



Kato (Hong Kong) Holdings Limited
嘉濤(香港)控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2189



Annual Report
2021

優質服務 敬老樂業
以人為本 全身投入



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ngai Ka Yee

Ngai Shi Shing Godfrey

(Appointed as Chairman on 15 October 2020 and Chief Executive Officer)

Non-executive Directors

Kwong Kai To

(Resigned as Non-executive Director and Chairman on 15 October 2020)

Cheng Man Tak Richard

(Appointed on 11 August 2020)

Poon Kai Kit Joe

(Appointed on 11 August 2020)

Independent Non-executive Directors

Chiu Lai Kuen Susanna

Or Kevin

Wong Vinci

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1st Floor

Tung Wai Court

No. 3 Tsing Ling Path

Tuen Mun

New Territories

Hong Kong

COMPANY WEBSITE

www.elderlyhk.com

COMPANY SECRETARY

Kwok Chi Kan (HKICPA)

AUTHORISED REPRESENTATIVES

Ngai Shi Shing Godfrey

Kwok Chi Kan

BOARD COMMITTEES

Audit Committee

Chiu Lai Kuen Susanna (Chairman)

Or Kevin

Wong Vinci

Remuneration Committee

Wong Vinci (Chairman)

Ngai Shi Shing Godfrey

Or Kevin

Nomination Committee

Or Kevin (Chairman)

Ngai Shi Shing Godfrey

Wong Vinci

Corporate Information

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

Loeb & Loeb LLP
2206-19 Jardine House,
1 Connaught Place,
Central,
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F Prince's Building
Central
Hong Kong

COMPLIANCE ADVISER

VMS Securities Limited
49th Floor
One Exchange Square
8 Connaught Place, Central
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited
United Overseas Bank



Chairman's Statement



Chairman's Statement

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Kato (Hong Kong) Holdings Limited (the “**Company**”, and its subsidiaries, collectively the “**Group**”), I am pleased to present the annual report of the Group for the year ended 31 March 2021 (the “**Year**”).

OVERVIEW

The Group is an established operator of residential care homes for the elderly in Hong Kong offering a wide range of residential care services for the elderly including (i) the provision of accommodation, professional nursing and care-taking services, nutritional management, medical services, physiotherapy and occupational therapy services, psychological and social care services, individual care plans and recreational services; and (ii) the sale of healthcare and medical goods and the provision of add-on healthcare services to the residents.

To actualise “Ageing in place as the core, institutional care as back-up (居家安老為本，院舍照顧為後援)”, since May 2020, the Group has expanded its scope of services by offering community care services for the elderly such as day care services and home-based care services. As at 31 March 2021, five of our attention homes and elderly centres, namely Fai To Sino West Home, Ka Shui Garden Day Care Centre (Hung Hom), Ka Shui Garden Day Care Centre (Tsuen Wan), Kato Elderly Home and Pine Villa are the recognised service providers under the pilot scheme on Community Care Service Voucher (the “**CCSV**”), with a total capacity of centre-based services of 120 places and home-based services of 1,000 voucher holders, while two of our care and attention homes for the elderly were entitled to offer day care services with a total of 30 subsidised day care places pursuant to the Bought Place Scheme Day Care Units for the Elderly.

In 2020, the unexpected outbreak of COVID-19 has brought unprecedented public health in Hong Kong. The Group has implemented a series of precautionary and control measures, including the restrictions on visitors and increase the frequency of cleaning and sanitising residential care homes, etc., in order to maintain a clean and hygienic environment and safeguard the health of the elderly. Given the stable revenue structure and precautionary measures implemented by the Group during the Year, our core business of our residential care homes for the elderly have been largely immunised from the negative impact arising from COVID-19 outbreak. Average occupancy rates remained strong and stable at approximately 97% for the Year and for the year ended 31 March 2020 (the “**Previous Year**”).

In addition, to cope with the COVID-19 outbreak in residential care homes for the elderly and in view of the logistical issues and unsuitability of arranging special medical equipment and facilities to be sent to general quarantine centres, the Group was selected and participated in setting up a temporary quarantine community treatment facilities for residents of residential care homes for the elderly, housing nursing staffs on duty round the clock and designated staffs responsible for assisting elderly residents' needs during the Year.

The Group will continuously monitor the situation of the COVID-19 outbreak, assess and react actively to its impacts on the financial position and operating results of the Group.

FINANCIAL PERFORMANCE

The Group's revenue for the Year was approximately HK\$256.5 million (2020: approximately HK\$196.1 million), recording a year-on-year increase of approximately 30.8%. The profit for the Year was increased by approximately 66.0% to approximately HK\$79.5 million (2020: approximately HK\$47.9 million). The increase in profit for the Year was mainly attributable to (i) an increase in revenue from the provision of elderly home care services, elderly community care services and care support services to persons under quarantine; (ii) the receipt of wage subsidies from the government of Hong Kong SAR under the anti-epidemic fund scheme of approximately HK\$8.3 million; and (iii) no listing expenses were incurred during the Year (2020: approximately HK\$5.5 million).



Chairman's Statement

PROSPECTS

The Board believes that the pandemic will eventually subside. As with any crisis, there are always new opportunities and possibilities. Having considered the surge in available properties in the market and significant decrease in property prices, in February 2021, the Group completed the acquisition of a suitable property, it is expected to establish a care and attention home for provision of approximately 300 residential care places starting from the second or third quarter of 2022. In May 2021, the Group entered into a provisional sale and purchase agreement with an independent third party in relation to the acquisition of four pieces of lands in Yuen Long for establishment of another new care and attention home, of which anticipated that further provide approximately 300 residential care places for the elderly.

Our principal business objectives are to solidify our established market position in the private residential care home for the elderly industry in Hong Kong and enhance our market position in the care and attention homes sector.

As reflected in the Company's motto: "Quality Service; Respecting and Positive; People-oriented; and Full Dedication (優質服務·敬老樂業·以人為本·全身投入)", we are committed to providing quality residential care home services to our residents. As part of our continuing effort to maintain a high quality of our services, we have implemented standardised management and operational procedures and quality controls across our network of care and attention homes for the elderly. With the Group's experienced management team and reputation in the market, the Group will continue to expand its network of elderly residential care homes in strategic locations in Hong Kong to serve more elderly residents when there are suitable opportunities.

APPRECIATION

Our continued success depends on all our staff's commitment, dedication and professionalism. On behalf of the Board, I would like to express appreciation to all the frontline health care workers who play a vital role during the COVID-19 pandemic. The Board would also like to thank every member of our staff for their diligence and dedication and to express our sincere appreciation to our shareholders, business partners, clients and suppliers for their continuous and valuable support.

Ngai Shi Shing Godfrey
Chairman and Executive Director

Hong Kong, 11 June 2021

Management Discussion and Analysis

BUSINESS REVIEW

Elderly home care services

The Group is an established operator of residential care homes for the elderly (the “**RCHE(s)**”) in Hong Kong offering a wide range of residential care services for the elderly including (i) the provision of accommodation, professional nursing and care-taking services, nutritional management, medical services, physiotherapy and occupational therapy services, psychological and social care services, individual care plans and recreational services; and (ii) the sale of healthcare and medical goods and the provision of add-on healthcare services to the residents.

As at 31 March 2021, the Group had a network of eight (2020: eight) care and attention homes for the elderly with 1,129 residential care places (2020: 1,129 residential care places) strategically located across four districts in Hong Kong. The Group’s care and attention homes operate under the brand names of “Fai To 輝濤”, “Kato 嘉濤”, “Happy Luck Home”, “Tsuen Wan Centre” and “Pine Villa”, all bearing the same logo.

The Group’s customers primarily consisted of two groups, namely, (i) the Social Welfare Department (the “**SWD**”) with which entered into contractual arrangements pursuant to which the SWD purchased residential care places from the Group under the Enhanced Bought Place Scheme (“**EBPS**”); and (ii) individual customers who settled their own residential fee and those who were subsidised by the SWD under the EBPS but settled the unsubsidised portion by themselves.

The following table sets forth a summary of the basic information of the Group’s RCHEs as at 31 March 2021 and 2020:

	Location	Year of commencement of operations by the Group	Number of residential care places (excluding isolated beds)		Total	Classification under the EBPS
			Under the EBPS	For individual customers not under the EBPS		
Kato Home for the Elderly (“ Kato Elderly Home ”)	Tuen Mun	1999	126	54	180	EA1
Kato Home for the Aged	Tuen Mun	1998	86	37	123	EA2
Fai-To Home for the Aged (On Lai) Branch (“ Fai To Home (On Lai) ”)	Tuen Mun	1997	28	28	56	EA2
Fai To Home for the Aged (Tuen Mun) Branch (“ Fai To Home (Tuen Mun) ”)	Tuen Mun	1995	47	43	90	EA2
Fai To Sino West Combined Home for the Aged (“ Fai To Sino West Home ”)	To Kwa Wan	2000	148	146	294	EA1
Happy Luck Elderly Home Limited (“ Happy Luck Home ”)	Tsuen Wan	2015	75	71	146	EA1
Tsuen Wan Elderly Centre Limited (“ Tsuen Wan Centre ”)	Tsuen Wan	2008	79	71	150	EA1
Pine Villa	Tseung Kwan O	2013	N/A	90	90	N/A
			589	540	1,129	



Management Discussion and Analysis

The following table sets forth the average monthly occupancy rate of each respective care and attention homes as at 31 March 2021 and 2020:

	Average monthly occupancy rate ^(Note) as at 31 March	
	2021 %	2020 %
Kato Elderly Home	97.2	94.4
Kato Home for the Aged	99.2	98.4
Fai To Home (On Lai)	92.9	94.6
Fai To Home (Tuen Mun)	98.9	97.8
Fai To Sino West Home	95.6	98.6
Happy Luck Home	98.6	98.6
Tsuen Wan Centre	92.7	98.7
Pine Villa	98.9	88.9
Overall	96.6	96.9

Note:

The monthly occupancy rate is calculated by dividing the number of beds occupied as at the month end by the total number of beds available at each of our care and attention homes as at the relevant month end. The average monthly occupancy rate for the year is calculated by dividing the sum of the monthly occupancy rates by the total number of months in that year.

Community care and day care services for the elderly

(i) Home-based and centre-based services

Since May 2020, the Group has expanded its scope to community care by offering home-based services under the pilot scheme on Community Care Service Voucher (the “CCSV”) for the elderly launched by the SWD, which aim to help families in need of home care services while relieving their financial and caregiving pressures, services including hospital outpatient and discharge escort, caregiver training, home safety assessment, physiotherapy, nursing support, etc.

As at 31 March 2021, Fai To Sino West Home, Ka Shui Garden Day Care Centre (Hung Hom), Ka Shui Garden Day Care Centre (Tsuen Wan), Kato Elderly Home and Pine Villa are the recognised service providers under the pilot scheme on CCSV, covering five contract homes, with a total capacity of centre-based services of 120 places and home-based services of 1,000 voucher holders.

(ii) Day care service

Day-care centres for elderly provide on-site elderly care services during daytime, which generally exclude overnight care services. To extend the Group’s reach to non-residents, since May 2020, the Group has commenced providing day care services to elderly, covering a range of centre-based care and support services during daytime to enable the day care service users who suffer from moderate to severe level of impairment to achieve optimal level of functioning, develop their potential, improve their quality of life, and continue to live in their own homes wherever feasible and possible. As at 31 March 2021, two of the Group’s care and attention homes for the elderly were entitled to offer day care services with a total of 30 subsidised day care places pursuant to the Bought Place Scheme Day Care Units for the Elderly (the “BPS”).

Management Discussion and Analysis

Care support services to persons under quarantine

To cope with the COVID-19 outbreak in residential care homes for the elderly and in view of the logistical issues and unsuitability of arranging special medical equipment and facilities to be sent to general quarantine centres, the Government invited various RCHE players to participate in setting up quarantine and community treatment facilities. During the year ended 31 March 2021 (the “Year”), the Company was selected and participated in setting up a temporary quarantine centre for residents of residential care homes for the elderly, housing nursing staffs on duty round the clock and designated staffs responsible for assisting elderly residents’ needs.

FINANCIAL REVIEW

Revenue

The Group’s revenue was principally generated from the provision of residential care services and day care services for the elderly in Hong Kong. The Group’s revenue was derived from (i) rendering of elderly home care services; (ii) sales of elderly home related goods; (iii) rendering of elderly community care services; (iv) rendering of care support services to persons under quarantine; and (v) rental and management fee income. The following table sets forth the breakdown of revenue for the Group’s revenues by types of services for the Year and year ended 31 March 2020 (the “Previous Year”):

	2021		2020	
	HK\$'000	%	HK\$'000	%
Rendering of elderly home care services				
— residential care places purchased by the SWD under the EBPS	95,723	37.3	89,077	45.4
— residential care places purchased by individual customers	81,416	31.8	79,198	40.4
Sales of elderly home related goods	32,443	12.6	27,823	14.2
	209,582	81.7	196,098	100.0
Rendering of elderly community care services	3,949	1.5	—	—
Rendering of care support services to persons under quarantine	42,147	16.4	—	—
Rental and management fee income	853	0.4	—	—
Total	256,531	100.0	196,098	100.0

The total revenue of the Group significantly increased by approximately HK\$60.4 million or 30.8% from approximately HK\$196.1 million for the Previous Year to approximately HK\$256.5 million for the Year, which was mainly due to participation of elderly community care services and care support services to persons under quarantine during the Year.



Management Discussion and Analysis

Revenue from elderly home care services mainly represent (i) the rendering of elderly home care services (such as, residence, professional nursing and caretaking services, nutritional management, medical services, psychological and social care and individual care plans); and (ii) sales of elderly home related goods which include the sale of diapers, nutritional milk, wipes, and blood glucose test strips to our residents on an as-needed basis. The increase in revenue from elderly home care services from approximately HK\$196.1 million in Previous Year to approximately HK\$209.6 million mainly attributed to (i) increase in base rate charge per residential care place purchased by the SWD under the EBPS for rendering of elderly home care services; and (ii) increase in average price of sales of elderly home related goods.

Employee benefit expenses

Employee benefit expenses comprised of wages and salaries, retirement benefit scheme contributions, staff welfare and benefits, directors' remunerations and provision for long service payments. The employee benefits expenses increased from approximately HK\$65.5 million for the Previous Year to approximately HK\$82.4 million for the Year, which was mainly due to the increase in number of staff for rendering care support services to persons under quarantine, which partially offset by wage subsidies from the Government of Hong Kong SAR under the anti-epidemic fund scheme of approximately HK\$8.3 million.

Property rental and related expenses

Property rental and related expenses comprised lease payments for short-term lease, building management fee and rates for RCHEs, day care centres and staff quarters. Property rental and related expenses decreased from approximately HK\$5.6 million for the Previous Year to approximately HK\$3.1 million for the Year due to decrease in lease payments associated with short-term leases and variable lease payments that do not meet the definition of lease liability for the Group as lessee under HKFRS 16 for the Year.

Listing expenses

Listing expenses represented professional and other expenses in connection to the initial public offering. No listing expenses were recorded during the Year (Previous Year: approximately HK\$5.5 million).

Profit for the Year

The profit for the Year significantly increased by approximately 66.0% to approximately HK\$79.5 million for the Year as compared to HK\$47.9 million for the Previous Year. Such increase has mainly due to (i) an increase in revenue from the provision of elderly home care services, elderly community care services and care support services to persons under quarantine; (ii) the receipt of wage subsidies from the Government of Hong Kong SAR under the anti-epidemic fund scheme of approximately HK\$8.3 million; and (iii) the non-recurring listing expenses of approximately HK\$5.5 million incurred in the Previous Year, while no such expenses were incurred in the Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's net assets increased to approximately HK\$233.2 million as at 31 March 2021 (2020: approximately HK\$192.7 million). Such increase was mainly a result of the cash inflow from operating activities during the Year. As at 31 March 2021, the Group's net current assets was approximately HK\$63.3 million (2020: approximately HK\$158.8 million), including cash and cash equivalents of approximately HK\$108.1 million (2020: approximately HK\$43.2 million) which were denominated in Hong Kong Dollar.

The current ratio, which is calculated as the total current assets divided by the total current liabilities, was approximately 2.2 times as at 31 March 2021 (2020: approximately 6.1 times).

Management Discussion and Analysis

The Group has established a treasury policy with the objective of lowering cost of funds. Therefore, funding for all its operations have been centrally reviewed and monitored at the Group level. To manage the Group's exposure to fluctuations in interest rates, appropriate funding policies will be applied including the use of bank borrowings or placing of new shares. The management will continue its efforts in obtaining the most privileged rates and favourable terms available to the Group for its financing.

The Group monitors its capital on the basis of the gearing ratio, which is expressed as a percentage of net debt divided by total capital. Net debt is calculated as the sum of bank borrowing and lease liabilities less the sum of cash and cash equivalents and short-term bank deposits. Total capital represents total equity as shown on the consolidated statement of financial position of the Group.

The gearing ratio as at 31 March 2021 and 2020 were as follows:

	2021 HK\$'000	2020 HK\$'000
Bank borrowing	120,000	—
Lease liabilities	222,047	138,256
	342,047	138,256
Less: Cash and cash equivalents	(108,116)	(43,245)
Short-term bank deposits	(1,002)	(140,493)
	(109,118)	(183,738)
Net debt/(cash)	232,929	(45,482)
Total equity	233,159	192,672
Gearing ratio	99.9%	Net Cash

As at 31 March 2021, the gearing ratio of the Group was increased to 99.9% due to the drawdown of bank borrowing of HK\$120 million for acquisition of assets in February 2021.

Since the amount of cash and cash equivalents and short-term bank deposits exceeded that of lease liabilities and bank borrowing, the Group is at net cash position as at 31 March 2020. Thus, the gearing ratio was not applicable as at 31 March 2020.

As at 31 March 2021, bank borrowing of the Group bore floating interest rates and denominated in HK\$, the maturity profile are set out as follows:

	HK\$'000
Within 1 year	7,040
More than 1 year but less than 2 years	7,166
More than 2 years but less than 5 years	22,277
More than 5 years	83,517
	120,000



Management Discussion and Analysis

COMMITMENTS

As at 31 March 2021, the Group did not have any material capital commitment.

As at 31 March 2020, the Group had capital commitments for property and equipment, amounting to approximately HK\$14.5 million after netting off the prepayment for the purchase of property and equipment and a lease with right-of-use assets and lease liabilities of approximately HK\$84.1 million committed but not commenced.

SIGNIFICANT INVESTMENTS

During the Year and Previous Year, the Group had no significant investment in equity interest in any other company.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

On 26 January 2021, the Group entered into the sale and purchase agreement to acquire the entire equity interest in a property holding company with the property located in New Kowloon Inland Lot No. 6377 comprising of (i) cooked food stalls and commercial complex of Hing Tin Estate (the “**Estate**”); (ii) the integrated HA accommodation; and (iii) car park spaces of the Estate, at a total consideration of approximately HK\$240 million, for establishment of a care and attention home. The consideration was financed by internal resources, bank borrowing and proceeds from the listing which was disclosed in the announcement of the Company dated 4 January 2021 relating to change in use of proceeds from the share offer under part of the Company’s plan of using such proceeds on the acquisition of a suitable property for establishment of a care and attention home. The vendors are third parties independent of and not connected to the Company and any of its connected persons or any of their respective associates, and the consideration was determined under arm’s length negotiation with reference to the prevailing market value of comparable properties available in the vicinity. The acquisition was completed on 26 February 2021. For further details, please refer to the circular of the Company dated 26 May 2021.

Except for the aforementioned transaction, the Group did not conduct any material acquisition or disposal of subsidiaries, associates and joint ventures during the Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

In May 2021, Si Mau Limited, an indirect wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with Upper Caterings Group Limited, a third party independent of and not connected to the Company and any of its connected persons and any of their respective associates, in relation to the acquisition of four pieces of land in Yuen Long at a cash consideration of HK\$65 million. For further details, please refer to the announcement of the Company dated 24 May 2021.

Save as disclosed above and elsewhere in this report, the Group did not have any plans for material investments and capital assets as at 31 March 2021 and up to the date of this report.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2021 and 2020.

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

The Group solely operates in Hong Kong and the majority of the Group's transactions and the Group's cash and cash equivalents are denominated in Hong Kong Dollar. The Group is not exposed to foreign currency risk on transaction that is in a currency other than the respective functional currency of the Group entities. The Group did not resort to any foreign currency hedging facilities during the Year, but the management will continuously monitor foreign exchange exposure and will consider hedging significant foreign currency exposure where appropriate.

PLEDGE OF ASSETS

As at 31 March 2021, investment properties with carrying amount of approximately HK\$244.1 million (2020: Nil) were pledged to secure banking facilities granted to the Group. Save for the above, the Group had no other pledge of assets as at 31 March 2021 and 2020.

EMPLOYEES AND REMUNERATION POLICIES

The total number of full-time and part-time employees were 498 and 443 as at 31 March 2021 and 2020, respectively. The Group's employee benefit expenses mainly includes salaries, discretionary bonuses, medical insurance coverage, staff quarter, other staff benefits and contributions to retirement schemes. During the Year, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$82.4 million (2020: approximately HK\$65.5 million).

Remuneration is determined generally with reference to the qualification, experience and work performance of the relevant employee, whereas the payment of discretionary bonus is generally subject to work performance of the relevant employee, the financial performance of the Group and general market conditions.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and that the risks of non-compliance with such requirements. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Hong Kong in all material respects during the Year.

The Group also complies with the requirements under Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") for the disclosure of information and corporate governance.

ENVIRONMENTAL POLICY

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to reduce such impacts.



Management Discussion and Analysis

COMPARISON OF BUSINESS STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The following sets out a comparison of the business strategies with the Group's actual business progress for the Year and up to the date of this report:

Business strategies	Actual business progress up to the date of this report
Acquisition of a suitable property for establishment of a care and attention home in Hong Kong	The Group acquired a property holding company with the property located in Hing Tin Estate for establishment of a care and attention home.
Hire additional staff and continue to retain skilled workforce through systematic training and professional development	Training have been provided to our dedicated management and workforce in relation to industry update.
Continue to upgrade the facilities and purchase of new equipment at our network of care and attention homes for the elderly and renovate the care and attention homes for the elderly	The Group has appointed an interior design company for renovation of two of our existing RCHEs.
Continue to strengthen the information systems	The Group has appointed a consultant for information technology upgrade.

Management Discussion and Analysis

USE OF PROCEEDS

The plan of use of proceeds has been set out in the prospectus of the Company dated 30 May 2019 (the “**Prospectus**”). After due and careful consideration of the current business environment and the development needs of the Group, the Board has determined to change the use of the proceeds of approximately HK\$86.3 million originally allocated for “establishment of new care and attention homes for the elderly” to “acquisition of a suitable property whereby a care and attention home will be established”. The analysis of the unutilised net proceeds, the actual use of proceeds and the expected timeline for utilising the unutilised net proceeds are set out as below:

Business objective	Planned use of	Unutilised net	Change of	Revised	Actual use of	Unutilised net	Expected timeline
	net proceeds						
	as stated in the	31 March 2020	unutilised	unutilised	for the Year	31 March 2021	unutilised
	Prospectus	HK\$'million	net proceeds	net proceeds	HK\$'million	HK\$'million	net proceeds
	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	
Establishment of new care and attention homes for the elderly	86.3	86.3	(86.3)	–	–	–	–
Acquisition of a suitable property whereby a care and attention home will be established	–	–	86.3	86.3	(86.3)	–	Fully utilised
Renew and upgrade facilities of existing RCHes	27.2	20.7	–	20.7	(2.1)	18.6	By 31 March 2022
Upgrade information technology infrastructure	1.5	1.5	–	1.5	–	1.5	By 31 March 2022
General working capital	1.9	1.4	–	1.4	(1.0)	0.4	By 31 March 2022
Total	116.9	109.9	–	109.9	(89.4)	20.5	

The Directors confirm that there is no material change in the nature of business of the Group and consider the above change in the use of proceeds is fair and reasonable as this allows the Group to deploy its financial resources more effectively to enhance the profitability of the Group and is in the interests of the Group and its shareholders as a whole. For further details, please refer to the announcement of the Company dated 4 January 2021. Save as disclosed above, the remaining unutilised net proceeds will be used based on the strategies as disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

The unutilised net proceeds have been placed as interest bearing deposits with banks in Hong Kong.



Management Discussion and Analysis

PROSPECTS

The demand for residential care home services for the elderly in Hong Kong remain surging due to a sizeable and ageing population, an increased prevalence of chronic diseases among the elderly and a high institutionalisation rate. It is expected that this trend will continue in the next few decades and will contribute further to the growing market in the elderly residential care home industry.

Not only for business growth, but for the wellness and sustainability of the community, we take an active role during the Year in various community initiatives in the area of elderly care and disadvantaged community. With support and in-line with the Government's initiative in promotion of "ageing-in-place" and "money follows the person", the Group started to have participated in the CCSV Scheme to provide assistance to elderly with needs. In May 2020, the Group provide a range of home-based and centre-based care and support services during daytime to enable frail elders including the demented suffering from moderate or severe level of impairment to maintain their optimal level of functioning, develop their potential, improve their quality of life and to enable them to live in their own homes wherever feasible and possible. The Directors believe that provision of community care services enables the Group to utilise its existing resources more efficiently and provide more comprehensive services to the elderly.

As reflected in the Company's motto "Quality Service; Respecting and Positive; People-oriented; and Full Dedication (優質服務·敬老樂業·以人為本·全身投入)", the Group is committed to providing quality residential care home services to the residents. As part of our continuing effort to maintain a high quality of our services, the Group has implemented standardised management and operational procedures and quality controls across the network of care and attention homes for the elderly.

Building on the strength of the Group's established reputation, the size of the Group and the financial resources, as well as the Group's proven track record in operating a network of residential care homes for the elderly, the Group will continue to expand its network of elderly residential care homes in strategic locations in Hong Kong to serve more elderly residents when there are suitable opportunities. The Directors believe that the Group is poised to further capture new market opportunities driven by the strong demand for residential care home services in Hong Kong.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Ngai Ka Yee (“Ms. Ngai”), aged 75, is the founder of the Group. Ms. Ngai was appointed as a Director on 2 October 2018 and was designated as an executive Director of the Board on 2 October 2018. Ms. Ngai founded the Group through the establishment of the first care and attention home for the elderly in May 1991. She has over 28 years of experience in the RCHE industry in Hong Kong.

Ms. Ngai is the director of each of Crawfield International Limited (“**Crawfield International**”), Happy Luck Elderly Home Limited (“**Happy Luck**”), Jane’s Home Limited (“**Jane’s Home**”), Kato Kung Limited (“**Kato Kung**”), Oriental Chinese Medicine Limited (“**Oriental Chinese**”) and Tsuen Wan Elderly Centre Limited (“**Tsuen Wan Elderly Centre**”). Ms. Ngai is the mother of Mr. Ngai (as defined below) and Mr. Lam Kong and the stepmother of Mr. Kwong Thomas Wai Ping.

Mr. Ngai Shi Shing Godfrey (“Mr. Ngai”), aged 47, was appointed as a Director on 19 April 2018 and was designated as an executive Director and chief executive officer on 2 October 2018. Mr. Ngai has been appointed as Chairman of the Board since 15 October 2020. Mr. Ngai joined the Group in September 1998 as director and chief executive officer of Crawfield International. Mr. Ngai has over 22 years of experience in the RCHE industry in Hong Kong. Mr. Ngai obtained (i) a Higher Diploma in Manufacturing Engineering (Product Engineering and Design) from Hong Kong Technical Colleges in July 1996, and (ii) a Master of Science in Engineering Business Management from The University of Warwick in January 1998.

Mr. Ngai was appointed as the chairman of Tai Po North District Scout Council from May 2011 to May 2012. Mr. Ngai was awarded the Bronze Award for Volunteer Service from the director of Social Welfare and Volunteer-in-Chief for four consecutive years from 2006 to 2009. He was also awarded the Outstanding Director Award of the Chartered Association of Directors in December 2010. Mr. Ngai is the director of each of Crawfield International, Happy Luck, Jane’s Home, Kato Kung, Oriental Chinese and Tsuen Wan Elderly Centre. Mr. Ngai is the son of Ms. Ngai, the brother of Mr. Lam Kong and stepbrother of Mr. Kwong Thomas Wai Ping.

NON-EXECUTIVE DIRECTORS

Mr. Cheng Man Tak Richard (“Mr. Cheng”), aged 61, was appointed as a non-executive Director on 11 August 2020. He graduated from the University of Southern California in the United States of America with a bachelor of Science degree in December 1983 and was awarded a master’s in Business Administration degree from Pepperdine University in the United States of America in December 1985. The following table sets out the professional bodies and titles currently held by Mr. Cheng:

	Professional body	Position
1.	12th National Committee of Yunnan Province* (雲南省第十二屆政協委員會)	National committee member
2.	Chamber of Commerce of Guang Zhou Foreign Investment Enterprises* (廣州外商投資企業商會)	Member
3.	City University Foundation	Member
4.	Clothing Industry Training Authority under the Industrial Training (Clothing Industry) Ordinance (Cap. 318 of the Laws of Hong Kong)	Chairman
5.	Federation of Hong Kong Garment Manufacturers	President and chairman of the board of directors
6.	Hong Kong Trade Development Council — Garment Advisory Committee	Member
7.	Federation of Hong Kong Industries — Group 24 (Woven Garments and Other Woven Made-Up Goods)	Chairman

Biographical Details of Directors and Senior Management

	Professional body	Position
8.	Federation of Hong Kong Industries — PRD Council — Chao Shan Chapter	Vice Chairman of PRD Council — Chao Shan Chapter & Standing Committee Member of PRD Council
9.	Hong Kong Apparel Society Ltd	Director
10.	City University of Hong Kong — Industrial & Business Leaders Club	Member
11.	Employees Retraining Board — Wearing Apparel and Textile Industry Consultative Network	Member
12.	Hong Kong Asia Youth Association	Honorary President
13.	Wan Chai Friendship Association Ltd	Honorary President
14.	Wong Tai Sin District JPC Honorary President Council	President
15.	Wong Tai Sin District Fight Crime Committee	Member
16.	Friends of The Community Chest Wan Chai District	Vice-chairman

In 2019, Mr. Cheng was the chairman of the celebration preparation committee of the Wong Tai Sin District's Celebrations for the 70th anniversary of the founding of the People's Republic of China* (黃大仙區各界慶祝國慶70週年慶典委員會), honorary president of the Yunnan Provincial Federation of Industry and Commerce of Macau* (澳門雲南省工商聯會) and honorary president of the Macau Yunnan Fellowship Association* (澳門雲南同鄉聯誼互助會). Mr. Cheng is currently a non-executive director of Wing Tai Holdings Limited, a company listed on the Singapore stock exchange.

Mr. Poon Kai Kit Joe (“Mr. Poon”), previously known as Poon Hoi Ming, aged 55, was appointed as a non-executive Director on 11 August 2020. He graduated from the University of Hong Kong with a bachelor of Arts in Architectural Studies in November 1988 and was awarded a bachelor degree in Architecture in December 1990. Mr. Poon has over 21 years of experience in the architectural service industry. He established K & K Chartered Architect & Associates Limited (formerly known as Prompt Shine Investment Limited) in 1993. Since 1999, he led K & K Chartered Architect & Associates Limited to specialise in architectural expertise while simultaneously providing structural, building services, interior design, project management and licensing services. In 2007, Mr. Poon established Kin On Architectural Consultants Limited (trading as Water Leakage and Concrete Spalling Detective) to provide professional water seepage and spalling concrete detection and reporting services with an aim to contribute to the renovation of existing buildings in response to the Government promotion in that regard. Mr. Poon worked as an assistant architect in Ling Chan & Partners Ltd from January 1991 to March 1992 and a project architect in the same company from February 1995 to December 1996, an associate director in Ho & Partners Architects Engineers & Development Consultants Limited from March 1997 to July 1998 and a project manager in Asia Standard Development (Holdings) Limited from August 1998 to February 2003. Mr. Poon became a member of The Hong Kong Institute of Architects in December 1993. He has been a Registered Architect in Hong Kong since April 1994 and registered as an Authorized Person (List of Architects) for the Building Authority since December 1994. Mr. Poon further obtained the qualification of Class 1 Registered Architect in the PRC since 2006, a Registered Inspector (List of Architects) from the Building Authority since June 2012. In 2013, Mr. Poon was registered as an assessor under the Voluntary Building Assessment Scheme which is administered by the Hong Kong Housing Society. From 2016 to 2019, Mr. Poon was a member of the Structural Engineers Registration Committee Panel and the Geotechnical Engineers Registration Committee Panel. Mr. Poon was readmitted as a Chartered Member of The Royal Institute of British Architects in 2019 and has been a member of the Australian Institute of Architects in 2019. Since July 2015, Mr. Poon has been an executive director of KNK Holdings Limited (中國卓銀國際控股有限公司), a company listed on GEM of The Stock Exchange of Hong Kong Limited (stock code: 8039).

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiu Lai Kuen Susanna (“Ms. Chiu”), aged 61, was appointed as the independent non-executive Director on 20 May 2019. Ms. Chiu graduated with a bachelor’s degree with first class honours in economics from the University of Sheffield in the United Kingdom in July 1982 and obtained an executive master of business administration degree from The Chinese University of Hong Kong in December 1997.

The following table sets out the awards and honorary titles received by Ms. Chiu:

Year	Name of award	Issuing organisation	
1	July 2013	Medal of Honour	Hong Kong Government
2	September 2014	Outstanding Women Professionals Award	Hong Kong Women Professionals and Entrepreneurs Association Limited
3	October 2014	Professor Robert Boucher Distinguished Alumni Award	University of Sheffield
4	June 2017	Justice of the Peace	Hong Kong Government
5	November 2017	Outstanding Businesswoman Award 2017	Hong Kong Commercial Daily
6	April 2018	New Territories Justice of the Peace	Hong Kong Government

Ms. Chiu has been a member of the Women’s Commission of Hong Kong since January 2017. Ms. Chiu was a member of the Equal Opportunities Commission of Hong Kong from May 2009 to May 2017 and the Energy Advisory Committee of the Environment Bureau of Hong Kong from July 2014 to July 2018.

Ms. Chiu was the president of the council of the HKICPA from January 2013 to December 2013 and the president of the Information Systems Audit and Control Associate (China Hong Kong Chapter) from June 2001 to February 2006. Ms. Chiu is an associate of the Institute of Chartered Accountants in England and Wales since August 1986. Ms. Chiu is also a certified information systems auditor and a member of the Hong Kong Institute of Directors.

Ms. Chiu is currently an executive director of Bonjour Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 653) and she is currently an independent non-executive director of Hong Kong listed companies on the Main Board of the Stock Exchange, namely Huijing Holdings Company Limited (匯景控股有限公司) (stock code: 9968), Huali University Group Limited (華立大學集團有限公司) (stock code: 1756) and China Oilfield Services Limited (stock code: 2883). Ms. Chiu is an independent non-executive director of Nanyang Commercial Bank Limited (南洋商業銀行有限公司) and an independent non-executive director of Songz Automobile Air Conditioning Co. Ltd. (上海加冷松芝汽車空調股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 002454). From 2006 to 2019, she served as a senior vice president, Group Chief Representative (Eastern China) and consultant in various member companies of the Li & Fung Group, which principally engages in trading, distribution, logistics and retailing businesses.

Mr. Or Kevin (“Mr. Or”), aged 49, was appointed as an independent non-executive Director on 20 May 2019. Mr. Or graduated from Royal Melbourne Institute of Technology (now known as RMIT University) in Australia with a degree of bachelor of business in October 1994.



Biographical Details of Directors and Senior Management

Mr. Or began his career at PricewaterhouseCoopers in 1996 and has since accumulated more than 23 years of experience in the audit field. The following table highlights Mr. Or's professional experience:

Name of company	Principal business activities	Current position/ last position held	Roles and responsibilities	Duration
Linkers CPA Limited	Provision of accounting and auditing services	Director	Heading the Assurance and Learning & Development Divisions of the firm	From December 2016 to present
PricewaterhouseCoopers	Provision of accounting and auditing services	Senior manager	Provision of assurance services and advising small and medium-sized enterprises, entrepreneurs and companies seeking listing in Hong Kong	From November 1996 to December 2016

Mr. Or was admitted as a certified practising accountant of the Australian Society of Certified Practising Accountants in 1997 and a member of Hong Kong Society of Accountants in 1998. Since April 2018, Mr. Or has been the company secretary and an authorised representative of K W Nelson Interior Design and Contracting Group Limited, a company listed on the GEM of the Stock Exchange (stock code: 8411). Since July 2018, Mr. Or has been an independent non-executive director of DLC Asia Limited (衍匯亞洲有限公司), a company listed on the GEM of the Stock Exchange (stock code: 8210).

Mr. Wong Vinci (“Mr. Wong”), aged 50, was appointed as an independent non-executive Director on 20 May 2019. Mr. Wong graduated from the University of British Columbia with a bachelor of commerce degree in 1994. Mr. Wong was the Vice Chairman of the board of directors of Tung Wah Group of Hospitals from April 2014 to March 2018 and Mr. Wong was the Chairman of its board from April 2018 to March 2019.

Since September 2017, Mr. Wong has been an executive director of Wong's Kong King International (Holdings) Limited (王氏港建國際(集團)有限公司), a company listed on the Stock Exchange (stock code: 0532).

SENIOR MANAGEMENT

Mr. Kwok Chi Kan (“Mr. Kwok”), aged 40, joined the Group in July 2018 as the chief financial officer, responsible for the accounting and financial planning and management, as well as overall corporate secretarial matters, of the Group. Mr. Kwok graduated with a bachelor of science in applied accounting degree from Oxford Brookes University in 2006.

Mr. Kwok is a member of Hong Kong Institute of Certified Public Accountants since 2008. Mr. Kwok worked in H.T Wong & Co. Limited, an accountants' firm in Hong Kong, from April 2003 to January 2007. From January 2007 to June 2008, Mr. Kwok worked in Grant Thornton, an international accountants' firm, as a senior accountant. Mr. Kwok subsequently joined PricewaterhouseCoopers, an international accountants' firm, in July 2008 until February 2018, with his last position as senior manager before joining the Group.

Mr. Kwok was also appointed as the company secretary of the Company on 2 October 2018.

Biographical Details of Directors and Senior Management

Ms. Kwong Mei Ping (“Ms. Kwong”), aged 51, joined the Group in December 1996 as a personal care worker and is currently the head of nursing department of the Group and a home manager, responsible for supervising the care work for all the residents in the Group’s RCHes. Ms. Kwong graduated from The Open University of Hong Kong with a bachelor of education in primary education degree in 2000 and a higher diploma in nursing in 2012.

She was an enrolled nurse with the Nursing Council of Hong Kong from March 2008 until she has become a registered nurse with the Nursing Council of Hong Kong since June 2012. She joined Fai To Home for the Aged (Tuen Mun) Branch as an enrolled nurse in May 2008 and subsequently worked as a registered nurse in Tsuen Wan Elderly Centre since May 2012.

Mr. Kwong Thomas Wai Ping, aged 65, joined the Group in October 2000 as a home manager and is currently the head of quality control department of the Group, responsible for overseeing the quality control of the elderly home care services the Group provides in its RCHes. Mr. Kwong Thomas Wai Ping obtained a master of business administration from Columbia Southern University in 2005. In 2007, Mr. Kwong Thomas Wai Ping further obtained a doctor of philosophy in business administration from Bulacan State University.

In October 2005, Mr. Kwong Thomas Wai Ping obtained the Six Sigma Black Belt qualification from Six Sigma Institute Ltd, an organisation in Hong Kong providing training courses for six sigma, a set of methodologies designed to promote quality management, business performance measurement and talent development within enterprises. He is the stepson of Ms. Ngai, stepbrother of Mr. Ngai and Mr. Lam (as defined below).

Mr. Lam Kong (“Mr. Lam”), aged 53, joined the Group in October 1992 as a technician and is currently the project manager of the Group, responsible for managing projects of the Group with government authorities. He joined the Group in October 1992 as a technician until June 1997. From July 1997 to December 2003, he worked in the Group as senior technician. In January 2004, he was promoted to the position of assistant manager, where he was responsible for the repair and maintenance work of the Group’s RCHes, as well as the project management work of the Group. He was further promoted to the current position in January 2009.

Mr. Lam is both a shareholder and a director of each of Shing Kong Limited and Stand Harvest Limited, each a connected person of the Company. He is the son of Ms. Ngai, brother of Mr. Ngai and stepbrother of Mr. Kwong Thomas Wai Ping.

* For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese name prevails.



Corporate Governance Report

The Company's corporate governance code is based on the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules. The Company is committed to maintain high standards of corporate governance to safeguard interest of the Shareholders and ensure a quality board and transparency and accountability to Shareholders.

The Company complied with all code provisions in the CG Code during the year ended 31 March 2021 and up to the date of this annual report.

The Board has reserved for its decision and consideration issues in relation to (i) formulating the strategic objectives of the Group; (ii) considering and deciding the Group's significant operational and financial matters, including but not limited to substantial mergers and acquisitions and disposals; (iii) overseeing the Group's corporate governance practices; (iv) ensuring a risk management control system in place; (v) directing and monitoring senior management in pursuit of the Group's strategic objectives; and (vi) determining the remuneration packages of all Directors and the Group's senior management, including benefits in kind, pension rights and compensation payments for loss or termination of their office or appointment. Implementation and execution of Board policies and strategies and the daily administrative matters are delegated to the respective Board committees and the management team of the Company.

The Board will conduct at least four regular Board meetings a year and additional meetings will be held or resolutions in writing signed by all Directors in lieu of a meeting will be arranged as and when required. If a substantial Shareholder or a Director has a conflict of interest in a transaction which the Board determines to be material, it will be considered and dealt with by the Board at a duly convened Board meeting. Comprehensive information on matters to be discussed at the Board meeting will be supplied to the Directors in a timely manner to facilitate discussion and decision-making.

COMPOSITION OF THE BOARD

At the date of this report, the Board comprised of two executive Directors, two non-executive Directors and three independent non-executive Directors, the name and office of each of the members of the Board and the Board committees of the Company are as follows:

Board members	Office
Ngai Ka Yee	Executive Director
Ngai Shi Shing Godfrey	Chairman, Chief executive officer and executive Director
Cheng Man Tak Richard	Non-executive Director
Poon Kai Kit Joe	Non-executive Director
Chiu Lai Kuen Susanna	Independent non-executive Director
Or Kevin	Independent non-executive Director
Wong Vinci	Independent non-executive Director

Audit Committee members

Chiu Lai Kuen Susanna (*Chairman*)
Or Kevin
Wong Vinci

Remuneration Committee members

Wong Vinci (*Chairman*)
Ngai Shi Shing Godfrey
Or Kevin

Corporate Governance Report

Nomination Committee members

Or Kevin (*Chairman*)
Ngai Shi Shing Godfrey
Wong Vinci

The attendance record of each Director at Board meetings, audit committee meetings, remuneration committee meetings, nomination committee meeting and general meeting for the year ended 31 March 2021 is set out in the following table:

	Board Meeting (attendance/ total no. of meeting held)	Audit Committee (attendance/ total no. of meeting held)	Remuneration Committee (attendance/ total no. of meeting held)	Nomination Committee (attendance/ total no. of meeting held)	General Meeting (attendance/ total no. of meeting held)
<i>Executive Directors</i>					
Ngai Ka Yee	5/5	-	-	-	1/1
Ngai Shi Shing Godfrey	5/5	-	3/3	1/1	1/1
<i>Non-executive Directors</i>					
Kwong Kai To (<i>resigned on 15 October 2020</i>)	3/3	-	-	-	1/1
Cheng Man Tak Richard (<i>appointed on 11 August 2020</i>)	2/2	-	-	-	-
Poon Kai Kit Joe (<i>appointed on 11 August 2020</i>)	2/2	-	-	-	-
<i>Independent non-executive Directors</i>					
Chiu Lai Kuen Susanna	5/5	2/2	-	-	1/1
Or Kevin	5/5	2/2	3/3	1/1	1/1
Wong Vinci	5/5	2/2	3/3	1/1	1/1

Each of the executive Directors has signed a service contract with the Company for an initial term of three years, commencing from 13 June 2019 (the “**Listing Date**”) (subject to termination in certain circumstances as stipulated in the relevant service contract).

Each of the non-executive Directors has signed a letter of appointment with the Company for initial term of three years, commencing from 11 August 2020 (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of two years, commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letter of appointment) and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term, subject to the rotation, removal, vacation or termination of such office as set out in the articles of association of the Company.

All Directors are subject to retirement by rotation at least once every three years in accordance with the amended and restated memorandum and articles of association of the Company (the “**Articles**”).



Corporate Governance Report

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. A balanced composition of executive Directors and independent non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the Listing Rules in having at least one of the independent non-executive directors with appropriate professional qualifications or accounting or related financial management expertise. Save as disclosed under the “Biographical Details of Directors and Senior Management” in this report, there is no relationship among the members of the Board.

The appointment of Directors is to be recommended by the Remuneration Committee and the Nomination Committee and approved by the Board based on a formal written procedure and policy for the appointment of new Directors. When selecting potential candidates for the Directors, their skills, experience, expertise, devotion of time and non-conflicts of interests are the key factors.

The daily operation and management of the business of the Group, among other matters, and the implementation of strategies are delegated to the executive Directors and senior management. They report periodically to the Board on their work and business decisions.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda for regular meetings. The chairman of the Board has delegated the responsibility for drawing up the agenda for each Board meeting to the company secretary of the Company (the “**Company Secretary**”).

With the assistance of the Company Secretary, the chairman of the Board seeks to ensure that all Directors are properly briefed on issues arising at the Board meetings and have received adequate and reliable information in a timely manner.

Notices of at least 14 days are given to the Directors for regular meetings, while the Board papers are sent to the Directors not less than three days before the intended date of a Board or Board committee meeting. With respect to other meetings, the Directors are given as much notice as is reasonable and practicable in the circumstances. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles. The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of the Board meetings and meetings of the Board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

The Directors have full access to information of the Group and are able to obtain independent professional advice whenever they deem necessary. The Directors will be updated with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties from time to time. The Audit Committee, Nomination Committee and Remuneration Committee are provided with sufficient resources to perform their duties.

Minutes of Board meetings and Board committee meetings records sufficient details of the matters considered and decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft minutes are normally circulated to Directors or members of the relevant Board committees for comments within a reasonable time after each meeting.

Corporate Governance Report

Any material transaction, which involves a conflict of interests between a substantial shareholder or a Director and the Company, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the independent non-executive Directors. Directors are abstained from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest in such transactions.

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

Responsibilities

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its Shareholders. Their responsibilities include (i) regular board meetings focusing on business strategy, operational issues and financial performance; (ii) monitoring the quality, timeliness, relevance and reliability of internal and external reporting; (iii) monitoring and managing potential conflicts of interest of management, board members and Shareholders, including misuse of corporate assets and abuse in connected transaction; and (iv) ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

Director's Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements of the Group are accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group. In preparing the accounts for the Year, the Directors have, among other things:

- selected suitable accounting policies and applied them consistently;
- approved adoption of all Hong Kong Financial Reporting Standards which are in conformity with the International Financial Reporting Standards;
- the disclosure requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong); and
- made judgments and estimates that are prudent and reasonable and have prepared the accounts on the going concern basis.

The Directors confirm that, to the best of their knowledge, information and belief, and having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.



Corporate Governance Report

Chairman and Chief Executive

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ngai is the chief executive officer of the Company and was appointed the chairman of the Board on 15 October 2020. Although this deviates from the practice under code provision A.2.1 of the CG Code, where it provides that the two positions should be held by two different individuals, as Mr. Ngai has considerable experience in the enterprise operation and management of the Company, the Board believes that it is in the best interests of the Company and its shareholders as a whole to have Mr. Ngai as chairman of the Board so that it can benefit from his experience and capability in leading the Board in the long-term development of the Company and for more effective planning and execution of business strategies. As all major decisions are made in consultation with the members of the Board, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board.

The Company recognises and embraces the benefits of diversity in Board members. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of directors. These differences will be taken into account in determining the optimum composition of the Board. All Board appointments will be based on merit while taking into account diversity including gender diversity. The Company aims to build and maintain a Board with a diversity of directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender.

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this annual report, the Board comprises seven Directors, three of the Directors are independent non-executive Directors and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of professional background, skills and gender.

Board Meetings and General Meetings

During the year ended 31 March 2021, the Board held five meetings to review and approve, among other things, (i) the audited annual results of the Company for the year ended 31 March 2020; (ii) the unaudited interim results of the Company for the six months ended 30 September 2020; (iii) the unaudited financial results for the period ended 30 June 2020 and 31 December 2020, (iv) approval of the remuneration packages of non-executive Directors and executive Directors; and (v) acquisition and investment of the Company/Group respectively. An annual general Meeting was held for the approval of audited annual results of the Company for the year ended 31 March 2020.

Delegation by the Board

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Specific responsibilities of each committee are described below. All committees have defined terms of reference which are no less exacting than those set out in the CG Code.

Corporate Governance Report

Audit Committee

The Audit Committee was established on 20 May 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code. The Audit Committee comprises three members, namely Ms. Chiu, Mr. Or and Mr. Wong. The chairman of the Audit Committee is Ms. Chiu, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary duties of the Audit Committee include, but are not limited to, the following: (i) making recommendations to the Board on the appointment and removal of the external auditor; (ii) reviewing the financial statements of the Group and monitoring the integrity of such financial statements; and (iii) overseeing the financial reporting system and internal control procedures.

During the year ended 31 March 2021, the Audit Committee held two meetings to review the interim and annual results of the Group, risk management and internal control systems of the Group, and to make recommendation to the Board on the reappointment of the auditor of the Company.

The Company's audited consolidated financial statements for the year ended 31 March 2021 have been reviewed by the Audit Committee. The Audit Committee considered that the relevant audited consolidated financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been fully made.

Remuneration Committee

The Remuneration Committee was established with written terms of reference in compliance with paragraph B1 of the CG Code on 20 May 2019. The Remuneration Committee comprises three members, namely, Mr. Wong, Mr. Or and Mr. Ngai. The chairman of the Remuneration Committee is Mr. Wong.

The primary duties of the Remuneration Committee include, but are not limited to, the following: (i) making recommendations to the Board on the policy and structure for the remuneration of all the Directors and senior management; (ii) making recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policy; (iii) determining the specific remuneration packages of all Directors and senior management; and (iv) reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time.

During the year ended 31 March 2021, the Remuneration Committee held three meetings to review the remuneration of the Directors and the senior management and the remuneration packages of non-executive Directors and executive Directors.

Details of the directors' remuneration and five highest paid individuals for the Year as regarded to be disclosed pursuant to the CG Code are provided in note 9 to the audited consolidated financial statements in this report.

During the Year, the remuneration of the senior management of the Group by band is set out below:

	Number of individuals
Nil to HK\$1,000,000	2
HK\$1,000,001-HK\$1,500,000	1
HK\$1,500,001-HK\$2,000,000	1



Corporate Governance Report

Nomination Committee

The Nomination Committee was established with written terms of reference in compliance with paragraph A5 of the CG Code on 20 May 2019. The Nomination Committee comprises three members, namely Mr. Ngai, Mr. Wong and Mr. Or. The chairman of the Nomination Committee is Mr. Or.

The primary functions of the Nomination Committee include, but are not limited to, the following: (i) reviewing the structure, size and composition of the Board; (ii) assessing the independence of the Independent Non-executive Directors; and (iii) making recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

During the year ended 31 March 2021, the Nomination Committee held one meeting to (i) review and consider that the structure, size, diversity and composition of the Board; (ii) assessed the independence of Independent Non-executive Directors; (iii) recommended the re-appointments of Directors and appointment of non-executive Directors; and (iv) recommended the aforesaid matters to the Board for approval.

The Nomination Committee will review the Board composition by considering the benefits of all aspects of diversity, including but not limited to those described under the heading of Board Diversity Policy in this annual report. The Board Diversity Policy shall be reviewed by the Nomination Committee, as appropriate, to ensure its effectiveness.

In evaluating and selecting any candidates for directorship, the Nomination Committee will consider the following criteria:

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

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in paragraph D.3 of the CG Code. As mentioned under the paragraph headed “Board Meetings and General Meetings” above, the Board has (i) reviewed the Company’s practices on corporate governance for the Year and made relevant recommendations to the Board; (ii) reviewed and monitored the training and continuous professional development of the Directors and senior management for the Year; (iii) reviewed and monitored the Company’s practices on compliance with legal and regulatory requirements for the Year; (iv) reviewed and monitored the code of conduct applicable to employees and Directors for the Year; and (v) reviewed the Company’s compliance with the CG Code and disclosure in this report.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transaction by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”). In response to the specific enquiry made by the Company, all Directors have confirmed that they had complied with the Model Code during the year ended 31 March 2021 to the date of this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. During the year ended 31 March 2021, each Director received training of the statutory and regulatory obligations of a director of a listed company in Hong Kong. The Directors are continually updated with business and market changes, and legal and regulatory developments to facilitate the discharge of their responsibilities through various Board meetings, resolutions, memoranda, Board papers, and updates on corporate governance practices and director’s responsibilities under the Listing Rules, applicable laws and other relevant statutory requirements.

Up to date of this annual report, the current Board members participated in the following training programs:

Name of Directors	Types of training	
	Attending training(s)/ seminar(s)/ in-house briefing(s)	Reading materials updating on new rules and regulations
<i>Executive Directors</i>		
Ngai Ka Yee	√	√
Ngai Shi Shing Godfrey	√	√
<i>Non-executive Directors</i>		
Cheng Man Tak Richard (<i>Appointed on 11 August 2020</i>)	√	√
Poon Kai Kit Joe (<i>Appointed on 11 August 2020</i>)	√	√
<i>Independent Non-executive Directors</i>		
Chiu Lai Kuen Susanna	√	√
Or Kevin	√	√
Wong Vinci	√	√



Corporate Governance Report

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group and, as at the date of this report, the Directors and officers of the Company are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers of the Company shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

COMPANY SECRETARY

The Company Secretary functions to ensure a good information flow within the Board and between the Board and senior management of the Company, to provide advice to the Board in relation to the Directors' obligations under the Listing Rules and applicable laws and regulations and to assist the Board in implementing the corporate governance practices. Mr. Kwok, the Company Secretary, has attended not less than 15 hours of professional training as required under Rule 3.29 of the Listing Rules during the Year.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for monitoring the risk management and internal control systems of the Group on an ongoing basis and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. There is currently no internal audit functions within the Group and the Group had engaged external professional to perform the internal control and risk management system for the Listing. The Company is considering to engage external professional to perform internal audit for the Group.

The Board, through the Audit Committee, will conduct an annual review of both design and implementation effectiveness of the risk management and internal control systems of the Group, which covered all material controls including financial, operational and compliance controls. Such annual review will be done with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicated any material issues to the Board.

The results of the independent review and assessment for the Listing were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures to enhance the risk management and internal control systems of the Group and to mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations, as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems are effective and adequate.

AUDITOR'S REMUNERATION AND RESPONSIBILITIES

The Company has appointed PricewaterhouseCoopers as the external auditor of the Group. The remuneration paid or payable to PricewaterhouseCoopers in respect of the Group's annual audit services for the year ended 31 March 2021 amounted to approximately HK\$1,500,000, audit services for circular for acquisition of a target company during the Year of approximately HK\$1,000,000 and other non-audit services for the Year amounted to approximately HK\$420,000. The reporting responsibilities of PricewaterhouseCoopers are set out in the section "Independent Auditor's Report" on pages 59 to 64 of this annual report.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the Year.

Corporate Governance Report

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with its Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The disclosure of the Group's information in a reasonable and time manner by the Board is to facilitate the Shareholders as well as the investors to have a better understanding of the business performance, operations and strategies of the Group. The Company's website at www.elderlyhk.com allows the potential and existing investors as well as the public to get access to and acquire the Company's up-to-date corporate and financial information.

Shareholders are provided with contact details of the Company, such as telephone hotline, email address and postal address, in order to enable them to make any queries that they may have with respect to the Company.

Shareholders can also send their enquiries to the Board through these means. The contact details of the Company are provided in this annual report in the "Corporate Information" section of this annual report and the Company's website for further details.

The Board welcomes views of Shareholders and encourages them to attend general meetings to raise any concerns that they may have with the Board or the management directly. Board members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by Shareholders.

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

To safeguard Shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. Besides, pursuant to article 58 of the Articles, the Board may whenever it thinks fit to call extraordinary general meetings. Any one or more members holding at the date of deposit of the requisition of 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, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; 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.



Corporate Governance Report

Shareholders may send written enquiries to the Company or put forward any enquiries or proposals to the Board. The contact details are as follows:

Board of Directors

Kato (Hong Kong) Holdings Limited

Address: 1st Floor, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong

Fax No.: (852) 3585 2908

To put forward proposals at an annual general meeting or a general meeting, the Shareholders shall submit a written notice of those proposals with detailed contact information to the Board or the Company Secretary at the Company's principal place of business in Hong Kong.

The request will be verified with the Company's branch share registrar in Hong Kong and upon its confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the proposed resolution in the agenda for the general meeting.

Moreover, the notice period concerning the notice to be given to all the Shareholders for consideration of the proposals submitted by the Shareholders concerned varies as follows pursuant to article 59 of the Articles:

- (a) for an annual general meeting, it shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business day; and
- (b) for all other general meetings, it shall be called by notice of not less than fourteen (14) clear days and ten (10) clear business days,

shall be given in the manner mentioned in the articles of association to all members, to the Directors and to the Auditor.

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the Company's principal place of business in Hong Kong and provide their full names, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CONSTITUTIONAL DOCUMENTS

The Company adopted the Articles on 20 May 2019 and the Articles took effect on the date on which the Shares are listed on the Stock Exchange.

Report of the Directors

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2021 (the “Year”).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The major subsidiaries of the Company are established operator of residential care homes for the elderly in Hong Kong offering a wide range of residential care services and day care services for the elderly.

RESULTS AND DIVIDEND

Details of the audited consolidated financial results of the Group for the Year are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on pages 65 to 66 of this annual report.

The Board has recommended the declaration of a final dividend of HK2.0 cents per share for the Year (2020: HK2.0 cents per share) to the shareholders of the Company. The proposed final dividend, subject to the approval of the shareholders of the Company, is expected to be paid on Tuesday, 7 September 2021 to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 26 August 2021.

An interim dividend of HK2.0 cents per share was paid by the Company on 18 December 2020 (2020: HK2.0 cents per share paid on 7 January 2020).

CLOSURE OF REGISTER OF MEMBERS

For determining shareholders’ entitlement to attend and vote at the annual general meeting of the Company (the “AGM”), the register of members of the Company will be closed from Friday, 13 August 2021 to Wednesday, 18 August 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer of the shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on Thursday, 12 August 2021.

For determining shareholders’ entitlement to the proposed final dividend (subject to approval by the shareholders at the AGM), the register of members of the Company will be closed from Wednesday, 25 August 2021 to Thursday, 26 August 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on Tuesday, 24 August 2021.

BUSINESS REVIEW

A discussion and analysis of the Group’s performance during the Year, the key factors affecting its results and financial position, and the information on the compliance with laws and regulations, environmental policy and relationships with stakeholders are set out in the section headed “Management Discussion and Analysis” of this annual report. Furthermore, a fair review of, and an indication of likely future development in the Group’s business, are set out in the sections headed “Chairman’s Statement” of this annual report.



Report of the Directors

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operation, business and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group relating to its businesses:

- If the residential care home for the elderly licences are suspended, cancelled or not renewed, or if the Group fails to obtain a new residential care home for the elderly licence for any new care and attention home that the Group operates, the Group may be unable to maintain or expand the operations;
- the Group depends on the SWD for a significant portion of the revenue;
- the Group depends on the reputation within the residential care home for the elderly industry and are subject to risks of negative publicity resulting from caretaking incidents or accidents and legal proceedings arising from the operations may harm the reputation;
- the Group is required to comply with staffing requirements and the Group's performance depends on the ability to recruit and retain quality and qualified staff. In addition, the residential care home for the elderly industry in Hong Kong is faced with manpower shortage which may adversely affect the labour costs;
- as the Group leases all of the properties for the operation of the care and attention homes, of which, six of the care and attention homes for the elderly were leased from the controlling Shareholders (as defined in the Listing Rules) (the "**Controlling Shareholder(s)**"), there is no assurance that the tenancy agreements will be successfully renewed or renewed on comparable term or will not be early terminated and the Group is subject to risk of rental price fluctuation in the real estate market in Hong Kong;
- the Group has limited or no control over the quality of the pharmaceuticals, medical equipment, consumables and other supplies the Group uses in the operations, and cannot guarantee that none of the products the Group uses are counterfeits free from defects and meet the relevant quality standards;
- the Group may not receive further government subsidies and the loss of which may affect the financial position; and
- media exposure of cases of abuse of residents in private RCHEs has raised public concern and resulted in a negative perception about the service quality of private RCHEs, which may eventually impact customers decision when selecting residential care services.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 124 of this annual report. This summary does not form part of the audited consolidated financial statements.

Report of the Directors

SUBSIDIARIES

Details (including the principal activities) of the Company's principal subsidiaries as at 31 March 2021 are set out in note 29(a) to the audited consolidated financial statements in this annual report.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Year are set out in note 13 to the audited consolidated financial statements.

CHARITABLE DONATIONS

Charitable and other donations made by the Group during the Year amounted to approximately HK\$0.6 million (2020: HK\$1.5 million).

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2021, the Company's distributable reserves available for distribution is approximately HK\$23.0 million (2020: HK\$21.2 million).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders unless otherwise required by the Stock Exchange.

SHARE CAPITAL AND EQUITY-LINKED AGREEMENT

Details of the movements in share capital of the Company during the Year are set out in note 21(a) to the audited consolidated financial statements.

Save as disclosed in "Share Option Scheme" below, the Company has not entered into any equity-linked agreements during the Year.

DIRECTORS

During the Year and up to the date of this annual report, the Directors are named as follows:

Executive Directors

Ngai Ka Yee

Ngai Shi Shing Godfrey (*Appointed as Chairman on 15 October 2020 and Chief Executive Officer*)

Non-executive Directors

Kwong Kai To (*Resigned on 15 October 2020*)

Cheng Man Tak Richard (*Appointed on 11 August 2020*)

Poon Kai Kit Joe (*Appointed on 11 August 2020*)

Independent non-executive Directors

Chiu Lai Kuen Susanna

Or Kevin

Wong Vinci



Report of the Directors

According to article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Directors so appointed by the Board shall hold office only until the next following annual general meeting of the Company (in the case of an addition to the existing Board) or until the next following general meeting of the Company (in the case of filling a casual vacancy) and shall then be eligible for re-election.

According to article 84 of the Articles, one-third of the Directors for the time being, or if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every annual general meeting. A retiring Director shall be eligible for re-election.

In accordance with article 84 of the Articles, Mr. Ngai Shi Shing Godfrey, Mr. Or Kevin and Mr. Wong Vinci, who are longest in office, shall retire as Directors and, being eligible, offer themselves for re-election at the AGM.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Director an annual written confirmation of independence pursuant to Rule 3.1 of the Listing Rules as at the date of this annual report and considers all the independent non-executive Directors to be independent.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 17 to 21 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has signed a service contract with the Company on 20 May 2019 for an initial term of three years, commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant service contract).

Each of the non-executive Directors has signed a letter of appointment with the Company for initial term of three years, commencing from 11 August 2020 (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

Each of the independent non-executive Directors has signed a letter of appointment with the Company on 20 May 2019 for an initial term of two years, commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letter of appointment) and renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term, subject to the rotation, removal, vacation or termination of such office as set out in the articles of association of the Company.

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract or letter of appointment with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Report of the Directors

DIVIDEND POLICY

The Company has adopted a dividend policy (the “**Dividend Policy**”) that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Board may distribute dividends by way of cash or by other means that it considers appropriate. The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:

- (i) financial results;
- (ii) cash flow situation;
- (iii) business conditions and strategies;
- (iv) future operations and earnings;
- (v) capital requirements and expenditure plans;
- (vi) interests of Shareholders;
- (vii) any restrictions on payment of dividends; and
- (viii) any other factors that the Board may consider relevant.

TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 9 and 19 to the audited consolidated financial statements in this annual report, no transactions, arrangements and contracts of significance in relation to the business of the Group to which the Company, or its holding 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 Year, nor was there any transaction, arrangement or contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries for the Year. There was also no contract of significance between the Company or one of the subsidiaries and the Controlling Shareholders or any of its subsidiaries.

MANAGEMENT CONTRACT

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

DIRECTORS’ EMOLUMENTS

Details of the remuneration of the Directors on a named basis during the Year are set out in note 9 to the audited consolidated financial statements in this annual report.



Report of the Directors

EMOLUMENT POLICY

Under the emolument policy of the Company, the Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment, responsibilities and performance of the Directors and senior management, as the case may be, in assessing the amount of remuneration payable to the Directors and members of the senior management. The Remuneration Committee will periodically review the compensation levels of the key executives. Based on the performance and the executives' respective contribution to the Group, the Remuneration Committee may, within the aggregate remuneration amount having been approved in a Shareholders' meeting, make recommendations to the Board as to salary increases or payment of discretionary bonuses.

The Company provides a comprehensive benefit package for all employees as well as career development opportunities. This includes retirement schemes, medical insurance, other insurances, staff quarter, in-house training, on-the job training, external seminars and programs organised by professional bodies and educational institutions.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors 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, their or any of their heirs, executors or administrators, shall or may incur or sustain by or 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 or trusts.

During the year ended 31 March 2021, appropriate insurance covers on directors' and officers' liabilities was in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

As at 31 March 2021, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 of the Listing Rules, were as follows:

Report of the Directors

Name of Directors	Nature of interests	Number of Shares held ⁽¹⁾	Total	Percentage of shareholding in the Company's issued share capital ⁽⁴⁾
Ms. Ngai	Settlor of a family trust	624,000,000(L) ⁽²⁾	624,000,000	62.40
Mr. Ngai	Beneficiary of a family trust Beneficiary owner	624,000,000(L) ⁽²⁾ 600,000(L)	624,600,000	62.46
Ms. Chiu	Beneficiary owner	400,000(L)	400,000	0.04
Mr. Cheng	Interested in controlled corporation	5,000,000(L) ⁽³⁾	5,000,000	0.50
Mr. Poon	Beneficiary owner	8,912,000(L)	8,912,000	0.89

Notes:

- (1) The letter "L" denotes a long position in the Shares.
- (2) These Shares are held by Sheung Fung Limited ("**Sheung Fung**"), which is wholly owned by Shi Fung (PTC) Limited (the "**Trustee**"), the trustee of a family trust, namely, The Kwong and Ngai Family Trust which was established pursuant to the trust deed dated 19 March 2018 as amended and supplemented by a deed of variation of removal of beneficiaries dated 17 July 2018 (the "**Family Trust**"). Ms. Ngai is the settlor of the Family Trust and Mr. Ngai is the sole beneficiary of the Family Trust. By virtue of the SFO, Ms. Ngai and Mr. Ngai are deemed to be interested in the Shares held by Sheung Fung.
- (3) These Shares were held by Dynasty Power Limited, which is wholly owned by Mr. Cheng.
- (4) The approximate percentages were calculated based on 1,000,000,000 shares in issue as at 31 March 2021.

Save as disclosed above, as at 31 March 2021, none of the Directors nor chief executive of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required 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 were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



Report of the Directors

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed under the paragraphs headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Specified Undertaking of the Company or Any Other Associated Corporations" above, at no time during the Year were any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or the chief executive of the Company or any of their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS OF THE COMPANY AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

So far as the Directors are aware, as at 31 March 2021, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholders	Nature of interests	Number of Shares held ⁽¹⁾	Percentage of shareholding in the Company's issued share capital ⁽⁵⁾
Sheung Fung	Beneficial owner	624,000,000(L)	62.40
Trustee	Trustee	624,000,000(L) ⁽²⁾	62.40
Ms. Wei Xiaoling	Interest of spouse	624,600,000(L) ⁽³⁾	62.46
Mr. Lam Kong (" Mr. Lam ")	Beneficial owner	52,246,000(L)	5.22
Dynasty Power Limited	Beneficial owner	5,000,000(L) ⁽⁴⁾	0.50

Notes:

- (1) The letter "L" denotes a long position in the Shares.
- (2) These Shares are held by Sheung Fung, which is wholly owned by the Trustee. Ms. Ngai is the settlor of the Family Trust and Mr. Ngai is the sole beneficiary of the Family Trust. By virtue of the SFO, the Trustee, Ms. Ngai and Mr. Ngai are deemed to be interested in the Shares held by Sheung Fung.
- (3) Ms. Wei Xiaoling is the spouse of Mr. Ngai and is deemed to be interested in the Shares which are interested by Mr. Ngai under the SFO.
- (4) These Shares are held by Dynasty Power Limited, which is wholly owned by Mr. Cheng.
- (5) The approximate percentages were calculated based on 1,000,000,000 shares in issue as at 31 March 2021.

Report of the Directors

Save as disclosed above, as at 31 March 2021, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SHAREHOLDERS' INTERESTS IN SECURITIES OF SIGNIFICANCE

Other than the interests disclosed above in respect of the substantial shareholders, as at 31 March 2021, no other person is individually or collectively entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue for the Year generated from the Group's major customers is as follows:

– The largest customer	55.3%
– Five largest customers	55.8%

The percentage of cost of services for the Year attributable to the Group's major suppliers is as follows:

– The largest supplier	32.7%
– Five largest suppliers	75.9%

None of the Directors or any of their associates (as defined under Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers for the year ended 31 March 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Director's securities transactions on terms no less exacting than the Model Code. Having been made a specific enquiry by the Company, all Directors confirmed that they had complied with the required standard of dealings and code of conduct regarding securities transactions throughout the Year and up to the date of this annual report.

COMPETING INTERESTS

During the Year and up to the date of this annual report, none of the Directors or the Controlling Shareholders or substantial shareholders (as defined in the Listing Rules) of the Company or their respective close associates (as defined in the Listing Rules) were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group.



Report of the Directors

NON-COMPETITION UNDERTAKING

The Company confirms that the deed of non-competition (the “**Deed**”) of each of Sheung Fung, Ms. Ngai and Mr. Ngai (collectively constituting the Controlling Shareholders), details of which were set out in the Prospectus, has been fully complied and enforced during the Year and up to the date of this report. The Company has obtained an annual written confirmation from each of the Controlling Shareholders in relation to their compliance with the terms of the Deed. The independent non-executive Directors confirmed that they have reviewed the compliance with the terms of the Deed by the Controlling Shareholders and the enforcement of the Deed given by the Controlling Shareholders and are satisfied that the Controlling Shareholders have complied with the terms of the Deed. The Board also confirms that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the Shareholders and the potential investors of the Group.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme (the “**Share Option Scheme**”) conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by written resolutions of all the Shareholders passed on 20 May 2019. The following summary does not form, nor is intended to be, part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

(i) Purpose of the Share Option scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group.

(ii) Who may join

The Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants (“**Eligible Participants**”), to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries (the “**Subsidiaries**”) or any entity (the “**Invested Entity**”) in which the Group holds an equity interest (the “**SOS Eligible Employee(s)**”);
- (bb) any non-executive Director (including independent non-executive Directors) of the Company, any Subsidiary or any Invested Entity;
- (cc) any supplier of goods or services to any member of the Group or any Invested Entity;
- (dd) any customer of any member of the Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

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- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the Group, and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more Eligible Participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the Eligible Participants to the grant of options shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of the Group.

(iii) Maximum number of Shares

- (aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not exceed 30% of the issued share capital of the Company from time to time.
- (bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the day on which dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 100,000,000 Shares) (the "**General Scheme Limit**").
- (cc) Subject to paragraph (aa) above but without prejudice to paragraph (dd) below, the Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of the Group shall not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
- (dd) Subject to paragraph (aa) above and without prejudice to paragraph (cc) above, the Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to Eligible Participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.



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(iv) Maximum entitlement of each participant

Subject to paragraph (v)(bb) below, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (“**Individual Limit**”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders’ approval in general meeting of the Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders’ approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to connected persons

(aa) Without prejudice to paragraph (bb) below, any grant of options under the Share Option Scheme to a Director, chief executive or substantial Shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the option).

(bb) Without prejudice to paragraph (aa) above, where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million.

such further grant of options must be approved by the Shareholders in general meeting. The Company must send a circular to the Shareholders. The grantee, his associates and all connected persons of the Company must abstain from voting in favour at such general meeting. Any change in the terms of options granted to a substantial Shareholder or an independent non-executive Director of the Company or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

Report of the Directors

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme shall be determined at the discretion of the Directors, provided that it shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

(aa) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of the Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary share capital of the Company of such nominal amount as shall result from a sub-division, consolidation, re-classification, reduction or re-construction of the share capital of the Company from time to time.

(x) Restrictions on the time of grant of options

The Company may not make any offer for grant of options after inside information has come to our knowledge until the Company has announced the information. In particular, the Company may not make any offer during the period commencing one month immediately before the earlier of (aa) the date of the meeting of the Board (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for the Company to announce the results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement.

The Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.



Report of the Directors

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is a SOS Eligible Employee and ceases to be a SOS Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with the Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is a SOS Eligible Employee and ceases to be a SOS Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with the Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is a SOS Eligible Employee and ceases to be a SOS Eligible Employee by reason that he has been guilty of persistent and serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or the Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be a SOS Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (aa) the grantee of any option (other than a SOS Eligible Employee) or his close associate (or his associates if the grantee is a connected person) has committed any breach of any contract entered into between the grantee or his close associate on the one part and the Group or any Invested Entity on the other part; or (bb) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) the grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by other reason whatsoever, then the option granted to the grantee under the Share Option scheme shall lapse as a result of any event specified in sub-paragraph (aa), (bb) or (cc) above.

Report of the Directors

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

(xviii) Grantee being a company wholly owned by Eligible Participants

If the grantee is a company wholly owned by one or more Eligible Participants:

- (i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.



Report of the Directors

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of the Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such adjustment; (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

When the Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii)(cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

The Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period referred to in paragraph (vi);
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvii) and (xviii); and
- (cc) the date on which the Directors shall exercise the Company's right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other options.

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(xxiv) Others

- (aa) The Share Option Scheme is conditional on the Listing Committee granting the listing of and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules, the “Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule” set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 and other relevant guidance of the Stock Exchange.
- (ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

No share options were granted since the adoption of the Share Option Scheme and there are no outstanding share options at the end of the Year.

AUDIT COMMITTEE

The Company has set up an Audit Committee on 20 May 2019 with written terms of reference in compliance with Rules 3.21 of the Listing Rules and paragraph C3 of the CG Code. The primary duties of the Audit Committee including, but not limited to, the followings: (i) making recommendations to the Board on the appointment and removal of the external auditor; (ii) reviewing the financial statements of the Group and monitoring the integrity of such financial statements; and (iii) overseeing the financial reporting system and internal control procedures. The Audit Committee comprises three members, namely Ms. Chiu, Mr. Or and Mr. Wong. The chairman of the Audit Committee is Ms. Chiu, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The audited consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Listing Rules and legal requirements, and adequate disclosures have been made.



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CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the Year, transactions between members of the Group and the connected persons have become connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the Group's continuing connected transactions, the term of which took effect on the Listing Date, are set out as follows.

I. Fully Exempt Continuing Connected Transactions

1. Laundry service agreement between the Company and Stand Harvest

The Company has entered into the following service agreement with Stand Harvest Limited ("**Stand Harvest**") in relation to the provision of laundry service by Stand Harvest to the Group (the "**Laundry Service Agreement**"), which will continue after the Listing:

Date of the agreement	:	20 May 2019
Parties to the agreement	:	(i) the Company; and (ii) Stand Harvest
Service	:	Provision of laundry service to the care and attention homes (the " Laundry Services ")
Term	:	Listing Date to 31 March 2022 (subject to renewal)

With respect to the continuing connected transactions contemplated under the Laundry Service Agreement, the annual caps for the three years ending on 31 March 2022 are listed below:

Annual caps for the year ended/ending 31 March		
2020	2021	2022
HK\$	HK\$	HK\$
2,150,000	2,300,000	2,400,000

II. Non-Exempt Continuing Connected Transactions

1. Tenancy agreement between Kato Elderly Affairs Limited ("**Kato Elderly Affairs**") and Kato Kung Limited ("**Kato Kung**")

Kato Kung, the indirect wholly owned subsidiary, as tenant, has entered into a tenancy agreement with Kato Elderly Affairs as landlord in relation to the leasing of the premises of Kato Home for the Elderly ("**Kato Elderly Home**") (a care and attention home for the elderly at the address below, which will continue after the Listing:

Date of the agreement	:	20 May 2019
Tenant	:	Kato Kung
Landlord	:	Kato Elderly Affairs

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Location of property : Shops 8–12 on G/F and 1/F, Lakeshore Building,
7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong

Term : Listing Date to 31 March 2022 (subject to renewal)

With respect to the continuing connected transactions contemplated under the tenancy agreement between Kato Elderly Affairs and Kato Kung, the annual caps for the three years ending on 31 March 2022 are listed below:

Annual caps for the year ended/ending 31 March		
2020	2021	2022
HK\$	HK\$	HK\$
4,860,000	4,860,000	4,860,000

2. Tenancy agreement between Kato Property Limited (“Kato Property”) and Kato Kung

Kato Kung, the indirect wholly owned subsidiary, as tenant, has entered into a tenancy agreement with Kato Property as landlord in relation to the leasing of the premises of Kato Home for the Aged, a care and attention home for the elderly at the address below, which will continue after the Listing:

Date of the agreement : 20 May 2019

Tenant : Kato Kung

Landlord : Kato Property

Location of property : 1/F, Tung Wai Court, No. 3 Tsing Ling Path,
Tuen Mun, New Territories, Hong Kong

Term : Listing Date to 31 March 2022 (subject to renewal)

With respect to the continuing connected transactions contemplated under the tenancy agreement between Kato Property and Kato Kung, the annual caps for the three years ending on 31 March 2022 are listed below:

Annual caps for the year ended/ending 31 March		
2020	2021	2022
HK\$	HK\$	HK\$
2,376,000	2,376,000	2,376,000



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3. *Tenancy agreement between Classic Mate Limited (“Classic Mate”) and Crawfield International Limited (“Crawfield International”)*

Crawfield International, the indirect wholly owned subsidiary, as tenant, has entered into a tenancy agreement with Classic Mate as landlord in relation to the leasing of the premises of Fai To Home for the Aged (On Lai) Branch, a care and attention home for the elderly at the address below, which will continue after the Listing:

Date of the agreement	:	20 May 2019
Tenant	:	Crawfield International
Landlord	:	Classic Mate
Location of property	:	Shops 1–17 on 1/F, On Lai Building, 3 Tsing To Path, Tuen Mun, New Territories, Hong Kong
Term	:	Listing Date to 31 March 2022 (subject to renewal)

With respect to the continuing connected transactions contemplated under the tenancy agreement between Classic Mate and Crawfield International, the annual caps for the three years ending on 31 March 2022 are listed below:

Annual caps for the year ended/ending 31 March		
2020	2021	2022
HK\$	HK\$	HK\$
1,236,000	1,236,000	1,236,000

4. *Tenancy agreement between Perfect Cheer Investment Limited (“Perfect Cheer”) and Crawfield International*

Crawfield International, the indirect wholly owned subsidiary, as tenant, has entered into the Fai To Home (Tuen Mun) Tenancy Agreement with Perfect Cheer as landlord in relation to the leasing of the premises of Fai To Home for the Aged (Tuen Mun) Branch, a care and attention home for the elderly at the address below, which will continue after the Listing:

Date of the agreement	:	20 May 2019
Tenant	:	Crawfield International
Landlord	:	Perfect Cheer
Location of property	:	1/F, including Entrance on G/F, Florence Mansion, 6 Tsing Ling Path, Area 4B, Tuen Mun, New Territories, Hong Kong
Term	:	Listing Date to 31 March 2022 (subject to renewal)

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With respect to the continuing connected transactions contemplated under the tenancy agreement between Perfect Cheer and Crawfield International, the annual caps for the three years ending on 31 March 2022 are listed below:

Annual caps for the year ended/ending 31 March		
2020	2021	2022
HK\$	HK\$	HK\$
2,004,000	2,004,000	2,004,000

5. Tenancy agreement between Shing Kong Limited (“Shing Kong”) and Tsuen Wan Elderly Centre Limited (“Tsuen Wan Elderly Centre”)

Tsuen Wan Elderly Centre, the indirect wholly owned subsidiary, as tenant, has entered into a tenancy agreement with Shing Kong as landlord in relation to the leasing of the premises of Tsuen Wan Elderly Centre at the address below, which will continue after the Listing:

Date of the agreement	:	20 May 2019
Tenant	:	Tsuen Wan Elderly Centre
Landlord	:	Shing Kong
Location of property	:	Shop C1, 1/F, Tsuen Wan Centre Shopping Arcade, 87–105 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong
Term	:	Listing Date to 31 March 2022 (subject to renewal)

With respect to the continuing connected transactions contemplated under the tenancy agreement between Shing Kong and Tsuen Wan Elderly Centre, the annual caps for the three years ending on 31 March 2022 are listed below:

Annual caps for the year ended/ending 31 March		
2020	2021	2022
HK\$	HK\$	HK\$
2,904,000	2,904,000	2,904,000

6. Tenancy agreement between Smarts Corporation Limited (“Smarts Corporation”) and Happy Luck Elderly Home Limited (“Happy Luck”)

Happy Luck, the indirect wholly owned subsidiary, as tenant, has entered into a following tenancy agreement with Smarts Corporation as landlord in relation to the leasing of Happy Luck at the address below, which will continue after the Listing:

Date of the agreement	:	20 May 2019
Tenant	:	Happy Luck



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Landlord	:	Smarts Corporation
Location of property	:	2nd Floor of Phase 1 of Commercial Development of Allway Gardens, Nos. 187–195 Tsuen King Circuit, Nos. 2–22 On Yat Street, Tsuen Wan, New Territories, Hong Kong
Term	:	Listing Date to 31 March 2022 (subject to renewal)

With respect to the continuing connected transactions contemplated under the tenancy agreement between Smarts Corporation and Happy Luck, the annual caps for the three years ending on 31 March 2022 are listed below:

Annual caps for the year ended/ending 31 March		
2020	2021	2022
HK\$	HK\$	HK\$
2,724,000	2,724,000	2,724,000

7. Tenancy agreement between Mr. Ngai, Mr. Lam and Tsuen Wan Elderly Centre Limited (“Tsuen Wan Elderly Centre”)

Tsuen Wan Elderly Centre, the indirect wholly owned subsidiary, as tenant, has entered into a tenancy agreement with Mr. Ngai and Mr. Lam as landlords in relation to the leasing of the staff quarters for Tsuen Wan Elderly Centre, which will continue after the Listing:

Date of the agreement	:	20 May 2019
Tenant	:	Tsuen Wan Elderly Centre
Landlord	:	Mr. Ngai and Mr. Lam
Location of property	:	Flat C, 24/F, Block 9 (Nanking House), Tsuen Wan Centre, 89 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong
Term	:	Listing Date to 31 March 2022

With respect to the continuing connected transactions contemplated under the tenancy agreement between Mr. Ngai, Mr. Lam and Tsuen Wan Elderly Centre, the annual caps for the three years ending on 31 March 2022 are listed below:

Annual caps for the year ended/ending 31 March		
2020	2021	2022
HK\$	HK\$	HK\$
146,400	146,400	146,400

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8. *Tenancy agreement between Ms. Ngai, Kato Elderly Affairs and Kato Kung*

Kato Kung, the indirect wholly owned subsidiary, as tenant, has entered into a tenancy agreement with Ms. Ngai and Kato Elderly Affairs as landlords in relation to the leasing of the staff quarters for Kato Elderly Home and Kato Home for the Aged, which will continue after the Listing:

Date of the agreement	:	20 May 2019
Tenant	:	Kato Kung
Landlord	:	Ms. Ngai and Kato Elderly Affairs
Location of property	:	Rooms C and D on 2/F and Flat Roof, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong
Term	:	Listing Date to 31 March 2022 (subject to renewal)

With respect to the continuing connected transactions contemplated under the tenancy agreement between Ms. Ngai, Kato Elderly Affairs and Kato Kung, the annual caps for the three years ending on 31 March 2022 are listed below:

Annual caps for the year ended/ending 31 March		
2020	2021	2022
HK\$	HK\$	HK\$
356,400	356,400	356,400

9. *Tenancy agreement between Ms. Ngai, Happy Luck, Jane's Home Limited ("Jane's Home"), Oriental Chinese Medicine Limited ("Oriental Chinese") and Tsuen Wan Elderly Centre*

Happy Luck, Jane's Home, Oriental Chinese and Tsuen Wan Elderly Centre, the indirect wholly owned subsidiaries, as tenants, have entered into a tenancy agreement with Ms. Ngai as landlord in relation to the leasing of the staff quarters for Happy Luck Home, Pine Villa (a care and attention home for the elderly operated at Portion of Level 5, The Capitol, Lohas Park Road, Tseung Kwan O, New Territories, Hong Kong), Fai To Sino West Combined Home for the elderly ("**Fai To Sino West Home**") (a care and attention home for the elderly operated at Shop 1 on G/F, 1/F & 2/F, (3A-3C), 5A-5F Ma Hang Chung Road & 55-65 Pau Chung Street, To Kwa Wan, Kowloon, Hong Kong) and Tsuen Wan Centre, which will continue after the Listing:

Date of the agreement	:	20 May 2019
Tenant	:	Happy Luck, Jane's Home, Oriental Chinese and Tsuen Wan Elderly Centre
Landlord	:	Ms. Ngai



Report of the Directors

Location of property : 3/F, Four Sea Mansion, 11 Fa Yuen Street, Mongkok, Hong Kong

Term : Listing Date to 31 March 2022 (subject to renewal)

With respect to the continuing connected transactions contemplated under the tenancy agreement between Ms. Ngai, Happy Luck, Jane's Home, Oriental Chinese and Tsuen Wan Elderly Centre, the annual caps for the three years ending on 31 March 2022 are listed below:

Annual caps for the year ended/ending 31 March		
2020	2021	2022
HK\$	HK\$	HK\$
254,400	254,400	254,400

10. Tenancy agreement between Ms. Ngai and Oriental Chinese

Oriental Chinese, the indirect wholly owned subsidiary, as tenant, has entered a following tenancy agreement with Ms. Ngai as landlord in relation to the leasing of the staff quarters for Fai To Sino West Home, which will continue after the Listing:

Date of the agreement : 20 May 2019

Tenant : Oriental Chinese

Landlord : Ms. Ngai

Location of property : Room 10, 3/F, Tung Shun Hing Building, 22 Chi Kiang Street, Kowloon, Hong Kong

Term : Listing Date to 31 March 2022

With respect to the continuing connected transactions contemplated under the tenancy agreement between Ms. Ngai and Oriental Chinese, the annual caps for the three years ending on 31 March 2022 are listed below:

Annual caps for the year ended/ending 31 March		
2020	2021	2022
HK\$	HK\$	HK\$
60,000	60,000	60,000

Report of the Directors

The aggregate annual transaction amounts under all the tenancy agreements are expected to be approximately HK\$16,921,200, HK\$16,921,200 and HK\$16,921,200, respectively, for the three years ended/ending 31 March 2020, 2021 and 2022, at least one of the applicable percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of all the tenancy agreements stated above, on an annual basis, is expected to be more than 5% and the annual consideration is more than HK\$10 million, which constitutes continuing connected transaction after the Listing, and will be subject to reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has, pursuant to Rule 14A.105 of the Listing Rules, applied for and the Stock Exchange has agreed to grant a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements under the Listing Rules subject to the condition that the aggregate value of all the tenancy agreements stated above for each financial year does not exceed the relevant annual cap amount as stated above. The Company will strictly comply with other relevant requirements under Chapter 14A of the Listing Rules. With respect to the aggregate amount of each of the aforesaid continuing connected transactions, the disclosed continuing connected transactions have not exceeded the annual caps for the Year.

Details of related party transactions of the Group during the Year are set out in note 19(b) to the audited consolidated financial statements in this annual report. During the Year, certain related party transactions set out in note 19(b) to the audited consolidated financial statements are regarded as continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Further, tenancy agreements for the right to use of a staff quarter and two day care centres granted to the Group constitutes as a continuing connected transaction which falls within the de minimis threshold provided under the Listing Rules and is exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONFIRMATIONS

The aforesaid non-exempt continuing connected transactions for the year ended 31 March 2021 have been reviewed by Independent non-executive Directors of the Company. The Independent non-executive Directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's non-exempt continuing connected transactions for the year ended 31 March 2021 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided to the Stock Exchange.



Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

From the information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public at all times throughout the Year to the date of this annual report.

TAX RELIEF

The Company is not aware of any relief from taxation to which the Shareholders are entitled by reason of their holding of the Shares.

CORPORATE GOVERNANCE CODE

The Company is committed to implementing good corporate governance practices. Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 22 to 32 of this annual report.

THE FORTHCOMING ANNUAL GENERAL MEETING

The forthcoming AGM of the Company will be held at Thornton Room, 3/F. South Tower, The Salisbury – YMCA of Hong Kong, 41 Salisbury Road, Tsim Sha Tsui, Kowloon on Wednesday, 18 August 2021 at 2:30 p.m. and the notice convening such meeting will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

SUBSEQUENT EVENT

In May 2021, Si Mau Limited, an indirect wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with Upper Caterings Group Limited, a third party independent of and not connected to the Company and any of its connected persons and any of their respective associates, in relation to the acquisition of four pieces of land in Yuen Long at a cash consideration of HK\$65 million. For further details, please refer to the announcement of the Company dated 24 May 2021.

Save as disclosed above and elsewhere in this report, there is no other material event after the reporting period and up to the date of this report.

INDEPENDENT AUDITOR

The consolidated financial statements for the Year have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment. The Board has taken the Audit Committee's recommendation that a resolution for their re-appointment as independent auditor of the Company will be proposed at the forthcoming AGM.

There is no change of independent auditor for the Year and up to the date of this annual report.

On behalf of the Board

Ngai Shi Shing, Godfrey
Chairman and Executive Director
Hong Kong, 11 June 2021

Independent Auditor's Report



羅兵咸永道

To the Shareholders of Kato (Hong Kong) Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Kato (Hong Kong) Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 65 to 123, which comprise:

- the consolidated statement of financial position as at 31 March 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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



Independent Auditor's Report

KEY AUDIT MATTERS

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

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

- Revenue recognition
- Valuation of investment properties

Key Audit Matter

How our audit addressed the Key Audit Matter

Revenue recognition

Refer to note 2.21 and note 5 to the consolidated financial statements.

The Group recognised revenue of HK\$256,531,000 mainly by provision of elderly home care services, elderly community care services, care support services to persons under quarantine and sales of elderly home related goods.

The revenue from rendering of elderly home care services, elderly community care services and care support services to persons under quarantine is recognised over time when the Group provides the services to its customers while sales of elderly home related goods is recognised at the point in time when or as the control of the elderly related goods is transferred to the customer.

We focus on this area due to its magnitude and the high volume of transactions involved. As a result, a significant amount of effort was spent on auditing this area.

We understood, evaluated and tested management's key internal controls in respect of revenue recognition.

For revenue contributed from residential care places, care support services to persons under quarantine, elderly community care services, sales of elderly home related goods and other revenue, we tested the revenue transactions on a sample basis by tracing to supporting documents such as services agreements, invoices and customer receipts.

In addition, we performed substantive analytical procedures over the revenue contributed from Social Welfare Department ("**SWD**") of the Government of HKSAR under the Enhanced Bought Place Scheme ("**EBPS**") and Bought Place Scheme ("**BPS**") by considering the number of residential care places purchased and the agreed monthly base rate pursuant to the relevant service agreements signed with and notices issued by the SWD.

We also performed cut-off testing on a sample of revenue transactions before and after year end to assess whether the transactions were recognised in the proper period by tracing to service agreements, invoices, customer receipts and deferred revenue calculation.

Based on our work performed, we did not identify any material exceptions.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation of investment properties

Refer to note 2.7 and note 14 to the consolidated financial statements.

As at 31 March 2021, the fair value of the Group's investment properties was HK\$244,100,000 and a fair value gain of HK\$667,000 was recognised in the consolidated statement of profit or loss for the year.

Management has engaged an independent valuer, ValQuest Advisory (Hong Kong) Limited, to determine the fair value of the investment properties held by the Group as at 31 March 2021. For commercial complex and retail stores, the valuation was based on income capitalisation approach. For car park spaces, the valuation was based on direct comparison method.

The valuation of investment properties is subject to high degree of estimation uncertainty. The inherent risk in relation to the valuation of investment properties is considered significant. For investment properties, key assumptions included reversionary yield, term yield, monthly rent and market value.

We focused on auditing this area because the valuation is subject to high degree of estimation uncertainty. The inherent risk in relation to the valuation of investment properties is considered significant due to subjectivity of significant assumptions used.

We have performed the following procedures to address this key audit matter:

We obtained an understanding of the management's internal control and assessment processes of valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud.

We involved our internal valuation experts in assessing the valuation methodologies and the reasonableness of the key assumptions used in the valuation of investment properties.

We assessed the competence, capabilities and objectivity of the external valuer.

We obtained the valuation report and discussed with the external valuer on the valuation methodologies and key assumptions.

We also considered whether the judgements made in selecting the methods, significant assumptions and data would give rise to indicators of possible management bias.

We tested the accuracy of the input data used by the independent valuer, on a sample basis, to management's records, lease agreements, invoices received or other supporting documentations.

We assessed the reasonableness of the key assumptions by comparing the key assumptions used by the independent valuer against our own expectations using evidence from comparable market transactions, historical records and approved budgets, including comparison of:

- Reversionary yield and term yield to published market yields; and
- Monthly rent and market value to leasing and selling transactions of comparable properties and carparks.

We have assessed the adequacy of the disclosures related to the valuation of investment properties in the context of HKFRSs disclosure requirements.

Based on the above, we considered that management's judgements and assumptions applied in the valuation of investment properties were supportable by the evidence obtained and procedures performed.



Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Kam Chiu, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 11 June 2021

Consolidated Statement of Profit or Loss

For the year ended 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	5	256,531	196,098
Other income and other gains, net	6	1,370	59
Employee benefit expenses, net		(82,443)	(65,491)
Depreciation of property and equipment		(5,332)	(4,188)
Depreciation of right-of-use assets		(26,691)	(23,858)
Property rental and related expenses		(3,073)	(5,562)
Food and beverage costs		(8,067)	(7,536)
Utility expenses		(4,188)	(4,460)
Supplies and consumables		(3,535)	(2,057)
Repair and maintenance		(968)	(1,168)
Subcontracting fees, net		(2,411)	(2,334)
Laundry expenses		(2,280)	(2,061)
Medical fees and related expenses		(2,621)	(1,616)
Donations		(600)	(1,491)
Legal and professional fees		(6,128)	(2,349)
Other operating expenses		(10,663)	(6,651)
Finance costs, net	7	(4,923)	(1,133)
Listing expenses		—	(5,513)
Profit before taxation	8	93,978	58,689
Income tax expense	10	(14,476)	(10,824)
Profit for the year		79,502	47,865
Profit for the year attributable to:			
Owners of the Company		79,874	47,865
Non-controlling interests		(372)	—
		79,502	47,865
Earnings per share attributable to the owners of the Company (in HK cents)			
Basic earnings per share	12	7.99	5.04
Diluted earnings per share	12	7.99	5.04

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.



Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
Profit for the year		79,502	47,865
Other comprehensive income:			
<i>Item that will not be reclassified to profit or loss</i>			
Fair value changes of financial assets at fair value through other comprehensive income	18(c)	85	—
Other comprehensive income for the year, net of tax		85	—
Total comprehensive income for the year		79,587	47,865
Total comprehensive income for the year attributable to:			
Owners of the Company		79,959	47,865
Non-controlling interests		(372)	—
		79,587	47,865

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

Consolidated Statement of Financial Position

As at 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	13	16,733	8,918
Investment properties	14	244,100	—
Right-of-use assets	15	217,555	138,510
Deferred tax assets	23	1,907	2,065
Prepayments and deposits	17	4,343	9,311
Financial assets at fair value through other comprehensive income	18	704	—
Total non-current assets		485,342	158,804
CURRENT ASSETS			
Trade receivables	16	6,269	3,487
Prepayments, deposits and other receivables	17	1,871	2,839
Short-term bank deposits	20	1,002	140,493
Cash and cash equivalents	20	108,116	43,245
Total current assets		117,258	190,064
Total assets		602,600	348,868
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	21(a)	10,000	10,000
Reserves	21(b)	222,631	182,672
		232,631	192,672
Non-controlling interests		528	—
Total equity		233,159	192,672



Consolidated Statement of Financial Position

As at 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
LIABILITIES			
NON-CURRENT LIABILITIES			
Accruals and other payables	22	3,197	3,120
Lease liabilities	15	197,624	121,790
Bank borrowing	24	112,960	—
Deferred tax liabilities	23	1,740	—
Total non-current liabilities		315,521	124,910
CURRENT LIABILITIES			
Trade and other payables	22	16,380	12,755
Contract liabilities	5(a)	909	1,184
Amount due to a related company	19(a)	202	179
Bank borrowing	24	7,040	—
Lease liabilities	15	24,423	16,466
Income tax payable		4,966	702
Total current liabilities		53,920	31,286
Total liabilities		369,441	156,196
Total equity and liabilities		602,600	348,868

The consolidated financial statements on pages 65 to 123 were approved by the Board of Directors on 11 June 2021 and were signed on its behalf.

Mr. Ngai Shi Shing, Godfrey
Executive Director

Ms. Ngai Ka Yee
Executive Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Attributable to the owners of the Company							Non-controlling interests	Total equity	
	Note	Share capital	Share premium	Capital reserve	Investment revaluation reserve	Retained earnings	Total			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			HK\$'000
		Note 21(a)								
At 1 April 2019		–	–	36	–	28,331	28,367	–	28,367	
Profit for the year		–	–	–	–	47,865	47,865	–	47,865	
Total comprehensive income		–	–	–	–	47,865	47,865	–	47,865	
Share issued under the capitalisation issue	21	7,500	(7,500)	–	–	–	–	–	–	
Share issued pursuant to the initial public offering (the "IPO")	21	2,500	133,940	–	–	–	136,440	–	136,440	
Dividends	11	–	–	–	–	(20,000)	(20,000)	–	(20,000)	
At 31 March 2020 and 1 April 2020		10,000	126,440	36	–	56,196	192,672	–	192,672	
Profit for the year		–	–	–	–	79,874	79,874	(372)	79,502	
Other comprehensive income		–	–	–	85	–	85	–	85	
Total comprehensive income		–	–	–	85	79,874	79,959	(372)	79,587	
Dividends	11	–	–	–	–	(40,000)	(40,000)	–	(40,000)	
Capital contribution by non-controlling interests		–	–	–	–	–	–	900	900	
At 31 March 2021		10,000	126,440	36	85	96,070	232,631	528	233,159	

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Note	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities			
Cash generated from operations	26(a)	128,522	83,979
Hong Kong profits tax paid		(11,400)	(11,934)
Interest received		952	2,605
Interest paid		—	(386)
Net cash generated from operating activities		118,074	74,264
Cash flow from investing activities			
Net cash outflows on acquisition of a subsidiary	28	(238,951)	—
Purchases of financial assets at fair value through other comprehensive income		(619)	—
Purchases of property and equipment		(6,150)	(3,119)
Change in short-term bank deposits		139,491	(140,493)
Deposits paid for purchase of property and equipment		—	(6,997)
Net cash used in investing activities		(106,229)	(150,609)
Cash flows from financing activities			
Proceeds from bank borrowing	26(c)	240,000	10,000
Repayments of bank borrowing	26(c)	(120,000)	(33,438)
Dividends paid to shareholders	26(b)	(40,000)	(20,000)
Payment of principal and interest portion of lease liabilities	26(c)	(27,748)	(24,819)
Capital contribution by non-controlling interests		900	—
Interest paid		(126)	—
Proceeds from issuance of ordinary shares under the IPO	21(a)	—	150,000
Payment of professional fee in connection with the IPO		—	(10,245)
Net cash generated from financing activities		53,026	71,498
Net increase/(decrease) in cash and cash equivalents		64,871	(4,847)
Cash and cash equivalents at the beginning of year		43,245	48,092
Cash and cash equivalents at the end of year		108,116	43,245

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Kato (Hong Kong) Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 19 April 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as combined and revised) of the Cayman Islands. The address of the Company’s registered office situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and together with its subsidiaries (collectively, the “**Group**”) are principally engaged in the provision of residential care services and day care services for the elderly in Hong Kong.

These consolidated financial statements are presented in thousands of Hong Kong Dollar (“**HK\$’000**”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, except for the financial assets at fair value through other comprehensive income and revaluation of investment properties, which are carried at fair value.

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

(a) New standards, amendments to standards and interpretation adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretation for the first time for their annual reporting period commencing 1 April 2020:

HKFRS 3 (Amendments)	Definition of a business
HKAS 1 and HKAS 8 (Amendments)	Definition of material
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting
HKAS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest rate benchmark reform

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New standards, amendments to standards, interpretations and accounting guidelines issued but not yet effective

A number of new standards, amendments to standards, interpretations and accounting guidelines have been issued but not effective during the year and have not been early adopted by the Group in preparing these consolidated financial statements:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Covid-19-related rent concessions	1 June 2020
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest rate benchmark reform – phase 2	1 April 2021
Annual Improvements Project (Amendments)	Annual improvements 2018–2020 cycle	1 April 2022
Accounting Guideline 5 (Revised)	Revised accounting guideline 5 – Merger accounting for common control combination	1 April 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments	1 April 2022
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 April 2023
HKFRS 17	Insurance contracts	1 April 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 April 2023
Hong Kong Interpretation 5 (2020)	Classification by the borrower of a term loan that contains a repayment on demand clause	1 April 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of the Company have assessed the financial impact on the Group of the adoption of the above new standards, amendments to existing standards, interpretations and accounting guideline. These standards and amendments are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standards, amendments to existing standards interpretations and accounting guideline when they become effective.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

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

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

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

2.2.1 Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interest in the acquiree 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 measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

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



Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Business combination (Continued)

The Group has adopted the HKFRS 3 amendments, which clarifies the definition of a business and introduces an optional concentration test. Business combinations and asset acquisitions for which the acquisition date is on or after 1 April 2019 may elect to apply an optional concentration test, where substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, the acquired set of activities and assets is not a business and the transaction is then not a business combination. Where the concentration test is not applied nor met, a transaction may still be considered to be an asset acquisition if a substantive process has not been acquired. A substantive process is the ability to develop or convert inputs into outputs.

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of profit or loss within “other operating expenses”.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the “**CODM**”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors, who makes strategic decisions.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases

2.5.1 As the lessor

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

2.5.2 As the lessee

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

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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

To determine the incremental borrowing rate, the Group:

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

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



Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases (Continued)

2.5.2 As the lessee (Continued)

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

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

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

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognised 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 HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.6 Property and equipment

Property and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property and equipment.

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property and equipment (Continued)

Depreciation of property and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the shorter of remaining lease term or 20% per annum
Furniture and fixtures	20% per annum
Office equipment	20% per annum
Motor vehicles	30% per annum

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount and are recognised within "other income and other loss, net" in the consolidated statement of profit or loss.

2.7 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group.

An investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values of the investment properties are recognised in the consolidated statement of profit or loss.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the consolidated statement of profit or loss during the period in which they are incurred.



Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets

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

2.9 Investments and other financial assets

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“**OCI**”) or through profit or loss), and
- those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

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

2.9.2 Recognition and derecognition

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

2.9.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“**FVPL**”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

2.9.3 Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(a) Amortised cost

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

(b) FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.

(c) FVPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.



Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

2.9.3 Measurement (Continued)

Equity instruments (Continued)

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. For the years ended 31 March 2021 and 2020, there was no offset of financial assets and liabilities.

2.11 Impairment of financial assets

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

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

Impairment on other financial assets at amortised cost is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.12 Trade and other receivables

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

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

2.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks, with original maturities of three months or less.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

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

2.16 Borrowings

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

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

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Other borrowing costs are expensed in the period in which they are incurred.



Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

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

(b) *Deferred income tax*

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

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

(c) *Offsetting*

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

2.19 Employee benefits

(a) *Pension obligations*

In Hong Kong, the Group contributes to the mandatory provident fund scheme for eligible employees, the assets of which are held in a separate trustee-administered funds. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Contributions to the fund by the Group and employees are calculated as a percentage of employees' salaries. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (Continued)

(b) Long service payments

In Hong Kong, employees who have completed a required number of years of service to the Group are eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment, provided that such termination meet the circumstances specified in the Hong Kong Employment Ordinance. Long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for long service payment as a result of services rendered by employees up to the consolidated statement of financial position date. The liability recognised in the consolidated statement of financial position in respect of long service payments is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

(c) Provision for bonus

Bonus payments to employees are discretionary to management. Bonus payments are recognised in profit or loss in the period when the Group has formally announced the bonus payments to employees.

2.20 Provisions

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

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

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



Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition

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

Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- 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.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a practical expedient, the Group does not adjust any of the transaction prices for the time value of money.

(a) Rendering of elderly home care services

Rendering of elderly home care services represent provision of residential care services to the elderly including the provision of residence, professional nursing and caretaking services, nutritional management, medical services, physiotherapy services, psychological and social care and individual care plans.

Revenue from the rendering of elderly home care services is recognised when the Group provides the services and all of the benefits are received and consumed simultaneously by the customer throughout its contract period. Thus, the Group satisfies a performance obligation and recognises revenue over time and the Group has present right to payment.

(b) Sales of elderly home related goods

Sales of elderly home related goods includes the sale of diapers, nutritional milk, medical gloves, feeding bags and pH indicator to our residents on an as-needed basis.

Revenue from the sale of elderly home related goods is recognised at a point in time when or as the control of the elderly home related goods is transferred to the customer and the Group has present right to payment.

The Group's policy does not include any rights of return nor refund.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

(c) Rendering of elderly community care services

Rendering of elderly community care services represent provision of day care services and home-based services to the elderly including the provision of professional nursing and caretaking services, nutritional management, medical services, physiotherapy services, psychological and social care and individual care plans.

Revenue from the rendering of elderly community care services is recognised when the Group provides the services and all of the benefits are received and consumed simultaneously by the customer throughout its contract period. Thus, the Group satisfies a performance obligation and recognised revenue over time and the Group has present right to payment.

(d) Rendering of care support services to persons under quarantine

Rendering of care support services to persons under quarantine represent provision of health and personal care services to individual residents of quarantine centre.

Revenue from the rendering of care support services to persons under quarantine is recognised when the Group provides the services and all of the benefits are received and consumed simultaneously by the customer throughout its contract period. Thus, the Group satisfies a performance obligation and recognised revenue over time and the Group has present right to payment.

(e) Rental from retail shops and market stalls

Operating lease rental income is recognised on a straight-line basis over the term of the lease agreement. Contingent rental income (representing income over and above base rent) such as turnover rent, is recognised according to the terms of the lease agreements when the amount can be reliably measured, in the accounting period in which it is earned. Lease incentives provided, such as rent-free periods, are amortised on a straight-line basis and are recognised as a reduction of rental income over the respective term of the lease.

(f) Management fee

Management fee income arising from provision of services are recognised when such service are rendered.

(g) Rental from car parks

Rental from car parks are recognised as revenue on an accrual basis based on the numbers of hours occupied.

(h) Interest income

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



Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Dividend distribution

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

Dividend proposed or declared after the reporting period but before the consolidated financial statements are authorised for issue, are disclosed as a non-adjusting event and are not recognised as a liability at the end of the reporting period.

2.23 Government grants and subsidies

Grants and subsidies from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants and subsidies relating to costs are recognised in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants and subsidies are presented at net basis and are included in "employee benefit expense" and "subcontracting fee" in the consolidated statement of profit or loss.

2.24 Earnings per share

(i) *Basic earnings per share*

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

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to variety of financial risks: market risk (cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Interest rate risk

The Group has no significant interest-bearing assets except for cash at banks and short-term bank deposits, which are at variable interest rate and subject to cash flow interest rate risk. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowing which carried at floating rates. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

For the year ended 31 March 2021, if interest rates on all bank borrowing had been 50 basis-points higher/lower with all other variables held constant, profit after taxation for the year ended 31 March 2021 would have decreased/increased by approximately HK\$84,000 (2020: HK\$63,000), mainly as a result of higher/lower interest expense on floating rate bank borrowing.

(b) Credit risk

The credit risk of the Group mainly arises from trade receivables, deposits and other receivables, short-term bank deposits and cash at banks.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

The credit risk on deposits with banks is limited because the counterparties are several reputable and creditworthy banks with A-grade credit ratings.

The Group have policies in place to ensure that the provision of elderly care home services, provision of care support services to persons under quarantine, elderly community care services and sales of elderly home related goods are made to third party customers with an appropriate credit history. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and taking into account information specific to the customer.

The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable ensure that adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2021, the Group had concentration of credit risk as 60% (2020: 43%) of its total trade receivables was due from its largest trade debtor, the Government of the Hong Kong Special Administrative Region ("**Government of HKSAR**"). The directors believe the credit risk of Government of HKSAR is low in view of its past good repayment history.



Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information, such as GDP growth rate and nominal GDP per capita in Hong Kong.

(i) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit loss, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Therefore, the Group divided the trade receivables into 2 categories by their risk characteristics, as (i) the Government of HKSAR; and (ii) individual customers. The Group also considers available reasonable and supportive forward looking information. For both categories of trade receivables, there were no history of default and management do not expect significant credit losses after considering forward-looking information. Therefore, expected credit loss rate of trade receivables from Government of HKSAR and individual customers is assessed to be not material as at 31 March 2021 and 2020. As at 31 March 2021 and 2020, the provision for expected credit losses was assessed to be not material to the consolidated financial statements and no provision was made.

(ii) Deposits and other receivables

For deposits and other receivables, the Group applies the HKFRS 9 general approach to measuring expected credit losses. The impairment provision is determined as 12-month expected credit losses as there was no significant increase in credit risk on these assets since initial recognition. The loss rates are also adjusted to reflect the forward-looking information on macroeconomic factors affecting the ability of the debtors to settle these receivables. No loss allowance provision was determined as at 31 March 2021 and 2020 as the directors considered that the expected credit loss was immaterial.

(c) Liquidity risk

The Group's policy is to maintain sufficient cash to meet its liquidity and working capital requirements.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn banking facilities below), cash and cash equivalents and short-term bank deposits (Note 20) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The Group had access to the following undrawn banking facilities at the end of the reporting period:

	2021 HK\$'000	2020 HK\$'000
Floating rate		
Expiring within one year (bank borrowing and overdraft facilities)	25,000	25,000

Subject to the continuance of satisfactory credit ratings, the banking facilities may be drawn at any time in Hong Kong dollars and are subjected to annual review.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK\$'000	Between 1-2 years HK\$'000	Between 2-5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000	Carrying amount HK\$'000
As at 31 March 2021						
Trade and other payables	10,979	—	—	—	10,979	10,979
Amount due to a related company	202	—	—	—	202	202
Bank borrowing	9,124	9,124	27,373	91,264	136,885	120,000
Undiscounted lease liabilities	30,552	29,956	93,683	95,556	249,747	222,047
	50,857	39,080	121,056	186,820	397,813	353,228



Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year HK\$'000	Between 1-2 years HK\$'000	Between 2-5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000	Carrying amount HK\$'000
As at 31 March 2020						
Trade and other payables	7,319	—	—	—	7,319	7,319
Amount due to a related company	179	—	—	—	179	179
Undiscounted lease liabilities	20,215	17,440	51,221	67,685	156,561	138,256
	27,713	17,440	51,221	67,685	164,059	145,754

3.2 Capital risk management

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

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

The Group monitors its capital on the basis of the gearing ratio, which is expressed as a percentage of net debt divided by total capital. Net debt is calculated as the sum of bank borrowing and lease liabilities less the sum of cash and cash equivalents and short-term bank deposits. Capital represents total equity as shown on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

The gearing ratio as at 31 March 2021 and 2020 were as follows:

	2021 HK\$'000	2020 HK\$'000
Bank borrowing	120,000	—
Lease liabilities	222,047	138,256
	342,047	138,256
Less: Cash and cash equivalents	(108,116)	(43,245)
Short-term bank deposits	(1,002)	(140,493)
	(109,118)	(183,738)
Net debt/(cash)	232,929	(45,482)
Total equity	233,159	192,672
Gearing ratio	99.9%	Net Cash

As at 31 March 2021, the gearing ratio of the Group was increased to 99.9% due to the drawdown of bank borrowing of HK\$120 million for acquisition of assets in February 2021 (Note 28).

Although the Group adopted a higher finance leverage compared to last year, the directors would pay careful consideration to cash flow management and performance of the Group to ensure the Group would meet its future finance requirement.

Since the amount of cash and cash equivalents and short-term bank deposits exceeded that of lease liabilities and bank borrowing, the Group is at net cash position as at 31 March 2020. Thus, the gearing ratio was not applicable as at 31 March 2020.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair values as at 31 March 2021 by level of valuation techniques used to measure fair values. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair values as at 31 March 2021:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 March 2021				
Financial assets				
Investment properties (Note 14)	—	—	244,100	244,100
Financial asset at FVOCI				
— Listed equity investment (Note 18)	704	—	—	704
	704	—	244,100	244,804

There were no transfer of financial assets and liabilities between the fair value hierarchy classifications during the year ended 31 March 2021 (2020: same).

The carrying values of the Group's financial assets, including trade receivables, deposits and other receivables, short-term bank deposits and cash and cash equivalents, and financial liabilities, including trade and other payables, amount due to a related company, lease liabilities and bank borrowing approximate to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(a) Useful lives of property and equipment

The Group's management determines the estimated useful lives and related depreciation for its property and equipment by reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. These estimates are based on the historical experience of the actual useful lives of property and equipment of similar nature and functions. Management will adjust the depreciation where useful lives vary from previously estimates. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore depreciation in the future periods.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Estimated valuation of investment properties

The Group carries its investment properties at fair value with changes in the fair value recognised in profit or loss. The valuation of investment properties requires management's input of various assumptions and factors relevant to the valuation. The Group conducts annual revaluation of its investment properties by independent professionally qualified valuers based on these assumptions agreed with the valuers prior to adoption. Refer to Note 14 for the assumptions, valuation techniques and fair value measurement of investment properties.

(c) Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed when a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

5 REVENUE AND SEGMENT INFORMATION

The executive directors, who are the CODM of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors that are used to make strategic decisions.

During the years ended 31 March 2021 and 2020, the Group had one reportable operating segment, which was mainly the provision of elderly home care services, care support services to person under quarantine and elderly community care service. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

The Group's revenue was derived solely from its operations in Hong Kong during the years ended 31 March 2021 and 2020, and the non-current assets of the Group were located in Hong Kong as at 31 March 2021 and 2020.

Revenue of approximately HK\$141,559,000 (2020: HK\$89,077,000) for the year ended 31 March 2021 was derived from the Government of HKSAR under the Enhanced Bought Place Scheme ("EBPS"), Bought Place Scheme (the "BPS") and care support services to persons under quarantine, which amounted to more than 10% of the Group's revenue.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

An analysis of revenue is as follows:

	2021 HK\$'000	2020 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
<i>Recognised over time:</i>		
Rendering of elderly home care services	177,139	168,275
Rendering of care support services to persons under quarantine	42,147	—
Rendering of elderly community care services	3,949	—
Management fee income	185	—
Car park revenue	107	—
<i>Recognised at a point in time:</i>		
Sales of elderly home related goods	32,443	27,823
Revenue arising from operating lease within the scope of HKFRS 16:		
Fixed	556	—
Variable	5	—
	256,531	196,098

The Group did not recognise any revenue-related contract assets during the years ended 31 March 2021 and 2020.

(a) Contract liabilities

As at 31 March 2021 and 2020, the balances represent the receipt in advance from customers. The Group recognised the following revenue-related contract liabilities:

	2021 HK\$'000	2020 HK\$'000
Contract liabilities	909	1,184

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Contract liabilities (Continued)

The following table shows the revenue recognised during the years ended 31 March 2021 and 2020 related to carried-forward contract liabilities:

	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in the contract liabilities balance as at beginning of the year	1,184	1,602

Due to the short-term nature of the related service contracts, the entire contract liabilities balance at the year end would be recognised into revenue in the next period. As permitted under HKFRS 15, the transaction price allocated to those unsatisfied contracts which have an original expected duration of one year or less is not disclosed.

6 OTHER INCOME AND OTHER GAINS, NET

	2021 HK\$'000	2020 HK\$'000
Fair value gain on investment properties (<i>Note 14</i>)	667	—
Government subsidies	656	—
Other income	47	59
	1,370	59

7 FINANCE COSTS, NET

	2021 HK\$'000	2020 HK\$'000
Bank interest income	952	3,034
Interest expenses on bank borrowing	(126)	(386)
Unwinding interest on rental deposits	(371)	(545)
Interest expenses on lease liabilities (<i>Note 15(b)</i>)	(5,378)	(3,236)
	(4,923)	(1,133)

Notes to the Consolidated Financial Statements

8 PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	2021 HK\$'000	2020 HK\$'000
Depreciation of property and equipment (<i>Note 13</i>)	5,332	4,188
Depreciation of right-of-use assets (<i>Note 15(b)</i>)	26,691	23,858
Property rental and related expenses	3,073	5,562
Lease payments for short-term leases (<i>Note 15(b)</i>)	410	2,987
Loss on lease modification (<i>Note 15(b)</i>)	425	—
Loss on remeasurement of lease liabilities as at termination of leases (<i>Note 15(b)</i>)	—	132
Building management fees and rates	2,238	2,443
Employee benefit expenses, net	82,443	65,491
Wages and salaries	85,274	60,155
Retirement benefit scheme contributions	2,132	1,742
Staff welfare and benefits	147	410
Provision for long service payments	72	888
Directors' remunerations (<i>Note 9</i>)	5,200	3,766
Government subsidies	(10,382)	(1,470)
Legal and professional fees	6,128	2,349
Subcontracting fees, net	2,411	2,334
Subcontracting fees	10,009	9,818
Government subsidies	(7,598)	(7,484)
Auditor's remuneration	1,500	1,250
Accommodation	1,819	—
Insurance expenses	795	623

Notes to the Consolidated Financial Statements

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' remunerations

The remunerations of directors for each of the years ended 31 March 2021 and 2020 were as follows:

	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind HK\$000	Retirement benefit scheme contributions HK\$'000	Other emoluments paid or receivables HK\$'000	Total HK\$'000
Year ended 31 March 2021							
Executive directors							
– Ms. Ngai Ka Yee	–	1,360	80	–	–	1	1,441
– Mr. Ngai Shi Shing, Godfrey	–	1,760	41	–	28	–	1,829
Non-executive directors							
– Mr. Kwong Kai To (note (iv))	–	720	20	–	–	390	1,130
– Mr. Cheng Man Tak Richard (note (v))	100	–	–	–	–	–	100
– Mr. Poon Kai Kit Joe (note (v))	100	–	–	–	–	–	100
Independent non-executive directors							
– Mr. Or Kevin (note (iii))	200	–	–	–	–	–	200
– Ms. Chiu Lai Kuen, Susanna (note (iii))	200	–	–	–	–	–	200
– Mr. Wong Vinci (note (iii))	200	–	–	–	–	–	200
	800	3,840	141	–	28	391	5,200
Year ended 31 March 2020							
Executive directors							
– Ms. Ngai Ka Yee	–	1,080	–	–	–	1	1,081
– Mr. Ngai Shi Shing, Godfrey	–	1,080	–	–	18	3	1,101
Non-executive director							
– Mr. Kwong Kai To (note (iv))	–	984	–	–	–	–	984
Independent non-executive directors							
– Mr. Or Kevin (note (iii))	200	–	–	–	–	–	200
– Ms. Chiu Lai Kuen, Susanna (note (iii))	200	–	–	–	–	–	200
– Mr. Wong Vinci (note (iii))	200	–	–	–	–	–	200
	600	3,144	–	–	18	4	3,766



Notes to the Consolidated Financial Statements

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' remunerations (Continued)

Notes:

- (i) The remunerations shown above represent remunerations received from the Company and subsidiaries of the Company by these directors in their capacity as employees to the Company and no directors waived any emolument during the year ended 31 March 2021 (2020: Nil).
- (ii) No emoluments were paid by the subsidiaries of the Company to the directors as an inducement to join the subsidiaries of the Company, or as compensation for loss of office during the year ended 31 March 2021 (2020: Nil).
- (iii) Ms. Chiu Lai Kuen Susanna, Mr. Or Kevin and Mr. Wong Vinci were appointed as independent non-executive directors of the Company on 20 May 2019.
- (iv) Mr. Kwong Kai To resigned as non-executive director of the Company on 15 October 2020.
- (v) Mr. Cheng Man Tak Richard and Mr. Poon Kai Kit Joe were appointed as non-executive directors of the Company on 11 August 2020.

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking (2020: Nil).

(c) Directors' termination benefits

No payment was made to directors as compensation for the early termination of the appointment during the year ended 31 March 2021 (2020: Nil).

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

The Company did not pay consideration to any third parties for making available directors' services for the year ended 31 March 2021 (2020: Nil).

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

During the year ended 31 March 2021, there were no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2020: same).

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

During the year ended 31 March 2021, no significant transactions, agreements and contracts in relation to the Group's business to which the Company or any of the subsidiaries of the Company were a party and in which a director of the Company had material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2021, other than those disclosed in Note 19 (2020: same).

Notes to the Consolidated Financial Statements

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(g) Five highest paid individuals

The five highest paid individuals during the year included 3 directors (2020: 3 directors). Details of whose remuneration are set out in Note 9(a). Details of the remuneration for the year of the remaining 2 (2020: 2) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, discretionary bonus, allowances and benefit in kind	2,879	2,447
Retirement benefit scheme contribution	9	18
	2,888	2,465

The emoluments fell within the following bands:

	Number of individual	
	2021	2020
Nil to HK\$1,000,000	—	1
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	—

- (h) During the year ended 31 March 2021, no emoluments have been paid by the Group to the directors or the five highest paid individuals mentioned above as an inducement to join or upon joining the Group, or as compensation for loss of office (2020: Nil).



Notes to the Consolidated Financial Statements

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the two-tiered rate of 8.25% for the first HK\$2,000,000 of the estimated assessable profit of the qualifying group entity and 16.5% on the remaining estimated assessable profit of the Group for the year ended 31 March 2021 and 2020.

An analysis of the income tax expense is as follows:

	2021 HK\$'000	2020 HK\$'000
Hong Kong profits tax		
Current year	14,557	10,639
Overprovision in prior year	(260)	(8)
	14,297	10,631
Deferred tax (<i>Note 23</i>)	179	193
	14,476	10,824

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

	2021 HK\$'000	2020 HK\$'000
Profit before taxation	93,978	58,689
Tax calculated at a tax rate of 16.5% (2020: 16.5%)	15,506	9,684
Effect on two-tiered tax rate of 8.25% (2020: 8.25%)	(165)	(165)
Expenses not deductible for tax	567	1,814
Tax losses which no deferred income tax was recognised	513	—
Income not subject to tax	(1,685)	(501)
Overprovision in prior year	(260)	(8)
Income tax expense	14,476	10,824

Notes to the Consolidated Financial Statements

11 DIVIDENDS

	2021 HK\$'000	2020 HK\$'000
2020 interim dividend paid (HK2.0 cents per share)	—	20,000
2020 final dividend paid (HK2.0 cents per share)	20,000	—
2021 interim dividend paid (HK2.0 cents per share)	20,000	—
	40,000	20,000

A final dividend in respect of the year ended 31 March 2021 of HK2.0 cents per share, amounting to a total dividend of HK\$20,000,000, is to be proposed for approval at the forthcoming annual general meeting. The proposed final dividend has not been recognised as a liability in these consolidated financial statements.

12 EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 March 2021 and 2020.

	2021	2020
Profit attributable to the owners of the Company (HK\$'000)	79,874	47,865
Weighted average number of shares in issue (thousand shares)	1,000,000	950,137
Basic earnings per share (in HK cents)	7.99	5.04

For the calculation of the weighted average number of shares in issue/deemed to be in issue, the effect of the 1 ordinary share issued on 19 April 2018 (date of incorporation), 9,999 shares allotted for exchange of shares of the subsidiaries of the Group upon the Reorganisation on 7 September 2018 and 749,990,000 shares issued under the Capitalisation Issue on 13 June 2019 has been retrospectively adjusted from 1 April 2018.

(b) Diluted

Diluted earnings per share for the years ended 31 March 2021 and 2020 are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

Notes to the Consolidated Financial Statements

13 PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 April 2019					
Cost	25,219	5,444	177	–	30,840
Accumulated depreciation	(17,145)	(3,559)	(149)	–	(20,853)
Net carrying amount	8,074	1,885	28	–	9,987
Year ended 31 March 2020					
Opening net carrying amount	8,074	1,885	28	–	9,987
Additions	580	958	489	1,092	3,119
Depreciation	(3,320)	(742)	(71)	(55)	(4,188)
Closing net carrying amount	5,334	2,101	446	1,037	8,918
At 31 March 2020 and 1 April 2020					
Cost	25,799	6,402	666	1,092	33,959
Accumulated depreciation	(20,465)	(4,301)	(220)	(55)	(25,041)
Net carrying amount	5,334	2,101	446	1,037	8,918
Year ended 31 March 2021					
Opening net carrying amount	5,334	2,101	446	1,037	8,918
Additions	12,013	679	65	390	13,147
Depreciation	(3,969)	(812)	(107)	(444)	(5,332)
Closing net carrying amount	13,378	1,968	404	983	16,733
At 31 March 2021					
Cost	37,812	7,081	731	1,482	47,106
Accumulated depreciation	(24,434)	(5,113)	(327)	(499)	(30,373)
Net carrying amount	13,378	1,968	404	983	16,733

Notes to the Consolidated Financial Statements

14 INVESTMENT PROPERTIES

	2021 HK\$'000	2020 HK\$'000
Non-current assets at fair value		
At the beginning of the year	—	—
Acquisition for the year (Note 28)	242,284	—
Additions	1,149	—
Changes in fair value	667	—
At the end of the year	244,100	—

The additions for the year ended 31 March 2021 represent the transaction costs directly attributable to the acquisition of investment properties.

(a) Amounts recognised in profit or loss for investment properties

	2021 HK\$'000	2020 HK\$'000
Revenue arising from operating leases	561	—
Management fee income	185	—
Car park revenue	107	—
Direct operating expenses arising from investment properties that generate income:		
Property management fees, security and cleaning	(200)	—
Government rent and rates	(34)	—

(b) Leases arrangements

The investment properties are leased to tenants under operating leases with rental payable monthly. Lease payments for some contracts include contingent rent which are calculated based on the turnover of respective tenants. To reduce credit risk, the Group obtains deposits from each tenant.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

For minimum lease payments receivable on leases of investment properties, refer to Note 27.



Notes to the Consolidated Financial Statements

14 INVESTMENT PROPERTIES (CONTINUED)

(c) Valuation process

The investment properties of the Group are carried at fair value, by valuation method, which is categorised into different fair value hierarchy levels, refer to Note 3.3.

As one or more of the significant inputs is not based on observable market data, the investment properties of the Group are categorised as level 3.

The Group's policy is to recognise transfers between fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. As at 31 March 2021, the Group did not have any investment properties categorised as level 1 or level 2 and there were no transfers among levels 1, 2 and 3 during the year ended 31 March 2021.

The Group's investment properties were valued at 31 March 2021 by an external, independent and professional qualified valuer, ValQuest Advisory (Hong Kong) Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and nature of the investment properties valued. For all investment properties, they have been valued on the basis of highest and best use and reflective of their existing state as of the valuation date.

The management held discussions with the valuer and reviewed all the significant inputs used by the valuer. Discussions of the valuation processes and results at each reporting dates are held between management and the valuer.

At each financial year end the management:

- Verifies all major inputs to the independent valuation report;
- Holds discussions with the independent valuer.

(d) Valuation techniques

For commercial complex, retail shops, fresh market stalls, cooked food stalls and storerooms (collectively "**Shops**"), the valuations were based on income capitalisation approach, which largely use unobservable inputs (e.g. market rent, yield, etc.) and taking into account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

For car park spaces, the valuations were based on direct comparison method by making reference to the comparable market transactions as available. The direct comparison method is based on market observable transactions of similar car parks and adjusted to reflect the conditions and locations of the subject car parks.

Notes to the Consolidated Financial Statements

14 INVESTMENT PROPERTIES (CONTINUED)

(d) Valuation techniques (Continued)

Information about fair value measurements using significant unobservable inputs (level 3):

Properties	Valuation methods	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shops	Income capitalisation approach	1) Reversionary yield	5.8% – 8.8%	The higher the reversionary yield, the lower the fair value.
		2) Term yield	5.3% – 8.3%	The higher the term yield, the lower the fair value.
		3) Monthly rent (HK\$/square ft.)	HK\$16.2 – HK\$48.2	The higher the monthly rent, the higher the fair value.
Carparks	Direct comparison method	1) Market value (HK\$/unit)	HK\$0.96 million to HK\$1.37 million	The higher the market value, the higher the fair value.

(e) Collateral for the Group's bank borrowing

As at 31 March 2021, all the Group's investment properties were pledged as collateral for the Group's bank borrowing (Note 24).

(f) Contractual obligations

As at 31 March 2021, the Group had no material unprovided contractual obligations for future repairs and maintenance.

Notes to the Consolidated Financial Statements

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Amounts recognised in the consolidated statement of financial position

(i) Right-of-use assets

The consolidated statement of financial position shows the following amounts relating to leases:

	Elderly residential care homes/ day care centres HK\$'000	Staff quarters HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
At 1 April 2019	33,239	—	—	33,239
Additions	137,672	7,266	965	145,903
Termination of leases	(16,470)	—	—	(16,470)
Adjustment arising from lease modification	(304)	—	—	(304)
Depreciation	(23,075)	(662)	(121)	(23,858)
At 31 March and 1 April 2020	131,062	6,604	844	138,510
Additions	86,173	—	—	86,173
Adjustment arising from lease modification	19,563	—	—	19,563
Depreciation	(25,593)	(850)	(248)	(26,691)
At 31 March 2021	211,205	5,754	596	217,555

(ii) Lease liabilities

	2021 HK\$'000	2020 HK\$'000
Current	24,423	16,466
Non-current	197,624	121,790
	222,047	138,256

Notes to the Consolidated Financial Statements

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(b) Amounts recognised in the consolidated statement of profit or loss

	2021 HK\$'000	2020 HK\$'000
Loss on remeasurement of lease liabilities as at termination of leases	—	132
Loss on lease modification	425	—
Depreciation of right-of-use assets		
— Elderly residential care homes/day care centres	25,593	23,075
— Staff quarters	850	662
— Motor vehicle	248	121
	26,691	23,858
Interest expense on lease liabilities (Note 7)	5,378	3,236
Lease payments for short-term leases (included in property rent and related expenses) (Note 8)	410	2,987

Total cash outflows for leases for the year ended 31 March 2021 was HK\$28,158,000 (2020: HK\$27,806,000).

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

The Group leases various residential elderly care homes, day care centres, staff quarters and motor vehicle. Rental contracts are typically made for fixed periods ranging from 3 to 5 years and some of them have extension option of 7 additional years which are solely exercisable by the Group and not by the respective lessor. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There is no any securities or covenants on these lease agreements.



Notes to the Consolidated Financial Statements

16 TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	6,269	3,487

The ageing analysis of the Group's trade receivables, based on invoice date, as at 31 March 2021 and 2020 are as follows:

	2021 HK\$'000	2020 HK\$'000
Within 30 days	3,025	1,759
31–60 days	2,498	1,447
61–180 days	662	181
Over 180 days	84	100
	6,269	3,487

The Group's trade receivables are non-interest bearing and denominated in HK\$. The carrying amounts of trade receivables approximate their fair values due to their short maturities.

The Group's trading terms are payment in advance. Generally, there is no credit term granted to customers. However, in practice, customers settled their outstanding balances shortly after the date when the amounts are due. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management. In view of the aforementioned and the fact that the Group's trade receivables are due from Government of HKSAR and a large number of diversified customers with good repayment history, the provision for impairment was immaterial as at 31 March 2021 and 2020.

The Government of HKSAR and the independent customers have no recent history of default. Based on high credit rating of the Government of HKSAR and low probability of default, the directors are of the opinion that provision for expected credit loss is immaterial in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The ageing analysis of the trade receivables which are past due but not impaired is as above as there is no credit term granted. The Group's trade receivables balance does not contain impaired assets.

The maximum exposure to credit risk at the reporting period was the carrying amounts of trade receivables mentioned above. The Group did not hold any collateral as security.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 March 2021 and 2020, the expected credit loss rate of trade receivables is assessed and considered to be not material to the consolidated financial statements, thus, no provision were made against the gross amounts of trade receivables.

Notes to the Consolidated Financial Statements

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Prepayments	109	1,763
Rental deposits	4,390	2,314
Deposits	1,698	647
Others	17	—
Prepayments for property and equipment	—	6,997
Interest receivables	—	429
	6,214	12,150
Less: non-current portion		
Rental deposits	(4,343)	(2,314)
Prepayments for property and equipment	—	(6,997)
	(4,343)	(9,311)
Current portion	1,871	2,839
Maximum exposure of financial assets to credit risk	6,105	3,390

Financial assets included in the above balances relate to receivables for which there was no recent history of default. The Group did not hold any collateral as security. The carrying amounts of deposits and other receivables approximate to their fair values and are denominated in HK\$.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (“**FVOCI**”) comprise of equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.



Notes to the Consolidated Financial Statements

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(b) Equity investments at fair value through other comprehensive income

	2021 HK\$'000	2020 HK\$'000
Listed equity investment	704	—

(c) Amount recognised in other comprehensive income

	2021 HK\$'000	2020 HK\$'000
Fair value gain on financial assets at fair value through other comprehensive income	85	—

(d) Valuation process

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

19 RELATED PARTIES BALANCES AND TRANSACTIONS

The Group is controlled by Sheung Fung Limited, a limited liability company incorporated in the BVI, which owns 62% (2020: 62%) of the Company's shares as at 31 March 2021 and 2020.

(a) Balance with a related party

	2021 HK\$'000	2020 HK\$'000
Amount due to a related company Stand Harvest Limited	202	179

Amount due to Stand Harvest Limited is unsecured, interest-free, trade in nature and repayable within 30 days from invoice date.

The carrying amount of the amount due to a related party approximates to its fair value due to its short maturities and is denominated in HK\$.

Notes to the Consolidated Financial Statements

19 RELATED PARTIES BALANCES AND TRANSACTIONS (CONTINUED)

(b) Related party transactions

The Group had the following material transactions with related parties in the ordinary course of business during the years ended 31 March 2021 and 2020:

	2021 HK\$'000	2020 HK\$'000
Repayment of principal and interest portion of lease liabilities and lease payments for short-term leases to related parties:		
– Ms. Ngai Ka Yee	670	637
– Mr. Ngai Shi Shing, Godfrey	146	146
– Mr. Lam Chung Ming	144	72
Repayment of principal and interest portion of lease liabilities and lease payments for short-term leases to related companies:		
– Classic Mate Limited	1,236	1,229
– Kato Elderly Affairs Limited	4,860	4,845
– Kato Property Limited	2,376	2,382
– Perfect Cheer Investment Limited	2,004	1,987
– Shing Kong Limited	3,744	2,923
– Smarts Corporation Limited	2,724	2,832
Laundry expenses paid/payable to a related company		
– Stand Harvest Limited	2,280	2,061

The above-mentioned transactions were conducted in the normal course of business and the interest expenses, repayment of lease liabilities and laundry expenses were charged at terms mutually agreed by the relevant parties and companies.

(c) Key management compensation

Key management includes the directors and senior management of the Group.

Compensation of key management personnel of the Group, including directors' remunerations as disclosed in Note 9 to the consolidated financial statements, are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, discretionary bonus, allowances and benefit in kind	8,953	6,635
Retirement benefit scheme contribution	73	65
	9,026	6,700

Notes to the Consolidated Financial Statements

20 CASH AND CASH EQUIVALENTS, AND SHORT-TERM BANK DEPOSITS

	2021 HK\$'000	2020 HK\$'000
Short-term bank deposits — time deposits with original maturity over 3 months	1,002	140,493
Cash at banks	107,505	42,021
Cash on hand	611	1,224
Cash and cash equivalents	108,116	43,245
Maximum exposure to credit risk	108,507	182,514

As at 31 March 2021 and 2020, the Group's cash and cash equivalents are denominated in HK\$. The carrying amounts of cash and cash equivalents approximate their fair values due to their short maturities.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 March 2021, short-term bank deposits are time deposits with original maturity over 3 months carry effective interest rate of 1.50% (2020: 2.17%) per annum with remaining tenure of 66 days (2020: 18 to 56 days).

21 SHARE CAPITAL AND RESERVE

(a) Share capital of the Company

	Number of ordinary shares (thousand shares)	Share capital HK\$'000
Authorised: <i>(Note (i))</i>		
As at 1 April 2019	38,000	380
Increase in authorised share capital	2,962,000	29,620
As at 31 March 2020, 1 April 2020 and 31 March 2021	3,000,000	30,000
Issued and paid:		
As at 1 April 2019	10	—
Issuance of shares under Capitalisation Issue <i>(Note (ii))</i>	749,990	7,500
Issuance of shares upon the IPO <i>(Note (iii))</i>	250,000	2,500
As at 31 March 2020, 1 April 2020 and 31 March 2021	1,000,000	10,000

Notes to the Consolidated Financial Statements

21 SHARE CAPITAL AND RESERVE (CONTINUED)

(a) Share capital of the Company (Continued)

Notes:

- (i) As of the date of incorporation, the initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On 20 May 2019, the authorised share capital was increased from HK\$380,000 to HK\$30,000,000 by creating 2,962,000,000 ordinary shares of HK\$0.01 each.
- (ii) On 13 June 2019, the Company issued 749,990,000 ordinary shares upon capitalisation of certain amounts standing to the credit of the share premium account of the Company (“**Capitalisation Issue**”).
- (iii) The Company issued 250,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.60 per share pursuant to the IPO and listing of the Company’s shares on the Stock Exchange on 13 June 2019.

(b) Reserves

	Share premium HK\$'000	Capital reserve (Note i) HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2019	—	36	—	28,331	28,367
Profit for the year	—	—	—	47,865	47,865
Total comprehensive income	—	—	—	47,865	47,865
Share issued under the Capitalisation Issue	(7,500)	—	—	—	(7,500)
Share issued pursuant to the IPO	133,940	—	—	—	133,940
Dividends	—	—	—	(20,000)	(20,000)
At 31 March and 1 April 2020	126,440	36	—	56,196	182,672
Profit for the year	—	—	—	79,874	79,874
Other comprehensive income	—	—	85	—	85
Total comprehensive income	—	—	85	79,874	79,959
Dividends	—	—	—	(40,000)	(40,000)
At 31 March 2021	126,440	36	85	96,070	222,631

Note:

- (i) The capital reserve of the Company represented the excess of the aggregate net assets values of the subsidiaries acquired by the Company over the nominal value of the share capital of the Company through share swap pursuant to the reorganisation.



Notes to the Consolidated Financial Statements

22 TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	2,704	1,679
Accruals and other payables	3,274	1,799
Accrued wages and salaries and contributions to MPF schemes	5,620	5,436
Deposits from customers	3,631	3,841
Rental deposits received	1,370	—
Provision for reinstatement cost	575	575
Provision for long service payments	2,403	2,545
	19,577	15,875
Less: non-current portion	(3,197)	(3,120)
Current portion	16,380	12,755

As at 31 March 2021 and 2020, the carrying amounts of trade and other payables approximate to their fair values, as the impact of discounting is not significant, and are denominated in HK\$.

Trade payables are unsecured, non-interest bearing and repayable in accordance with contractual terms. The ageing analysis of trade payables by invoice date is as follows:

	2021 HK\$'000	2020 HK\$'000
Within 60 days	2,704	1,679

Notes to the Consolidated Financial Statements

23 DEFERRED TAX

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	2021 HK\$'000	2020 HK\$'000
Deferred tax assets	1,907	2,065
Deferred tax liabilities	(1,740)	—

The analysis of deferred tax assets/(liabilities) is as follows:

	2021 HK\$'000	2020 HK\$'000
Deferred tax assets		
To be recovered after more than 12 months	1,884	1,931
To be recovered within 12 months	23	134
	1,907	2,065
Deferred tax liabilities		
To be recovered after more than 12 months	(1,740)	—

The movements in deferred tax assets of the Group for each of the years ended 31 March 2021 and 2020 are as follows:

	Decelerated tax depreciation on property and equipment	
	2021 HK\$'000	2020 HK\$'000
Deferred tax assets		
At the beginning of the year	2,065	2,258
Charged to the consolidated statement of profit or loss for the year	(158)	(193)
At the end of the year	1,907	2,065

Notes to the Consolidated Financial Statements

23 DEFERRED TAX (CONTINUED)

	Accelerated tax depreciation on investment properties	
	2021 HK\$'000	2020 HK\$'000
Deferred tax liabilities		
At the beginning of the year	—	—
Acquisition (<i>Note 28</i>)	(1,719)	—
Charged to the consolidated statement of profit or loss for the year	(21)	—
At the end of the year	(1,740)	—

Deferred tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK\$513,000 (2020: Nil) in respect of tax losses amounting to HK\$3,109,000 (2020: Nil) that can be carried forward against future taxable income. These tax losses have no expiry date and are subject to assessment by the Inland Revenue Department.

24 BANK BORROWING

	2021 HK\$'000	2020 HK\$'000
Secured bank borrowing		
— Current portion	7,040	—
— Non-current portion	112,960	—
	120,000	—

As at 31 March 2021, the bank borrowing was a mortgage loan and was secured by the investment properties held by the Group (*Note 14*). The Group's borrowings are repayable as follows:

	2021 HK\$'000	2020 HK\$'000
Within 1 year	7,040	—
More than 1 year but less than 2 years	7,166	—
More than 2 years but less than 5 years	22,277	—
More than 5 years	83,517	—
	120,000	—

For the year ended 31 March 2021, bank borrowing bore effective interest rate of 1.26% per annum and were denominated in HK\$.

As at 31 March 2021, the Group's bank borrowing was secured by the investment properties held by the Group.

Notes to the Consolidated Financial Statements

24 BANK BORROWING (CONTINUED)

As at 31 March 2021, the Group had aggregate bank facilities of HK\$145,000,000 (2020: HK\$25,000,000) for revolving loans, term loans, mortgage loans etc.. Unutilised facilities as at the same date amounted to approximately HK\$25,000,000 (2020: HK\$25,000,000), of which approximately HK\$24,000,000 is relating to the revolving loans and term loans. These facilities were secured by the followings:

- (a) unlimited corporate guarantees executed by the Company and certain of its subsidiaries; and
- (b) pledges of the Group's investment properties of approximately HK\$244,100,000 (2020: Nil) (Note 14).

In addition, the Group is required to comply with certain restrictive financial covenants imposed by the banks.

25 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at year end are as follows:

	2021 HK\$'000	2020 HK\$'000
Assets as per consolidated statement of financial position		
Financial assets at amortised cost:		
– Trade receivables	6,269	3,487
– Deposits and other receivables	6,105	3,390
– Short-term bank deposits	1,002	140,493
– Cash and cash equivalents	108,116	43,245
	121,492	190,615
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost:		
– Trade and other payables	(10,979)	(7,319)
– Amount due to a related company	(202)	(179)
– Bank borrowing	(120,000)	–
– Lease liabilities	(222,047)	(138,256)
	(353,228)	(145,754)

Notes to the Consolidated Financial Statements

26 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Note	2021 HK\$'000	2020 HK\$'000
Profit before taxation		93,978	58,689
Adjustments for:			
Interest income	7	(952)	(3,034)
Interest expenses	7	5,875	4,167
Depreciation of property and equipment	13	5,332	4,188
Depreciation of right-of-use assets	15(b)	26,691	23,858
Loss on lease modification	15(b)	425	—
Loss on remeasurement of lease liabilities as at termination of leases	15(b)	—	132
Fair value gain on investment properties	14	(667)	—
		130,682	88,000
Changes in working capital:			
Trade receivables		(2,327)	(812)
Prepayments, deposits and other receivables		(194)	(1,192)
Trade and other payables		741	(1,609)
Contract liabilities		(403)	(418)
Amount due to a related company		23	10
Cash generated from operations		128,522	83,979

(b) Significant non-cash activities

- (i) During the year ended 31 March 2020, the Company and its subsidiaries declared dividends totalling HK\$51,765,000. Among them, HK\$26,000,000 were declared by 6 of the subsidiaries of the Group to the then shareholders of the Operating Subsidiaries and were settled in cash. The remaining HK\$25,165,000 were declared by the Company and were settled by netting off the outstanding balances of the current accounts with the shareholders of the Company for the year ended 31 March 2020.
- (ii) During the year ended 31 March 2021, the Group entered into several lease agreements and recognised right-of-use assets and lease liabilities of HK\$86,173,000 (2020: HK\$145,903,000).

Notes to the Consolidated Financial Statements

26 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Net cash reconciliation

This section sets out an analysis of net cash and the movements in net cash for each of the years presented.

	2021 HK\$'000	2020 HK\$'000
Cash and cash equivalents	108,116	43,245
Short-term bank deposits	1,002	140,493
Bank borrowing	(120,000)	—
Lease liabilities	(222,047)	(138,256)
Net (debt)/cash	(232,929)	45,482
	Bank borrowing HK\$'000	Lease liabilities HK\$'000
At 1 April 2019	23,348	30,578
Non-cash movements:		
— Recognition of lease liabilities	—	145,903
— Adjustment arising from lease modification	—	(304)
— Remeasurement of lease liabilities as at termination of leases	—	(16,338)
— Interest expenses on lease liabilities	—	3,236
Net cash outflows	23,348 (23,348)	163,075 (24,819)
At 31 March 2020 and 1 April 2020	—	138,256
Non-cash movements:		
— Recognition of lease liabilities	—	86,173
— Adjustment arising from lease modification	—	19,988
— Interest expenses on lease liabilities	—	5,378
Net cash inflows/(outflows)	— 120,000	249,795 (27,748)
At 31 March 2021	120,000	222,047



Notes to the Consolidated Financial Statements

27 OPERATING LEASE AND CAPITAL COMMITMENTS

(a) Lease commitments – as lessor

As at 31 March 2021 and 2020, the analysis of the Group's aggregate future minimum rental income receivables under non-cancellable operating leases are as follows:

	2021 HK\$'000	2020 HK\$'000
Within 1 year	1,490	—
More than 1 year but less than 2 years	300	—
	1,790	—

(b) Capital commitments

As at 31 March 2021, the Group did not have any material capital commitment.

At 31 March 2020, the Group had capital commitments for property and equipment, amounting to HK\$14,500,000 after netting off the prepayment for the purchase of property and equipment.

28 ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

On 26 February 2021, the Group completed the acquisition of entire equity interest in Rich Quest Asia Limited (“**Rich Quest**”) through Kato Elderly Care Limited, a wholly-owned subsidiary of the Group, for a cash consideration of approximately HK\$238,951,000 from independent third parties. Rich Quest indirectly holds properties in Hong Kong that comprise of cooked food stalls, a commercial complex and car park spaces. The directors of the Company were of the opinion that the acquisition of Rich Quest did not constitute business combinations as defined in HKFRS 3, therefore, the acquisition had been accounted for as assets acquisition.

Details of the acquisition are summarised as follows:

	HK\$'000
Net assets acquired:	
Investment properties	242,284
Trade receivables	455
Prepayments, deposits and other receivables	1,238
Trade and other payables	(1,940)
Income tax payable	(1,367)
Deferred tax liabilities	(1,719)
	238,951
Analysis of net outflow of cash and cash equivalents in respect of the acquisition:	
Cash consideration paid	238,951

Notes to the Consolidated Financial Statements

29 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current asset			
Investment in a subsidiary	(i)	36,639	36,639
Current assets			
Prepayments		43	583
Amounts due from subsidiaries		362,586	88,145
Short-term bank deposits		1,002	140,493
Cash and cash equivalents		70,025	18,084
		433,656	247,305
Total assets		470,295	283,944
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	21(a)	10,000	10,000
Reserves	29(b)	186,098	184,284
Total equity		196,098	194,284
LIABILITIES			
Non-current liabilities			
Bank borrowing		112,960	—
Current liabilities			
Accruals and other payables		965	—
Amounts due to subsidiaries		150,295	89,660
Bank borrowing		7,040	—
Income tax payable		2,937	—
		161,237	89,660
Total liabilities		274,197	89,660
Total equity and liabilities		470,295	283,944

The statement of financial position of the Company was approved by the Board of Directors on 11 June 2021 and was signed on its behalf.

Mr. Ngai Shi Shing, Godfrey
Executive Director

Ms. Ngai Ka Yee
Executive Director

Notes to the Consolidated Financial Statements

29 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (CONTINUED)

(a) Statement of financial position of the Company (Continued)

Note:

(i) Investment in a subsidiary

	2021 HK\$'000	2020 HK\$'000
Investment in unlisted shares	36,639	36,639

Investment in a subsidiary is recorded at cost, which represents the net assets value of the subsidiary on the date of acquisition. Details of the principal subsidiaries of the Company are as follows:

Company name	Place of incorporation	Principal activities and place of operation	Issued and fully paid ordinary share capital	Attributable equity interest of the Group		Attributable equity interest of non-controlling interest	
				2021	2020	2021	2020
Indirectly held by the Company:							
Kato Kung Limited	Hong Kong	Operation of elderly residential care homes in Hong Kong	HK\$5,000	100%	100%	—	—
Crawfield International Limited	Hong Kong	Operation of elderly residential care homes in Hong Kong	HK\$20,000	100%	100%	—	—
Oriental Chinese Medicine Limited	Hong Kong	Operation of elderly residential care homes in Hong Kong	HK\$11,000	100%	100%	—	—
Jane's Home Limited	Hong Kong	Operation of elderly residential care homes in Hong Kong	HK\$100	100%	100%	—	—
Tsuen Wan Elderly Centre Limited	Hong Kong	Operation of elderly residential care homes in Hong Kong	HK\$110	100%	100%	—	—
Happy Luck Elderly Home Limited	Hong Kong	Operation of elderly residential care homes in Hong Kong	HK\$110	100%	100%	—	—
Ka Shui Garden (Hung Hom) Health Care Limited	Hong Kong	Operation of day-care centre in Hong Kong	HK\$1	100%	100%	—	—
Ka Shui Garden (Tsuen Wan) Day Care Centre Limited (note (a))	Hong Kong	Operation of day-care centre in Hong Kong	HK\$1	100%	—	—	—
Golden Grand Holdings Limited (note (b))	Hong Kong	Properties investment and management	HK\$1,000	100%	—	—	—
Care Easy Technology Company Limited (note(c))	Hong Kong	Operation of home care support services in Hong Kong	HK\$100	70%	70%	30%	30%

Notes to the Consolidated Financial Statements

29 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY (CONTINUED)

(a) Statement of financial position of the Company (Continued)

Note: (Continued)

(i) Investment in a subsidiary (Continued)

Notes:

- (a) Ka Shui Garden (Tsuen Wan) Day Care Center Limited was incorporated on 3 July 2020.
- (b) Golden Grand Holdings Limited was acquired by the Company on 26 February 2021. For details, please refer to Note 28.
- (c) Care Easy Technology Company Limited was incorporated on 17 December 2019 which the Company holds 70% of its equity interest. The non-controlling interest is considered immaterial to the Group, so no disclosure on financial information of the subsidiary with non-controlling interest is included.

(b) Reserves movement of the Company

	Capital reserve HK\$'000	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2019	36,639	—	9,050	45,689
Profit and other comprehensive income for the year	—	—	32,155	32,155
Share issued under the capitalisation issue (Note 21(a)(iii))	—	(7,500)	—	(7,500)
Share issued pursuant to the initial public offering (Note 21(a)(ii))	—	133,940	—	133,940
Dividends (Note 11)	—	—	(20,000)	(20,000)
At 31 March and 1 April 2020	36,639	126,440	21,205	184,284
Profit and other comprehensive income for the year	—	—	41,814	41,814
Dividends (Note 11)	—	—	(40,000)	(40,000)
At 31 March 2021	36,639	126,440	23,019	186,098

30 EVENTS AFTER THE REPORTING PERIOD

In May 2021, Si Mau Limited, an indirect wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with Upper Caterings Group Limited, an independent third party, in relation to the acquisition of four pieces of land in Yuen Long at a cash consideration of HK\$65 million.

Save as disclosed above and elsewhere in this report, there is no other material event after the reporting period and up to the date of this report.



Five Years Financial Summary

A summary of the published consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years is set as below:

	Year ended 31 March				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
RESULTS					
Revenue	256,531	196,098	174,752	156,013	150,195
Profit before taxation	93,978	58,689	47,501	44,019	40,064
Income tax expense	(14,476)	(10,824)	(9,619)	(7,582)	(6,582)
Profit for the year	79,502	47,865	37,882	36,437	33,482
As at 31 March					
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
FINANCIAL POSITION					
Non-current assets	485,341	158,804	12,245	17,584	15,789
Current assets	117,258	190,064	62,167	71,547	42,979
Non-current liabilities	(315,520)	(124,910)	(2,231)	(1,635)	(1,574)
Current liabilities	(53,920)	(31,286)	(43,814)	(45,246)	(34,701)
Net assets	233,159	192,672	28,367	42,250	22,493