agreements based on the estimated value of right-of-use assets recognised by the Group pursuant to IFRS16 exceed 5% but all are less than 25%, the Tenancy Agreements, on an aggregate basis, constitute discloseable and connected transactions of the Company under Chapters 19 and 20 of the GEM Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

Approval from independent Shareholders for the Tenancy Agreements and the transactions contemplated thereunder was obtained at the annual general meeting of the Company held on 27 June 2022.

The Group confirms that it has complied and will continue to comply with the relevant provisions of Chapters 19 and Chapter 20 of the GEM Listing Rules in relation to the continuing connected transactions of the Company.

Save as the transactions above, none of the related party transactions undertaken by the Group during the Reporting Year set out in note 30 to the consolidated financial statements constituted connected transaction or continuing connected transaction under Chapter 20 of the GEM Listing Rules.

Non-Competition Undertakings

Pursuant to the deed of non-competition undertakings (the "Non-competition Deed") dated 21 June 2017, each of the Company's controlling shareholders (i.e. Shui Wah, Lucky Expert, HCDI, Multifield, Will Peace Limited, Mr. Yik, Ms. Yik Wai Hang, Mr. Chung Kin Man, Ms. Chung Wai Man, Ms. Wong Kit Yi, Ms. Yi Weiji, Ms. Huang Weiyi, Ms. Zhong Huimei, Mr. Yi Shaoguang, Mr. Yik Siu Tim and Mr. Zheng Xiao Jun) (the "Covenantors") has undertaken to and covenanted with the Company that, each of them would not, and would procure none of their close associates to engage in any business that competes or may compete with the business carried on by the Group or any other business that may be carried on by the Group from time to time in Hong Kong or such other places (the "Restricted Business"). For details of the Non-competition Deed, please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus. The Covenantors have further undertaken to procure that, if they and/or any of their close associates identify or are offered any business investment or other commercial opportunity relating to the Restricted Business, they will first refer such opportunity to the Company.

Each of the Covenantors has confirmed and declared to the Company of his/her/its compliance with their undertakings given in the Non-competition Deed. During the period from the date of listing of the Company on the Stock Exchange and up to the date of this report, the Covenantors did not, either on his/her/its own or in conjunction with any third party, take up any opportunity relating to the Restricted Business, or offer or make available such opportunity to the Company. At a meeting of an independent board committee comprising members of the Audit Committee held on 21 March 2023, all the independent non-executive Directors reviewed the confirmations in respect of the Non-competition Deed submitted to the Company by the Covenantors, which confirmed compliance with the Non-competition Deed by the Covenantors.

Permitted Indemnity Provisions

The Articles of Association of the Company provides that the Directors, secretary and other officers and every auditor for the time being of the Company acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group during the Reporting Year.

Closure of Register of Members

Entitlement to Attend and Vote at the AGM

For determining the Shareholders' eligibility to attend and vote at the forthcoming AGM to be held on Tuesday, 16 May 2023 (the "2023 AGM"), the register of members of the Company will be closed from Thursday,11 May 2023 to Tuesday, 16 May 2023, both days inclusive, during which period no transfer of Shares will be registered. The record date will be Tuesday, 16 May 2023. In order to qualify for attending and voting at the 2023 AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 10 May 2023.

Closure of Register of Members *(Continued)*

Entitlement to the Proposed Final Dividend

For the purposes of determining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 23 May 2023 to Thursday, 25 May 2023, both days inclusive, during which period no share transfer will be effected. The record date will be Thursday, 25 May 2023. In order to qualify for the entitlement of the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Monday, 22 May 2023. If the resolution for approving the proposed final dividend is passed at the AGM, the proposed final dividend will be payable on Friday, 9 June 2023.

Auditor

During the Reporting Year, Ernst & Young retired as auditor of the Company with effect from the conclusion of the annual general meeting held on 27 May 2022, and Prism Hong Kong and Shanghai Limited (previously known as UniTax Prism (HK) CPA Limited) was appointed as the Company's new auditor following the retirement of Ernst & Young.

Save for the above, there has been no change in the auditor of the Company in the preceding three years.

Prism Hong Kong and Shanghai Limited shall retire in the forthcoming AGM and being eligible, will offer themselves for re-appointment. A resolution for appointment of Prism Hong Kong and Shanghai Limited will be proposed at the forthcoming AGM.

By order of the Board
Hang Chi Holdings Limited
Yik Tak Chi
Chairman

Hong Kong, 21 March 2023

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Hang Chi Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Hang Chi Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 76 to 133, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 Hong Kong Institute of Certified Public Accountants ("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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unqualified opinion on those statements on 21 March 2022.

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.

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Key Audit Matters *(Continued)*

Impairment of goodwill

Refer to note 20 to the consolidated financial statements and the accounting policies on page 85.

The key audit matter	How the matter was addressed in our audit
The carrying value of goodwill in the consolidated financial statements was approximately HK$112,790,000 as at 31 December 2022, representing 33.4% of the total assets of the Group. In accordance with IFRSs, the Group is required to perform impairment test for goodwill at least annually. In performing the impairment test, goodwill generated from acquisition is allocated to the corresponding subsidiaries acquired as each of these acquired subsidiaries is a separate cash-generating unit. The impairment test is based on the recoverable amount of each of these cash-generating units which is its value in use determined using cash flow projections based on a financial budget covering a five-year period. This matter is significant to our audit because the impairment test process is complex and involves significant judgements and estimates based on assumptions that are affected by expected future market and economic conditions.	Our audit procedures included, among others, evaluating, with the assistance from our valuation specialists, the assumptions and methodologies used by the Group, in particular, budgeted gross margin, discount rate and growth rate. We evaluated the assumptions, taking into account the historical accuracy of the Group's cash flow projections, by comparing the forecasts with the historical performance, reviewing the business development plan of each cash-generating unit and comparing with comparable companies. We also assessed the adequacy of disclosures of goodwill impairment in the consolidated financial statements.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors of the Company are responsible for the other information. The other information comprises 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.

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Responsibilities of Directors of the Company 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 IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company 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, solely to you, as a body, in accordance with our agreed terms of engagement, 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 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 of the Company.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

- Conclude on the appropriateness of the Company's 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, actions taken to eliminate threats or safeguards applied.

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 Mr. Dai Tin Yau.

Prism Hong Kong and Shanghai Limited
Certified Public Accountants
Dai Tin Yau
Practising Certificate Number: P06318

Hong Kong
21 March 2023

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
REVENUE	7	**193,041**	203,849
Other income	9	**49,595**	31,462
Staff costs		**(99,781)**	(83,464)
Property rental and related expenses		**(13,638)**	(18,540)
Depreciation and amortisation		**(41,295)**	(32,381)
Food		**(5,723)**	(5,641)
Medical fees		**(10,797)**	(11,256)
Professional and legal fees		**(4,086)**	(5,504)
Utility expenses		**(4,364)**	(4,053)
Consumables		**(2,713)**	(1,975)
Other operating expenses		**(10,417)**	(7,006)
Finance costs	10	**(3,702)**	(3,684)
PROFIT BEFORE TAX		**46,120**	61,807
Income tax expenses	11	**(7,510)**	(9,616)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	12	**38,610**	52,191
Attributable to:			
Owners of the Company		**36,498**	46,954
Non-controlling interests		**2,112**	5,237
		38,610	52,191
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	16		
Basic and diluted (HK cents)		**9.12**	11.74

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*17*	**20,091**	9,545
Right-of-use assets	*18*	**98,889**	64,038
Intangible assets	*19*	**194**	3,752
Goodwill	*20*	**112,790**	112,790
Deposits	*22*	**12,548**	10,176
Deferred tax assets	*27*	**2,349**	3,542
Total non-current assets		**246,861**	203,843
CURRENT ASSETS			
Trade receivables	*21*	**480**	165
Prepayments, deposits and other receivables	*22*	**10,780**	7,677
Tax recoverable		**2,953**	746
Fixed bank deposits	*23*	**37,826**	–
Cash and cash equivalents	*23*	**38,491**	66,329
Total current assets		**90,530**	74,917
CURRENT LIABILITIES			
Trade payables	*24*	**1,244**	1,289
Other payables and accruals	*25*	**23,460**	20,837
Amount due to a related company	*26*	**527**	511
Income tax payables		**1,201**	2,191
Lease liabilities	*18*	**42,591**	28,416
Total current liabilities		**69,023**	53,244
NET CURRENT ASSETS		**21,507**	21,673
TOTAL ASSETS LESS CURRENT LIABILITIES		**268,368**	225,516
NON-CURRENT LIABILITY			
Lease liabilities	*18*	**57,217**	46,375
Net assets		**211,151**	179,141

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
CAPITAL AND RESERVES			
Share capital	*28*	**4,000**	4,000
Reserves		**200,981**	164,483
Equity attributable to owners of the Company		**204,981**	168,483
Non-controlling interests		**6,170**	10,658
Total equity		**211,151**	179,141

The consolidated financial statements on pages 76 to 133 were approved and authorised for issue by the board of directors on 21 March 2023 and are signed on its behalf by:

Yik Tak Chi
Chairman

Chung Kin Man
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company							
	Issued capital HK$'000 (note 28)	Share premium* HK$'000	Manager reserve* HK$'000 (note 29)	Other reserve* HK$'000	Retained profit* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	4,000	109,298	5	(10,840)	83,066	185,529	10,701	196,230
Profit and total comprehensive income for the year	–	–	–	–	46,954	46,954	5,237	52,191
Interim dividend declared	–	–	–	–	(32,000)	(32,000)	(2,640)	(34,640)
Final dividend declared	–	–	–	–	(32,000)	(32,000)	(2,640)	(34,640)
At 31 December 2021 and 1 January 2022	**4,000**	**109,298**	**5**	**(10,840)**	**66,020**	**168,483**	**10,658**	**179,141**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**36,498**	**36,498**	**2,112**	**38,610**
Interim dividend declared	**–**	**–**	**–**	**–**	**–**	**–**	**(6,600)**	**(6,600)**
At 31 December 2022	**4,000**	**109,298**	**5**	**(10,840)**	**102,518**	**204,981**	**6,170**	**211,151**

* These reserve accounts comprise the consolidated reserves of approximately HK$200,981,000 and HK$164,483,000 in the consolidated statements of financial position as at 31 December 2022 and 2021, respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**46,120**	61,807
Adjustments for:		
Finance costs	**3,702**	3,684
Bank interest income	**(263)**	(21)
Depreciation of property, plant and equipment	**3,471**	1,853
Depreciation of right-of-use assets	**34,266**	26,973
Amortisation of intangible assets	**3,558**	3,555
Provision for long service payment	**1,149**	–
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL	**92,003**	97,851
(Increase)/decrease in trade receivables	**(315)**	26
Increase in prepayments, deposits and other receivables	**(5,475)**	(1,956)
(Decrease)/increase in trade payables	**(45)**	36
Increase in other payables and accruals	**1,569**	243
Increase in an amount due to a related company	**16**	28
CASH GENERATED FROM OPERATIONS	**87,753**	96,228
Income tax paid	**(9,609)**	(14,646)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**78,144**	81,582
INVESTING ACTIVITIES		
Bank interest income received	**263**	21
Purchases of items of property, plant and equipment	**(14,017)**	(3,255)
Purchases of items of right-of-use assets	**(8,637)**	–
Increase in fixed bank deposits	**(37,826)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(60,217)**	(3,234)
FINANCING ACTIVITIES		
Dividend paid	**(6,600)**	(69,280)
Repayment of lease liabilities	**(39,165)**	(28,653)
NET CASH USED IN FINANCING ACTIVITIES	**(45,765)**	(97,933)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(27,838)**	(19,585)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**66,329**	85,914
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**38,491**	66,329

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the consolidated statement of financial position	**38,491**	57,537
Non-pledged bank deposits with original maturity of less than three months when acquired	**–**	8,792
Cash and cash equivalents as stated in the consolidated statement of cash flows	**38,491**	66,329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. General Information

Hang Chi Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the principal place of business of the Company is situated at Unit 09, 7/F., FTLife Tower, No. 18 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

In the opinion of the directors, the holding company of the Company is Shui Wah Limited ("Shui Wah"), which was incorporated in the British Virgin Islands ("BVI"). The Company's ultimate holding company is Multifield Investment Development Limited, a company incorporated in the BVI with limited liability on 8 January 2010, which is wholly owned by Mr. Yik Tak Chi.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the providing comprehensive residential care home services to the elderly residents and trading of healthcare and medical consumable products.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied, for its first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning 1 January 2022.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendments to IAS 37	*Onerous contracts: Cost of fulfilling a contract*
Amendments to IFRSs	*Annual Improvements to IFRS 2018–2020 cycle*

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") *(Continued)*

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 amendment to IFRS17)	*Insurance Contracts*[1]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture*[3]
Amendments to IAS 1	*Classification of liabilities as Current or Non-current*[2]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that, the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Company Ordinance.

The consolidated financial statements have been prepared on historical cost basis at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The significant accounting policies are set out below.

3. Significant Accounting Policies *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Business combinations

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. Significant Accounting Policies *(Continued)*

Business combinations *(Continued)*

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

3. Significant Accounting Policies *(Continued)*

Revenue from contracts with customers *(Continued)*

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

The Group recognised revenue from the following major sources:

- Rendering of elderly home care and health care services; and
- Sales of elderly related goods.

Rendering of elderly home care and health care services

Revenue from the rendering of elderly home care and health care services are recognised over time or at a point in time with reference to the detailed terms of transactions as stipulated in the contracts entered into with its customers and counterparties.

Sales of elderly related goods

Revenue from the sales of elderly related goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9 *Financial Instruments*. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

3. Significant Accounting Policies *(Continued)*

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract or modification date, as appropriate. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

3. Significant Accounting Policies *(Continued)*

Leasing *(Continued)*

Lease liabilities (Continued)

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 *Provision, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

The Group applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to plant and equipment.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to office buildings and premises. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

For operating lease

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. Significant Accounting Policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income/a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. Significant Accounting Policies *(Continued)*

Retirement benefits cost

Payments to the defined contribution plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme (the "MPF scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

3. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

3. Significant Accounting Policies *(Continued)*

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future e cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

3. Significant Accounting Policies *(Continued)*

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above) *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the cost of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECL, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Other income" line item (note 9).

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost as well as financial guarantee. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written-off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. Significant Accounting Policies *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share options reserve.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not yet exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Fair value measurement

When measuring fair value, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Useful lives of property, plant and equipment and intangible assets

The Group determines the estimated useful lives and related depreciation/amortisation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated lives.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units based on assumptions that are affected by expected future market and economic conditions and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was HK$112,790,000 (2021: HK$112,790,000). Further details are given in note 20 to the consolidated financial statements.

5. Capital Risk Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change was made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes trade payables, other payables and accruals, amount due to a related company, lease liabilities less: fixed bank deposits and cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratio as at 31 December 2022 and 2021 were as follows:

	2022 **HK$'000**	2021 HK$'000
Trade payables	**1,244**	1,289
Other payables and accruals	**23,460**	20,837
Amount due to a related company	**527**	511
Lease liabilities	**99,808**	74,791
Less: fixed bank deposits	**(37,826)**	–
Less: cash and cash equivalents	**(38,491)**	(66,329)
Net debt	**48,722**	31,099
Equity	**211,151**	179,141
Net debt and equity	**259,873**	210,240
Gearing ratio	**19%**	15%

6. Financial Instruments

Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Trade receivables	**480**	165
Financial assets included in prepayments, deposits and other receivables	**23,070**	17,469
Fixed bank deposits	**37,826**	–
Cash and cash equivalents	**38,491**	66,329
	99,867	83,963
Financial liabilities		
Trade payables	**1,244**	1,289
Financial liabilities included in other payables and accruals	**11,162**	11,610
Amount due to a related company	**527**	511
	12,933	13,410

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, fixed bank deposits, cash and cash equivalents, trade payables, other payables, amount due to a related company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 23) carried at prevailing market rates. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's exposure to interest rate risk in relation to variable-rate bank balances is minimal due to short-term maturities, hence, no sensitivity analysis is prepared.

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2022 and 2021, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge all obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from trade receivables, deposits, other receivables, fixed bank deposits and cash and cash equivalent. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in IFRS 9 *Financial Instruments* to measure the loss allowance at lifetime ECL. The Group determines the ECL on an collectively basis by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. The Group considers that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL.

The credit risk on restricted cash and cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 23% (2021: 27%) and 41% (2021: 41%) of the total trade receivables was due from the Group's largest external customer and the top five largest external customers respectively as at 31 December 2022 and 31 December 2021.

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

The Group's exposure to credit risk

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2022 Gross carrying amount	2021 Gross carrying amount
				HK$'000	HK$'000	HK$'000
Financial assets at amortised costs						
Trade receivables	21	N/A	(Note 1)	Lifetime ECL (simplified approach)	**480**	165
Deposits and other receivables	22	N/A	(Note 2)	12m ECL	**23,070**	17,469
					23,550	17,634

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

Notes:

(1) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on trade receivables by using a provision matrix.

(2) For deposits and other receivables, the Group has applied the general approach in IFRS 9 to measure the loss allowance.

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its customers in relation to its operation and management of elderly home care services because it consists of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix.

As at 31 December 2022	**Current**	**Total**
Average loss rate	**0.00%**	**0.00%**
Gross carrying amount (HK$'000)	**480**	**480**
Expected credit losses (HK$'000)	**–**	**–**

As at 31 December 2021	Current	Total
Average loss rate	0.00%	0.00%
Gross carrying amount (HK$'000)	165	165
Expected credit losses (HK$'000)	–	–

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

No impairment allowance for trade receivables, based on the provision matrix is provided for the year ended 31 December 2022 (2021: nil).

The credit quality of deposits and other receivables is considered to be normal and subject to 12m ECL assessment when they are not past due and there is no information indicating that the deposits and other receivables had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the deposits and other receivables is considered to be "doubtful".

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

No impairment allowance for deposits and other receivable, based on the 12m ECL is provided for the year ended 31 December 2022 (2021: nil).

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flow. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	At 31 December 2022						
	On demand	Less than 3 months	3 to 12 months	1 year to 5 years	Over 5 years	Total contractual undiscounted cash flows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	1,244	–	–	–	–	1,244	1,244
Financial liabilities included in other payables and accruals	11,162	–	–	–	–	11,162	11,162
Amounts due to a related company	527	–	–	–	–	527	527
	12,933	–	–	–	–	12,933	12,933
Lease liabilities	–	11,895	33,857	59,400	–	105,152	99,808

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

	At 31 December 2021						
	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 year to 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade payables	1,289	–	–	–	–	1,289	1,289
Financial liabilities included in other payables and accruals	11,610	–	–	–	–	11,610	11,610
Amounts due to a related company	511	–	–	–	–	511	511
	13,410	–	–	–	–	13,410	13,410
Lease liabilities	–	7,486	23,716	48,467	–	79,669	74,791

Fair value and fair value hierarchy of financial instruments

As at 31 December 2022 and 2021, the fair values of the Group's financial assets or financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of fixed bank deposits and cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, amount due to a related company, and the financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

The Group did not have any financial assets or financial liabilities measured at fair value as at 31 December 2022 and 2021.

During the years ended 31 December 2022 and 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

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7. Revenue

Revenue represents revenue arising from rendering of elderly home care services and sales of elderly related goods and provision of healthcare services. An analysis of the Group's revenue for the year is as follows:

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers within the scope of IFRS 15		
– Rendering of elderly home care services	**145,144**	151,891
– Sales of elderly related goods and provision of healthcare services	**47,897**	51,958
Total revenue from contracts with customers	**193,041**	203,849

Disaggregation of revenue from contracts with customers by timing of recognition:

For the year ended 31 December 2022	Rendering of elderly home care services HK$'000	Sales of goods and provision of healthcare services HK$'000	Total HK$'000
Timing of revenue recognition			
At a point in time	**–**	**27,979**	**27,979**
Over time	**145,144**	**19,918**	**165,062**
	145,144	**47,897**	**193,041**

For the year ended 31 December 2021	Rendering of elderly home care services HK$'000	Sales of goods and provision of healthcare services HK$'000	Total HK$'000
Timing of revenue recognition			
At a point in time	–	29,797	29,797
Over time	151,891	22,161	174,052
	151,891	51,958	203,849

7. Revenue *(Continued)*

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022 HK$'000	2021 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
– Rendering of elderly home care services	**320**	445
– Sales of elderly related goods and provision of healthcare services	**137**	72
	457	517

Performance Obligations

Information about the Group's performance obligations is summarised below:

Rendering of services

The performance obligation is satisfied over time as services are rendered and advance payments are normally required for home care services and certain healthcare services. For other healthcare services, payment is generally due within 30 days.

Sale of goods

The performance obligation is satisfied upon delivery of the goods and advance payments are generally required. For other goods where advance payment is not required, payment is generally due within 30 days from delivery.

Transaction price allocated to the remaining performance obligations for contracts with customers

The transaction prices allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2022 and 2021 and the expected timing of recognition are, as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**647**	457

8. Segment Information

Information reported to the directors of the Company, being the chief operating decision maker (the "CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods and services provided. No operating segments identified by the CODM has been aggregated in arriving at the reportable segments of the Group.

For management purposes, the Group has only one reportable operating segment, which is the operation of residential care homes. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Geographical information is not presented since all of the Group's revenue from external customers is generated in Hong Kong and all of the non-current assets of the Group are located in Hong Kong. The non-current asset information is based on the locations of assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue of approximately HK$44,872,000 for the year ended 31 December 2022 (2021: HK$43,783,000), which amounted to more than 10% of the Group's revenue, was derived from the Hong Kong Government under the Enhanced Bought Place Scheme ("EBPS") and the Bought Place Scheme on Day Care Units ("Day Care Services").

9. Other Income

	2022	2021
	HK$'000	HK$'000
Bank interest income	**263**	21
Government grants (note i)	**10,727**	5,013
Others	**902**	1,797
Provision of care support services (note ii)	**34,612**	21,823
Rental income	**2,949**	2,720
Sundry income	**142**	88
	49,595	31,462

Notes:

(i) During the year ended 31 December 2022, the Group recognised government grants of approximately HK$5,648,000 (2021: HK$1,199,000) in respect of COVID-19-related subsidies, of which amounted to approximately HK$5,203,000 (2021: nil) related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. The remaining government grants of approximately HK$5,079,000 (2021:HK$3,814,000) related to the Infirmary Care Supplement, Dementia Supplement, Training Subsidy Scheme for Staff of Residential Care Homes, Elderly Health Care Voucher Scheme and Electrical Equipment Upgrade Scheme. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

(ii) During the years ended 31 December 2022 and 2021, the Group recognised the special allowance for residential care homes (RCHs) and those staff under on-site quarantine or isolation which supported by Social Welfare Department. The special allowance was terminated in December 2022.

10. Finance Costs

An analysis of finance costs is as follows:

	2022 HK$'000	2021 HK$'000
Interests on lease liabilities	**3,702**	3,684

11. Income Tax Expenses

	2022 HK$'000	2021 HK$'000
Current tax:		
Hong Kong Profits Tax	**7,183**	10,837
Over provision in prior years:		
Hong Kong Profits Tax	**(866)**	(576)
Deferred tax (note 27)	**1,193**	(645)
	7,510	9,616

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the years ended 31 December 2022 and 2021, Hong Kong Profits Tax of the qualified entities of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other entities of the Group in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

11. Income Tax Expenses *(Continued)*

The income tax expenses can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022	2021
	HK$'000	HK$'000
Profit before tax	**46,120**	61,807
Tax at the domestic income tax rate of 16.5% (2021: 16.5%)	**7,609**	10,198
Tax effect of expenses not deductible for tax purposes	**250**	272
Tax effect of income not taxable for tax purposes (note)	**(935)**	(113)
Tax effect of deductible temporary differences not recognised	**1,617**	–
Effect of two-tiered profits tax rates regime	**(165)**	(165)
Over-provision in prior years	**(866)**	(576)
Income tax expenses for the year	**7,510**	9,616

Note: Income not subject to tax mainly represented government grants related to Covid-19 and bank interest income during the years ended 31 December 2022 and 31 December 2021 which were not taxable in Hong Kong.

Details of the deferred taxation are set out in note 27.

12. Profit for the Year

	2022 HK$'000	2021 HK$'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments (note 13)	**5,853**	4,839
Salaries, wages, allowances and other benefits	**88,331**	73,936
Contributions to retirement benefits scheme (excluding directors', chief executive's and supervisors' emoluments)	**2,693**	2,308
Total staff costs	**96,877**	81,083
Auditor's remuneration	**1,200**	1,680
Depreciation of property, plant and equipment	**3,471**	1,853
Depreciation of right-of-use assets	**34,266**	26,973
Amortisation of intangible assets	**3,558**	3,555
Amount of inventories recognised as an expense	**12,865**	12,804
Lease rentals for office premises (note)	**6,542**	11,988

Note: The amounts represent lease rentals related to short-term leases under IFRS 16.

13. Directors' and Chief Executive's Emoluments

Details of directors' and chief executive's emoluments are as follows:

Emoluments paid or receivable in respect of a persons services in connection with the management of the affairs of the Company or its subsidiary undertaking:	**Fees**	**Salaries, allowances and other benefits**	**Employer's contributions to retirement benefits scheme**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Year ended 31 December 2022				
Executive directors				
Mr. Yik Tak Chi (note i)	**180**	**1,501**	**–**	**1,681**
Mr. Chung Kin Man (note i)	**180**	**707**	**32**	**919**
Ms. Chung Wai Man (note i)	**180**	**707**	**32**	**919**
Mr. Lui Chi Tat (note ii)	**180**	**1,380**	**54**	**1,614**
	720	**4,295**	**118**	**5,133**
Non-executive director				
Mr. Lau Joseph Wan Pui (note i)	**180**	**–**	**–**	**180**
Independent non-executive directors				
Mr. Wong Wai Ho	**180**	**–**	**–**	**180**
Mr. Lau Tai Chim	**180**	**–**	**–**	**180**
Mr. Chan Ching Sum Sam (note iii)	**67**	**–**	**–**	**67**
Mr. Kwok Chi Shing (note iv)	**113**	**–**	**–**	**113**
	540	**–**	**–**	**540**
Total	**1,440**	**4,295**	**118**	**5,853**

13. Directors' and Chief Executive's Emoluments *(Continued)*

Emoluments paid or receivable in respect of a persons services in connection with the management of the affairs of the Company or its subsidiary undertaking:	Fees	Salaries, allowances and other benefits	Employer's contributions to retirement benefits scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2021				
Executive directors				
Mr. Yik Tak Chi (note i)	180	912	–	1,092
Mr. Chung Kin Man (note i)	180	673	33	886
Ms. Chung Wai Man (note i)	180	669	31	880
Mr. Lui Chi Tat (note ii)	180	1,045	36	1,261
	720	3,299	100	4,119
Non-executive director				
Mr. Lau Joseph Wan Pui (note i)	180	–	–	180
Independent non-executive directors				
Mr. Wong Wai Ho	180	–	–	180
Mr. Lau Tai Chim	180	–	–	180
Mr. Kwok Chi Shing (note iv)	180	–	–	180
	540	–	–	540
Total	1,440	3,299	100	4,839

Notes:

(i) Mr. Yik Tak Chi was appointed as the sole director of the Company on 16 February 2016 upon the Company's incorporation. Mr. Chung Kin Man and Ms. Chung Wai Man were appointed as executive directors of the Company on 7 February 2017. Mr. Lau Joseph Wan Pui was appointed as a non-executive director of the Company on 7 February 2017.

(ii) Mr. Lui Chi Tat was appointed as an executive director of the Company on 27 February 2019. Mr. Lui Chi Tat is also the chief executive of the Company.

(iii) Mr Chan Ching Sum Sam was appointed as an independent non-executive director on 15 August 2022.

(iv) Mr Kwok Chi Shing was resigned as an independent non-executive director on 15 August 2022.

13. Directors' and Chief Executive's Emoluments *(Continued)*

The executive directors' emoluments shown above were for their service in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company and the Group.

No directors and chief executive of the Company waived or agreed to waive the emolument paid by the Group during the years ended 31 December 2022 and 2021.

No emoluments were paid by the Group to the directors as an inducement for joining the Group or as compensation for loss of office during the years end 31 December 2022 and 2021.

14. Employees' Emoluments

The five highest paid employees during the reporting period included three directors and the chief executive (2021: three directors and the chief executive), details of whose remuneration are set out in note 13 above. Details of the remuneration for the year of the remaining one highest paid employees (2021: one) who is neither a director nor chief executive of the Company, are as follows:

	2022	2021
	HK$'000	HK$'000
Salaries, wages, allowances and other benefits	**785**	814
Contributions to retirement benefits scheme	**18**	22
	803	836

Their emoluments were within the following bands:

	Number of individuals	
	2022	2021
Nil to HK$1,000,000	**1**	1

No emoluments were paid by the Group to the five highest paid individuals as an inducement for joining the Group or as compensation for loss of office during the years ended 31 December 2022 and 2021.

15. Dividends

	2022 HK$'000	2021 HK$'000
Interim – Nil (2021: HK$8 cents) per ordinary share	–	32,000

Subsequent to the end of the reporting period, a final dividend of HK1 cents per share in respect of the year ended 31 December 2022, in aggregate amount of HK$40,000,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

No final dividend has been proposed by the Group for the year ended 31 December 2021.

The distribution amounts set out in the consolidated statement of changes in equity of HK$6,600,000 (2021: HK$5,280,000) for the year ended 31 December 2022 represented the dividends declared by Guardian Home Limited ("Guardian Home"), a non-wholly-owned subsidiary of the Company, to its non-controlling shareholders.

16. Earnings per Share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2022 HK$'000	2021 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	36,498	46,954
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	400,000,000	400,000,000

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2022 and 2021 as the Group had no potentially dilutive ordinary shares in issue during these years.

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17. Property, Plant and Equipment

	Building	Leasehold improvements	Furniture and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1 January 2021	–	16,811	8,026	4,620	29,457
Additions	–	822	2,433	–	3,255
At 31 December 2021 and 1 January 2022	**–**	**17,633**	**10,459**	**4,620**	**32,712**
Additions	**8,637**	**2,079**	**3,301**	**–**	**14,017**
Written-off	**–**	**–**	**(78)**	**–**	**(78)**
At 31 December 2022	**8,637**	**19,712**	**13,682**	**4,620**	**46,651**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2021	–	11,070	6,658	3,586	21,314
Charge for the year	–	676	936	241	1,853
At 31 December 2021 and 1 January 2022	**–**	**11,746**	**7,594**	**3,827**	**23,167**
Charge for the year	**–**	**965**	**2,303**	**203**	**3,471**
Written-off	**–**	**–**	**(78)**	**–**	**(78)**
At 31 December 2022	**–**	**12,711**	**9,819**	**4,030**	**26,560**
NET CARRYING VALUES					
At 31 December 2022	**8,637**	**7,001**	**3,863**	**590**	**20,091**
At 31 December 2021	–	5,887	2,865	793	9,545

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	Over the shorter of the term of lease and fifty years
Leasehold improvements	Over the shorter of lease terms and 20%
Furniture and equipment	20%
Motor vehicles	20%

18. Right-of-Use Assets and Lease Liabilities

(i) Right-of-use assets

	2022 HK$'000	2021 HK$'000
Land and buildings	**98,889**	64,038

The Group has lease contracts for various items of land and buildings. Leases of land and buildings generally have lease terms between 2 and 50 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

Additions to the right-of-use assets for the year ended 31 December 2022 amounted to approximately HK$69,117,000 (2021: HK$13,448,000) due to new leases of land and buildings.

(ii) Lease liabilities

	2022 HK$'000	2021 HK$'000
Non-current	**57,217**	46,375
Current	**42,591**	28,416
	99,808	74,791

Amounts payable under lease liabilities	2022 HK$'000	2021 HK$'000
Within one year	**42,591**	28,416
After one year but within two years	**57,217**	46,375
	99,808	74,791
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(42,591)**	(28,416)
Amount due for settlement after 12 months	**57,217**	46,375

During the year ended 31 December 2022, the Group entered into new lease agreements in respect of renting property and recognised lease liabilities of approximately HK$60,480,000 (2021: HK$13,448,000).

18. Right-of-Use Assets and Lease Liabilities *(Continued)*

(iii) Amount recognised in profit or loss

	2022 HK$'000	2021 HK$'000
Depreciation of right-of-use assets	**34,266**	26,973
Interests on lease liabilities	**3,702**	3,684
Expense relating to short-term leases	**6,542**	11,988

(iv) Others

During the year ended 31 December 2022, total cash outflow for lease amount to HK$54,344,000 (2021: HK$40,641,000).

At 31 December 2022 and 31 December 2021, no lease agreement not yet commenced is committed by the Group.

19. Intangible Assets

	Trademarks HK$'000	**Customer relationships** HK$'000	**Total** HK$'000
COST			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**2**	**29,212**	**29,214**
AMORTISATION			
At 1 January 2021	–	21,907	21,907
Charge for the year	–	3,555	3,555
At 31 December 2021 and 1 January 2022	**–**	**25,462**	**25,462**
Charge for the year	**–**	**3,558**	**3,558**
At 31 December 2022	**–**	**29,020**	**29,020**
CARRYING VALUES			
At 31 December 2022	**2**	**192**	**194**
At 31 December 2021	2	3,750	3,752

19. Intangible Assets *(Continued)*

The above intangible assets other than trademarks have finite useful lives. Such intangible assets are amortised on a straight-line basis over their estimated useful lives as follows:

Customer relationships costs	2–4 years

The trademark "Shui On" has a legal life of 10 years but is renewable every 10 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. This is supported by the fact that the "Shui On" trademark is a well-known and long established brand as elderly nursing homes, its legal rights are capable of being renewed indefinitely ay insignificant cost and therefore are perpetual in duration, and based on future financial performance of the Group, they are expected to generate positive cash flows. As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

During the years ended 31 December 2022 and 2021, management of the Group determines that there are no impairments of any of its trademarks with indefinite useful lives.

20. Goodwill

	2022 HK$'000	2021 HK$'000
COST		
At 1 January and 31 December	**112,790**	112,790
ACCUMULATED IMPAIRMENT LOSSES		
At 1 January and 31 December	**–**	–
CARRYING VALUES		
At 31 December	**112,790**	112,790

The carrying amounts of goodwill allocated to the cash-generating units as at 31 December 2022 and 2021 are as follows:

	Guardian Home	Shui Jun Nursing Centre (Yau Tong) Company Limited ("Shui Jun (Yau Tong)")	Shui On Nursing Centre (Kwai Shing E.) Co. Limited ("Shui On (Kwai Shing E.)")	Shui On Nursing Centre (Sun Tin Wai) Company Limited ("Shui On (Sun Tin Wai)")	Total
Carrying amount of goodwill	32,850	36,216	33,494	10,230	112,790

20. Goodwill *(Continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to four cash-generating units of elderly residential care homes for impairment testing.

The recoverable amounts of the cash-generating units of elderly residential care homes have been determined based on a value in use calculation using cash flow projections covering a five-year period approved by senior management. The discount rate applied to the cash flow projections ranges from 13.1% to 13.7% (2021: 11.4% to 11.5%). The cash flows of the four cash-generating units are projected using an annual growth rate of 3% to 5% (2021: 3%) during the five-year period, which was based on historical growth rates and business development plan. The growth rate used to extrapolate the cash flows beyond the five-year period is 3% to 5% (2021: 3%), which was based on their historical growth rates and the long-term average growth rate of the industry. The recoverable amounts of the cash-generating units estimated from the cash flow forecasts exceed the carrying amounts.

Assumptions were used in the value in use calculation of the cash-generating units for 31 December 2022 and 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant units.

The values assigned to the key assumptions are consistent with external information sources.

In the opinion of the directors, there is no reasonably possible change in the key assumptions on which the recoverable amount is based that would cause the cash-generating units' carrying amounts to exceed the recoverable amounts.

21. Trade Receivables

	2022 **HK$'000**	2021 HK$'000
Trade receivables	**480**	165

The Group normally requires its customers to make payments in advance. The Group's customers settle their bills in a timely manner and therefore, the Group's exposure to credit risks is insignificant.

The Group's trade receivables as at the end of the reporting period, based on the date of the service rendered, had maturity of less than three months and no impairment loss was recognised.

The carrying amounts of trade receivables approximate to their fair values.

22. Prepayments, Deposits and Other Receivables

	2022 HK$'000	2021 HK$'000
Prepayments	**258**	384
Deposits	**15,378**	14,750
Other receivables	**7,692**	2,719
	23,328	17,853
Portion classified as current assets	**(10,780)**	(7,677)
Portion classified as non-current assets	**12,548**	10,176

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The carrying amounts of financial assets included in prepayments, other receivables and other assets approximate to their fair values.

23. Fixed Bank Deposits/Cash and Cash Equivalents

	2022 HK$'000	2021 HK$'000
Cash and bank balances	**38,491**	57,537
Non-pledged bank deposits with original maturity of less than three months when acquired	**–**	8,792
Cash and cash equivalents	**38,491**	66,329
Fixed bank deposits	**37,826**	–

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

As at 31 December 2022, the fixed bank deposits carried interest rate of 3.20% to 5.07% per annum with an original maturity of over three months.

The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of cash and cash equivalents approximate to their fair values.

24. Trade Payables

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2022 HK$'000	2021 HK$'000
Within 3 months	**1,244**	1,289

The average credit period granted by its suppliers ranging from 30 to 60 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

25. Other Payables and Accruals

	2022 HK$'000	2021 HK$'000
Accruals	**11,149**	8,665
Contract liabilities	**647**	457
Customer deposits	**10,079**	10,647
Other payables	**1,585**	1,068
	23,460	20,837

Other payables are non-interest bearing and repayable on demand. The carrying amounts of financial liabilities included in other payables and accruals approximate to their fair values.

26. Amount due to a Related Company

	2022 HK$'000	2021 HK$'000
Amount due to a related company of which Mr. Yik Tak Chi is a member of key management personnel:		
– Yu Fat Hong (Hong Kong) Limited ("Yu Fat Hong")	**527**	511

The balances with related companies are trade in nature, unsecured, interest-free and repayable on demand.

The carrying amounts of balances with related parties approximate to their fair values.

27. Deferred Tax Assets

The following is the analysis of the net deferred tax assets, after set off certain deferred tax liabilities against deferred assets of the same taxable entity, for the financial reporting purposes:

	2022 **HK$'000**	2021 HK$'000
Deferred tax assets	**2,349**	4,064
Deferred tax liabilities	**–**	(522)
Net deferred tax assets	**2,349**	3,542

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	Depreciation in excess of related depreciation allowance HK$'000	**Fair value adjustments arising from acquisition of subsidiaries** HK$'000	**Depreciation allowance in excess of related depreciation** HK$'000	**Total** HK$'000
At 1 January 2021	4,005	(1,003)	(105)	2,897
Credit to profit or loss	59	586	–	645
At 31 December 2021 and 1 January 2022	**4,064**	**(417)**	**(105)**	**3,542**
Charged to profit or loss	**(1,780)**	**482**	**105**	**(1,193)**
At 31 December 2022	**2,284**	**65**	**–**	**2,349**

At 31 December 2022, the Group has deductible temporary differences approximately of HK$14,236,000 (2021: HK$24,630,000) respectively available for offsetting against future profits. A deferred tax asset has been recognised in respect of HK$14,236,000 (2021: HK$24,630,000) of such deductible temporary differences.

28. Share Capital

	Number of shares '000	Share capital HK$'000
Ordinary share of HK$0.010 each		
Authorised:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	1,000,000	10,000
Issued and fully paid:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	400,000	4,000

29. Reserves

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity.

Merger reserve

The merger reserve represents the nominal value of paid-up capital of subsidiaries acquired by the Company pursuant to the reorganisation.

30. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the reporting period:

	Notes	**2022 HK$'000**	2021 HK$'000
Purchases from a related company of which Mr. Yik Tak Chi is a member of key management personnel			
– Yu Fat Hong	*(i)*	**5,663**	5,630
Rental paid to related companies of which Mr. Yik Tak Chi is a member of key management personnel			
– Ever Premier Limited	*(ii)*	**2,100**	1,800
– Roymark Limited	*(ii)*	**9,060**	7,440

Notes:

(i) The purchases were made according to the prices and conditions offered by the related company to its major customers.

(ii) The rentals were determined based on terms mutually agreed by both parties at arm's length.

30. Related Party Transactions *(Continued)*

(b) Outstanding balances with related parties

Details of the Group's balances with related parties as at the end of the reporting period are included in note 26 to the consolidated financial statements.

(c) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel during the year was as follows:

	2022	2021
	HK$'000	HK$'000
Short-term benefits	**10,543**	8,984
Post-employment benefits	**276**	243
	10,819	9,227

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

31. Share Option Scheme

Pursuant to the Company's share option scheme adopted on 21 June 2017 (the "Scheme") for the purpose of providing incentives to directors and eligible employees, the Company may grant options to executive directors and full-time employees of the Group to subscribe for shares of the Company.

No share option was granted under the Scheme since its adoption.

32. Retirement Benefit Scheme

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees.

During the year ended 31 December 2022, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately HK$2,811,000 (2021: HK$2,408,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

33. Reconciliation of Liabilities Arising from Financing Activity

The table below details changes in the Group's liabilities arising from financing activity, including both cash and non-cash change. Liabilities arising from financing activity is those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activity.

	2022 HK$'000	2021 HK$'000
Lease liabilities (note 18)		
At 1 January	**74,791**	86,312
Financing cash flows:		
– Additions	**60,480**	13,448
– Repayments	**(39,165)**	(28,653)
Non-cash changes:		
– Finance costs incurred	**3,702**	3,684
At 31 December	**99,808**	74,791

34. Information About the Statement of Financial Position of the Company

	Note	2022 HK$'000	2021 HK$'000
Non-current asset			
Investments in subsidiaries		**5**	5
Current asset			
Cash and cash equivalents		**2,679**	2,673
Current liability			
Amount due to a subsidiary		**41,509**	41,509
Net current liability		**(38,830)**	(38,836)
Total assets less current liability		**(38,825)**	(38,831)
Net liability		**(38,825)**	(38,831)
Equity			
Share capital		**4,000**	4,000
Reserves	*(a)*	**(42,825)**	(42,831)
Total deficit		**(38,825)**	(38,831)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

34. Information About the Statement of Financial Position of the Company *(Continued)*

Note:

(a) Movements in reserves

	Share premium account HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	58,491	(37,311)	21,180
Loss for the year	–	(11)	(11)
Dividend declared	–	(64,000)	(64,000)
At 31 December 2021 and 1 January 2022	**58,491**	**(101,322)**	**(42,831)**
Profit for the year	**–**	**6**	**6**
At 31 December 2022	**58,491**	**(101,316)**	**(42,825)**

35. Particulars of Subsidiaries of the Company

Details of the Company's subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operation	Class of shares held	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity interest and voting power attributable to the Company Direct 2022	Direct 2021	Indirect 2022	Indirect 2021	Principal activities
Shui On Nursing Home Holdings (BVI) Limited ("Shui On (BVI)")	BVI	Ordinary	US$62,353	**100%**	100%	**–**	–	Investment holding
Shui On Nursing Home Holdings Limited ("Shui On Holdings (HK)")	Hong Kong	Ordinary	HK$5,300	**–**	–	**100%**	100%	Investment holding and provision of management services
Shui On Nursing Centre (Shun On) Company Limited ("Shui On (Shun On)")	Hong Kong	Ordinary	HK$10,000	**–**	–	**100%**	100%	Operation of an elderly residential care home

35. Particulars of Subsidiaries of the Company *(Continued)*

Name of subsidiaries	Place of incorporation/ establishment/ operation	Class of shares held	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity interest and voting power attributable to the Company: Direct 2022	Direct 2021	Indirect 2022	Indirect 2021	Principal activities
Shui Hing Nursing Centre Limited ("Shui Hing")	Hong Kong	Ordinary	HK$10,000	**–**	–	**100%**	100%	Operation of an elderly residential care home
Shui On Nursing Centre (Hing Wah) Company Limited ("Shui On (Hing Wah)")	Hong Kong	Ordinary	HK$10,000	**–**	–	**100%**	100%	Operation of an elderly residential care home
Shui On (Sun Tin Wai)	Hong Kong	Ordinary	HK$15,000	**–**	–	**100%**	100%	Operation of an elderly residential care home
Shui On (Kwai Shing E.)	Hong Kong	Ordinary	HK$3,760,000	**–**	–	**86.67%**	86.67%	Operation of an elderly residential care home
Shui Jun (Yau Tong)	Hong Kong	Ordinary	HK$6,000	**–**	–	**100%**	100%	Operation of an elderly residential care home
Guardian Home*	Hong Kong	Ordinary	HK$8,601,000	**–**	–	**60%**	60%	Investment holding
Glory Crest Limited ("Glory Crest")*	Hong Kong	Ordinary	HK$1	**–**	–	**60%**	60%	Investment holding
Guardian Home (Chun Shek) Limited ("Chun Shek")*	Hong Kong	Ordinary	HK$10,000	**–**	–	**60%**	60%	Operation of an elderly residential care home

* The Group acquired 60% equity interests in Guardian Home on 12 July 2019.

None of the subsidiaries has issued any debt securities outstanding at the end of both years or at any time during both years.

35. Particulars of Subsidiaries of the Company *(Continued)*

Details of subsidiary that has non-controlling interests that is material to the Group:

Name of subsidiary	Place of incorporation	Proportion of ownership interest and voting rights held by non-controlling interest		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	**2022**	2021	**2022**	2021
				HK$'000	HK$'000	**HK$'000**	HK$'000
Guardian Home	Hong Kong	**40%**	40%	**2,354**	5,238	**5,452**	9,698

The summarised financial information in respect of each of the Group's subsidiary or group of subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Guardian Home

	2022	2021
	HK$'000	HK$'000
Revenue	**37,209**	40,477
Total expenses	**(34,485)**	(27,383)
	2,724	13,094
Net cash inflow from operating activities	**4,312**	16,797
Net cash inflow from investing activities	**1,019**	2,544
Net cash outflow from financing activities	**(25,394)**	(19,495)
	(20,063)	(154)

	2022	2021
	HK$'000	HK$'000
Current assets	**19,211**	29,253
Non-current assets	**23,372**	30,868
Current liabilities	**(14,006)**	(11,772)
Non-current liabilities	**(14,948)**	(24,231)

36. Contingent Liabilities

The Group and the Company had no significant contingent liabilities at the end of the reporting period.

37. Major Non-Cash Transactions

During the year ended 31 December 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$60,480,000 (2021: HK$13,448,000) and HK$60,480,000 (2021: HK$13,448,000), respectively, in respect of lease arrangements for land and buildings.

38. Comparative Figures

Certain comparative figures have been reclassified to confirm the presentation of the current year for the purpose of better representation of the Group's activities:

Deposits of approximately HK$10,176,000 which had previously been recorded as currents assets in the consolidated financial statements for the year ended 31 December 2021, was reclassified as non-current assets.

FIVE YEARS FINANCIAL SUMMARY

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the consolidated financial statements of the Groups are summarised below:

Results

	Year ended 31 December 2018 HK$'000	Year ended 31 December 2019 HK$'000	Year ended 31 December 2020 HK$'000	Year ended 31 December 2021 HK$'000	**Year ended 31 December 2022 HK$'000**
Revenue	135,516	168,680	205,038	203,849	**193,041**
Profit for the year	23,709	30,544	52,833	52,191	**38,610**

Assets and Liabilities

	As at 31 December				
	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022 HK$'000**
Total assets	165,845	307,086	311,011	278,760	**337,391**
Total liabilities	18,855	134,059	114,781	99,619	**126,240**