



**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*

**優質服務 敬老樂業**  
**以人為本 全身投入**



**2024**  
Annual Report

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# Corporate Information

## BOARD OF DIRECTORS

### *Executive Directors*

Ngai Ka Yee  
Ngai Shi Shing Godfrey  
(Chairman and Chief Executive Officer)  
Lau Kwok Wo (Appointed on 2 April 2024)

### *Independent Non-executive Directors*

Or Kevin  
Wong Vinci  
Wu Wing Fong  
Lo Ning

## 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](http://www.elderlyhk.com)

## COMPANY SECRETARY

Kwok Chi Kan (HKICPA)

## AUTHORISED REPRESENTATIVES

Ngai Shi Shing Godfrey  
Kwok Chi Kan

## BOARD COMMITTEES

### *Audit Committee*

Or Kevin (Chairman)  
Wong Vinci  
Wu Wing Fong  
Lo Ning

### *Remuneration Committee*

Wong Vinci (Chairman)  
Ngai Shi Shing Godfrey  
Or Kevin  
Lo Ning

### *Nomination Committee*

Lo Ning (Chairlady)  
Ngai Shi Shing Godfrey  
Or Kevin  
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

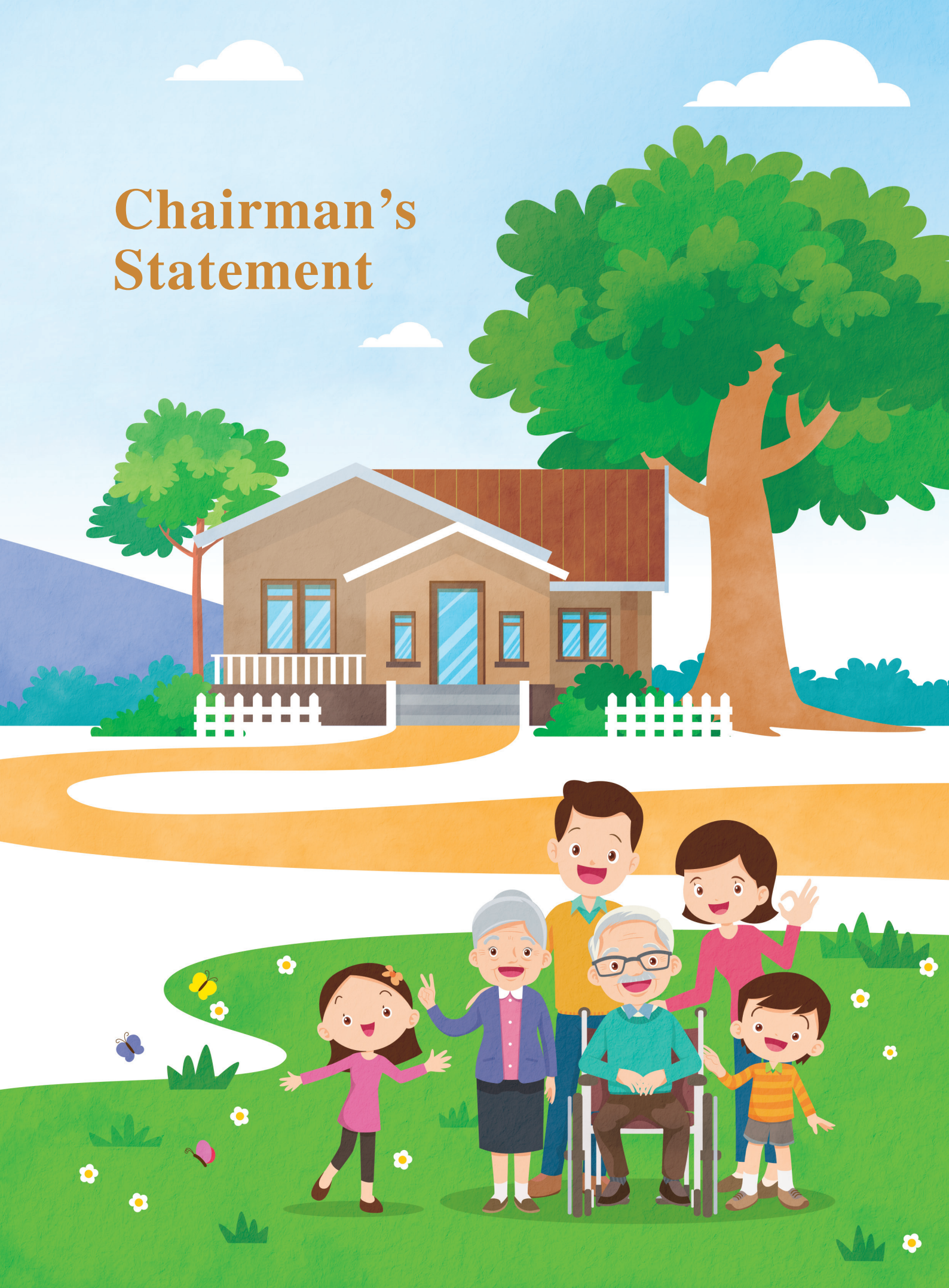
PricewaterhouseCoopers  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
22/F Prince's Building  
Central  
Hong Kong

## PRINCIPAL BANKERS

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



# 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**”, together with its subsidiaries, the “**Group**”), I am pleased to present the annual report of the Group for the year ended 31 March 2024 (the “**Year**”).

## OVERVIEW

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 2024, the Group had a network of nine care and attention homes for the elderly with 1,229 residential care places strategically located across five districts in Hong Kong. In June 2024, a new contract home with 220 residential care places located in Lam Tin commenced operation.

The government has articulated a policy of aging in place, supported by residential care only if necessary. Furthermore, older adults also expressed a wish to remain in the same residence and community which they are familiar with. 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 2024, 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 2022, the Group has been taking initiatives to diversify its business with an objective to broaden its income stream and expand into targeting segments. The Group tapped into medical diagnostic and imaging and health check markets in Hong Kong to raise public awareness of the importance of preventive healthcare and regular check-ups. We provide a wide variety of services to meet incremental, preventive and other health-related needs of the public, including but not limited to health check-ups, mammography, ultrasound, DEXA Bone Densitometry and various laboratory tests. With the ageing population and the increase in health awareness of the public in Hong Kong, we believe our Group could seize the opportunity to gradually expand its operation in this industry. The Group will remain flexible and adaptable to changing circumstances in order to ensure success going forward. The Group has been devising and implementing strategies to ride on its existing operations and diversify into the medical diagnostic and health check markets, laying a solid foundation for the overall expansion and upgrading of the Group in the future.

## FINANCIAL PERFORMANCE

The Group's revenue for the Year was approximately HK\$271.3 million (Previous Year: approximately HK\$408.3 million), recording a year-on-year decrease of approximately 33.5%. The profit for the Year was decreased by approximately 49.0% to approximately HK\$64.1 million (Previous Year: approximately HK\$125.8 million). The decrease in profit for the Year was mainly attributable to decrease in revenue generated from rendering of care support services to persons under quarantine, which was partially offset by (i) increase in revenue from rendering of elderly home care services attributed to the increase in average monthly occupancy rate; and (ii) increase in revenue from rendering of medical and laboratory services which commenced operation since late 2022, with its full year operation during the Year.

# Chairman's Statement

## PROSPECTS

Our principal business objectives are to solidify our established market position in the private RCHE 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 RCHE in strategic locations in Hong Kong to serve more elderly residents when there are suitable opportunities. In June 2024, a new care and attention home located in Lam Tin with 76 residential care places under first phase commenced operation, second phase with approximately 146 residential care places is expected to commence operation in late 2024. Also, another new care and attention home located in Lam Tin with 102 residential care places is expected to commence operation in third quarter of 2024.

Having considered the surge in available properties in the market and significant decrease in property prices, in July 2021, the Group completed the acquisition of four pieces of lands in Yuen Long for establishment of a new care and attention home, which is anticipated to provide approximately 250 residential care places for the elderly. It is expected to commence operation in late 2026.

## APPRECIATION

Our continued success depends on all our staff's commitment, dedication and professionalism. On behalf of the Board, I would like to express our heartfelt gratitude to all the frontline health care workers for their tireless work and professionalism in taking care of residents. 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, 25 June 2024

# Management Discussion and Analysis

## BUSINESS REVIEW

### Elderly home care services

Kato (Hong Kong) Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) is an established operator of residential care homes for the elderly (the “**RCHE(s)**”) in Hong Kong offering a comprehensive 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 2024 and 2023, the Group had a network of nine care and attention homes for the elderly with 1,229 residential care places strategically located across five 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”, “Pine Villa” and “Ka Shui Garden 嘉瑞園”, all bearing the same logo.

The Group’s customers primarily consisted of two groups, namely (i) the Social Welfare Department (the “**SWD**”) with which the Group entered into contractual arrangements pursuant to which the SWD purchased residential care places from the Group under the Enhanced Bought Place Scheme (“**EBPS**”) or pursuant to which the SWD subsidised residential care places from the Group under the awarded tender operating a Contract Home; and (ii) individual customers who settled their own residential fee, being those who were subsidised by the SWD under the Residential Care Service Voucher Scheme for the Elderly 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 2024:

	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 and Contract Home	For individual customers not under the EBPS and Contract Home		
Kato Home for the Elderly (“ <b>Kato Elderly Home</b> ”)	Tuen Mun	1999	126	54	180	EA1 <sup>(1)</sup>
Kato Home for the Aged	Tuen Mun	1998	86	37	123	EA2 <sup>(2)</sup>
Fai-To Home for the Aged (On Lai) Branch (“ <b>Fai To Home (On Lai)</b> ”)	Tuen Mun	1997	28	28	56	EA2 <sup>(2)</sup>
Fai To Home for the Aged (Tuen Mun) Branch (“ <b>Fai To Home (Tuen Mun)</b> ”)	Tuen Mun	1995	45	45	90	EA2 <sup>(2)</sup>
Fai To Sino West Combined Home for the Aged (“ <b>Fai To Sino West Home</b> ”)	To Kwa Wan	2000	148	146	294	EA1 <sup>(1)</sup>
Happy Luck Elderly Home Limited (“ <b>Happy Luck Home</b> ”)	Tsuen Wan	2015	74	72	146	EA1 <sup>(1)</sup>
Tsuen Wan Elderly Centre Limited (“ <b>Tsuen Wan Centre</b> ”)	Tsuen Wan	2008	79	71	150	EA1 <sup>(1)</sup>
Pine Villa	Tseung Kwan O	2013	N/A	90	90	N/A
Ka Shui Garden Nursing Home for the Elderly (“ <b>KSG Nursing Home</b> ”)	Sham Shui Po	2023	80	20	100	N/A
			666	563	1,229	



# Management Discussion and Analysis

*Notes:*

1. Being one of the two categories under the EBPS. EA1 homes have higher requirements in terms of staffing and per capita net floor space as compared to EA2 homes. As required under the EBPS, the staffing requirement for an EA1 homes with 40 places is 21.5, calculated on the basis of eight working hours per staff per day including relief staff and its per capita net floor area is 9.5 m<sup>2</sup>.
2. Being one of the two categories under the EBPS. EA2 homes have lower requirements in terms of staffing and per capita net floor area as compared to EA1 homes. As required under the EBPS, the staffing requirement for an EA2 homes with 40 places is 19, calculated on the basis of eight working hours per staff per day, including relief staff, and its per capita floor net area is 8 m<sup>2</sup>.

The following table sets forth the average monthly occupancy rate of each respective care and attention homes as at 31 March 2024 and 2023:

	Average monthly occupancy rate <sup>(Note)</sup> as at 31 March	
	2024 %	2023 %
Kato Elderly Home	96.0	88.2
Kato Home for the Aged	83.9	88.7
Fai To Home (On Lai)	75.1	83.2
Fai To Home (Tuen Mun)	89.6	79.7
Fai To Sino West Home	84.4	78.4
Happy Luck Home	85.4	86.2
Tsuen Wan Centre	81.1	83.3
Pine Villa	97.1	96.5
KSG Nursing Home	92.9	48.5
Overall	87.3	84.1

*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.

# Management Discussion and Analysis

## 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, including hospital outpatient and discharge escort, caregiver training, home safety assessment, physiotherapy, nursing support, etc.

As at 31 March 2024 and 2023, 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 2024 and 2023, 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**”).

## Medical and laboratory services

The Group tapped into medical diagnostic and imaging and health check markets in Hong Kong in 2022. The Group provide versatile healthcare services, including but not limited to general physical examinations, X-ray, ECG, mammography, ultrasound, DEXA Bone Densitometry and various laboratory tests. As at 31 March 2024, the Group had four (2023: five) medical and health check-up centres located across four districts in Hong Kong.

## Care support services to persons under quarantine

To cope with the COVID-19 outbreak in RCHEs 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 of the HKSAR (the “**Government**”) invited various RCHE players to participate in setting up quarantine and community treatment facilities. The Company was selected and participated in setting up a temporary quarantine centre for residents of RCHEs, housing nursing staffs on duty round the clock and designated staffs responsible for assisting elderly residents’ needs. The facility helped to triage patients from public hospitals and allowed public hospitals to concentrate their manpower and resources on taking care of patients who needed more healthcare services.

# Management Discussion and Analysis

## 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 medical and laboratory services; (v) rental and management fee income; and (vi) rendering of care support services to persons under quarantine. The following table sets forth the breakdown of revenue for the Group's revenues by types of services for the year ended 31 March 2024 (the "Year") and the year ended 31 March 2023 (the "Previous Year"):

	2024		2023	
	HK\$'000	%	HK\$'000	%
<b>Rendering of elderly home care services</b>				
— residential care places purchased by the SWD under the EBPS and the Contract Home	120,451	44.4	101,242	24.8
— residential care places purchased by individual customers	80,213	29.6	74,132	18.2
<b>Sales of elderly home related goods</b>	43,278	16.0	36,541	8.9
	243,942	90.0	211,915	51.9
<b>Rendering of elderly community care services</b>	8,956	3.3	8,010	2.0
<b>Rendering of medical and laboratory services</b>	10,332	3.8	4,030	1.0
<b>Rental and management fee income</b>	8,104	2.9	6,163	1.5
<b>Rendering of care support services to persons under quarantine</b>	—	—	178,179	43.6
<b>Total</b>	<b>271,334</b>	<b>100.0</b>	<b>408,297</b>	<b>100.0</b>

The total revenue of the Group decreased by approximately HK\$137.0 million or 33.5% from approximately HK\$408.3 million for the Previous Year to approximately HK\$271.3 million for the Year, which was mainly due to decrease in revenue generated from rendering of care support services to persons under quarantine, which was partially offset by (i) increase in revenue from rendering of elderly home care services attributed by the increase in average monthly occupancy rate; and (ii) increase in revenue from rendering of medical and laboratory services which commenced operation since late 2022, with its full year operation in the Year.

# Management Discussion and Analysis

Revenue generated from provision of 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 revenue from provision of elderly home care services increased from approximately HK\$211.9 million in the Previous Year to approximately HK\$243.9 million for the Year mainly due to (i) commencement of operation for a care and attention home located in Sham Shui Po with 100 residential care places since February 2023, with its full year operations in the Year; and (ii) the increase in average monthly occupancy rate.

To address the increasing attention to health and prevention by the consumers, in 2022, the Group ventured into new business opportunities into medical diagnostic and imaging and health check market through provision of a variety of services including but not limited to physical examinations, laboratory analysis, X-ray, ECG, ultrasound, etc. Revenue generated from provision of medical and laboratory services amounted to HK\$10.3 million for the Year (Previous Year: HK\$4.0 million) as this business segment become more established.

## Employee benefit expenses

Employee benefit expenses comprised of wages and salaries, retirement benefit scheme contributions, staff welfare and benefits, directors' remunerations, provision for long service payments and share-based payment expense. The employee benefits expenses decreased from approximately HK\$141.2 million for the Previous Year to approximately HK\$107.7 million for the Year, which was mainly due to the decrease in number of staff for rendering care support services to persons under quarantine, which partially offset by (i) general salaries increment for staff; and (ii) receipt of non-recurring wage subsidies for the Employment Support Scheme under the Anti-epidemic Fund of approximately HK\$4.6 million in the Previous Year, while no such subsidies was generated in the Year.

## Food and beverage costs

Food and beverage costs are food ingredients and beverages costs used for the provision of meals to the residents. Food and beverage costs increased from approximately HK\$8.5 million for Previous Year to approximately HK\$11.6 million for the Year due to (i) commencement of operation for a care and attention home located in Sham Shui Po since February 2023, with its full year operation in the Year; and (ii) increase in average monthly occupancy rate.

## Subcontracting fees, net

Subcontracting fees, net mainly represents (i) fees paid to occupational therapists, occupational therapist assistants, physiotherapists and physiotherapist assistants, offset by government subsidies; and (ii) outsourcing labour costs for rendering care support services to persons under quarantine. The significant decrease in subcontracting fees from HK\$25.5 million for the Previous Year to HK\$6.0 million for the Year was mainly attributed by the decrease in subcontracting fee for outsourcing labour costs due to cessation of rendering care support services to persons under quarantine during the Year.

## Profit for the Year

As a result of the foregoing, profit for the Year decreased by approximately 49.0% to approximately HK\$64.1 million for the Year as compared to HK\$125.8 million for the Previous Year.

# Management Discussion and Analysis

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's net assets increased to approximately HK\$434.5 million as at 31 March 2024 (2023: approximately HK\$372.9 million). Such increase was mainly the result of the operating profits during the Year. As at 31 March 2024, the Group's net current assets was approximately HK\$7.0 million (2023: approximately HK\$52.0 million), including cash and cash equivalents of approximately HK\$37.4 million (2023: approximately HK\$71.4 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 1.1 times as at 31 March 2024 (2023: approximately 1.6 times).

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 to obtain 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, short-term bank deposits and restricted 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 2024 and 2023 were as follows:

	2024 HK\$'000	2023 HK\$'000
Bank borrowings	234,314	91,452
Lease liabilities	149,989	178,577
	<b>384,303</b>	270,029
Less: Cash and cash equivalents	(37,420)	(71,439)
Short-term bank deposits	(30,100)	(501)
Restricted bank deposit	(10,491)	(6,590)
	<b>(78,011)</b>	(78,530)
Net debt	<b>306,292</b>	191,499
Total equity	<b>434,527</b>	372,940
Gearing ratio	<b>70.5%</b>	51.3%

As at 31 March 2024, the gearing ratio of the Group increased to 70.5% due to the increase in bank borrowings.

The Group adopted a higher finance leverage compared to the Previous 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 requirements.

# Management Discussion and Analysis

As at 31 March 2024, bank borrowings of the Group bore floating interest rates and denominated in HK\$. The maturity profile of bank borrowings of the Group are set out as follows:

	HK\$'000
Within 1 year	26,323
More than 1 year but less than 2 years	27,600
More than 2 years but less than 5 years	58,658
More than 5 years	121,733
	<hr/>
	234,314

## COMMITMENTS

As at 31 March 2024, the Group had capital commitments for property and equipment, amounting to approximately HK\$13.9 million (2023: HK\$9.1 million) after netting off the prepayment for the purchase of property and equipment.

## INVESTMENT PROPERTIES

The Group's investment properties comprise elderly home, commercial complex, retail shops, fresh market stalls, cooked food stalls, storerooms and car park spaces in Lam Tin and Tsuen Wan and are leased to third parties under operating leases for rental income. During the Year, property and equipment and right-of-use assets with carrying amounts of HK\$18.5 million and HK\$19.4 million respectively were transferred to investment properties upon commencement of lease. As at the date of transfer, revaluation gains of HK\$25.5 million was recognised in other comprehensive income, resulting in an increase in revaluation reserve. As at 31 March 2024, the Group's investment properties amounted to HK\$368.1 million (2023: HK\$107.8 million) and were revalued based on valuations performed by an independent professionally qualified valuer.

## SIGNIFICANT INVESTMENTS

During the Year and Previous Year, the Group had no significant investment.

## ACQUISITION OF PROPERTIES

In July 2023, the Company and Mr. Ngai Shi Shing Godfrey ("**Mr. Ngai**") entered into the Provisional Agreement and side letter with Kingdom Mark Limited (the "**Vendor**"), an independent third party, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, the properties located at Tsuen Wan (the "**Properties**") at a consideration of HK\$170 million. The terms of the Provisional Agreement were supplemented by the side letter dated 21 July 2023, pursuant to which, among other terms, Mr. Ngai agreed to provide a personal guarantee in favour of the Company in connection with all the contractual obligations of the Company under the Provisional Agreement. The Purchaser has subsequently entered into the Formal Agreement with the Vendor on 1 August 2023.

The Properties were rented to an independent third party for the operation of an elderly home. The rental period of the existing lease is from 1 June 2018 to 31 May 2031. The Company intends to continue to rent the Properties to the existing tenant until the expiration of rental period.

# Management Discussion and Analysis

In February 2024, the Group completed the acquisition of the Properties. For further details, please refer to the announcements of the Company dated 21 July 2023, 11 August 2023, 31 August 2023, 29 September 2023, 31 October 2023 and 18 December 2023; and circular dated 28 November 2023.

## MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

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 July 2021, the Group completed acquisition of four parcels of land in Yuen Long for establishment of a new care and attention home with approximately 250 residential care places and expected to commence operation in late 2026.

Save as disclosed above and elsewhere in this report, the Group does not have any plans for material investments and capital assets acquisitions for the coming 12 months.

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2024 and 2023.

## 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 HK\$. 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 2024, investment properties, property and equipment and right-of-use assets with an aggregate carrying amount of approximately HK\$455.1 million (2023: HK\$229.2 million) and restricted bank deposit of approximately HK\$10.5 million (2023: HK\$6.6 million) 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 2024 and 2023.

# Management Discussion and Analysis

## EMPLOYEES AND REMUNERATION POLICIES

The total number of full-time and part-time employees were 469 and 518 as at 31 March 2024 and 2023, 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. Share options are granted to certain Directors and other eligible employees of the Group to reward their contributions under the share option scheme of the Company. During the Year, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$107.7 million (Previous Year: approximately HK\$141.2 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 the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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.

## RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises employees as valuable assets of the Group. In order to motivate employees, the Group provides reasonable remuneration package, implements periodic appraisal system and provide on-going trainings to our employees.

The Group treasures the long-term relationships developed with its customers and suppliers. The Group put emphasis on efficient communication, response and feedback actions, which are crucial for building stable relationships with business partners.

The Group values relationships with its stakeholders. The Group maintains an ongoing dialogue with its stakeholders, employees and customers through general meetings, regular performance reviews, appraisals and interview sessions so as to facilitate efficient communication and collective constructive feedback. Such feedback is considered essential in the decision-making process of the Group's daily operation from improving its business performance to bringing insights for future development.



# Management Discussion and Analysis

## PROSPECTS

Hong Kong is undergoing a demographic transformation with a significant increase in both the number and proportion of older people in the population. According to Hong Kong population projections for 2022–2046 released by the Census and Statistics Department, the number of elderly persons will increase from 1.45 million in 2021 to 2.74 million in 2046. The corresponding proportion of the population is projected to increase from 20.5% to 36.0%, meaning more than one in every three Hong Kong people will be elderly, which invariably leads to escalating demand on residential care home services among older adults.

Our principal business objectives are to solidify our established market position in the private RCHE industry in Hong Kong and enhance our market position in the care and attention homes sector. Also, the Group will continue to participate in various community care related programmes for the provision of accessible, comprehensive, co-ordinated and person-centred care services to the community.

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 our 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 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 RCHE in strategic locations in Hong Kong to serve more elderly residents when there are suitable opportunities. In June 2024, a new care and attention home located in Lam Tin with 76 residential care places under first phase commenced operation, second phase with approximately 146 residential care places is expected to commence operation in late 2024. Also, another new care and attention home located in Lam Tin with 102 residential care places is expected to commence operation in third quarter of 2024.

Having considered the surge in available properties in the market and significant decrease in property prices, the Group completed the acquisition of four pieces of lands in Yuen Long in July 2021 for establishment of a new care and attention home, which is anticipated to provide approximately 250 residential care places and expected to commence operation in late 2026.

In 2022, the Group has been taking initiatives to diversify its business with an objective to broaden its income stream. The Group tapped into medical diagnostic and imaging and health check markets in Hong Kong to raise public awareness of the importance of preventive healthcare and regular check-ups. We provide a wide variety of services to meet incremental, preventive and other health-related needs of the public, including but not limited to health check-ups, mammography, ultrasound, DEXA Bone Densitometry and various laboratory tests. With the ageing population and the increase in health awareness of the public in Hong Kong, we believe our Group could seize the opportunity to gradually expand its operation in this industry.

The Group is confident for its sustainable growth and believes that its management team with extensive industry experience and its agile operations team are able to adapt to the rapid changes of the demand from the community and adjust the business strategy in accordance with market trends.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Ms. Ngai Ka Yee (“Ms. Ngai”)**, aged 78, is the founder of the Group. Ms. Ngai was appointed as a Director on 2 October 2018 and was designated as an executive Director 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 32 years of experience in the RCHE industry in Hong Kong.

Ms. Ngai is the director of, inter alia, Crawfield International Limited, Happy Luck Elderly Home Limited, Jane’s Home Limited, Kato Kung Limited, Oriental Chinese Medicine Limited and Tsuen Wan Elderly Centre Limited, each a subsidiary of the Company. Ms. Ngai is the mother of Mr. Ngai Shi Shing Godfrey and Mr. Lam Kong and the stepmother of Mr. Kwong Thomas Wai Ping.

**Mr. Ngai Shi Shing Godfrey (“Mr. Ngai”)**, aged 50, 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 the 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 Limited. Mr. Ngai has over 25 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 was commended Distinguished Service for Community Building under Secretary for Home Affairs’ Commendation Scheme 2021 for his dedicated service and outstanding contribution to youth affairs in Wong Tai Sin district. Mr. Ngai was also appointed as the member of Wong Tai Sin District Council and chairman of executive committee of the Elderly Services Association of Hong Kong in January 2024.

Mr. Ngai is the directors of, inter alia, Crawfield International Limited, Happy Luck Elderly Home Limited, Jane’s Home Limited, Kato Kung Limited, Oriental Chinese Medicine Limited and Tsuen Wan Elderly Centre Limited, each a subsidiary of the Company. Mr. Ngai is the son of Ms. Ngai Ka Yee, the brother of Mr. Lam Kong and stepbrother of Mr. Kwong Thomas Wai Ping.

**Mr. Lau Kwok Wo (“Mr. Lau”)**, aged 66, was appointed as an executive Director on 2 April 2024. Mr. Lau was a civil servant of the Hong Kong government from April 1980 to November 2018 with his position last held as the chief social security officer. He was a commander of AsiaWorld-Expo Quarantine Centre from 2019 to 2020 and a commander of AsiaWorld-Expo Holding Centre from 2022 to 2023. Mr. Lau has been a director of Ensure Medical Care Company Limited, a subsidiary of the Company, since October 2023. He obtained his diploma in management studies from the Hong Kong Polytechnic University in 1999.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Or Kevin (“Mr. Or”)**, aged 52, 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 bachelor’s degree in business in October 1994.

## Biographical Details of Directors and Senior Management

Mr. Or began his career at PricewaterhouseCoopers in 1996 and has since accumulated over 21 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 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 GEM of the Stock Exchange (stock code: 8210).

**Mr. Wong Vinci ("Mr. Wong")**, aged 53, 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 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 Main Board of the Stock Exchange (stock code: 0532).

**Ms. Wu Wing Fong ("Ms. Wu")**, aged 44, was appointed as an independent non-executive Director on 8 August 2022. Ms. Wu has over 17 years of experience in merger and acquisition transactions as well as capital markets. From October 2007 to November 2015, she was employed by PricewaterhouseCoopers with her last position as senior manager of the advisory services department. Ms. Wu joined Seazen Group Limited, shares of which are listed on the Main Board of the Stock Exchange (stock code: 1030), in November 2015 and is currently the deputy general manager.

Ms. Wu has been a member of the Hong Kong Institute of Certified Public Accountants since 2011. She graduated from Kelley School of Business at Indiana University with a bachelor of science degree in business administration with emphasis in finance in August 2005.

**Ms. Lo Ning ("Ms. Lo")**, aged 63, was appointed as an independent non-executive Director on 8 August 2022. Ms. Lo obtained a master's degree in business administration from the University of South Australia in April 2005.

Ms. Lo has over 39 years of experience in business management. From March 1985 to March 2022, Ms. Lo was employed by the Kowloon Sub-office of the Liaison Office of the Central People's Government in the Hong Kong Special Administration Region (formerly known as the Kowloon office of the Xinhua News Agency Hong Kong Special Administration Region Branch Limited) with her last position as senior consultant of the Kowloon Sub-office.

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

**Mr. Kwok Chi Kan (“Mr. Kwok”)**, aged 43, joined the Group in July 2018 as the chief financial officer, and is 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 a senior manager before joining the Group.

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

**Ms. Kwong Mei Ping (“Ms. Kwong”)**, aged 54, 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, and is 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. Lam Kong (“Mr. Lam”)**, aged 56, joined the Group in October 1992 as a technician and is currently the project manager of the Group, and is 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 of which is a connected person (as defined in the Listing Rules) 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

# Corporate Governance Report

The Company's corporate governance code is based on the principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix C1 to the Listing Rules. The Company is committed to attaining and maintaining high standards of corporate governance to safeguard interest of the Shareholders and ensure a quality board and transparency and accountability to the Shareholders.

The Company complied with all code provisions in the CG Code, except for the deviation from code provision C.2.1 of the CG Code as noted hereunder during the Year 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 with the presence of the independent non-executive Directors who, and whose close associates, have no material interest in the transaction. 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

As at the date of this report, the Board comprised of three executive Directors and four 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
Lau Kwok Wo <sup>(1)</sup>	Executive Director
Or Kevin	Independent non-executive Director
Wong Vinci	Independent non-executive Director
Wu Wing Fong	Independent non-executive Director
Lo Ning	Independent non-executive Director

The following changes to the Board composition have taken place since the date of the last corporate governance report:

- (1) Mr. Lau Kwok Wo was appointed as an executive Director on 2 April 2024. Mr. Lau Kwok Wo has obtained legal advice referred to in Rule 3.09D of the Listing Rules on 2 April 2024 and has confirmed he understood his obligations as a director.

# Corporate Governance Report

## Audit Committee members

Or Kevin (*Chairman*)  
Wong Vinci  
Wu Wing Fong  
Lo Ning

## Remuneration Committee members

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

## Nomination Committee members

Lo Ning (*Chairlady*)  
Ngai Shi Shing Godfrey  
Or Kevin  
Wong Vinci

The attendance record of each Director at Board meetings, audit committee meetings, remuneration committee meeting, nomination committee meeting and extraordinary and annual general meetings for the Year is set out in the following table:

	Board Meeting (attendance/ total no. of meetings held)	Audit Committee (attendance/ total no. of meetings held)	Remuneration Committee (attendance/ total no. of meetings held)	Nomination Committee (attendance/ total no. of meetings held)	Annual General Meeting held on 11 August 2023 (attendance/ total no. of meetings held)	Extraordinary General Meeting held on 18 December 2023 (attendance/ total no. of meetings held)
<i>Executive Directors</i>						
Ngai Ka Yee	4/4	—	—	—	1/1	1/1
Ngai Shi Shing Godfrey	4/4	—	1/1	1/1	1/1	1/1
Lau Kwok Wo (Appointed on 2 April 2024)	N/A	—	—	—	N/A	N/A
<i>Independent non-executive Directors</i>						
Or Kevin	4/4	2/2	1/1	1/1	1/1	1/1
Wong Vinci	4/4	2/2	1/1	1/1	1/1	1/1
Wu Wing Fong	4/4	2/2	—	—	1/1	1/1
Lo Ning	4/4	2/2	1/1	1/1	1/1	1/1

# Corporate Governance Report

Ms. Ngai Ka Yee and Mr. Ngai Shi Shing Godfrey, each an executive Director, has signed a service contract with the Company on 20 May 2019 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 contracts) 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 (the “**Articles**”).

Mr. Lau Kwok Wo, an executive Director, has signed a service contract with the Company on 2 April 2024 for an initial term of 3 years, commencing from 2 April 2024 and subject to the rotation, removal, vacation or termination of such office as set out in the Articles.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of two years (subject to termination in certain circumstances as stipulated in the relevant letter of appointments) 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.

According to article 83 of the Articles, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and shall 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. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election.

Accordingly, Ms. Ngai Ka Yee, Mr. Lau Kwok Wo and Ms. Lo Ling shall retire as the Directors pursuant to articles 83 and 84 of the Articles and being eligible, offer themselves for re-election. Ms. Ngai Ka Yee and Mr. Lau Kwok Wo will offer themselves for re-election at the annual general meeting of the Company to be held on Friday, 30 August 2024 (the “**AGM**”). Ms. Lo Ling will not offer herself for re-election as Director at the AGM.

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 Rules 3.10(1) and (2), and 3.10A of the Listing Rules in having at least three independent non-executive Directors, representing at least one-third of the Board and 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 (including financial, business, family or other material/relevant relationship(s)) among the members of the Board.

The appointment of new Directors is to be recommended by the Remuneration Committee and the Nomination Committee and approved by the Board or by the shareholders of the Company in a general meeting 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. In considering the re-appointment of Directors, the Board, with the assistance and recommendation from the Nomination Committee, will also take into account a number of factors, including but not limited to the structure, size and composition of the Board, the candidates’ qualifications and their ability to devote sufficient time as and when required to discharge their responsibilities as a Director and to make positive contribution to the development of the Company’s strategy, policies and performance.

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**”).

# Corporate Governance Report

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.

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.

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 who and whose close associates, have no material interest in the transaction. Directors would abstain 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 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.

The Board is of the view that the following mechanisms adopted by the Company pursuant to code provision B.1.4 of the CG Code are effective in ensuring that independent views and inputs are available to the Board:

- The Board is represented by sufficient number of independent non-executive Directors which meets the requirement of the Listing Rules.
- In assessing suitability of the Director candidates, the Board will consider their profiles, including their character, experience, qualifications and time commitment and will also consider the Board's overall composition and skill matrix as well as the Company's diversity policy.
- The Board will review each Director's time commitment to the Company's business annually.
- The Board will assess independent non-executive Directors' independence upon appointment and annually.
- Directors are required to abstain from voting in matters in which he/she has material interest.
- The Audit Committee, the Nomination Committee and the Remuneration Committee are authorised by the Board to obtain outside legal or other independent professional advice as necessary to assist the respective committee.



# Corporate Governance Report

The quality of deliberations at meetings of the Board are reviewed during the annual evaluation of the Board's performance. The Board has reviewed and considered that the above mechanisms have been duly implemented and are effective in ensuring that independent views and input are available to the Board during the Year.

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;
- made disclosure by following requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong); and
- made judgements 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.

The reporting responsibilities of the Group's auditor, PricewaterhouseCoopers, are set out in the Independent Auditor's Report on pages 85 to 88 to this annual report.

## Chairman and Chief Executive

Code provision C.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 C.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

# Corporate Governance Report

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 four 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 (the “**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.

Measurable objectives have been set to implement the Board Diversity Policy and selection of candidates will be based on a range of diversity perspectives as stated in the above. By adopting such criteria, it also facilitates the Company to develop a pipeline of candidates to the Board to achieve gender diversity. 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, four of whom 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.

During the Year, the Board, via the Nomination Committee, conducted an annual review of the implementation and effectiveness of the Board Diversity Policy and is satisfied that the Board Diversity Policy has been properly implemented and is effective.

## Gender Diversity

The Board values gender diversity. As of 31 March 2024 and the date of this report, the Board had three female Directors, and four male Directors, as such has achieved gender diversity in respect of the Board. The Board is of the view that gender should not be the only factor in selecting a candidate for the Board. The Company would follow the Board Diversity Policy to take into account various factors in identifying suitable candidates for appointment to the Board, and may adjust the proportion of female Board members over time as appropriate.

While we believe our future employee recruitment should predominantly be merit-based and do not consider it appropriate to set any target gender ratio for our workforce, we recognise and embrace the benefits of having a diverse workforce, and will continue to enhance the diversity of our workforce, subject to availability of suitable candidates.

Details of gender ratio of the workforce (including senior management) for the Year are set out in the “Environmental, Social and Governance Report” in this annual report.

# Corporate Governance Report

## Board Meetings and General Meetings

During the Year, the Board held four meetings to review and approve, among other things, (i) the audited annual results of the Company for the year ended 31 March 2023; (ii) environmental, social and governance report 2023; (iii) the unaudited interim results of the Company for the six months ended 30 September 2023; and (iv) other matters on the business and operation of the Group. During the Year, an annual general meeting held on 11 August 2023 and an extraordinary general meeting held on 18 December 2023 to approve, inter alia, (i) the approval of audited annual results of the Company for the year ended 31 March 2023 and of the Renewal Letters (as defined in the Report of the Directors) and the transactions contemplated thereunder; and (ii) major transaction in relation to acquisition of properties.

## 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.

## 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 D.3 of the CG Code. As at the date of this report, the Audit Committee comprises four members, namely Mr. Or Kevin, Mr. Wong Vinci, Ms. Wu Wing Fong and Ms. Lo Ning. The chairman of the Audit Committee is Mr. Or Kevin, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. During the Year, the Company has fully complied with Rule 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, the Audit Committee held two meetings to, inter alia, review the interim and annual results of the Group, risk management and internal control systems of the Group, review and approve the annual audit and non-audit services fees for the Year, recommend the re-appointment of the Group's auditor, to the Board for approval and transact any other business in accordance with its terms of reference. There was no disagreement between the Board and the Audit Committee on the selection and re-appointment of the external auditor during the Year.

The Company's audited consolidated financial statements for the Year 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 on 20 May 2019 with written terms of reference in compliance with paragraph E.1 of the CG Code. As at the date of this report, the Remuneration Committee comprises four members, namely, Mr. Wong Vinci, Mr. Or Kevin, Mr. Ngai Shi Shing Godfrey and Ms. Lo Ning. The chairman of the Remuneration Committee is Mr. Wong Vinci.

# Corporate Governance Report

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; (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; and (v) review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive Directors and senior management.

During the Year, the Remuneration Committee held one meeting to, inter alia, (i) review the remuneration policy and structure of the Directors and the senior management; (ii) review the remuneration package of the Directors and senior management; and (iii) transact any other business in accordance with its terms of reference.

Since there were no shares granted under the Share Option Scheme (as defined in the Report of the Directors), no material matters relating to the Share Option Scheme under Chapter 17 of the Listing Rules were required to be reviewed or approved by the Remuneration Committee during the Year.

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 8 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:

	<b>Number of individuals</b>
Nil to HK\$1,000,000	—
HK\$1,000,001–HK\$1,500,000	1
HK\$1,500,001–HK\$2,000,000	2

Details of the emolument policy of the Group are also set out in the “Emolument Policy” section contained in the Report of the Directors in this annual report.

## Nomination Committee

The Nomination Committee was established on 20 May 2019 with written terms of reference in compliance with paragraph B.3 of the CG Code. As at the date of this report, the Nomination Committee comprises four members, namely Ms. Lo Ning, Mr. Or Kevin, Mr. Ngai Shi Shing Godfrey and Mr. Wong Vinci. The chairlady of the Nomination Committee is Ms. Lo Ning.

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 the Directors.

# Corporate Governance Report

During the Year, the Nomination Committee held one meeting to, inter alia, (i) review and consider that the structure, size, diversity and composition of the Board and the Board Diversity Policy; (ii) assess the independence of the independent non-executive Directors; (iii) recommend the re-election of the retiring Directors at the annual general meeting of the Company held on 11 August 2023; (iv) recommend the aforesaid matters to the Board for approval; and (v) transact other business in accordance with its terms of reference.

The Nomination Committee regularly 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.

## Nomination Policy

The Company adopted the nomination policy (the “**Nomination Policy**”). The Nomination Policy aims at setting out the process for the nomination of a candidate for the Company’s directorship, the process and criteria to be adopted by the Nomination Committee in selecting and recommending a candidate for directorship in the Company as well as the subsequent procedures for considering and (if thought fit) approving the nomination by the Board and (as appropriate) the Shareholders, in order to facilitate the constitution of the Board with a balance of skills, knowledge, ability, experience and diversity of perspectives that is appropriate to the requirements of the Company’s business operations and environment as well as the industry in which the Company operates. The Nomination Policy supplements the terms of reference of the Nomination Committee.

The Nomination Committee shall conduct the following processes (coupled with the following criteria) with a view to assessing and evaluating whether such candidate is suitably qualified to be appointed as a Director before making recommendations to the Board:

1. to assess such candidate’s qualifications, professional and educational background, skills, knowledge, ability, experience and expertise and also potential time commitment and attention to perform director’s duties, with reference to the corresponding professional knowledge and industry experience which may be relevant to the Company and also the potential contributions that such candidate could bring to the Board;
2. in addition, without prejudice to paragraph 1 above, to assess such candidate’s personal ethics, character, integrity and reputation which would be important to the overall business culture of the Company;
3. with reference to the Board Diversity Policy (as adopted and amended by the Board from time to time), to take into account the then current structure, size and composition of the Board and the Company’s corporate strategy, with due regard to the benefits of the appropriate diversity of perspectives within the Board as well as a strong independent element on the Board;
4. to consider Board succession planning considerations and the long-term needs of the Company;
5. in case of a candidate for an independent non-executive Director, to assess: (i) the independence of such candidate with reference to, among other things, the independence criteria as set out in Rule 3.13 of Listing Rules; and (ii) the requirements relating to independent non-executive directors set out in code provision B.3.4 of the CG Code; and
6. to consider any other factors and matters as the Nomination Committee may consider appropriate.

As to the re-appointment of a Director, the Nomination Committee will, mutatis mutandis, apply the above processes (coupled with the above criteria) and (in the case of an independent non-executive Director) assess whether such Director has remained independent in the context of the Listing Rules and should be re-elected at the next general meeting of the Company.

The entire Board is ultimately responsible for the selection and appointment or recommendation (as the case may be) of candidates for the Company’s directorship, and accordingly, shall consider the recommendations from the Nomination Committee and make a decision.

# Corporate Governance Report

In view of the foregoing, the nomination procedures to select and recommend candidates for the Company's directorship could be summarised as follows:

1. The chairman of the Nomination Committee will, upon receipt of a nomination from the nominating Director or the company secretary of the Company (as the case may be), convene a meeting of the Nomination Committee to consider the same in accordance with its terms of reference.
2. For filling a casual vacancy to the Board, the Nomination Committee will conduct the relevant selection process (coupled with the relevant selection criteria) against the nominated candidate and make recommendations to the Board for consideration, and the Board will then make a decision as to whether the nominated candidate shall be eligible to be appointed as a Director.
3. For proposing a candidate to stand for election as the Director at a general meeting of the Company:
  - (a) the Nomination Committee will make nominations to the Board for consideration, and the Board will then make recommendations to the Shareholders for consideration; and
  - (b) in accordance with Rule 13.70 of the Listing Rules, the Company shall issue an announcement or supplementary circular setting out the information required by the Listing Rules not less than 10 business days prior to the date of the general meeting. For more details, as mentioned above, please see the procedures for a Shareholder to propose a person for election as a Director (as amended from time to time) which are accessible on the Company's website.
4. For re-appointing a Director:
  - (a) subject to (b) below, the Nomination Committee will conduct the relevant selection process (coupled with the relevant selection criteria) against the Director proposed to be re-appointed and make recommendations to the Board for consideration, and the Board will then make a decision as to whether the Director shall be eligible to be re-appointed as a Director; and
  - (b) if the Director proposed to be re-appointed or re-elected due to retirement by rotation under the Company's bye-laws is an independent non-executive Director who has served the Board for more than 9 years, the Nomination Committee shall also assess whether the Director has remained independent in the context of the Listing Rules and should be re-elected at the next general meeting of the Company and make recommendations to the Board for consideration. The Board will then make a decision as to whether the Director has remained independent in the context of the Listing Rules, and if so, recommend the proposed re-appointment/re-election of the Director to the Shareholders for consideration at the next general meeting of the Company.

Pursuant to code provision C.1.5 of the CG Code, the Directors have disclosed to the Company at the time of their appointments and from time to time thereafter the number and nature of offices held in public companies or organisations, other significant commitments, and the identity of the public companies or organisations involved.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in paragraph A.2.1 of the CG Code. These duties include (i) to develop and review the policies and practices on corporate governance of the Group; (ii) to review and monitor the training and continuous professional development of the Directors and senior management; (iii) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees; and (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company. During the Year, the Board reviewed and performed these corporate governance functions.

# Corporate Governance 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 C3 to the Listing Rules (the “**Model Code**”). In response to the specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the Year.

## CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. During the Year, 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.

During the Year in accordance with code provision C.1.4 of the CG Code, the Board members participated in the following training programmes:

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	√	√
Lau Kwok Wo (Appointed on 2 April 2024)	N/A	N/A
<i>Independent Non-executive Directors</i>		
Or Kevin	√	√
Wong Vinci	√	√
Wu Wing Fong	√	√
Lo Ning	√	√

## 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 relevant professional training as required under Rule 3.29 of the Listing Rules during the Year.

# Corporate Governance Report

## 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, in light of nature and complexity of the business of the Group.

During the Year, the Board, through an independent external consulting firm, conducted an annual review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls including but not limited to financial, operational and compliance controls. Such annual review was done with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting functions as well as those relating to the Group's environmental, social and governance performance and reporting are adequate.

The results of the independent review and assessment are reported by the Audit Committee to the Board. 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 are recommended for consideration and adoption by the Board. Based on the findings and recommendations, as well as the comments of the Audit Committee, the Board considers the internal control and risk management systems to be effective and adequate during the Year.

A discussion on the principal types of risks which the Group is facing is included in note 3 to the audited consolidated financial statements in this report and the "Principal Risks and Uncertainties" section contained in the Report of the Directors in this annual report.

For compliance with code provision D.2.4(e) of the CG Code, the Company has adopted the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission as its own guidelines in handling and dissemination of inside information. Unauthorised use of confidential information is strictly prohibited. The Group has established procedures to identify and evaluate events or circumstances which potentially involve or constitute inside information. Prior to disclosure, the Board is responsible for ensuring that any inside information relating to the Group is kept strictly confidential and restricting access to inside information to a limited number of parties on a need-to-know basis. The Group would strive to ensure disclosure of inside information to be made in a manner that provides for equal, timely and effective access by the public.

## 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 amounted to approximately HK\$2,200,000 and other non-audit services for the Year amounted to approximately HK\$925,000. The reporting responsibilities of PricewaterhouseCoopers are set out in the section "Independent Auditor's Report" on pages 85 to 88 of this annual 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](http://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.



# Corporate Governance Report

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.

Having considered the multiple channels of communication and engagement in place, it is satisfied that the shareholders communication policy was effective during the Year.

## 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.

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.

# Corporate Governance Report



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
- (b) for all other general meetings, it shall be called by notice of not less than fourteen (14) clear 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

There was no change in the constitutional documents of the Company during the Year.



# Environmental, Social and Governance Report

## SCOPE AND REPORTING PERIOD

This report highlights the environmental, social and governance (“**ESG**”) performance of Kato (Hong Kong) Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”), with disclosure reference made to Appendix C2 (“**ESG Reporting Guide**”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). It is reported in compliance with the “comply or explain” provisions.

This ESG report covers the environmental and social performance of the Group’s business operations in Hong Kong from 1 April 2023 to 31 March 2024 (the “**Reporting Period**”), unless otherwise stated.

The Group principally engages in care services for the elderly in Hong Kong. Its business operations involve rendering of elderly home care services and sales of elderly home related goods. As at 31 March 2024, the Group offers 1,229 residential care places across five districts in Hong Kong, through its nine care and attention homes for the elderly, namely:

- (i) Kato Home for the Elderly in Tuen Mun;
- (ii) Kato Home for the Aged in Tuen Mun;
- (iii) Fai-To Home for the Aged (On Lai) Branch in Tuen Mun;
- (iv) Fai To Home for the Aged (Tuen Mun) Branch in Tuen Mun;
- (v) Fai To Sino West Combined Home for the Aged in To Kwa Wan;
- (vi) Happy Luck Elderly Home Limited in Tsuen Wan;
- (vii) Tsuen Wan Elderly Centre Limited in Tsuen Wan;
- (viii) Pine Villa in Tseung Kwan O; and
- (ix) Ka Shui Garden Nursing Home for the Elderly in Sham Shui Po.

In addition, the Group also operates two day care centres for the elderly, namely:

- (i) Ka Shui Garden (Hung Hom) Health Care Limited in To Kwa Wan; and
- (ii) Ka Shui Garden (Tsuen Wan) Day Care Centre Limited in Tsuen Wan.

Furthermore, the Group had acquired suitable property in Lam Tin in February 2021, as well as four parcels of land in Yuen Long in July 2021, which the Group plans to restructure for the establishment of 470 residential care places in the future. These areas are currently managed by respective principal properties holding companies as subsidiaries of the Group.

The Group also provides medical and laboratory services through five outlets.

All of the above operations are considered to be part of reporting scope for the Reporting Period.

# Environmental, Social and Governance Report

## REPORTING PRINCIPLES

The Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” set out in Appendix C2 to the Listing Rules of the Stock Exchange (the “**Guide**”). The contents covered herein are in compliance with the mandatory disclosure requirement and the provision of “Comply or Explain” as well as four reporting principles of materiality, quantitiveness, balance and consistency required in the Guide.

*Materiality* — Materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section “Stakeholder Engagement and Materiality” in the Report.

*Quantitiveness* — Key performance indicators (“**KPI**”s) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

*Balance* — The Report presents the Group’s performance during the Reporting Period in an impartial manner, avoiding choices, omissions or presentation formats that may unduly influence readers’ decisions or judgements.

*Consistency* — Consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

## SUSTAINABILITY MISSION AND VISION

The Group is aware that climate change directly affects living standards and hinders social development around the globe. It also understands that society has high expectations on sustainability performance. Therefore, the Group is committed to developing its business with minimum adverse impact on the environment, taking social and environmental impacts as central issues to address, and creating shared sustainable values with its stakeholders and community.

The Group believes that upholding a high standard of such aspects can contribute to building a sustainable future, and it shall be prepared for any potential challenges and risks to its business development.

# Environmental, Social and Governance Report

## SUSTAINABILITY GOVERNANCE

The members of the board (the “**Board**”) of directors (the “**Directors**”) has overall responsibility for the Group’s sustainability strategy and reporting. The sustainability plan of the Group is developed based on the results of ESG Reports, which is reviewed on an annual basis and adjusted as needed to align with the long-term business strategy of the Group.

Furthermore, the Board is in charge of assessing and managing ESG-related issues, as well as overseeing the implementation of ESG policies across the Group’s operations, which shall ensure the sustainable and responsible growth and operation of the Group.

## BOARD STATEMENT

This ESG report demonstrates the Group’s ongoing commitment to sustainable development and its dedication to corporate governance, environmental protection, and human capital. The Group is committed to conducting business in a transparent and socially responsible manner.

At the same time, stakeholders are increasingly nudging corporations to take sustainability factors into consideration when doing businesses. As a corporate citizen, the Group recognises this and continues to make sustainability its operational focus. We are dedicated to improving our sustainability performance in our operations, and will keep close communication with our stakeholders to manage our ESG-related risks.

Looking ahead, to tackle future challenges, we will continue to drive our sustainability performance and further incorporate sustainability into our core strategy. Furthermore, we will continue to maintain high ethical standards, and formulate environmental, economic, and social strategies to achieve a sustainable future.

## STAKEHOLDER ENGAGEMENT AND MATERIALITY

### Stakeholder Engagement

The Group values relationships with its stakeholders. The Group maintains an ongoing dialogue with its shareholders, employees and customers through general meetings, regular performance reviews, appraisals and interview sessions, so as to facilitate effective communication and collect constructive feedback. Such feedback is considered as essential in the decision-making process of the Group’s daily operation, from improving its business performance to bringing insights for future development.

During the Reporting Period, the Group specifically engaged internal stakeholders, including the Board, senior management and frontline staff to feedback on the ESG material issues that are crucial for the Group’s sustainable development. In the stakeholder engagement process, selected stakeholders were asked to rate a list of 23 ESG topics in terms of their relevance and importance to the Group’s business continuity and development.

The table below lists the aspects identified to be imperative to the Group’s operations. Overall, the key material issues raised by the stakeholders focused on the social aspect which have been strictly managed through the Group’s policies and guidelines. The Group aims to keep close communication with its stakeholders for the identified aspects and continue to improve its ESG performance.

# Environmental, Social and Governance Report

## Material Aspects Identified from Stakeholder Engagement

Environmental Practices	Employment and Labour Practices	Operating Practices
<ul style="list-style-type: none"> <li>Waste and Effluent</li> <li>Environmental Protection Measures</li> <li>Air Emission</li> </ul>	<ul style="list-style-type: none"> <li>Employment</li> <li>Occupational health and safety</li> <li>Labour standards</li> </ul>	<ul style="list-style-type: none"> <li>Product and service quality</li> <li>Pharmaceuticals management</li> <li>Emergency response capacity</li> <li>Safety and hygiene in elderly homes</li> <li>Elderly-friendly building design</li> <li>Customer Service</li> </ul>

## STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG approach and performance. Stakeholders may share with the Board any suggestions and views by writing to 1/F, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories.

## THE GROUP'S ETHICS AND BUSINESS INTEGRITY

Ethics and business integrity are of great importance to the Group, as one of the leading providers of elderly home care services. In line with the corporate values, the Group has formulated a code of conduct to spell out the Group's commitments to ethics and business integrity in a set of formal written requirements, which are strictly observed by the employees (at all levels, divisions and care and attention homes for the elderly) and all sub-contractors' staff.

The Group is committed to conducting all the business dealings with integrity, in accordance with strong business ethics, including:

- Being accurate and truthful in dealings with third parties, and not misrepresenting the Group or the quality, features, price or availability of the Group's products and services;
- Being honest and forthcoming with the employees of the Group;
- Taking reasonable care to meet business commitment; and
- Exercising reasonable care to ensure that the Group meets the terms of its contractual obligations with its customers, business partners and associates.

The Group's commitments to uphold ethics and integrity enables the Group to secure a firm foothold within the residential care home for the elderly industry, so as to continue enhancing its market position in the residential care home for the elderly sector and fulfilling its social responsibility.

# Environmental, Social and Governance Report

## THE GROUP'S CORPORATE SOCIAL RESPONSIBILITY VALUE

The Group recognises its impact on the society and environment. Therefore, upon compliance with contractual requirements, the Group adheres to the highest standards of corporate social responsibility in its business operations.

As an integral part of the Group's corporate values, corporate social responsibility has guided the Group throughout its business operation. The Group was in full compliance with the rules and regulations as stipulated in the Residential Care Homes (Elderly Persons) Ordinance (Chapter 459 of the Laws of Hong Kong), the Code of Practice for Residential Care Home (Elderly Persons) (the "**RCHE Code of Practice**") and the handbooks issued by the Social and Welfare Department (the "**SWD**") regarding service quality standards during the Reporting Period.

The Group strives to cultivate a homely atmosphere as far as possible in its care and attention home for the elderly such that the residents would feel secure and comfortable. To nourish interpersonal relationships of residents, social and recreational activities were organised to enhance interactions among residents.

The Group will continue its endeavours to contribute to the society, by giving the needy and underprivileged a hand through voluntary work and donations. The Group will carry on promoting harmonious relationships and a zero-harm environment for its employees, residents and the society as a whole.

## A. ENVIRONMENTAL

The Group puts significant efforts into environment protection and reduction of greenhouse gas ("**GHG**") emissions. The Group mainly consumed electricity, gas, water, and paper; and generated clinical waste, expired medication waste and paper waste during the Reporting Period.

During the Reporting Period, the Group strictly abided by the laws, rules and regulations enforced by Hong Kong in relation to environmental protection and pollution control, including but not limited to the following:

- Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) (the "**WDO**");
- Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong) (the "**Waste Disposal (Chemical Waste) (General) Regulation**"); and
- Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong).

During the Reporting Period, no material non-compliance with laws and regulations relating to air and GHG emissions, discharge into water and land, or the generation of hazardous and non-hazardous waste was recorded.

### A1. Emissions

#### A1.1 Air Emissions

The Group consumed town gas as stationary fuel for canteen operation in several care and attention homes for the elderly during the Reporting Period. The operation emitted 3.67 kg of nitrogen oxides (NO<sub>x</sub>) and 0.02 kg of sulphur oxides (SO<sub>x</sub>) during the Reporting Period.

Type of Air Emission	2023/24 amount (kg)	2022/23 amount (kg)	2021/22 amount (kg)
NO <sub>x</sub>	3.67	4.18	3.89
SO <sub>x</sub>	0.02	0.02	0.01

The emissions intensity is 13.51 g NO<sub>x</sub> and 0.08 g SO<sub>x</sub> per million HKD revenue, which respectively represents a 32.09% increase and 50.44% increase compared with Last Reporting Period.

# Environmental, Social and Governance Report

## A1.2 Greenhouse Gas Emissions

Throughout the Reporting Period, the Group's business operations resulted in GHG emissions of 1,603.18 tCO<sub>2</sub>eq., consisting mainly carbon dioxide, methane and nitrous oxide. The overall GHG emission intensity of the Group in terms of the Group total revenue was 5.91 tCO<sub>2</sub>eq./million HKD, indicating a 83.17% increase compared with Last Reporting Period. This significant increase in emissions intensity is attributed to the substantial year-on-year decrease in Group's revenue as a result of cessation of provision of care support services to persons under quarantine during the Reporting Period.

The reported GHG emissions were attributed to the following activities and scopes:

- Scope 1 — Direct GHG emissions from the combustion of towngas;
- Scope 2 — Energy indirect GHG emissions from purchased electricity and towngas; and
- Scope 3 — Other indirect GHG emissions from paper waste disposal, freshwater treatment and sewage processing.

Scope and Operation of Emissions	Emission Sources	2023/24 GHG Emissions (tCO <sub>2</sub> e)	2022/23 GHG Emissions (tCO <sub>2</sub> e)	2021/22 GHG Emissions (tCO <sub>2</sub> e)
<b>Scope 1 Direct Emission</b>		<b>54.15</b>	<b>54.16</b>	<b>51.74</b>
	Combustion of towngas in stationary sources <sup>Note 1</sup>	54.15	54.16	51.64
	Combustion of LPG in stationary sources <sup>Note 1</sup>	0.00	0.00	0.10
<b>Scope 2 Energy Indirect Emission</b>		<b>1,509.97</b>	<b>1,224.28</b>	<b>1,298.18</b>
	Purchased electricity <sup>Note 1</sup>	1,498.32	1,211.72	1,286.21
	Purchased towngas <sup>Note 1</sup>	11.65	12.56	11.97
<b>Scope 3 Other Indirect emission</b>		<b>39.06</b>	<b>38.57</b>	<b>38.78</b>
	Electricity Used for Processing Fresh Water <sup>Note 1</sup>	20.34	18.65	18.93
	Electricity Used for Processing Sewage <sup>Note 1</sup>	10.25	9.15	9.29
	Paper disposed at landfills <sup>Note 1</sup>	8.47	10.77	10.56
<b>Total</b>		<b>1,603.18</b>	<b>1,317.01</b>	<b>1,388.70</b>
	<b>Revenue Intensity (tCO<sub>2</sub>e/million HKD revenue)</b>	<b>5.91</b>	<b>3.23</b>	<b>4.34</b>

Note 1: Emission factors were made reference to Appendix C2 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise. Scope 3 emissions were only calculated based on the available emission factors from the referred documentation.

### A1.2.1. Carbon Offsetting

As part of its commitment to combat climate change, the Group has purchased carbon certificates that would partially offset its GHG emissions for the Reporting Period. See below for the Group's certificate of purchase of carbon credits from CLP Power Hong Kong Limited to offset 19.50 tCO<sub>2</sub>e of its total emission during the Reporting Period.



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## A1.3. Hazardous Waste

The Group's operation generated chemical and clinical wastes. A total of 0.20 tonnes of chemical and clinical waste was generated, including used syringes, needles and surgical dressings, contributing to an intensity of 0.75 kg/million HKD revenue during the Reporting Period.

## A1.4. Non-hazardous Waste

Non-hazardous waste from the Group's operation consists mainly of domestic waste from the Group's care and attention homes for the elderly, domestic waste from the Group's day care centers, and paper waste from offices. The total generation of non-hazardous waste during the Reporting Period was estimated at 516.99 tonnes with an intensity of 1.91 tonnes/million HKD revenue, which represents a 56.92% increase in intensity compared with Last Reporting Period.

Of the non-hazardous waste generated, approximately 515.23 tonnes were domestic wastes, estimated based on the average monthly occupancy rate of each respective care and attention homes, average monthly visit rate of each day care center and health check-up location as at 31 March 2024, and the average per capita waste generation rate.

## A1.5. Measures to Mitigate Emissions

The Group keeps track of its consumption of towngas and electricity, and strives to reduce related emissions whenever possible.

Details on the Group's efforts to reduce electricity consumption shall be disclosed in Section A2.3.

During the Last Reporting Period, the Group had set the target to achieve a 5% reduction in overall emissions intensity in 10 years from 2021/22, or by 2031/32. See below for the detail breakdown of the Group's progress towards its emission reduction target.

Type of Emission	2021/22 Figures	Reduction		% Change
		Target by 2032	2023/24 Figures	
Total Non-GHG Air Emissions Intensity (NO <sub>x</sub> , SO <sub>x</sub> )	12.17 g/million HKD revenue	-5%	13.58 g/million HKD revenue	+11.59%
Total GHG Emissions Intensity (Scope 1, Scope 2, and Scope 3)	4.34 tCO <sub>2</sub> e/million HKD revenue	-5%	5.91 tCO <sub>2</sub> e/million HKD revenue	+36.18%

Due to the business growth, the Group has decided to reset the baseline year for its 10-year reduction target of 5% to the Current Reporting Period of 2023/24. This applies to the Group's reduction targets for total non-GHG air emissions intensity and total GHG emissions intensity.

The Group will continue to refine and improve existing environmental policies in order to sustainability balance business growth and environmental protection.

# Environmental, Social and Governance Report

## A1.6. Waste Handling and Reduction Initiatives

The Group strictly observes the WDO in handling both hazardous and non-hazardous waste. During the Reporting Period, about 1.76 tonnes of paper waste was generated, decreasing by 21.35% as compared to the Last Reporting Period. Paper saving initiatives have been adopted such as encouraging double-side printing or photocopying and reusing recycled papers for draft works. To reduce its paper waste disposal in the future, the Group will explore on recycling opportunities with reliable vendors. It will also promote electronic administrative procedures and identify telecommunication possibilities to advance toward a paperless working environment.

Sharps waste is placed in specific containers which are carefully coded with fixed colours and sealed with ties separately. All hazardous wastes are collected by licensed clinical waste collectors by dedicated vehicles. Expired medicines will either be returned to the hospitals for further handling, or collected by licensed clinical waste collectors for disposal.

## A2. Use of Resources

Although the Group has not established formal policies on the efficient use of resources, it encourages employees to observe resource conservation practices.

### A2.1. Energy Consumption

Energy Source	2023/24	2023/24	2022/23	2022/23	2021/22	2021/22
	Direct/ Indirect Consumption (kWh in '000s)	Energy Intensity (kWh/million HKD revenue)	Direct/ Indirect Consumption (kWh in '000s)	Energy Intensity (kWh/million HKD revenue)	Direct/ Indirect Consumption (kWh in '000s)	Energy Intensity (kWh/million HKD revenue)
Electricity	3,812.13	14,049.57	3,106.99	7,609.62	3,476.25	10,853.10
Towngas	282.80	1,042.25	282.87	692.81	269.70	842.02
LPG	0.00	0.00	0.00	0.00	0.45	1.39
<b>Total</b>	<b>4,094.93</b>	<b>15,091.82</b>	<b>3,389.86</b>	<b>8,302.43</b>	<b>3,746.40</b>	<b>11,696.51</b>

The Group's business operations resulted in total energy consumption of 4,094.93 kWh in '000s from the use of electricity and towngas, with an overall energy intensity of 15,091.82 kWh/million HKD revenue during the Reporting Period, representing an 81.78% increase in intensity as compared with Last Reporting Period. This significant increase in energy consumption intensity can be attributed to the substantial year-on-year decrease in Group revenue for the Reporting Period, which is due to the end of provision of care support services to persons under quarantine during the COVID-19 Pandemic.

### A2.2. Water Consumption

During the Reporting Period, the Group consumed 46,767.60 m<sup>3</sup> of water, with a water intensity of 172.36 m<sup>3</sup>/million HKD revenue, which represents a 61.52% increase in intensity as compared with Last Reporting Period. The notable rise in energy consumption intensity is a result of the significant decrease in Group revenue for the Reporting Period, stemming from the cessation of care support services to individuals under quarantine during the COVID-19 Pandemic. No issue in sourcing water that is fit for purpose had been identified during the Reporting Period.

# Environmental, Social and Governance Report

## A2.3. Energy Use Efficiency Initiatives

Staff members are reminded to follow the energy use efficiency initiatives implemented by the Group, including:

- Maintaining the temperature of air conditioner at 25°C or above;
- Setting computer to energy-saving modes when idle; and
- Switching off unnecessary electronic appliances and devices.

During the Last Reporting Period, the Group had set the target to achieve a 5% reduction in electricity consumption intensity in 10 years from 2021/22, or by 2031/32. See below for the detail breakdown of the Group's progress towards its energy use reduction target.

	2021/22 Figures	Reduction Target by 2031/32	2023/24 Figures	% Change
Electricity Consumption Intensity	10,853.10 kWh/ million HKD revenue	-5%	14,049.57 kWh/ million HKD revenue	+29.45%

Due to the substantial shift in Group revenue, the original benchmark based on previous Group revenue is no longer indicative of the Group's environmental performance. As such, the Group has decided to reset the baseline year for its 10-year reduction target of 5% to the Current Reporting Period of 2023/24. This applies to the Group's reduction targets for electricity consumption intensity.

## A2.4. Water Use Efficiency Initiatives

Since GHG emissions from water consumption are insignificant, the Group has not set any reduction targets. Nevertheless, the Group encourages water conservation and reminds staff to reduce water wastage whenever possible.

## A2.5. Packaging Materials

The Group's business operation did not involve the use of packaging materials during the Reporting Period.

## A3. The Environment and Natural Resources

### A3.1. Significant Impacts of Activities on the Environment

The Group is dedicated to lessening the adverse impacts it poses on the environment through various initiatives targeted at energy conservation, carbon reduction and effective waste management.

#### *Carbon Footprint*

In view of the considerable amounts of electricity consumed from its operations, the Group has been proactively exploring ways to reduce its carbon emissions and the impacts of global warming. The Group has practised energy conservation by adopting various energy-efficient and-saving measures in its operations. In addition, the Group has purchased carbon certificates that would partially offset its GHG emissions for the Reporting Period.

# Environmental, Social and Governance Report

## Waste Disposal

For hygienic reason, the Group chose to consume disposable clinical instruments and personal protective equipment during the rendering of daily nursing care service. While it is inevitable that a certain amount of waste is generated, the Group has taken precautions to minimise environmental and health risks. For instance, employees are required to strictly abide by the internal guidelines on chemical and clinical waste management, and they are clearly instructed of the proper waste handling procedures. The above measures ensure that the disposal of chemical and clinical wastes, and pharmaceutical substances are carried out in a safe manner.

## A4. Climate Change

Due to the nature of business as an elderly care service provider, climate change has not posed significant impact on the Group's business operation. As such, the Group has not formulated any policy regarding climate change. However, the Group has identified relevant climate-related risks and assessed their potential financial impacts. The climate risks identified, their time horizon, trend, and the potential financial impacts affecting the Group are shown below.

	Climate Risks	Time horizon	Trend	Potential financial impact
<b>Physical Risks</b>	Acute	Short term	Increase	Extreme weather events with increased severity during cyclones, hurricanes, storm surges and floods can cause supply chain interruption by bringing damage to local infrastructure, potential damage to offices and disruption to human resources.
	Chronic	Long term	Increase	Longer-term shifts in climate patterns can increase capital costs, operating costs, costs of human resources and increased insurance premium.
<b>Transition Risks</b>	Technology	Long term	Increase	During the transitional period, the Group expects increased procurement expenditures to introduce new and alternative technologies, and the additional cost of adopting/deploying new practices and processes.
	Policy and Legal	Short to medium term	Increase	Implementation of tightened environmental laws, stringent requirements on climate disclosures and carbon pricing system increases operating costs.
	Market	Short term	Increase	During the transitional period, the Group might face a decrease in revenue due to higher environmental requirements of clients, if no strategy has been set accordingly.
	Reputation	Short to medium term	Increase	Stakeholders' concerns on climate-related issues of the Group might dampen the investment sentiment of investors, impacting the stock price and market capitalisation of the Group, and hence increasing the liquidity risk.

# Environmental, Social and Governance Report

## A4.1. Significant Climate-Related Issues

The Group recognises that extreme weather events caused by climate change may negatively impact daily operations and has accordingly prepared contingency plans for these situations. These include, but not limited to, work-from-home plans for employees and insurance against damages from extreme weather events. However, the Group has yet to identify any opportunities arising from climate change.

## B. SOCIAL

### 1. Employment and Labour Practices

#### B1. Employment

The Group strictly abided by all applicable laws and regulations in relation to employment in Hong Kong during the Reporting Period, including but not limited to the following:

- Employment Ordinance (Chapter 57 of the Laws of Hong Kong);
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong);
- Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong); and
- Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong).

During the Reporting Period, there was no material non-compliance with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, and other benefits and welfare of the Group.

The Group had a total number of 469 employees as at 31 March 2024, all of which are geographically located in Hong Kong. See below for the detail breakdown of the workforce.

Total Workforce as of	31 March 2024		31 March 2023	
	Number of Employees	Employment Percentage	Number of Employees	Employment Percentage
<b>Employment Type</b>				
Full Time	359	76.55%	437	84.36%
Part Time	110	23.45%	81	15.64%
<b>Employee Category</b>				
Senior Management	12	2.56%	13	2.51%
Middle Management	11	2.35%	11	2.12%
Frontline and Other Staff	446	95.09%	494	95.37%
<b>Age Group</b>				
18–25	16	3.41%	16	3.09%
26–35	44	9.38%	52	10.04%
36–45	62	13.22%	65	12.55%
46–55	87	18.55%	148	28.57%
56 or above	260	55.44%	237	45.75%
<b>Gender</b>				
Male	98	20.90%	96	18.53%
Female	371	79.10%	422	81.47%
<b>Geographical Region</b>				
Hong Kong	469	100.00%	518	100.00%
<b>Total</b>	469	100.00%	518	100.00%



# Environmental, Social and Governance Report

A total of 164 employees left the Group during the Reporting Period, which corresponds to a turnover rate of 34.97%. See below for the detail breakdown of turnover rate by employee group.<sup>1</sup>

Turnover Figures	31 March 2024		31 March 2023	
	Number of Employees	Turnover Rate	Number of Employees	Turnover Rate
<b>Age Group</b>				
18–25	7	43.75%	4	25.00%
26–35	45	102.27%	17	32.69%
36–45	26	41.94%	28	43.08%
46–55	54	62.07%	47	31.76%
56 or above	32	12.31%	69	29.11%
<b>Gender</b>				
Male	50	51.02%	30	31.25%
Female	114	30.73%	135	31.99%
<b>Geographical Region</b>				
Hong Kong	164	34.97%	165	31.85%
<b>Total</b>	164	34.97%	165	31.85%

The Group has established written policies, procedures and guidelines for its principal business operations. These policies and guidelines cover aspects including procurement, financial management, sales, inventory control and personnel management. Frontline workers are required to strictly follow the responsibility of duties and respective code of practices as listed out in the employment handbook, code of practice as well as financial and operational policies and procedures.

## Competitive Compensation and Benefits

High-calibre and committed staff is the most valuable asset to the Group's successful development. The Board has set up the remuneration committee to formulate remuneration policy and to recommend salary adjustment and performance bonus. The Group offers equitable and market-competitive remuneration packages to attract and retain talents. Employees are entitled to mandatory provident fund, medical insurance and body check programme. On top of statutory holidays, various types of paid leave including annual leave, sick leave, maternity leave, paternity leave, compensation leave, compassionate leave and injury leave are also provided.

<sup>1</sup> As pursuant to Appendix 3 of "How to Prepare an ESG Report" set out by Hong Kong Exchanges and Clearing Limited, turnover rate for each employee group is calculated by dividing the number of employees in the specified category leaving employment during the Reporting Period by the number of employees in the specified category as of the end of the Reporting Period.

# Environmental, Social and Governance Report

## *Equal Opportunity*

The Group embraces diversity in the workplace. Equal opportunities are given to employees in respect of recruitment, training and development, promotion, compensation and benefits. The Group complied with relevant laws and regulations in Hong Kong during the Reporting Period including but not limited to the following:

- Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong);
- Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong);
- Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong); and
- Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong).

During the Reporting Period, there was no non-compliance relating to equal opportunity, diversity and anti-discrimination.

## *Appraisal System and Employee Relations*

Internal meetings are held regularly to facilitate effective communications inside the Group. Through meetings, senior management can clearly communicate policy and procedure changes to all levels of employees.

Annual appraisal is conducted by home managers to evaluate the attitudes and performances of frontline employees in the workplace and identify areas of improvement for career advancement. Performance assessment against nursing skills is carried out quarterly to evaluate employee performance and to ensure that their knowledge and competency profiles match the department's requirements.

## **B2. Employee Health and Safety**

Safe and healthy working environment is vital for employees — not only to reduce injury and illness, but also to raise working morale and productivity. Hence, the Group has implemented strict preventive and control measures to protect employees from contamination, infections and accidents. During the Reporting Period, the Group complied with the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong). No material non-compliance in relation to occupational health and safety laws and regulations was recorded during the Reporting Period.

Personal protective equipment is provided to the frontline staff subject to the needs and types of work engaged in, with items including surgical masks, surgical disposable gloves and protective goggles. Frontline staff who carries out nursing and personal care procedures is required to dispose of personal protective equipment in accordance with appropriate procedures.

Fire drills are always conducted with proper records and overseen by home managers. Handrails, corridors, fire alarms and other fire services installations and equipment are maintained in good conditions. Emergency evacuation plans are displayed at conspicuous locations inside every care and attention homes for the elderly. Adequate lighting is provided for every exit route which is kept clear of obstructions. The Group has also obtained Certificates of Fire Service Installation and Equipment as per Fire Service (Installations and Equipment) Regulations for its operations.

# Environmental, Social and Governance Report

See below for the detail breakdown of the Group's occupational health and safety data.

## Occupational Health and Safety Data in 2023/24

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Work related fatality	0
Fatality rate	0.00%
Work injury cases >3 days	0
Work injury cases ≤3 days	1
Lost days due to work injury	2.5

## Occupational Health and Safety Data in 2022/23

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Work related fatality	0
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## Occupational Health and Safety Data in 2021/22

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Work related fatality	0
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### B3. Development and Training

The Group acknowledges the importance of providing employees with training and development opportunities. It is essential to promote the personal growth of employees, and improve the reliability of services delivered to residents.

New employees are required to attend induction trainings to familiarise themselves with necessary knowledge, technical skills and procedures. Existing employees are also provided with reinforcement training to enhance operational efficiency and attentiveness at work.

The Group also develops training timetable to facilitate continuous development of staff through internal and external programmes. To cater for the needs of staff, the programmes cover a range of training topics, including first aid knowledge, occupational safety, stress management, infection control, drug management and nursing care.

#### Qualification attainment

Employees engaging in different divisions should acquire sufficient experience or professional qualifications. Within the operations of the Group, professionals who practise medicine, nursing, social work and therapy service are required to obtain formal certificate in respect of the professions, as stipulated in the following laws and regulations in Hong Kong:

- Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong);
- Nurses Registration Ordinance (Chapter 164 of the Laws of Hong Kong);
- Supplementary Medical Professions Ordinance (Chapter 359 of the Laws of Hong Kong); and
- Social Workers Registration Ordinance (Chapter 505 of the Laws of Hong Kong).

# Environmental, Social and Governance Report

During the Reporting Period, 469 employees, or all employees, received training as arranged by the Group, and the average training hours that each employee received (inclusive of those who did not receive training) was 13 hours. The percentage and average training hours per gender and employee category during the Reporting Period are as follows:

	Percentage	Average Training Hours
<b>By Gender</b>		
Male	100.00%	13 hrs
Female	100.00%	13 hrs
<b>By Employee Category</b>		
Senior Management	100.00%	13 hrs
Middle Management	100.00%	13 hrs
Frontline and Other Employees	100.00%	13 hrs

### B4. Labour Standards

There was no child or forced labour employed in the Group, and there was no non-compliance with laws and regulations relating to preventing child and forced labour during the Reporting Period, such as the Employment of Child Labour Regulations of the Employment Ordinance. The Group’s human resources department strictly abided by the Group’s recruitment guidelines, which included verification of candidates’ identity, employment background and relevant certificates during the Reporting Period.

Whenever imported workers are considered, the human resources department is responsible for the application and tracking the status of visa permit, ensuring the candidate meets the conditions of stay regarding employment as imported workers. If any incidents of non-compliance regarding labour standards are discovered within the Group’s operation sites, the Group shall immediately suspend employment and carry out internal investigation.

## 2. Operating Practices

### B5. Supply Chain Management

The Group engaged with 300 suppliers during the Reporting Period, all of which were located in Hong Kong. They primarily provided medical care products, groceries, health care products, laundry services, and referral services of physiotherapists and occupational therapists.

The Group adopts an internal quality evaluation system for supplier selections and maintains a list of approved suppliers for the supply of recurrent goods and services. In selecting suppliers, the Group performs assessments based on various criteria, including history of the suppliers’ quality, timing of delivery, source of the products, price and suppliers’ reputation in the industry. The Group periodically evaluates the performance of the approved suppliers. If the goods and services procured through the suppliers are found defective, counterfeit, poor quality or are otherwise unsafe or ineffective, the Group will look for alternatives.

In respect of the referral of physiotherapists and occupational therapists, the Group arranges interviews with selective candidates. The Group verifies the qualifications by reviewing the background and certificates of candidates, ensuring the employees hired through employment agencies are professional and qualified.

# Environmental, Social and Governance Report

## **B6. Product and Service Responsibility**

The Group is dedicated to delivering reliable and quality offerings in the daily operation. During the Reporting Period, the Group complied with specific standards and all applicable laws and regulations. There was no non-compliance relating to health and safety, advertising, labelling and privacy matters relating to products and services provided during the Reporting Period. The sales of elderly home related goods, including medical equipment, consumables and other supplies, are assured of attainment of international standards and specific requirements.

### *Pharmaceuticals Management*

Pharmaceuticals taken by the residents are provided by hospitals and handled by the staff of the Group in accordance with the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong). Detailed practical guidelines on proper medication management, in terms of storage, recording and preparation are developed within the Group to ensure safe and secure handling.

### *Storage and Recording*

All medicines are clearly labelled and kept in a secure and locked place, which are maintained and accessible only to designated levels of personnel. To tie in with the established quality assurance mechanism, health workers conduct monthly review to confirm that the medicines stored at the Group's care and attention homes for the elderly are in line with residents' medication records. For any change in medication for the residents (such as change of prescription after attending medical follow-up), the Group will update the residents' personal medication record accordingly.

### *Dispensation of Medicine*

Every nurse and health worker adheres to the general guideline of "three checks five rights" and selectively cross-check each other's work to avoid mistake in the distribution of medicines. Whenever a medicine expires, or is reported of abnormalities in the colour, odour or consistency, the staff members of the Group would consult and take advice from the hospitals. Unused medicines are securely stored and disposed of in accordance with the Waste Disposal (Chemical Waste) (General) Regulation. Employees who violate pharmaceutical handling and safety procedures can be subject to dismissal.

### *Safety and Hygiene of Elderly Homes*

Cleanliness and sanitation play an important role in the betterment of the environment and the prevention of outbreak of infectious diseases in the care and attention homes for the elderly of the Group. Through implementations of standardised procedures and precautionary measures, the cleanliness and hygiene of premises are well maintained. The disease-inducing risks are simultaneously addressed and minimised.

Care workers cleanse and disinfect the facilities and equipment across the Group's care and attention homes for the elderly in accordance with the Group's cleansing quality requirements. Personal hygiene of staff and residents are maintained at all times, especially for staff that handle food and render daily personal care to the residents. To further control the spread of infectious diseases, immediate cleaning or disinfection is conducted when items are contaminated.

# Environmental, Social and Governance Report

Fans, ventilation fans and filters of air conditioners are installed and maintained to facilitate proper ventilation across care and attention homes for the elderly, especially those situated in toilets and bathrooms. While receptacles for general garbage are cleaned regularly and covered at all times, clinical wastes containing blood is handled with extra precautions. The designs of furniture and equipment, bathrooms, toilets and corridors at the homes adhere to the requirements and specifications as stipulated in the RCHE Code of Practice to protect residents from any possible hazards.

## *Emergency Response Management*

The Group believes that preparedness helps responding to emergencies in an organised, resilient and alert manner. As such, the Group has identified possible threats from internal and external aspects and established specialised contingency plans in terms of the natures of emergencies (e.g., fire, gas leakage, outbreak of infectious diseases and medical emergencies). The plans provide clear leadership and accountability in the main areas, with roles and responsibilities clearly defined.

Home managers must make detailed records and report to Licensing Office of Residential Care Homes for the Elderly of any incidents/accidents, for after-the-emergency reviews and for taking steps to strengthen the capacity of response. The Group should be highly cooperative with emergency response personnel and with internal or external investigations of accidents, environmental mishaps, drug or alcohol-related incidents, and other irregularities.

## *Customer Service*

The Group pledges to provide quality personalised services to its customers that meeting the psychosocial, physical and spiritual needs of residents ultimately. Beyond full compliances with the RCH(EP)O and the RCHE Code of Practice, the Group has also embedded the service quality standards developed by the SWD into the Group's ongoing management process and daily service provision.

After admission of the residents, the care and attention homes for the elderly provide orientation sessions and customise a personal care plan for them, followed by care workers providing suitable daily personal care services that address the health conditions of residents with due care (including eating conditions, emotional, mental, social and behavioural conditions, and exercise). To provide a hazard-free environment, the designs of furniture and equipment, bathrooms, toilets and corridors are based upon the requirement and specification as stipulated in the RCHE Code of Practice.

The Group actively engages with residents and their families through daily communications, periodic surveys and meeting sessions. Management review meetings are often held to review the feedback, and to develop measures for addressing the identified deficiencies to achieve continuous improvement. The SWD conducts surprise visits to homes and provides feedback on their facilities and service, thereby assisting and encouraging homes to enhance their service standard. Complaints are dealt with in accordance with the Group's guidelines on proper procedures with special attention. No material non-compliance with relevant laws and regulations in relation to customer services of the Group was identified during the Reporting Period.

# Environmental, Social and Governance Report

## *Data Protection and Privacy*

The Group adopts strict policy and procedures to ensure that the privacy and confidentiality of residents are being respected and protected. The principles are also applicable to suppliers, employees and other parties.

Any personal data, including those of the Directors, staff and residents, should be handled with due attention. Personal information of residents will only be used for daily operation, unless with prior written consent and authorisation from the residents or their family members. The Group ensures that any personal care activities are conducted in a manner which respect the privacy and dignity of the residents. Sufficient personal space and facilities for protecting privacy (e.g. screens or curtains) are provided to the residents when rendering personal care services or nursing procedures.

It is the Group's duty to safeguard the confidentiality of business and operational information. Internet access and emails are protected with password and firewalls. Staffs are prohibited from disclosing any confidentiality of the Group and misuse of company information. During the Reporting Period, the Group fully complied with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong). No material non-compliance with relevant laws and regulations in relation to data protection and privacy of the Group was identified during the Reporting Period.

## **B7. Anti-corruption**

The Group is committed to conducting its business with integrity, impartiality and honesty. All directors and employees are subject to code of conduct, staff policy and regulations on the prevention of potential bribery, extortion, fraud and money laundering.

During the Reporting Period, the Group was in full compliance with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) and other applicable laws and regulations relating to anti-corruption. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the Reporting Period.

## *Conflict of Interest*

All Directors and employees are required to declare any current or potential conflict of interests to the Group by completing relevant declaration forms. Employees, especially those in charge of key functions such as procurement, should not accept any entertainment, gifts or other benefits that could in any way influence the business decisions in favour of any person or organisation with whom the Group may have business dealings. Anyone who receives or is offered a gift or other benefits exceeding a certain amount, shall declare to the Chief Executive Officer and the internal audit team. A conflict of interest register should be maintained by the Company Secretary and reviewed annually by the Board.

## *Whistleblowing Policy*

In line with the Group's commitment on accountability, a whistleblowing mechanism is developed among employees (at all levels, divisions and care and attention homes for the elderly) and all subcontractors' staff. It is to protect complainants against unfair dismissal, victimisation and unwarranted disciplinary action.

# Environmental, Social and Governance Report

Any suspected misconduct, fraudulent activities or malpractices in any matters related to the Group should be made in writing and sent to 1/F, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong to the executive Directors. All reports of complaints, including the identity of the complainant, will be treated in the strictest confidence. Persons who victimise or retaliate against those who have raised concerns will be subject to disciplinary actions.

## *Anti-corruption Training*

During the Reporting Period, the Group provided anti-corruption training to its employees in the form of a 1-hour training session, which covered topics such as whistle-blowing, business ethics, avoiding conflict-of-interest, and anti-bribery.

## **B8. Community Investment**

Firmly established and rooted in Hong Kong, the Group highly values community investment and is dedicated to serving Hong Kong, caring for the community and building harmonious society as well as providing assistance to those in need. Throughout the Reporting Period, the Group has devoted time and effort in giving back to the society through encouraging its employees to support environmental protection and contribute to the community through participating in energy saving initiatives and volunteer works. In addition, the Group will:

- a. devote itself to poverty alleviation, caring for the underprivileged through supporting charitable causes and helping to build a harmonious society;
- b. endeavor to work with charitable organisations to participate in various community programmes to contribute to the local communities; and
- c. promote sports and cultural diversity of its employees and customers by organising and taking part in sports and fitness activities.

The Group is also committed to providing career opportunities to nurture local talents and promote economic development to meet the needs of the community.

## *Charitable Activities and Donations*

During the Reporting Period, the Group made variety of charitable donations to its local community, including The Kowloon Federation of Associations Wong Tai Sin District Committee, the Wong Tai Sin Children's Choir, the Wong Tai Sin District Affairs Advisory Committee and the Kowloon Federation of Associations Wong Tai Sin District Committee, the Kowloon East District Residents' Committee, the Shatin Branch of Hong Kong Industrial and Commercial Association, the Choi Fook Estate Residents' Association, and the Lamma Island (North) Rural Committee.

In addition, the Group supports causes that align with its values, namely, the Leadership Institute on Narcotics established by the Hong Kong Police Force to support anti-drug efforts, the Association of The Directors And Former Directors Of Pok Oi Hospital Limited, and financial aid to various causes and associations that support caring for the elderly.

In total, the Group had made charitable donations of HK\$602,800 during the Reporting Period. The Group will continue to be socially responsible and respond to the needs of the society through strategic use of its resources and networks.



# 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 2024 (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 89 to 90 of this annual report.

The Board has recommended the declaration of a final dividend of HK2.0 cents per share for the Year (for the year ended 31 March 2023: HK2.2 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 Thursday, 19 September 2024 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 9 September 2024.

An interim dividend of HK1.0 cents per share for the six months ended 30 September 2023 was paid by the Company on 5 January 2024 (for the six months ended 30 September 2022: HK2.2 cents per share paid on 9 December 2022).

## CLOSURE OF REGISTER OF MEMBERS

For determining Members entitlement to attend and vote at the annual general meeting of the Company to be held on Friday, 30 August 2024 (the “AGM”), the register of members of the Company will be closed from Tuesday, 27 August 2024 to Friday, 30 August 2024, 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 Monday, 26 August 2024.

For determining Members 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 Friday, 6 September 2024 to Monday, 9 September 2024, 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 Thursday, 5 September 2024.

## 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 Social Welfare Department 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 156 of this annual report. This summary does not form part of the audited consolidated financial statements.

## SUBSIDIARIES

Details (including the principal activities) of the Company's principal subsidiaries as at 31 March 2024 are set out in note 29 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 12 to the audited consolidated financial statements.

# Report of the Directors

## CHARITABLE DONATIONS

Charitable and other donations made by the Group during the Year amounted to approximately HK\$0.6 million (2023: HK\$0.7 million).

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2024, the Company's distributable reserves available for distribution is approximately HK\$397.4 million (2023: HK\$405.0 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 20(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 (*Chairman and Chief Executive Officer*)  
Lau Kwok Wo (*Appointed on 2 April 2024*)

### Independent non-executive Directors

Or Kevin  
Wong Vinci  
Wu Wing Fong  
Lo Ning

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. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election.

Accordingly, Ms. Ngai Ka Yee and Ms. Lo Ning shall retire as the Directors pursuant to article 84 of the Articles and, being eligible, offer themselves for re-election at the AGM. Ms. Ngai Ka Yee will offer herself for re-election as Director at the AGM. Ms. Lo Ning will not offer herself for re-election as Director at the AGM.

According to article 83 of the Articles, any Director appointed to fill a casual vacancy on the Board or as an addition to the existing Board, shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

# Report of the Directors

Accordingly, Mr. Lau Kwok Wo, shall retire as the Director and, being eligible, offer himself 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 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors, and senior management of the Group are set out on pages 17 to 19 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of Ms. Ngai Ka Yee and Mr. Ngai Shi Shing Godfrey, being 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 contracts) 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.

Mr. Lau Kwok Wo, being an executive Director, has signed a service contract with the Company on 2 April 2024 for an initial term of three years, commencing from 2 April 2024 and subject to the rotation, removal, vacation or termination of such office as set out in the Articles.

Each of Ms. Wu Wing Fong and Ms. Lo Ning, being the independent non-executive Directors, has signed a letter of appointment with the Company on 6 August 2022 and 8 August 2022 respectively for an initial term of two years, commencing from 8 August 2022 (subject to termination in certain circumstances as stipulated in the relevant letters of appointments) 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.

Each of Mr. Or Kevin and Mr. Wong Vinci, being 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 appointments) 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.

None of the Directors who are proposed for re-election at the 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 8 and 18 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 8 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 has adopted a share option scheme to grant options to eligible participants as incentives or rewards for their contribution to the Group. Details of the scheme are set out in the paragraph headed "Share Option Scheme" below.

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 programmes 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, 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 2024, 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 C3 to the Listing Rules, were as follows:

# Report of the Directors

Name of Directors	Nature of interests	Number of Shares held <sup>(1)</sup>	Percentage of shareholding in the Company's issued share capital <sup>(5)</sup>	
			Total	(%)
Ms. Ngai	Settlor of a family trust	624,000,000(L) <sup>(2)</sup>	634,000,000	63.40%
	Beneficiary owner	10,000,000(L) <sup>(3)</sup>		
Mr. Ngai	Beneficiary of a family trust	624,000,000(L) <sup>(2)</sup>	638,648,000	63.86%
	Beneficiary owner	14,648,000(L) <sup>(4)</sup>		

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) It represents the interests in underlying shares in respect of the share option granted by the Company, details of which are disclosed in the paragraph headed "Share Option Scheme" below. Ms. Ngai has 10,000,000 share options.
- (4) It represents 4,648,000 shares held by Mr. Ngai and 10,000,000 underlying shares granted to Mr. Ngai in respect of the share option granted by the Company, details of which are disclosed in the paragraph headed "Share Option Scheme" below.
- (5) The approximate percentages were calculated based on 1,000,000,000 shares in issue as at 31 March 2024.

Save as disclosed above, as at 31 March 2024, 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.

## 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.

# Report of the Directors

## 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 2024, 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 <sup>(1)</sup>	Percentage of shareholding in the Company's issued share capital <sup>(5)</sup> (%)
Sheung Fung	Beneficial owner	624,000,000(L)	62.40%
The Trustee	Trustee	624,000,000(L) <sup>(2)</sup>	62.40%
Ms. Wei Xiaoling	Interest of spouse	638,648,000(L) <sup>(3)</sup>	63.86%
Mr. Lam Kong (" <b>Mr. Lam</b> ")	Beneficial owner	70,202,000(L) <sup>(4)</sup>	7.02%

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) It represents 60,202,000 shares held by Mr. Lam and 10,000,000 underlying shares granted to him in respect of the share option granted by the Company, details of which are disclosed in the paragraph headed "Share Option Scheme" below.
- (5) The approximate percentages were calculated based on 1,000,000,000 shares in issue as at 31 March 2024.



# Report of the Directors

Save as disclosed above, as at 31 March 2024, 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 2024, 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	47.3%
— Five largest customers	48.6%

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

— The largest supplier	25.3%
— Five largest suppliers	62.3%

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.

## 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.

## 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 C3 to the Listing Rules (the "Model Code"). In response to the specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the Year.

## 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;
- (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

# Report of the Directors

- (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 note 5 of Rule 13.52(2) 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 note 5 of Rule 13.52(2) of the Listing Rules.

# Report of the Directors

## (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 Rule 17.03E 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, with no deadline specified.

## (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.

## (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. As at 31 March 2024, the remaining life of the Share Option Scheme is approximately 5 years 2 months.

# Report of the Directors

## **(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.

## **(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.

# Report of the Directors

## (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.

## (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 of 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.

# Report of the Directors

## **(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.

## **(xxiv) Vesting Period**

The Board may in its absolute discretion impose any condition(s) as it deems appropriate with respect to the grant of options to the Eligible Participants, including but not limited to the vesting period (if any).

## **(xxv) 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.



# Report of the Directors

Movements in the outstanding share options granted under the Share Option Scheme during the Year are set out below:

Date of Grant (dd/mm/yyyy)	Name of Grantees	Position/Capacity	Number of Shares over which Share Options are Exercisable					Balance as at 31 March 2024	Exercise Price Per Share (Note 1)	Vested Date (dd/mm/ yyyy)	Expiry Date (dd/mm/ yyyy)
			Balance as at 1 April 2023	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled/ Forfeited during the Year				
22/03/2022	Mr. Ngai Shi Shing Godfrey	Chairman of the Board, Executive Director, chief executive officer and substantial Shareholder	10,000,000	–	–	–	–	10,000,000	HK\$0.6	22/03/2025	22/03/2032
22/03/2022	Ms. Ngai Ka Yee	Executive Director and substantial Shareholder	10,000,000	–	–	–	–	10,000,000	HK\$0.6	22/03/2025	22/03/2032
22/03/2022		Other eligible employees	40,000,000	–	–	–	–	40,000,000	HK\$0.6	22/03/2025	22/03/2032
			60,000,000	–	–	–	–	60,000,000			

Note:

- (1) The closing price of the Company's shares immediately before the date on which the share options were granted (i.e. 22 March 2022) was HK\$0.6 per share.

During the Year, no share option was granted, exercised, lapsed, cancelled or forfeited under the Share Option Scheme, and as at 31 March 2024, 60,000,000 share options were granted to the Directors and other eligible employees.

The total number of options available for grant at the beginning and the end of the Year under the Share Option Scheme is 40,000,000 shares, representing 4.0% of the total number of issued shares of the Company as at the date of this report. As at 31 March 2024, there is no service provider sublimit set under the Share Option Scheme; and no share options were issued to service providers under Rule 17.03(3) of the Listing Rules.

The number of shares that may be issued in respect of options granted under all schemes of the Company during the Year were 60,000,000. The weighted average number of shares for the Year were 1,000,000,000. The calculation pursuant to Rule 17.07(3) is 0.06.

## AUDIT COMMITTEE

The Company has set up an Audit Committee on 20 May 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 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 four members, namely Mr. Or Kevin, Mr. Wong Vinci, Ms. Wu Wing Fong and Ms. Lo Ning. The chairman of the Audit Committee is Mr. Or Kevin, 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.

# Report of the Directors

## CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

During the Year, transactions between members of the Group and the connected persons have become connected transactions and a fully exempt continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Details of the Group's fully exempt continuing connected transaction and connected transactions are set out as follows.

### I. Fully Exempt Continuing Connected Transaction

#### 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	:	1 April 2022
Parties to the agreement	:	(i) the Company; and (ii) Stand Harvest
Service	:	Provision of laundry service to the care and attention homes
Term	:	1 April 2022 to 31 March 2025

With respect to the continuing connected transactions contemplated under the Laundry Service Agreement, the annual caps for each of the three years ended and ending 31 March 2023, 2024 and 2025 are listed below:

Annual caps for the year ended/ending 31 March		
2023 HK\$	2024 HK\$	2025 HK\$
2,900,000	2,900,000	2,900,000

### II. Non-Exempt Connected Transactions

#### Connected Transaction (I)

On 21 April 2022, Kato Elderly Care Limited, a wholly-owned subsidiary of the Company, entered into the alternation and addition works contract (the "**A&A Works Contract**") with Global Crown Limited ("**Global Crown**"), pursuant to which Global Crown agreed to carry out, be responsible for and complete the alternation and addition works on Hing Tin Commercial Centre Complex, a property held by the Group.

Global Crown is an indirect wholly-owned subsidiary of KNK Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8039), which is owned as to 46.6% by Mr. Poon Kai Kit Joe ("**Mr. Poon**"), a former non-executive Director who resigned on 21 April 2022. Global Crown is therefore an associate of Mr. Poon. Therefore, the transactions under the A&A Works Contract constitute connected transactions under Chapter 14A of the Listing Rules.

The contract sum was HK\$18,000,000, being the total contract sum payable by Kato Elderly Care Limited to Global Crown pursuant to the A&A Works Contract.

For details, please refer to the announcement of the Company dated 21 April 2022.

# Report of the Directors

## **Connected Transaction (II)**

On 17 May 2022, the Group and the landlords entered into several renewal letters (the “**Renewal Letters**”) to renew the existing leases of the Group, including (i) Kato Elderly Home Tenancy, (ii) Kato Home for the Aged Tenancy, (iii) Fai To Home (On Lai) Tenancy, (iv) Fai To Home (Tuen Mun) Tenancy, (v) Tsuen Wan Centre Tenancy, (vi) Happy Luck Home Tenancy, (vii) Tsuen Wan Staff Quarters Tenancy, (viii) Kato Staff Quarters Tenancy, (ix) Staff Quarters Tenancy, and (x) Fai To Sino West Staff Quarters Tenancy (collectively, the “**Existing Leases**”) with the respective landlords for a period from 1 April 2022 to 31 March 2025. The landlords of the Existing Leases include Mr. Ngai, Ms. Ngai, Mr. Lam Kong, Classic Mate Limited (“**Classic Mate**”), Kato Elderly Affairs Limited (“**Kato Elderly Affairs**”), Kato Property Limited (“**Kato Property**”), Perfect Cheer Investment Limited (“**Perfect Cheer**”), Shing Kong Limited (“**Shing Kong**”) and Smarts Corporation Limited (“**Smarts Corporation**”).

Mr. Ngai and Ms. Ngai are connected persons of the Company by virtue of being executive Directors and Controlling Shareholders. As Mr. Lam Kong is the brother of Mr. Ngai, he is regarded as an associate of Mr. Ngai and therefore is a connected person of our Company. Therefore, (i) Classic Mate, Perfect Cheer, Shing Kong and Smarts Corporation are all companies incorporated in Hong Kong with limited liability and wholly owned by Four Rings Property Agency Limited, a company indirectly wholly owned by Ms. Ngai, and (ii) Kato Elderly Affairs and Kato Property are both owned as to 60% by Four Rings Property Agency Limited. As associates of Ms. Ngai, one of the Directors and Controlling Shareholders, all of Classic Mate, Perfect Cheer, Shing Kong, Smarts Corporation, Kato Elderly Affairs and Kato Property are connected persons of our Company.

As Mr. Ngai, Ms. Ngai, Mr. Lam Kong, Classic Mate, Kato Elderly Affairs, Kato Property, Perfect Cheer, Shing Kong and Smarts Corporation have been letting and will continue to let the premises to the Group on normal commercial terms, the transactions contemplated under the Renewal Letters are considered as one-off connected transactions of our Company under Chapter 14A of the Listing Rules.

An extraordinary general meeting of the Company was convened on 20 June 2022, at which the Renewal Letters and the transactions contemplated thereunder were duly approved and passed as ordinary resolutions of the Company by the independent Shareholders.

Details of the Renewal Letters are set out as follows and for further details thereof, please refer to the announcement of the Company dated 17 May 2022 and the circular of the Company dated 2 June 2022.

### **1. Renewal Letter between Kato Elderly Affairs and Kato Kung Limited (“Kato Kung”) (“Kato Elderly Home Tenancy Renewal Letter”)**

Kato Kung, an indirect wholly owned subsidiary of the Company, as tenant, has entered into the Kato Elderly Home Tenancy Renewal Letter with Kato Elderly Affairs as landlord in relation to the leasing of the premises of Kato Home for the Elderly (a care and attention home for the elderly at the address below), the principal terms of which are set out as follows:

Date of the agreement	:	17 May 2022
Tenant	:	Kato Kung
Landlord	:	Kato Elderly Affairs
Location of property	:	Shops 8–12 on G/F and 1/F, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong
Size of property (saleable floor area)	:	Approximately 18,680 sq. ft.

# Report of the Directors

Term : 1 April 2022 to 31 March 2025 (subject to renewal)

The rent payable by the Group to Kato Elderly Affairs under the Kato Elderly Home Tenancy Renewal Letter for each of the three years ended and ending 31 March 2023, 2024 and 2025 is listed below:

For the year ended/ending 31 March		
2023 HK\$	2024 HK\$	2025 HK\$
4,860,000	4,860,000	4,860,000

## 2. *Renewal Letter between Kato Property and Kato Kung (“Kato Home for the Aged Tenancy Renewal Letter”)*

Kato Kung, an indirect wholly owned subsidiary of the Company, as tenant, has entered into the Kato Home for the Aged Tenancy Renewal Letter 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), the principal terms of which are set out as follows:

Date of the agreement : 17 May 2022

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

Size of property (saleable floor area) : Approximately 12,277 sq. ft.

Term : 1 April 2022 to 31 March 2025 (subject to renewal)

The rent payable by the Group to Kato Property under the Kato Home for the Aged Tenancy Renewal Letter for each of the three years ended and ending 31 March 2023, 2024 and 2025 is listed below:

For the year ended/ending 31 March		
2023 HK\$	2024 HK\$	2025 HK\$
2,376,000	2,376,000	2,376,000

# Report of the Directors

### 3. *Renewal Letter between Classic Mate and Crawfield International Limited (“Crawfield International”) (“Fai To Home (On Lai) Tenancy Renewal Letter”)*

Crawfield International, an indirect wholly owned subsidiary of the Company, as tenant, has entered into the Fai To Home (On Lai) Tenancy Renewal Letter 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), the principal terms of which are set out as follows:

Date of the agreement	:	17 May 2022
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
Size of property (saleable floor area)	:	Approximately 5,271 sq. ft.
Term	:	1 April 2022 to 31 March 2025 (subject to renewal)

The rent payable by the Group to Classic Mate under the Fai To Home (On Lai) Tenancy Renewal Letter for each of the three years ended and ending 31 March 2023, 2024 and 2025 is listed below:

<b>For the year ended/ending 31 March</b>		
<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
1,236,000	1,236,000	1,236,000

# Report of the Directors

#### 4. *Renewal Letter between Perfect Cheer and Crawfield International (“Fai To Home (Tuen Mun) Tenancy Renewal Letter”)*

Crawfield International, an indirect wholly owned subsidiary of the Company, as tenant, has entered into the Fai To Home (Tuen Mun) Tenancy Renewal Letter 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), the principal terms of which are set out as follows:

Date of the agreement	:	17 May 2022
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
Size of property (saleable floor area)	:	Approximately 8,645 sq. ft.
Term	:	1 April 2022 to 31 March 2025 (subject to renewal)

The rent payable by the Group to Perfect Cheer under the Fai To Home (Tuen Mun) Tenancy Renewal Letter for each of the three years ended and ending 31 March 2023, 2024 and 2025 is listed below:

<b>For the year ended/ending 31 March</b>		
<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
2,004,000	2,004,000	2,004,000

# Report of the Directors

## 5. *Renewal Letter between Shing Kong and Tsuen Wan Elderly Centre Limited (“Tsuen Wan Elderly Centre”) (“Tsuen Wan Centre Tenancy Renewal Letter”)*

Tsuen Wan Elderly Centre, an indirect wholly owned subsidiary of the Company, as tenant, has entered into the Tsuen Wan Centre Tenancy Renewal Letter with Shing Kong as landlord in relation to the leasing of the premises of Tsuen Wan Elderly Centre at the address below, the principal terms of which are set out as follows:

Date of the agreement	:	17 May 2022
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
Size of property (saleable floor area)	:	Approximately 15,950 sq. ft.
Term	:	1 April 2022 to 31 March 2025 (subject to renewal)

The rent payable by the Group to Shing Kong under the Tsuen Wan Centre Tenancy Renewal Letter for each of the three years ended and ending 31 March 2023, 2024 and 2025 is listed below:

<b>For the year ended/ending 31 March</b>		
<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
2,904,000	2,904,000	2,904,000

# Report of the Directors

## 6. *Renewal Letter between Smarts Corporation and Happy Luck Elderly Home Limited (“Happy Luck”) (“Happy Luck Home Tenancy Renewal Letter”)*

Happy Luck, an indirect wholly owned subsidiary of the Company, as tenant, has entered into the Happy Luck Home Tenancy Renewal Letter with Smarts Corporation as landlord in relation to the leasing of Happy Luck at the address below, the principal terms of which are set out as follows:

Date of the agreement	:	17 May 2022
Tenant	:	Happy Luck
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
Size of property (saleable floor area)	:	Approximately 15,729 sq. ft.
Term	:	1 April 2022 to 31 March 2025 (subject to renewal)

The rent payable by the Group to Smarts Corporation under the Happy Luck Home Tenancy Renewal Letter for each of the three years ended and ending 31 March 2023, 2024 and 2025 is listed below:

<b>For the year ended/ending 31 March</b>		
<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
2,724,000	2,724,000	2,724,000



# Report of the Directors

## 7. *Renewal Letter between Mr. Ngai, Mr. Lam and Tsuen Wan Elderly Centre Limited (“Tsuen Wan Elderly Centre”) (“Tsuen Wan Staff Quarters Tenancy Renewal Letter”)*

Tsuen Wan Elderly Centre, an indirect wholly owned subsidiary of the Company, as tenant, has entered into the Tsuen Wan Staff Quarters Tenancy Renewal Letter with Mr. Ngai and Mr. Lam as landlords in relation to the leasing of the staff quarters for Tsuen Wan Elderly Centre, the principal terms of which are set out as follows:

Date of the agreement	:	17 May 2022
Tenant	:	Tsuen Wan Elderly Centre
Landlords	:	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
Size of property (saleable floor area)	:	Approximately 425 sq. ft.
Term	:	1 April 2022 to 31 March 2025 (subject to renewal)

The rent payable by the Group to Mr. Ngai and Mr. Lam under the Tsuen Wan Staff Quarters Tenancy Renewal Letter for each of the three years ended and ending 31 March 2023, 2024 and 2025 is listed below:

<b>For the year ended/ending 31 March</b>		
<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
146,400	146,400	146,400

# Report of the Directors

## 8. *Renewal Letter between Ms. Ngai, Kato Elderly Affairs and Kato Kung (“Kato Staff Quarters Tenancy Renewal Letter”)*

Kato Kung, an indirect wholly owned subsidiary of the Company, as tenant, has entered into the Kato Staff Quarters Tenancy Renewal Letter 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, the principal terms of which are set out as follows:

Date of the agreement	:	17 May 2022
Tenant	:	Kato Kung
Landlords	:	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
Size of property (saleable floor area)	:	Approximately 8,257 sq. ft. (including flat roof area of 7,427 sq. ft.)
Term	:	1 April 2022 to 31 March 2025 (subject to renewal)

The rent payable by the Group to Ms. Ngai and Kato Elderly Affairs under the Kato Staff Quarters Tenancy Renewal Letter for each of the three years ended and ending 31 March 2023, 2024 and 2025 is listed below:

<b>For the year ended/ending 31 March</b>		
<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
356,400	356,400	356,400

# Report of the Directors

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

Happy Luck, Jane's Home, Oriental Chinese and Tsuen Wan Elderly Centre, all indirect wholly owned subsidiaries of the Company, as tenants, have entered into the Staff Quarters Tenancy Renewal Letter 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, the principal terms of which are set out as follows:

Date of the agreement	:	17 May 2022
Tenants	:	Happy Luck, Jane's Home, Oriental Chinese and Tsuen Wan Elderly Centre
Landlord	:	Ms. Ngai
Location of property	:	3/F, Four Sea Mansion, 11 Fa Yuen Street, Mongkok, Hong Kong
Size of property (saleable floor area)	:	Approximately 799 sq. ft.
Term	:	1 April 2022 to 31 March 2025 (subject to renewal)

The rent payable by the Group to Ms. Ngai under the Staff Quarters Tenancy Renewal Letter for each of the three years ended and ending 31 March 2023, 2024 and 2025 is listed below:

<b>For the year ended/ending 31 March</b>		
<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
254,400	254,400	254,400

# Report of the Directors

## 10. Renewal Letter between Ms. Ngai and Oriental Chinese (“Fai To Sino West Staff Quarters Tenancy Renewal Letter”)

Oriental Chinese, an indirect wholly owned subsidiary of the Company, as tenant, has entered the Fai To Sino West Staff Quarters Tenancy Renewal Letter with Ms. Ngai as landlord in relation to the leasing of the staff quarters for Fai To Sino West Home, the principal terms of which are set out as follows:

Date of the agreement	:	17 May 2022
Tenant	:	Oriental Chinese
Landlord	:	Ms. Ngai
Location of property	:	Room 10, 3/F, Tung Shun Hing Building, 22 Chi Kiang Street, Kowloon, Hong Kong
Size of property (saleable floor area)	:	Approximately 266 sq. ft. (together with flat roof of 280 sq. ft.)
Term	:	1 April 2022 to 31 March 2025 (subject to renewal)

The rent payable by the Group to Ms. Ngai under the Fai To Sino West Staff Quarters Tenancy Renewal Letter for each of the three years ended and ending 31 March 2023, 2024 and 2025 is listed below:

<b>For the year ended/ending 31 March</b>		
<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
60,000	60,000	60,000

Details of related party transactions of the Group during the Year are set out in note 18 to the audited consolidated financial statements in this annual report. During the Year, certain related party transactions set out in note 18 to the audited consolidated financial statements are regarded as 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.

# 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 20 to 33 of this annual report.

## ANNUAL GENERAL MEETING

The AGM will be held at Shop No. 9 on G/F., Hing Tin Commercial Centre Complex, Hing Tin Estate, 8 Lin Tak Road, Lam Tin, Kowloon, Hong Kong on Friday, 30 August 2024 at 5:00 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.

## EVENTS AFTER THE REPORTING PERIOD

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 AGM.

There is no change of independent auditor of the Company during the past three years.

On behalf of the Board

**Ngai Shi Shing, Godfrey**

*Chairman and Executive Director*

Hong Kong, 25 June 2024

# 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**”), which are set out on pages 89 to 154, comprise:

- the consolidated statement of financial position as at 31 March 2024;
- 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, comprising material accounting policy information and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

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

### Independence

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

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

# Independent Auditor's Report

## KEY AUDIT MATTERS

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

The key audit matter identified in our audit is related to revenue recognition on elderly home care services.

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Revenue recognition on elderly home care services

Refer to note 5 and note 30.20 to the consolidated financial statements.

The Group recognised revenue of HK\$200,664,000 by provision of elderly home care services.

The revenue from rendering of elderly home care services is recognised over time when the Group provides the services to its customers.

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

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

For revenue from rendering of elderly home care services to the Social Welfare Department ("**SWD**") of the Government of HKSAR under the Enhanced Bought Place Scheme ("**EBPS**"), we performed substantive analytical procedures 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. Also, we performed targeted testing by tracing to the relevant bank receipts.

For revenue from rendering of elderly home care services other than those under EBPS, we tested the revenue transactions on a sample basis by tracing to supporting documents such as services agreements and customer receipts.

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

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

## 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.

# Independent Auditor's Report

## OTHER INFORMATION (CONTINUED)

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.

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

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



# Independent Auditor's Report

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

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

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

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

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

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

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 25 June 2024

# Consolidated Statement of Profit or Loss

For the year ended 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
Revenue	5	271,334	408,297
Fair value gain on investment properties	13	18,613	10,400
Employee benefit expenses, net		(107,656)	(141,212)
Depreciation of property and equipment	12	(10,840)	(8,784)
Depreciation of right-of-use assets	14	(36,796)	(35,857)
Property rental and related expenses		(5,711)	(3,702)
Food and beverage costs		(11,601)	(8,501)
Utility expenses		(6,725)	(5,176)
Supplies and consumables		(2,058)	(2,549)
Repairs and maintenance		(2,748)	(1,387)
Subcontracting fees, net		(6,027)	(25,519)
Laundry expenses		(2,457)	(3,172)
Medical fees and related expenses		(3,017)	(4,990)
Legal and professional fees		(3,162)	(2,922)
Other income and other gains, net		6,415	1,432
Other operating expenses		(15,296)	(14,357)
Finance costs, net	6	(8,367)	(8,537)
Profit before taxation	7	73,901	153,464
Income tax expense	9	(9,793)	(27,681)
<b>Profit for the year</b>		<b>64,108</b>	<b>125,783</b>
<b>Profit/(loss) for the year attributable to:</b>			
— Owners of the Company		64,185	126,150
— Non-controlling interests		(77)	(367)
		<b>64,108</b>	<b>125,783</b>
<b>Earnings per share attributable to the owners of the Company (in HK cents)</b>			
— Basic earnings per share	11	6.42	12.62
— Diluted earnings per share	11	6.42	12.62

# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
<b>Profit for the year</b>		<b>64,108</b>	125,783
<b>Other comprehensive income/(loss):</b>			
<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	17(c)	<b>(236)</b>	(10)
Fair value changes on property revaluation	12	<b>25,493</b>	—
Remeasurements of employee benefit obligations	21(a)	<b>2,262</b>	—
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>27,519</b>	(10)
<b>Total comprehensive income for the year</b>		<b>91,627</b>	125,773
<b>Total comprehensive income/(loss) for the year attributable to:</b>			
— Owners of the Company		<b>91,704</b>	126,140
— Non-controlling interests		<b>(77)</b>	(367)
		<b>91,627</b>	125,773

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 2024

	Note	2024 HK\$'000	2023 HK\$'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	12	105,014	110,077
Investment properties	13	368,100	107,800
Right-of-use assets	14	282,115	337,729
Deferred tax assets	23	2,485	2,005
Prepayments and deposits	16	4,946	4,920
Financial assets at fair value through other comprehensive income	17	697	933
Total non-current assets		763,357	563,464
<b>CURRENT ASSETS</b>			
Trade receivables	15	12,682	44,127
Prepayments, deposits and other receivables	16	9,251	13,181
Short-term bank deposits	19	30,100	501
Restricted bank deposits	19	10,491	6,590
Cash and cash equivalents	19	37,420	71,439
Total current assets		99,944	135,838
<b>Total assets</b>		<b>863,301</b>	<b>699,302</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	20(a)	10,000	10,000
Reserves	20(b)	424,293	362,629
		434,293	372,629
Non-controlling interests		234	311
<b>Total equity</b>		<b>434,527</b>	<b>372,940</b>

# Consolidated Statement of Financial Position

As at 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Accruals and other payables	21	6,672	5,350
Lease liabilities	14	121,206	149,475
Bank borrowings	24	207,991	86,023
Deferred tax liabilities	23	—	1,716
Total non-current liabilities		335,869	242,564
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	24,376	36,920
Contract liabilities	22	964	1,015
Amount due to a director	18(a)	250	—
Bank borrowings	24	26,323	5,429
Lease liabilities	14	28,783	29,102
Income tax payable		12,209	11,332
Total current liabilities		92,905	83,798
<b>Total liabilities</b>		<b>428,774</b>	<b>326,362</b>
<b>Total equity and liabilities</b>		<b>863,301</b>	<b>699,302</b>

The consolidated financial statements on pages 89 to 154 were approved by the Board of Directors on 25 June 2024 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 2024

	Attributable to the owners of the Company							Non-controlling interests	Total equity	
	Note	Share capital	Share premium	Capital reserve	Revaluation reserve	Share option reserve	Retained earnings			Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>At 1 April 2022</b>		10,000	126,440	36	(7)	54	155,006	291,529	678	292,207
<b>Profit and comprehensive income:</b>										
Profit for the year		–	–	–	–	–	126,150	126,150	(367)	125,783
Other comprehensive loss		–	–	–	(10)	–	–	(10)	–	(10)
		–	–	–	(10)	–	126,150	126,140	(367)	125,773
<b>Transactions with owners in their capacity as owners:</b>										
Dividends	10	–	–	–	–	–	(47,000)	(47,000)	–	(47,000)
Share-based payment	28	–	–	–	–	1,960	–	1,960	–	1,960
<b>At 31 March 2023 and 1 April 2023</b>		<b>10,000</b>	<b>126,440</b>	<b>36</b>	<b>(17)</b>	<b>2,014</b>	<b>234,156</b>	<b>372,629</b>	<b>311</b>	<b>372,940</b>
<b>Profit and comprehensive income:</b>										
Profit for the year		–	–	–	–	–	64,185	64,185	(77)	64,108
Other comprehensive income		–	–	–	25,257	–	2,262	27,519	–	27,519
		–	–	–	25,257	–	66,447	91,704	(77)	91,627
<b>Transactions with owners in their capacity as owners:</b>										
Dividends	10	–	–	–	–	–	(32,000)	(32,000)	–	(32,000)
Share-based payment	28	–	–	–	–	1,960	–	1,960	–	1,960
<b>At 31 March 2024</b>		<b>10,000</b>	<b>126,440</b>	<b>36</b>	<b>25,240</b>	<b>3,974</b>	<b>268,603</b>	<b>434,293</b>	<b>234</b>	<b>434,527</b>

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 2024

	Note	2024 HK\$'000	2023 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	26(a)	142,392	182,890
Hong Kong profits tax paid		(11,112)	(19,935)
Interest received		1,136	191
Net cash generated from operating activities		132,416	163,146
<b>Cash flow from investing activities</b>			
Purchases of property and equipment		(24,318)	(56,132)
Purchase of investment properties		(178,287)	—
Change in short-term bank deposits		(29,599)	(298)
Change in restricted bank deposits		(3,901)	—
Investment in financial asset at fair value through profit or loss		—	(26,191)
Proceeds from disposal of financial asset at fair value through profit or loss		—	26,728
Net cash used in investing activities		(236,105)	(55,893)
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings	26(c)	157,000	—
Repayments of bank borrowings	26(c)	(14,138)	(5,503)
Dividends paid to shareholders		(32,000)	(47,000)
Payment of principal and interest portion of lease liabilities	26(c)	(34,159)	(31,521)
Interest paid		(7,033)	(3,236)
Net cash generated from/(used in) financing activities		69,670	(87,260)
Net (decrease)/increase in cash and cash equivalents		(34,019)	19,993
Cash and cash equivalents at the beginning of year		71,439	51,446
Cash and cash equivalents at the end of year		37,420	71,439

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 and 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 BASIS OF PREPARATION

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.

### (a) Compliance with HKFRS and HKCO

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 (“**HKCO**”) Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the HKICPA.

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 judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

### (b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, except for the financial asset at fair value through profit or loss, the financial assets at fair value through other comprehensive income and investment properties, which are carried at fair value.



# Notes to the Consolidated Financial Statements

## 2 BASIS OF PREPARATION (CONTINUED)

### (c) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for their annual reporting period commencing 1 April 2023:

HKFRS 17 and the related amendments	Insurance contracts
HKFRS 17	Initial application of HKFRS 17 and HKFRS 9 — Comparative information
HKAS 8 (Amendments)	Definition of accounting estimates
HKAS 12 (Amendments)	International tax reform — Pillar two model rules
HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction
HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of accounting policies

The new and amended standards 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.

### (d) Amended standards and interpretations (together refers as “Amendments”) issued but not yet effective

A number of Amendments and interpretation 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
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024
HKFRS 16 (Amendments)	Lease liability in a sale and leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of financial statements — Classification by the borrower of a term Loan that contains a repayment on demand clause	1 January 2024
HKAS 21 (Amendments)	Lack of exchangeability	1 January 2025
HKFRS 10 (Amendments) 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 Amendments. These 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 these Amendments when they become effective.

# 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 and cash equivalents, short-term bank deposits and restricted 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 borrowings 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 2024, if interest rates on all bank borrowings had been 50 basis-points higher/lower with all other variables held constant, profit after taxation for the year ended 31 March 2024 would have decreased/increased by approximately HK\$978,000 (2023: HK\$392,000), mainly as a result of higher/lower interest expense on floating rate bank borrowings.

#### (b) Credit risk

The credit risk of the Group mainly arises from trade receivables, deposits and other receivables, short-term bank deposits, restricted 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 to ensure that adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2024, the Group had concentration of credit risk as 60% (2023: 95%) 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 forward-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 3 categories by their risk characteristics, as (i) the Government of HKSAR; (ii) individual customers from elderly home care services and related business; and (iii) tenants. The Group also considers available reasonable and supportive forward-looking information, such as GDP growth rate.

For trade receivables from the Government of HKSAR and individual customers from elderly home care services and related business, there were no history of default and management does 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 close to zero as at 31 March 2024 (2023: same). As at 31 March 2024, the losses was assessed to be not material to the consolidated financial statements and no provision was made (2023: same).

Trade receivables from tenants with financial difficulty are assessed individually for loss allowance. As at 31 March 2024, the provision for expected credit losses on relevant balance is HK\$18,000 (2023: HK\$512,000).

#### (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 2024 as the directors considered that the expected credit loss was immaterial (2023: Nil).

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 Financial risk factors (Continued)

#### (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 19) 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.

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

	2024 HK\$'000	2023 HK\$'000
<b>Floating rate</b>		
Expiring within one year (bank borrowings and overdraft facilities)	46,865	70,410

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.

	Undiscounted cash flows					Carrying amount HK\$'000
	Less than 1 year or on demand HK\$'000	Between 1–2 years HK\$'000	Between 2–5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000	
<b>As at 31 March 2024</b>						
Trade and other payables	18,076	–	–	4,593	22,669	21,183
Amount due to a director	250	–	–	–	250	250
Bank borrowings	38,720	38,720	84,902	154,477	316,819	234,314
Undiscounted lease liabilities	32,873	32,610	92,116	4,080	161,679	149,989
	89,919	71,330	177,018	163,150	501,417	405,736
<b>As at 31 March 2023</b>						
Trade and other payables	19,506	–	–	–	19,506	19,506
Bank borrowings	9,093	9,093	27,278	72,745	118,209	91,452
Undiscounted lease liabilities	34,054	32,537	95,369	33,241	195,201	178,577
	62,653	41,630	122,647	105,986	332,916	289,535

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.2 Capital risk management

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

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

The 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 borrowings and lease liabilities less the sum of cash and cash equivalents, short-term bank deposits and restricted bank deposits. Total capital represents total equity as shown on the consolidated statement of financial position.

The gearing ratio as at 31 March 2024 and 2023 were as follows:

	2024 HK\$'000	2023 HK\$'000
Bank borrowings	234,314	91,452
Lease liabilities	149,989	178,577
	<b>384,303</b>	270,029
Less: Cash and cash equivalents	(37,420)	(71,439)
Short-term bank deposits	(30,100)	(501)
Restricted bank deposits	(10,491)	(6,590)
	<b>(78,011)</b>	(78,530)
Net debt	<b>306,292</b>	191,499
Total capital	<b>434,527</b>	372,940
Gearing ratio	<b>70.5%</b>	51.3%

As at 31 March 2024, the gearing ratio of the Group increased to 70.5% primarily due to the increase in bank borrowings.

As 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 financing requirements.

# Notes to the Consolidated Financial Statements

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair values as at 31 March 2024 and 2023 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).

The following table presents the Group's financial assets that are measured at fair values as at 31 March 2024 and 2023:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 31 March 2024</b>				
Investment properties (Note 13)	—	—	368,100	368,100
Financial asset at FVOCI				
— Listed equity investment (Note 17)	697	—	—	697
	697	—	368,100	368,797
<b>As at 31 March 2023</b>				
Investment properties (Note 13)	—	—	107,800	107,800
Financial asset at FVOCI				
— Listed equity investment (Note 17)	933	—	—	933
	933	—	107,800	108,733

There were no transfer of financial assets and liabilities between the fair value hierarchy classifications during the year ended 31 March 2024 (2023: same).

The carrying values of the Group's financial assets, including trade receivables, deposits and other receivables, short-term bank deposits, restricted bank deposits and cash and cash equivalents, and financial liabilities, including trade and other payables, amount due to a director, lease liabilities and bank borrowings' approximate to their fair values due to their short maturities or with interest rate close to market rate. 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.

# Notes to the Consolidated Financial Statements

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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.

### (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 13 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 chief operating decision-maker (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.

The CODM has determined the operating segments based on these reports. The Group is organised into two business segments:

- (a) elderly care services segment ("Elderly care services"); and
- (b) investment properties holding segment ("Investment properties holding").

# Notes to the Consolidated Financial Statements

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (a) Segment revenue and results

The following tables present revenue and segment results regarding the Group's reportable segments for the years ended 31 March 2024 and 2023 respectively.

#### For the year ended 31 March 2024

	Elderly care services HK\$'000	Investment properties holding HK\$'000	Total HK\$'000
<b>Revenue from contract with customers within the scope of HKFRS 15</b>			
<i>Recognised over time:</i>			
Rendering of elderly home care services	200,664	—	200,664
Rendering of elderly community home care services	8,956	—	8,956
Rendering of medical and laboratory services	10,332	—	10,332
Rental and properties management fee income	—	1,470	1,470
<i>Recognised at a point in time:</i>			
Sales of elderly home related goods	43,278	—	43,278
<b>Revenue arising from operating lease within the scope of HKFRS 16:</b>			
Fixed	—	6,634	6,634
Segment revenue	263,230	8,104	271,334
Segment results	67,677	19,847	87,524
Corporate and other unallocated expenses			(5,256)
Finance costs, net			(8,367)
Profit before taxation			73,901
Other information:			
Depreciation of property and equipment	(10,840)	—	(10,840)
Depreciation of right-of-use assets	(34,094)	(2,702)	(36,796)
Fair value gain on investment properties	—	18,613	18,613
Capital expenditures	24,902	178,287	203,189



# Notes to the Consolidated Financial Statements

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (a) Segment revenue and results (Continued)

For the year ended 31 March 2023

	Elderly care services HK\$'000	Investment properties holding HK\$'000	Total HK\$'000
<b>Revenue from contract with customers within the scope of HKFRS 15</b>			
<i>Recognised over time:</i>			
Rendering of care support services to persons under quarantine	178,179	—	178,179
Rendering of elderly home care services	175,374	—	175,374
Rendering of elderly community home care services	8,010	—	8,010
Rendering of medical and laboratory services	4,030	—	4,030
Rental and properties management fee income	—	1,542	1,542
<i>Recognised at a point in time:</i>			
Sales of elderly home related goods	36,541	—	36,541
<b>Revenue arising from operating lease within the scope of HKFRS 16:</b>			
Fixed	—	4,573	4,573
Variable	—	48	48
Segment revenue	402,134	6,163	408,297
Segment results	178,893	(319)	178,574
Corporate and other unallocated expenses			(16,573)
Finance costs, net			(8,537)
Profit before taxation			153,464
Other information:			
Depreciation of property and equipment	(8,784)	—	(8,784)
Depreciation of right-of-use assets	(33,155)	(2,702)	(35,857)
Fair value gain on investment properties	—	10,400	10,400
Capital expenditures	67,663	—	67,663

# Notes to the Consolidated Financial Statements

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (a) Segment revenue and results (Continued)

The Group's revenue was derived solely from its operations in Hong Kong during the year ended 31 March 2024 (2023: same), and the non-current assets of the Group were located in Hong Kong as at 31 March 2024 (2023: same).

Revenue of approximately HK\$128,420,000 (2023: HK\$286,550,000) for the year ended 31 March 2024 was derived from the Government of HKSAR under the Enhanced Bought Place Scheme ("EBPS"), Bought Place Scheme ("BPS"), by provision of residential care services in the Contract Home and care support services to persons under quarantine, which amounted to more than 10% (2023: same) of the Group's revenue.

The Group did not recognise any revenue-related contract assets during the year ended 31 March 2024 (2023: Nil).

### (b) Segment assets and liabilities

As at 31 March 2024

	Elderly care services HK\$'000	Investment properties holding HK\$'000	Total HK\$'000
<b>Assets</b>			
Segment assets	389,737	436,588	826,325
Unallocated:			
Financial assets at fair value through other comprehensive income			697
Short-term bank deposits			30,100
Cash and cash equivalents			6,179
Total assets			863,301
<b>Liabilities</b>			
Segment liabilities	184,046	4,416	188,462
Unallocated:			
Bank borrowings			234,314
Other payables			5,748
Amount due to a director			250
Total liabilities			428,774

# Notes to the Consolidated Financial Statements

## 5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Segment assets and liabilities (Continued)

As at 31 March 2023

	Elderly care services HK\$'000	Investment properties holding HK\$'000	Total HK\$'000
<b>Assets</b>			
Segment assets	475,877	175,790	651,667
Unallocated:			
Financial assets at fair value through other comprehensive income			933
Short-term bank deposits			501
Cash and cash equivalents			46,201
Total assets			699,302
<b>Liabilities</b>			
Segment liabilities	221,947	1,314	223,261
Unallocated:			
Bank borrowings			91,452
Other payables			11,649
Total liabilities			326,362

## 6 FINANCE COSTS, NET

	2024 HK\$'000	2023 HK\$'000
Bank interest income	2,108	191
Unwinding interest on rental deposits	1,599	64
Finance income	3,707	255
Interest expenses on bank borrowings	(7,033)	(3,236)
Interest expenses on lease liabilities (Note 14(b))	(4,971)	(5,556)
Interest expense on employee benefit obligations (Note 21(a))	(70)	—
Finance costs	(12,074)	(8,792)
Finance costs, net	(8,367)	(8,537)

# Notes to the Consolidated Financial Statements

## 7 PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting) the followings:

	2024 HK\$'000	2023 HK\$'000
Depreciation of property and equipment ( <i>Note 12</i> )	10,840	8,784
Depreciation of right-of-use assets ( <i>Note 14(b)</i> )	36,796	35,857
Property rental and related expenses	5,711	3,702
Lease payments for short-term leases ( <i>Note 14(b)</i> )	1,532	911
Rent concessions ( <i>Note 14(b)</i> )	—	(451)
Building management fees and rates	4,179	3,242
Employee benefit expenses, net	107,656	141,212
Wages and salaries	100,449	119,635
Retirement benefit scheme contributions	3,178	2,219
Staff welfare and benefits	817	9,346
Provision for long service payments ( <i>Note 21(a)</i> )	477	989
Directors' remunerations ( <i>Note 8(a)</i> )	4,578	17,826
Share-based payment expenses — staff portion ( <i>Note 28</i> )	1,306	1,306
Government subsidies ( <i>Note (i)</i> )	(3,149)	(10,109)
Legal and professional fees	2,237	2,538
Subcontracting fees, net	6,027	25,519
Subcontracting fees	12,689	33,341
Government subsidies	(6,662)	(7,822)
Auditor's remuneration		
Audit services	2,200	2,000
Non-audit services	925	384
Write-off of trade receivables	—	161
Provision for loss allowance on trade receivables	18	—
Insurance expenses	1,006	1,026
Donation	603	665
Government subsidies	(802)	(882)
Gain on disposal of financial asset at fair value through profit or loss	—	(537)

As at 31 March 2024, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2023: Nil).

*Note:*

- (i) During the year ended 31 March 2023, the Group successfully applied for funding support from the Employment Support Scheme ("ESS Scheme") under the Anti-epidemic Fund set up by the Government of HKSAR and received subsidies of approximately HK\$4,600,000 under this scheme. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. There are no unfulfilled conditions or other contingencies attaching to these grants. There is no such government subsidies under ESS Scheme for the year ended 31 March 2024.

# Notes to the Consolidated Financial Statements

## 8 BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' remunerations

The remunerations of directors for each of the years ended 31 March 2024 and 2023 were as follows:

	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind HK\$000 <i>(note (viii))</i>	Retirement benefit scheme contributions HK\$'000	Other emoluments paid or receivables HK\$'000	Total HK\$'000
<b>Year ended 31 March 2024</b>							
<b>Executive directors</b>							
– Ms. Ngai Ka Yee	–	1,441	–	327	–	–	1,768
– Mr. Ngai Shi Shing, Godfrey	–	1,441	–	327	42	–	1,810
<b>Independent non-executive directors</b>							
– Mr. Or Kelvin	200	–	–	–	–	–	200
– Mr. Vinci Wong	200	–	–	–	–	–	200
– Ms. Lo Ning <i>(note (vi))</i>	400	–	–	–	–	–	400
– Ms. Wu Wing Fong <i>(note (vi))</i>	200	–	–	–	–	–	200
	1,000	2,882	–	654	42	–	4,578
<b>Year ended 31 March 2023</b>							
<b>Executive directors</b>							
– Ms. Ngai Ka Yee	–	2,440	3,000	327	–	1	5,768
– Mr. Ngai Shi Shing, Godfrey	–	2,700	8,000	327	30	1	11,058
<b>Non-executive directors</b>							
– Mr. Poon Kai Kit Joe <i>(note (iii))</i>	–	–	–	–	–	–	–
– Mr. Cheng Man Tak Richard <i>(note (iv))</i>	–	–	–	–	–	–	–
<b>Independent non-executive directors</b>							
– Mr. Or Kelvin	200	–	–	–	–	–	200
– Ms. Chiu Lai Kuen, Susanna <i>(note (v))</i>	–	–	–	–	–	–	–
– Mr. Vinci Wong	200	–	–	–	–	–	200
– Ms. Lo Ning <i>(note (vi))</i>	400	–	–	–	–	–	400
– Ms. Wu Wing Fong <i>(note (vi))</i>	200	–	–	–	–	–	200
	1,000	5,140	11,000	654	30	2	17,826

# Notes to the Consolidated Financial Statements

## 8 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' remunerations (Continued)

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the company or its subsidiary		Aggregate emoluments paid to or receivable by directors in respect of other services in connection with the management of the affairs of the company or its subsidiary undertaking		Total	Total
2024	2023	2024	2023	2024	2023
HK\$'000	HK\$'000	HK\$'000	HK\$000	HK\$'000	HK\$'000
1,000	1,000	3,578	16,826	4,578	17,826

Note:

- (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 2024 (2023: 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 2024 (2023: Nil).
- (iii) Mr. Poon Kai Kit Joe was resigned as non-executive director of the Company on 21 April 2022.
- (iv) Mr. Cheng Man Tak Richard retired as non-executive director of the Company on 8 August 2022.
- (v) Ms. Chiu Lai Kuen, Susanna retired as independent non-executive director of the Company on 8 August 2022.
- (vi) Ms. Lo Ning and Ms. Wu Wing Fong was appointed as independent non-executive directors of the Company on 8 August 2022.
- (vii) Mr. Lau Kwok Wo was appointed as executive director of the Company on 2 April 2024.
- (viii) Allowances and benefits in kind represents share option expenses of the directors.

### (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 (2023: 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 2024 (2023: 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 2024 (2023: Nil).

# Notes to the Consolidated Financial Statements

## 8 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

During the year ended 31 March 2024, saved as disclosed in the Note 18, 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 (2023: same).

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

During the year ended 31 March 2024, 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 2024, other than those disclosed in Note 18 (2023: same).

### (g) Five highest paid individuals

The five highest paid individuals during the year included 2 directors (2023: 2 directors). Details of whose remuneration are set out in Note 8(a). Details of the remuneration for the year of the remaining 3 (2023: 3) highest paid employee who is not a director of the Company are as follows:

	2024 HK\$'000	2023 HK\$'000
Salaries, discretionary bonus, allowances and benefit in kind	2,953	6,612
Retirement benefit scheme contribution	72	78
Share option expense	653	653
	<b>3,678</b>	<b>7,343</b>

The emoluments fell within the following bands:

	Number of individual	
	2024	2023
HK\$500,001 to HK\$1,000,000	1	—
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	—	1
HK\$3,000,001 to HK\$3,500,000	—	1

### (h) During the year ended 31 March 2024, 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 (2023: Nil).

# Notes to the Consolidated Financial Statements

## 9 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 years ended 31 March 2024 and 2023.

An analysis of the income tax expense is as follows:

	2024 HK\$'000	2023 HK\$'000
Hong Kong profits tax		
Current year	12,269	25,233
(Over)/under-provision in prior year	(280)	2,643
	11,989	27,876
Deferred tax (Note 23)	(2,196)	(195)
	9,793	27,681

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

	2024 HK\$'000	2023 HK\$'000
Profit before taxation	73,901	153,464
Tax calculated at a tax rate of 16.5% (2023: 16.5%)	12,194	25,321
Effect on two-tiered tax rate of 8.25% (2023: 8.25%)	(165)	(165)
Income not subject to tax	(4,194)	(871)
Expenses not deductible for tax	2,257	1,031
Tax losses and other temporary differences for which no deferred income tax was recognised	11	(92)
Utilisation of tax losses previously not recognised	—	(126)
(Over)/under-provision in prior year	(280)	2,643
Tax reduction	(30)	(60)
Income tax expense	9,793	27,681



# Notes to the Consolidated Financial Statements

## 10 DIVIDENDS

	2024 HK\$'000	2023 HK\$'000
2023 final dividend paid (HK2.2 cents per share)	22,000	—
2024 interim dividend paid (HK1.0 cents per share)	10,000	—
2022 final dividend paid (HK2.5 cents per share)	—	25,000
2023 interim dividend paid (HK2.2 cents per share)	—	22,000
	32,000	47,000

A final dividend in respect of the year ended 31 March 2024 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 the consolidated financial statements.

## 11 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 2024 and 2023.

	2024	2023
Profit attributable to the owners of the Company (HK\$'000)	64,185	126,150
Weighted average number of shares in issue (thousand shares)	1,000,000	1,000,000
Basic earnings per share (in HK cents)	6.42	12.62

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option scheme are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average daily quoted market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 March 2024, dilutive earnings per share was of the same amount as the basic earnings per share as the share options were anti-dilutive (2023: same).

# Notes to the Consolidated Financial Statements

## 12 PROPERTY AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>At 1 April 2022</b>							
Cost	–	40,645	8,603	912	1,482	–	51,642
Accumulated depreciation	–	(28,923)	(6,096)	(626)	(843)	–	(36,488)
Net carrying amount	–	11,722	2,507	286	639	–	15,154
<b>Year ended 31 March 2023</b>							
Opening net carrying amount	–	11,722	2,507	286	639	–	15,154
Transfer from investment properties (Note 13)	43,200	–	–	–	–	–	43,200
Additions	–	14,842	1,000	9,961	380	34,324	60,507
Depreciation (Note 7)	(1,495)	(5,048)	(822)	(924)	(495)	–	(8,784)
Closing net carrying amount	41,705	21,516	2,685	9,323	524	34,324	110,077
<b>At 31 March 2023 and 1 April 2023</b>							
Cost	43,200	55,487	9,603	10,873	1,862	34,324	155,349
Accumulated depreciation	(1,495)	(33,971)	(6,918)	(1,550)	(1,338)	–	(45,272)
Net carrying amount	41,705	21,516	2,685	9,323	524	34,324	110,077
<b>Year ended 31 March 2024</b>							
Opening net carrying amount	41,705	21,516	2,685	9,323	524	34,324	110,077
Revaluation gains (Note (i))	12,434	–	–	–	–	–	12,434
Transfer	10,779	–	–	–	–	(10,779)	–
Transfer to investment properties (Note 13)	(30,923)	–	–	–	–	–	(30,923)
Additions	–	3,702	285	490	863	18,926	24,266
Depreciation (Note 7)	(1,423)	(6,172)	(802)	(2,187)	(256)	–	(10,840)
Closing net carrying amount	32,572	19,046	2,168	7,626	1,131	42,471	105,014
<b>At 31 March 2024</b>							
Cost	34,993	59,189	9,888	11,363	2,725	42,471	160,629
Accumulated depreciation	(2,421)	(40,143)	(7,720)	(3,737)	(1,594)	–	(55,615)
Net carrying amount	32,572	19,046	2,168	7,626	1,131	42,471	105,014

Note:

- (i) During the year ended 31 March 2024, property and equipment and right-of-use assets with a carrying amount of HK\$30,923,000 and HK\$32,477,000, respectively, were reclassified to investment properties upon the change of management's intention from owner-occupied to capital appreciation and earning rental income of those properties. Upon the date of transfer, the property and equipment and right-of-use assets were revalued to its fair value and a revaluation gain of HK\$12,434,000 and HK\$13,059,000, respectively were credited to other comprehensive income.

# Notes to the Consolidated Financial Statements

## 13 INVESTMENT PROPERTIES

	2024 HK\$'000	2023 HK\$'000
<b>At fair value</b>		
At the beginning of the year	107,800	249,400
Additions	178,287	—
Transfer from property and equipment (Note 12)	30,923	—
Transfer from right-of-use assets (Note 14)	32,477	—
Transfer to property and equipment (Note 12)	—	(43,200)
Transfer to right-of-use assets (Note 14)	—	(108,800)
Fair value gains	18,613	10,400
At the end of the year	368,100	107,800

During the year ended 31 March 2024, property and equipment and right-of-use assets with carrying amounts of HK\$30,923,000 and HK\$32,477,000, respectively were reclassified to investment properties upon commencement of lease with a view to earning rental income and capital appreciation.

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

	2024 HK\$'000	2023 HK\$'000
Revenue arising from operating leases	6,634	4,621
Management fee income	246	268
Car park revenue	1,224	1,274
Direct operating expenses arising from investment properties that generate income:		
Property management fees, security and cleaning	(556)	(456)
Government rent and rates	(675)	(428)

### (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

## 13 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 2024, the Group did not have any investment properties categorised as level 1 or level 2 (2023: same) and there were no transfers among levels 1, 2 and 3 during the year ended 31 March 2024 (2023: Nil).

The Group's investment properties were valued at 31 March 2024 and 2023 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 "**Retail shops**"), the valuation was 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 valuation was 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.

For properties which are rented out for the operation of elderly home centre, the valuations was 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 properties and adjusted to reflect the conditions and locations of the subject properties.

# Notes to the Consolidated Financial Statements

## 13 INVESTMENT PROPERTIES (CONTINUED)

### (d) Valuation techniques (Continued)

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

Properties	Fair value at 31 March		Valuation methods	Significant unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
	2024 HK\$'000	2023 HK\$'000			31 March 2024	31 March 2023	
Retail shops*	140,500	80,200	Income capitalisation approach	1) Reversionary yield	6.0%-9.0%	5.8%-8.8%	The higher the reversionary yield, the lower the fair value.
				2) Term yield	5.5%-8.5%	5.3%-8.3%	The higher the term yield, the lower the fair value.
				3) Monthly rent (HK\$/square ft.)	HK\$20.0-HK\$81.0	HK\$20.0-HK\$60.0	The higher the monthly rent, the higher the fair value.
Carparks	27,600	27,600	Direct comparison method	1) Market value (HK\$/unit)	HK\$1.04 million to HK\$1.36 million	HK\$1.04 million to HK\$1.32 million	The higher the market value, the higher the fair value.
Elderly home centre	200,000	N/A	Direct comparison method	1) Market value (HK\$/square ft.)	HK\$4,123-HK\$5,893	N/A	The higher the market value, the higher the fair value.
	<u>368,100</u>	<u>107,800</u>					

\* During the year ended 31 March 2024, retail shops with fair value of HK\$60,900,000 were transferred from property and equipment and right-of-use assets to investment properties upon the change in management intention from self-occupied to lease out for earning rental income and capital appreciation.

### (e) Collateral for the Group's bank borrowings

As at 31 March 2024, except for the car park spaces, all the Group's investment properties were pledged as collateral for the Group's bank borrowings (Note 24) (2023: same).

### (f) Contractual obligations

As at 31 March 2024, the Group had no material unprovided contractual obligations for future repairs and maintenance (2023: Nil).

# Notes to the Consolidated Financial Statements

## 14 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

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

#### (i) Right-of-use assets

	Leasehold land HK\$'000	Elderly residential care homes/day care centres/ laboratory centres HK\$'000	Staff quarters HK\$'000	Motor vehicle HK\$'000	Warehouse HK\$'000	Total HK\$'000
Balance as at 1 April 2022	68,218	183,820	5,187	405	–	257,630
Transfer from investment properties (Note 13)	108,800	–	–	–	–	108,800
Additions	–	5,564	1,173	–	419	7,156
Depreciation (Note 7)	(6,464)	(27,825)	(1,263)	(191)	(114)	(35,857)
Balance as at 31 March 2023 and 1 April 2023	<b>170,554</b>	<b>161,559</b>	<b>5,097</b>	<b>214</b>	<b>305</b>	<b>337,729</b>
Revaluation gains (Note 12(ii))	<b>13,059</b>	–	–	–	–	<b>13,059</b>
Transfer to investment properties (Note 13)	<b>(32,477)</b>	–	–	–	–	<b>(32,477)</b>
Additions	–	–	636	–	–	636
Modification	–	–	(36)	–	–	(36)
Depreciation (Note 7)	<b>(6,286)</b>	<b>(28,625)</b>	<b>(1,465)</b>	<b>(191)</b>	<b>(229)</b>	<b>(36,796)</b>
Balance as at 31 March 2024	<b>144,850</b>	<b>132,934</b>	<b>4,232</b>	<b>23</b>	<b>76</b>	<b>282,115</b>

#### (ii) Lease liabilities

	2024 HK\$'000	2023 HK\$'000
Current	<b>28,783</b>	29,102
Non-current	<b>121,206</b>	149,475
	<b>149,989</b>	178,577

# Notes to the Consolidated Financial Statements

## 14 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

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

	2024 HK\$'000	2023 HK\$'000
Depreciation of right-of-use assets		
— Elderly residential care homes/day care centres/ laboratory centres	28,625	27,825
— Leasehold land	6,286	6,464
— Staff quarters	1,465	1,263
— Motor vehicle	191	191
— Warehouse	229	114
	<b>36,796</b>	35,857
Rent concessions	—	(451)
Interest expense on lease liabilities ( <i>Note 6</i> )	4,971	5,556
Lease payments for short-term leases (included in property rent and related expenses) ( <i>Note 7</i> )	1,532	911

Total cash outflows for leases for the year ended 31 March 2024 was HK\$35,691,000 (2023: HK\$32,432,000).

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

The Group leases various residential elderly care homes, day care centres, laboratory centres, staff quarters, motor vehicle and warehouse. The Group's lease of land expires in 2047 while rental contracts for other properties and motor vehicle 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. Except for certain leasehold land of HK\$82,035,000 (2023: HK\$107,300,000) was pledged for bank borrowings, there is no securities or covenants on other lease agreements.

# Notes to the Consolidated Financial Statements

## 15 TRADE RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables	12,700	44,639
Less: loss allowance	(18)	(512)
	<b>12,682</b>	44,127

The ageing analysis of the Group's trade receivables, based on invoice date, as at 31 March 2024 and 2023 are as follows:

	2024 HK\$'000	2023 HK\$'000
Within 30 days	7,566	36,959
31–60 days	4,779	4,920
61–180 days	101	1,994
Over 180 days	254	766
	<b>12,700</b>	44,639

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. During the year, loss allowance of HK\$18,000 was provided for trade receivables from tenants (2023: HK\$512,000).

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. The Group's credit risk assessment and the analysis of concentration of credit risk are disclosed in Note 3.1(b)(i).



# Notes to the Consolidated Financial Statements

## 16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Prepayments	1,550	1,367
Rental deposits	5,209	5,304
Deposits	1,194	1,301
Other receivables	6,222	10,019
Prepayments for property and equipment	22	110
	<b>14,197</b>	18,101
Less: non-current portion		
Prepayments for property and equipment	(22)	(110)
Rental deposits	(4,924)	(4,810)
	<b>(4,946)</b>	(4,920)
Current portion	<b>9,251</b>	13,181
Maximum exposure of financial assets to credit risk	<b>12,625</b>	16,624

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 due to their short maturities or with interest rate close to market rate and are denominated in HK\$.

## 17 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.

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

	2024 HK\$'000	2023 HK\$'000
Listed equity investment	697	933

# Notes to the Consolidated Financial Statements

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

### (c) Amount recognised in other comprehensive income

	2024 HK\$'000	2023 HK\$'000
Fair value losses on financial assets at fair value through other comprehensive income	236	10

### (d) Valuation process

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

## 18 RELATED PARTIES BALANCES AND TRANSACTIONS

The Group is controlled by Sheung Fung Limited, a limited liability company incorporated in the British Virgin Islands, which owns 62% (2023: 62%) of the Company's shares as at 31 March 2024 and 2023.

### (a) Balance with related parties

	2024 HK\$'000	2023 HK\$'000	Maximum outstanding balance during the year HK\$'000
Amount due to a director			
Mr. Ngai Shi Shing, Godfrey	(250)	—	N/A
Amount due from a non-controlling interest			
Lazy Elderly Care Technology Limited	1,500	—	1,500

Amount due to a director and amount due from a non-controlling interest is unsecured, interest-free and (repayable)/recoverable on demand.

The carrying amount of the amount due to a director and amount due from a non-controlling interest approximates to its fair value due to its short maturities and is denominated in HK\$.

# Notes to the Consolidated Financial Statements

## 18 RELATED PARTIES BALANCES AND TRANSACTIONS (CONTINUED)

### (b) Related party transactions

The Group had the following transactions with related parties in the ordinary course of business during the years ended 31 March 2024 and 2023:

	Notes	2024 HK\$'000	2023 HK\$'000
Repayment of principal and interest portion of lease liabilities to related parties:			
– Ms. Ngai Ka Yee	(i)	392	670
– Mr. Ngai Shi Shing, Godfrey	(i)	358	212
– Ms. Lam Wan Fong	(ii)	180	180
– Mr. Lam Chung Ming	(ii)	36	144
– Mr. Ngai Ha Sang	(ii)	360	180
Repayment of principal and interest portion of lease liabilities to related companies:			
– Classic Mate Limited	(iii)	1,236	1,236
– Kato Elderly Affairs Limited	(iii)	4,860	4,860
– Kato Property Limited	(iii)	2,376	2,376
– Perfect Cheer Investment Limited	(iii)	2,004	2,004
– Shing Kong Limited	(iii)	3,904	3,904
– Smarts Corporation Limited	(iii)	2,724	2,724
Laundry expenses paid to a related company			
– Stand Harvest Limited	(iii)	–	731

Notes:

- (i) Ms. Ngai Ka Yee and Mr. Ngai Shi Shing, Godfrey are the executive directors of the Company.
- (ii) They are the close members of the family of the directors.
- (iii) The related companies are controlled by the Group's directors and/or the close members of the family of the directors.

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.

# Notes to the Consolidated Financial Statements

## 18 RELATED PARTIES BALANCES AND TRANSACTIONS (CONTINUED)

### (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 8 the consolidated financial statements, are as follows:

	2024 HK\$'000	2023 HK\$'000
Salaries, discretionary bonus, allowances and benefit in kind	7,108	11,834
Retirement benefit scheme contribution	102	78
Share options expenses	1,633	1,633
	<b>8,843</b>	13,545

## 19 CASH AND CASH EQUIVALENTS, SHORT-TERM BANK DEPOSITS AND RESTRICTED BANK DEPOSITS

	2024 HK\$'000	2023 HK\$'000
<b>Short-term bank deposits – time deposits with original maturity over 3 months</b> (Note a)	<b>30,100</b>	501
<b>Restricted bank deposits</b> (Note b)	<b>10,491</b>	6,590
Cash at banks	37,291	71,337
Cash on hand	129	102
<b>Cash and cash equivalents</b>	<b>37,420</b>	71,439
Maximum exposure to credit risk	77,882	78,428

As at 31 March 2024 and 2023, the Group's cash and cash equivalents, short-term bank deposits and restricted bank deposits are denominated in HK\$. The carrying amounts of cash and cash equivalents, short-term bank deposits and restricted bank deposits approximate their fair values due to their short maturities.

Notes:

- (a) As at 31 March 2024, short-term bank deposits are time deposits with original maturity over 3 months carry effective interest rate of 4.00% (2023: 2.85%) per annum with remaining tenure of 83 days (2023: 266 days).

# Notes to the Consolidated Financial Statements

## 19 CASH AND CASH EQUIVALENTS, SHORT-TERM BANK DEPOSITS AND RESTRICTED BANK DEPOSIT (CONTINUED)

Notes: (Continued)

- (b) As at 31 March 2024, the Group has restricted bank deposits of HK\$10,491,000 (2023:HK\$6,590,000), held at bank as guarantee for certain tender agreements agreed with the Social Welfare Department ("SWD") of the Government of HKSAR for operating new Contract Homes (2023: same).

The weighted average effective interest rate was 4.00% for the year ended 31 March 2024 (2023: 1.1%).

- (c) 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.

## 20 SHARE CAPITAL AND RESERVES

### (a) Share capital of the Company

	Number of ordinary shares (thousand shares)	Share capital of HK\$0.01 each HK\$'000
Authorised:		
As at 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024	3,000,000	30,000
Issued and paid:		
As at 1 April 2022, 31 March 2023, 1 April 2023 and 31 March 2024	1,000,000	10,000

# Notes to the Consolidated Financial Statements

## 20 SHARE CAPITAL AND RESERVES (CONTINUED)

### (b) Reserves

	Share premium HK\$'000	Capital reserve (Note i) HK\$'000	Revaluation reserve HK\$'000	Share option reserve (Note 28) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>At 1 April 2022</b>	126,440	36	(7)	54	155,006	281,529
<b>Profit and comprehensive income:</b>						
Profit for the year	—	—	—	—	126,150	126,150
Other comprehensive income	—	—	(10)	—	—	(10)
	—	—	(10)	—	126,150	126,140
<b>Transactions with owners in their capacity as owners:</b>						
Dividends (Note 10)	—	—	—	—	(47,000)	(47,000)
Share option scheme (Note 28)	—	—	—	1,960	—	1,960
<b>At 31 March and 1 April 2023</b>	<b>126,440</b>	<b>36</b>	<b>(17)</b>	<b>2,014</b>	<b>234,156</b>	<b>362,629</b>
<b>Profit and comprehensive income:</b>						
Profit for the year	—	—	—	—	64,185	64,185
Other comprehensive income	—	—	25,257	—	2,262	27,519
	—	—	25,257	—	66,447	91,704
<b>Transactions with owners in their capacity as owners:</b>						
Dividends (Note 10)	—	—	—	—	(32,000)	(32,000)
Share option scheme (Note 28)	—	—	—	1,960	—	1,960
<b>At 31 March 2024</b>	<b>126,440</b>	<b>36</b>	<b>25,240</b>	<b>3,974</b>	<b>268,603</b>	<b>424,293</b>

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 in 2019.

# Notes to the Consolidated Financial Statements

## 21 TRADE AND OTHER PAYABLES

	2024 HK\$'000	2023 HK\$'000
Trade payables	2,310	2,370
Accruals and other payables	11,901	13,261
Accrued wages and salaries and contributions to MPF schemes	6,746	17,669
Deposits from customers	3,111	2,961
Rental deposits received	3,861	914
Provision for reinstatement cost	575	575
Employee benefit obligations (Note (a))	2,544	4,520
	<b>31,048</b>	42,270
Less: non-current portion	<b>(6,672)</b>	(5,350)
Current portion	<b>24,376</b>	36,920

As at 31 March 2024 and 2023, the carrying amounts of trade and other payables approximate to their fair values 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:

	2024 HK\$'000	2023 HK\$'000
Within 60 days	2,310	2,370

Note:

### (a) Employee benefit obligations — long service payments

Under the Hong Kong Employment Ordinance, the Group is obligated to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employees' final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations. The long service payments are paid out from the Group's cash in hand when such payments are required. The latest actuarial valuation as at 31 March 2024 specifically designated for the Group's employees was measured by projected unit credit method. (2023: same)

# Notes to the Consolidated Financial Statements

## 21 TRADE AND OTHER PAYABLES (CONTINUED)

Note: (Continued)

### (a) Employee benefit obligations — long service payments (Continued)

(i) The amount recognised in the consolidated statement of financial position is as follows:

	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
Present value of defined benefit obligations	<b>2,544</b>	4,520

(ii) Movements in the long service payments recognised in the consolidated statement of financial position are as follows:

	<b>2024</b>	2023
	<b>HK\$'000</b>	HK\$'000
At 1 April	<b>4,520</b>	3,797
Current service cost (Note 7)	<b>477</b>	989
Interest expense (Note 6)	<b>70</b>	—
Total amount recognised in profit or loss	<b>547</b>	989
Remeasurement recognised in other comprehensive income	<b>(2,262)</b>	—
Benefit payments	<b>(261)</b>	(266)
	<b>2,544</b>	4,520

(iii) The significant actuarial assumptions used as at 31 March 2024 and 2023 are as follows:

	<b>2024</b>	2023
Discount rate	<b>3.49%</b>	3.00%
Salary growth rate	<b>3.20%</b>	3.20%



# Notes to the Consolidated Financial Statements

## 21 TRADE AND OTHER PAYABLES (CONTINUED)

Note: (Continued)

### (a) Employee benefit obligations — long service payments (Continued)

- (iv) The sensitivity of the employee benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption		Impact on employee benefit obligation					
			Increase in assumption			Decrease in assumption		
	2024	2023	2024	2023	2024	2023		
	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Discount rate	0.5%	0.5%	Decrease by	(106)	(259)	Increase by	114	286
Salary growth rate	0.5%	0.5%	Increase by	42	302	Decrease by	(43)	(277)

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

When calculating the sensitivity of the employee benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the employee benefit liability recognised in the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

# Notes to the Consolidated Financial Statements

## 22 CONTRACT LIABILITIES

As at 31 March 2024 and 2023, the balances represent the receipt in advance from customers. The Group recognised the following revenue-related contract liabilities:

	2024 HK\$'000	2023 HK\$'000
Contract liabilities	964	1,015

The following table shows the revenue recognised during the years ended 31 March 2024 and 2023 related to carried-forward contract liabilities:

	2024 HK\$'000	2023 HK\$'000
Revenue recognised that was included in the contract liabilities balance as at beginning of the year	1,015	819

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.

## 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:

	2024 HK\$'000	2023 HK\$'000
Deferred tax assets	2,485	2,005
Deferred tax liabilities	—	(1,716)

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

	2024 HK\$'000	2023 HK\$'000
<b>Deferred tax assets</b>		
To be recovered after more than 12 months	2,216	1,757
To be recovered within 12 months	269	248
	<b>2,485</b>	<b>2,005</b>
<b>Deferred tax liabilities</b>		
To be recovered after more than 12 months	—	(1,716)

# Notes to the Consolidated Financial Statements

## 23 DEFERRED TAX (CONTINUED)

The movements in deferred tax assets of the Group for each of the years ended 31 March 2024 and 2023 are as follows:

	Decelerated tax depreciation on property and equipment	
	2024 HK\$'000	2023 HK\$'000
<b>Deferred tax assets</b>		
At the beginning of the year	2,005	2,096
Credited/(charged) to the consolidated statement of profit or loss for the year	480	(91)
At the end of the year	2,485	2,005

	Accelerated tax depreciation on investment properties		Fair value gains on investment properties		Total	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
<b>Deferred tax liabilities</b>						
At the beginning of the year	—	(2,002)	(1,716)	—	(1,716)	(2,002)
Credited/(charged) to the consolidated statement of profit or loss for the year	—	2,002	1,716	(1,716)	1,716	286
At the end of the year	—	—	—	(1,716)	—	(1,716)

Deferred tax assets are recognised for tax losses carried 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\$4,750,000 (2023: HK\$2,757,000) in respect of tax losses amounting to HK\$28,792,000 (2023: HK\$16,711,000) 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.

# Notes to the Consolidated Financial Statements

## 24 BANK BORROWINGS

	2024 HK\$'000	2023 HK\$'000
Secured bank borrowings		
– Current portion	26,323	5,429
– Non-current portion	207,991	86,023
	<b>234,314</b>	91,452

The Group's borrowings are repayable as follows:

	2024 HK\$'000	2023 HK\$'000
Within 1 year	26,323	5,429
More than 1 year but less than 2 years	27,600	5,665
More than 2 years but less than 5 years	58,658	18,452
More than 5 years	121,733	61,906
	<b>234,314</b>	91,452

For the year ended 31 March 2024, bank borrowings bore effective interest rate of 5.46% (2023: 3.45%) per annum and was denominated in HK\$.

As at 31 March 2024, the Group's bank borrowings included mortgage loans which were secured by certain investment properties, property and equipment and right-of-use assets held by the Group (2023: same).

As at 31 March 2024, the Group had aggregate bank facilities of HK\$305,000,000 (2023: HK\$177,000,000) for revolving loans, term loans, mortgage loans etc.. Unutilised facilities as at the same date amounted to approximately HK\$46,865,000 (2023: HK\$70,410,000), of which approximately HK\$26,058,000 (2023: HK\$56,000,000) 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\$340,500,000 (2023: HK\$107,800,000), property and equipment of approximately HK\$32,572,000 (2023: HK\$41,700,000) and right-of-use assets of approximately HK\$82,035,000 (2023: HK\$107,300,000).

In addition, the Group is required to comply with certain financial covenants imposed by the banks. For the year ended 31 March 2024, there is no non-compliance with those covenants (2023: same).

# Notes to the Consolidated Financial Statements

## 25 FINANCIAL INSTRUMENTS BY CATEGORY

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

	2024 HK\$'000	2023 HK\$'000
Assets as per consolidated statement of financial position		
Financial assets at amortised cost:		
– Trade receivables	12,682	44,127
– Deposits and other receivables	12,625	16,624
– Short-term bank deposits	30,100	501
– Restricted bank deposits	10,491	6,590
– Cash and cash equivalents	37,420	71,439
	<b>103,318</b>	139,281
Financial assets at fair value through other comprehensive income	<b>697</b>	933
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost:		
– Trade and other payables	<b>(21,183)</b>	(19,506)
– Amount due to a director	<b>(250)</b>	–
– Bank borrowings	<b>(234,314)</b>	(91,452)
– Lease liabilities	<b>(149,989)</b>	(178,577)
	<b>(405,736)</b>	(289,535)

# Notes to the Consolidated Financial Statements

## 26 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Cash generated from operations

	Note	2024 HK\$'000	2023 HK\$'000
Profit before taxation		73,901	153,464
Adjustments for:			
Write-off of trade receivables		—	161
Provision for loss allowance on trade receivables		18	—
Interest income	6	(3,707)	(255)
Interest expenses	6	12,074	8,792
Depreciation of property and equipment	12	10,840	8,784
Depreciation of right-of-use assets	14(b)	36,796	35,857
Provision for long service payment		477	989
Rent concessions		—	(451)
Fair value change of investment properties	13	(18,613)	(10,400)
Gain on disposal of financial asset at fair value through profit or loss		—	(537)
Share option expenses		1,960	1,960
		<b>113,746</b>	198,364
Changes in working capital:			
Trade receivables		31,427	(14,241)
Prepayments, deposits and other receivables		4,902	(12,022)
Trade and other payables		(7,882)	10,763
Contract liabilities		(51)	196
Amount due to a director		250	—
Amount due to a related company		—	(170)
Cash generated from operations		<b>142,392</b>	182,890

### (b) Significant non-cash activities

- (i) During the year ended 31 March 2024, the Group entered into certain lease agreements and recognised right-of-use assets and lease liabilities of HK\$636,000 (2023: HK\$7,156,000).
- (ii) During the year ended 31 March 2024, property and equipment and right-of-use assets with carrying amounts of HK\$30,923,000 and HK\$32,477,000 were reclassified to investment properties, respectively.
- (iii) During the year ended 31 March 2023, investment properties with a carrying amount of HK\$43,200,000 and HK\$108,800,000 were reclassified to property and equipment and right-of-use assets respectively upon commencement of the development with a view to owner-occupation.

# 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.

	2024 HK\$'000	2023 HK\$'000
Cash and cash equivalents	37,420	71,439
Short-term bank deposits	30,100	501
Restricted bank deposits	10,491	6,590
Bank borrowings	(234,314)	(91,452)
Lease liabilities	(149,989)	(178,577)
<b>Net debt</b>	<b>(306,292)</b>	<b>(191,499)</b>
	<b>Bank borrowings</b>	<b>Lease liabilities</b>
	HK\$'000	HK\$'000
<b>At 1 April 2022</b>	96,955	197,837
Non-cash movements:		
Recognition of lease liabilities	—	7,156
Interest expenses	—	5,556
Rent concessions	—	(451)
<b>Net cash outflows</b>	<b>96,955</b>	<b>210,098</b>
	<b>(5,503)</b>	<b>(31,521)</b>
<b>At 31 March 2023 and 1 April 2023</b>	<b>91,452</b>	<b>178,577</b>
Non-cash movements:		
Recognition of lease liabilities	—	636
Modification	—	(36)
Interest expenses	—	4,971
<b>Net cash inflows/(outflows)</b>	<b>—</b>	<b>5,571</b>
	<b>142,862</b>	<b>(34,159)</b>
<b>At 31 March 2024</b>	<b>234,314</b>	<b>149,989</b>

# Notes to the Consolidated Financial Statements

## 27 OPERATING LEASE AND CAPITAL COMMITMENTS

### (a) Lease commitments – as lessor

As at 31 March 2024 and 2023, the analysis of the Group's aggregate future minimum rental income receivables under non-cancellable operating leases are as follows:

	2024 HK\$'000	2023 HK\$'000
Within 1 year	18,438	3,677
More than 1 year but less than 2 years	16,960	3,000
More than 2 years but less than 5 years	45,777	1,677
Over 5 years	34,385	—
	115,560	8,354

### (b) Capital commitments

At 31 March 2024, the Group had capital commitments for property and equipment, amounting to HK\$13,857,000 (2023: HK\$3,845,000) after netting off the prepayment for the purchase of property and equipment.

## 28 SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the Share Option Scheme adopted by the Company on 20 May 2019, in the sole discretion of the Board, to grant options to (i) 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)"); (ii) any non-executive Director (including independent non-executive Directors) of the Company, any Subsidiary or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of any member of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (vi) 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; (vii) 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 (viii) 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.

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. 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).



# Notes to the Consolidated Financial Statements

## 28 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Movement of the options granted under the share option scheme for the years ended 31 March 2024 and 2023 are as followings:

Date of grant	Category of participants	Number of share options (in thousand)			Exercise period	Exercise price per share option HK\$	Closing price per share immediately before the grant date of share option HK\$
		Outstanding as at 1 April 2023	Granted during the year	Outstanding as at 31 March 2024			
22 March 2022	Directors	20,000	–	20,000	21 March 2025 to 21 March 2032	0.60	0.60
22 March 2022	Continuous contract employees	40,000	–	40,000	21 March 2025 to 21 March 2032	0.60	0.60
		60,000	–	60,000			

Date of grant	Category of participants	Number of share options (in thousand)			Exercise period	Exercise price per share option HK\$	Closing price per share immediately before the grant date of share option HK\$
		Outstanding as at 1 April 2022	Granted during the year	Outstanding as at 31 March 2023			
22 March 2022	Directors	20,000	–	20,000	21 March 2025 to 21 March 2032	0.60	0.60
22 March 2022	Continuous contract employees	40,000	–	40,000	21 March 2025 to 21 March 2032	0.60	0.60
		60,000	–	60,000			

All share options shall be vested on the three years after the date of grant.

Notes:

- (i) No share options were exercised during the year ended 31 March 2024 so there was no related weighted average share price for exercise of the options during the year (2023: same).
- (ii) During the year ended 31 March 2024, share-based payment expenses of HK\$1,960,000 (2023: HK\$1,960,000) were recognised in the consolidated statement of profit or loss in relation to share options.

# 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	2024 HK\$'000	2023 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in a subsidiary	(i)	36,639	36,639
Investment properties		200,000	—
		<b>236,639</b>	36,639
<b>Current assets</b>			
Trade receivables		2,062	31,737
Prepayments, deposits and other receivables		1,105	5,252
Amounts due from subsidiaries		707,411	715,199
Cash and cash equivalents		6,179	46,201
		<b>716,757</b>	798,389
<b>Total assets</b>		<b>953,396</b>	835,028
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	20(a)	10,000	10,000
Reserves	(b)	438,050	443,643
<b>Total equity</b>		<b>448,050</b>	453,643

# 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	2024 HK\$'000	2023 HK\$'000
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deposits received	3,108	—
Bank borrowing	80,904	—
	<b>84,012</b>	<b>—</b>
<b>Current liabilities</b>		
Accruals and other payables	5,749	15,156
Amounts due to subsidiaries	403,973	355,810
Bank borrowing	3,773	—
Income tax payable	7,839	10,419
	<b>421,334</b>	<b>381,385</b>
<b>Total liabilities</b>	<b>505,346</b>	<b>381,385</b>
<b>Total equity and liabilities</b>	<b>953,396</b>	<b>835,028</b>

The statement of financial position of the Company was approved by the Board of Directors on 25 June 2024 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

	2024 HK\$'000	2023 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	
				2024	2023	2024	2023
<b>Indirectly held by the Company:</b>							
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	Hong Kong	Operation of day-care centre in Hong Kong	HK\$1	100%	100%	—	—
Golden Grand Holdings Limited	Hong Kong	Properties investment and management	HK\$1,000	100%	100%	—	—
Kato Elderly Care Limited	Hong Kong	Properties investment and management	HK\$100	100%	100%	—	—
Care Easy Technology Company Limited (note(a))	Hong Kong	Operation of home care support services in Hong Kong	HK\$100	70%	70%	30%	30%
Health Imaging & Check-Up Centre Limited (note(b))	Hong Kong	Operation of medical and laboratory centres in Hong Kong	HK\$100	60%	60%	40%	40%
New Golden Laboratory & X-Ray Services Limited (note(c))	Hong Kong	Operation of medical and laboratory centres in Hong Kong	HK\$100	90%	90%	10%	10%
Modern X-Ray & Laboratory Limited (note(d))	Hong Kong	Operation of medical and laboratory centres in Hong Kong	HK\$100	90%	90%	10%	10%
Keen Well Laboratory and X-Ray Services Limited (note(e))	Hong Kong	Operation of medical and laboratory centres in Hong Kong	HK\$100	90%	90%	10%	10%

# 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) 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 subsidiaries with non-controlling interest is included.
- (b) Health Imaging & Check-Up Centre Limited was incorporated on 17 February 2022 which the Company holds 60% of its equity interest. The non-controlling interest is considered immaterial to the Group, so no disclosure on financial information of the subsidiaries with non-controlling interest is included.
- (c) New Golden Laboratory & X-Ray Services Limited was incorporated on 17 February 2022 which the Company holds 90% of its equity interest. The non-controlling interest is considered immaterial to the Group, so no disclosure on financial information of the subsidiaries with non-controlling interest is included.
- (d) Modern X-Ray & Laboratory Limited was incorporated on 27 October 2022 which the Company holds 90% of its equity interest. The non-controlling interest is considered immaterial to the Group, so no disclosure on financial information of the subsidiaries with non-controlling interest is included.
- (e) Keen Well Laboratory and X-Ray Services Limited was incorporated on 27 October 2022 which the Company holds 60% of its equity interest. The non-controlling interest is considered immaterial to the Group, so no disclosure on financial information of the subsidiaries with non-controlling interest is included.

### (b) Reserves movement of the Company

	Capital reserve	Share premium	Share option reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 April 2022</b>	36,639	126,440	54	252,588	415,721
Profit and other comprehensive income for the year	—	—	—	72,962	72,962
Dividends (Note 10)	—	—	—	(47,000)	(47,000)
Share-based payment (Note 28)	—	—	1,960	—	1,960
<b>At 31 March 2023 and 1 April 2023</b>	<b>36,639</b>	<b>126,440</b>	<b>2,014</b>	<b>278,550</b>	<b>443,643</b>
Profit and other comprehensive income for the year	—	—	—	24,447	24,447
Dividends (Note 10)	—	—	—	(32,000)	(32,000)
Share-based payment (Note 28)	—	—	1,960	—	1,960
<b>At 31 March 2024</b>	<b>36,639</b>	<b>126,440</b>	<b>3,974</b>	<b>270,997</b>	<b>438,050</b>

# Notes to the Consolidated Financial Statements

## 30 SUMMARY OF MATERIAL ACCOUNTING POLICIES

This note provides a list of material accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 30.1 Principles of consolidation

#### 30.1.1 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.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 30.3.3).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

#### 30.1.2 Separate financial statements

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.

#### 30.1.3 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.

# Notes to the Consolidated Financial Statements

## 30 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 30.1 Principles of consolidation (Continued)

#### 30.1.3 Business combination (Continued)

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

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 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.

### 30.2 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".

### 30.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to 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.

### 30.4 Leases

#### 30.4.1 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.

# Notes to the Consolidated Financial Statements

## 30 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 30.4 Leases (Continued)

#### 30.4.1 As the lessor (Continued)

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

#### 30.4.2 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.

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

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



# Notes to the Consolidated Financial Statements

## 30 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 30.4 Leases (Continued)

#### 30.4.2 As the lessee (Continued)

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.

Leasehold land commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

### 30.5 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 profit or loss during the financial period in which they are incurred.

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:

Buildings	Over the shorter of remaining lease term or 2% per annum
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

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

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

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less impairment losses, if any. No provision for depreciation is made on assets under construction in progress until such time as the relevant assets are completed and available for their intended use. On completion, the relevant assets are transferred to property, plant and equipment at fair value or cost less accumulated impairment losses.

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 30.7).

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.

# Notes to the Consolidated Financial Statements

## 30 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 30.6 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 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 profit or loss during the period in which they are incurred.

### 30.7 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.

## 30.8 Investments and other financial assets

### 30.8.1 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.

# Notes to the Consolidated Financial Statements

## 30 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 30.8 Investments and other financial assets (Continued)

#### 30.8.2 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.

#### 30.8.3 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.

#### *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 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 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.

# Notes to the Consolidated Financial Statements

## 30 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 30.8 Investments and other financial assets (Continued)

#### 30.8.3 Measurement (Continued)

##### *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.

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.

### 30.9 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. As at year ended 31 March 2024, there is no offset of financial assets and liabilities.

### 30.10 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.

### 30.11 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.

# Notes to the Consolidated Financial Statements

## 30 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 30.12 Cash and cash equivalents, short-term bank deposits and restricted bank deposits

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

Restricted bank deposits represents a guaranteed deposit placed at a designated bank account as cash collateral for issuance of bank guarantee for a project. Such restricted bank deposit would be released after completion of the contract.

### 30.13 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.

### 30.14 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.

### 30.15 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.

# Notes to the Consolidated Financial Statements

## 30 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 30.16 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.

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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

# Notes to the Consolidated Financial Statements

## 30 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 30.17 Current and deferred income tax (Continued)

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

### 30.18 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.

#### (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.

# Notes to the Consolidated Financial Statements

## 30 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 30.18 Employee benefits (Continued)

#### (d) *Share-based compensation*

The Group operates a share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

### 30.19 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

## 30 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 30.20 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

## 30 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 30.20 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) Rendering of medical and laboratory services**

Rendering of medical and laboratory services represent provision of medical and laboratory services to individual.

Revenue from the rendering of medical and laboratory 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.

#### **(f) Operating lease rental income**

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.

#### **(g) Management fee**

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

# Notes to the Consolidated Financial Statements

## 30 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 30.20 Revenue recognition (Continued)

#### (h) *Rental from car parks*

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

#### (i) *Interest income*

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

### 30.21 Dividend distribution

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

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.

### 30.22 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 expenses, net" and "subcontracting fees, net" in the consolidated statement of profit or loss.

If the grants do not relate to any specific expenditure incurred and all attached condition were complied by the Group, they are recognised under "other income and other gains, net" in consolidated statement of profit or loss upon receipt of the grants.

### 30.23 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.

# Principal Investment Properties

Description	Lot number	Existing use	Lease term
Cooked food stalls, Hing Tin Estate, No. 8 Lin Tak Road, Kowloon, Hong Kong	540/149,828th parts or shares of and in New Kowloon Inland Lot 6377	Shops	Medium
Certain portions of the Integrated HA accommodation of Yan Tin House, Mei Tin House & Choi Tin House, Hing Tin Estate, No. 8 Lin Tak Road, Kowloon, Hong Kong	1,351/149,828th parts or shares of and in New Kowloon Inland Lot 6377	Shops and storeroom	Medium
Leased portion of the Commercial Complex, Hing Tin Estate, No. 8 Lin Tak Road, Kowloon, Hong Kong	5,699/149,828th parts or shares of and in New Kowloon Inland Lot No. 6377	Shops and day care centre	Medium
Car Parking Spaces No. A1 to A23 on Level A of Carpark C of Car Park Blocks, Hing Tin Estate, No. 8 Lin Tak Road, Kowloon, Hong Kong	276/4,068 of 9,871/149,828th parts or shares of and in New Kowloon Inland Lot 6377 on aggregate	Carpark	Medium
Department Store on Ground Floor of Phase 1 of the Commercial Development and Department Store on 2nd Floor of Phase 1 of the Commercial Development, Allway Gardens, Nos. 187–195 Tsuen King Circuit and Nos. 2–22 On Yat Street, Tsuen Wan, New Territories, Hong Kong	545/30,167th parts or shares of and in Tsuen Wan Town Lot No. 236 and the extension thereto	Elderly home	Long

# 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				
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
<b>RESULTS</b>					
Revenue	<b>271,334</b>	408,297	320,337	256,531	196,098
Profit before taxation	<b>73,901</b>	153,464	117,165	93,978	58,689
Income tax expense	<b>(9,793)</b>	(27,681)	(18,079)	(14,476)	(10,824)
Profit for the year	<b>64,108</b>	125,783	99,086	79,502	47,865
	As at 31 March				
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
<b>FINANCIAL POSITION</b>					
Non-current assets	<b>763,357</b>	563,464	531,872	485,342	158,804
Current assets	<b>99,944</b>	135,838	89,745	117,258	190,064
Non-current liabilities	<b>(335,869)</b>	(242,564)	(271,196)	(315,521)	(124,910)
Current liabilities	<b>(92,905)</b>	(83,798)	(58,214)	(53,920)	(31,286)
Net assets	<b>434,527</b>	372,940	292,207	233,159	192,672