

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

2019 Annual Report



優質服務 敬老樂業
以人為本 全身投入



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• Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ngai Ka Yee

Ngai Shi Shing Godfrey (*Chief Executive Officer*)

Non-executive Director

Kwong Kai To (*Chairman*)

Independent non-executive Directors

Chiu Lai Kuen Susanna

Or Kevin

Wong Vinci

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1st Floor

Tung Wai Court

No. 3 Tsing Ling Path

Tuen Mun

New Territories

Hong Kong

COMPANY WEBSITE

www.elderlyhk.com

COMPANY SECRETARY

Kwok Chi Kan (*HKICPA*)

AUTHORISED REPRESENTATIVES

Ngai Shi Shing Godfrey

Kwok Chi Kan

BOARD COMMITTEES

Audit Committee

Chiu Lai Kuen Susanna (*Chairman*)

Or Kevin

Wong Vinci

Remuneration Committee

Wong Vinci (*Chairman*)

Ngai Shi Shing Godfrey

Or Kevin

Nomination Committee

Or Kevin (*Chairman*)

Ngai Shi Shing Godfrey

Wong Vinci

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
21st Floor
CCB Tower
3 Connaught Road Central
Hong Kong

AUDITOR

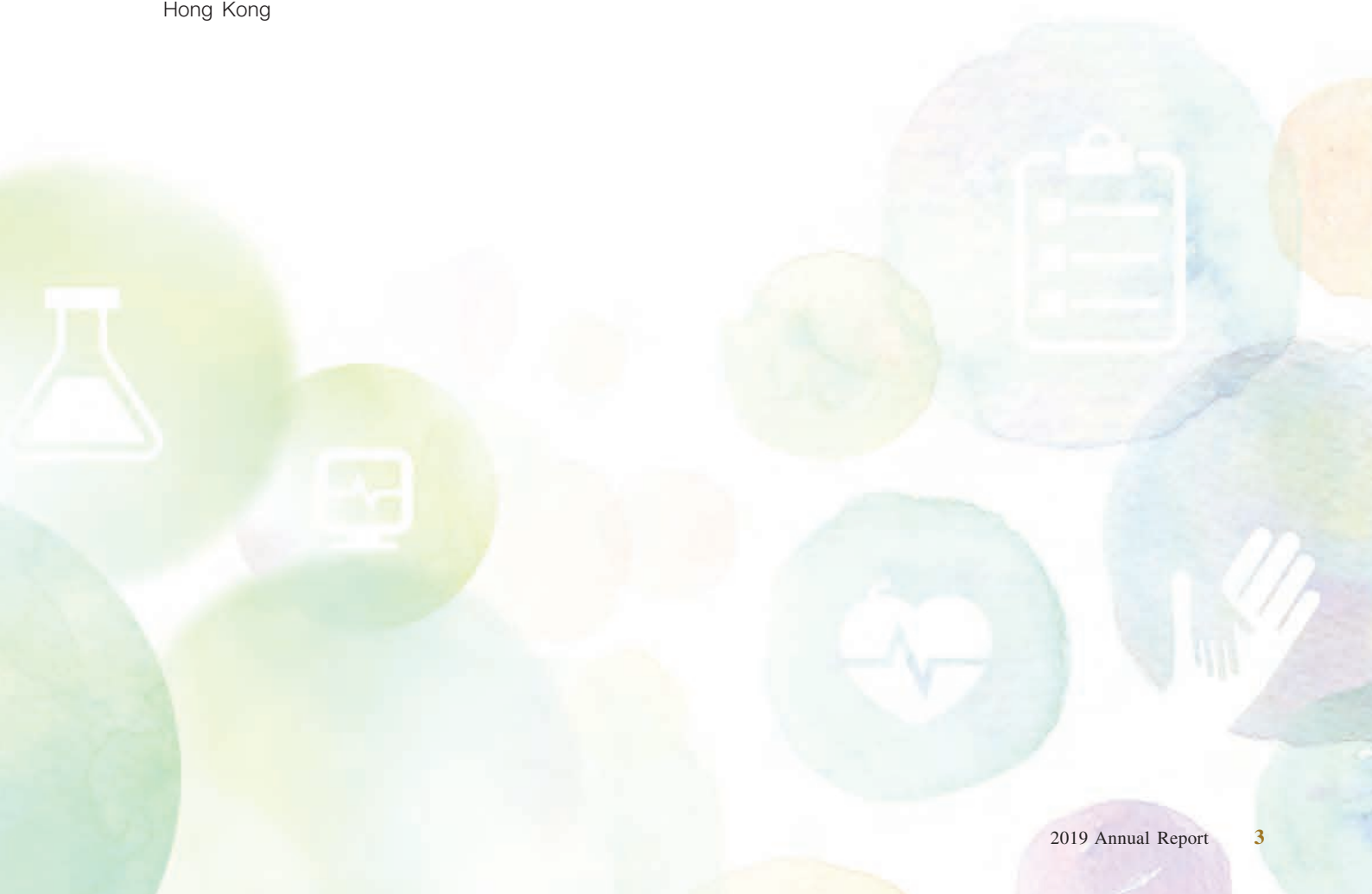
PricewaterhouseCoopers
Certified Public Accountants
22/F Prince's Building
Central
Hong Kong

COMPLIANCE ADVISER

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

PRINCIPAL BANKER

Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited



Chairman's Statement



Chairman's Statement •

Mr. Kwong Kai To
Chairman



On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Kato (Hong Kong) Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”), I am pleased to present the first annual report of the Group for the year ended 31 March 2019 (the “**Year**”). The ordinary shares of the Company (the “**Shares**”) have been successfully listed (the “**Listing**”) on the main board (the “**Main Board**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 June 2019 (the “**Listing Date**”), representing a milestone for the Group.

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

FINANCIAL PERFORMANCE

The Group’s revenue for the Year was approximately HK\$174.8 million (2018: approximately HK\$156.0 million), recording a year-on-year increase of approximately 12.1%. The profit for the Year was increased by approximately 4.1% to approximately HK\$37.9 million (2018: approximately HK\$36.4 million). The increase in revenue and profit for the Year was mainly attributable to the increase in average monthly residential fee and overall average occupancy rate during the Year.

PROSPECTS

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

• Chairman's Statement

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.

We believe that the Listing is beneficial to the Group for our business expansions and our long-term goals and the Company and our Shareholders as a whole, in particular, (i) the Listing will allow the Group to meet the surging industry growth and demand; (ii) the Listing will allow the Group to have a better access to capital and future fund raising to fund our expansion plans; and (iii) the successful Listing will further enhance our corporate profile, assist in reinforcing our brand awareness and market reputation, enhance our credibility with the public and potential business partners and offer us a broader shareholder base which will provide liquidity in the trading of our Shares.

NOTE OF APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all of the business partners, customers, suppliers and the shareholders for their continuous support. I would also like to express my sincere appreciation to the Group's management and staff for their commitment and dedication.

Kwong Kai To

Chairman and Non-Executive Director

Hong Kong, 28 June 2019

Management Discussion and Analysis

BUSINESS REVIEW

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 2019, the Group had a network of eight care and attention homes for the elderly with 1,129 residential care places (2018: 1,120 residential care places) strategically located across four districts in Hong Kong. The Group’s care and attention homes operate under the brand names of “Fai To 輝濤”, “Kato 嘉濤”, “Happy Luck Home”, “Tsuen Wan Centre” and “Pine Villa” all bearing the same logo.

FINANCIAL REVIEW

The Group’s customers primarily consisted of two groups, namely, (i) the Social Welfare Department (the “SWD”) with which entered into contractual arrangements pursuant to which the SWD purchased residential care places from the Group under the Enhanced Bought Place Scheme (the “EBPS”); and (ii) individual customers who settled their own residential fee entirely by themselves 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 2019:

	Location	Year of commencement of operations by the Group	Number of residential care places (excluding isolated beds)			Classification under the EBPS
			Under the EBPS	For individual customers not under the EBPS	Total	
Kato Home for the Elderly (“Kato Elderly Home”)	Tuen Mun	1999	126	54	180	EA1
Kato Home for the Aged	Tuen Mun	1998	86	37	123	EA2
Fai-To Home for the Aged (On Lai) Branch (“Fai To Home (On Lai)”)	Tuen Mun	1997	28	28	56	EA2
Fai To Home for the Aged (Tuen Mun) Branch (“Fai To Home (Tuen Mun)”)	Tuen Mun	1995	47	43	90	EA2
Fai To Sino West Combined Home for the Aged (“Fai To Sino West Home”)	To Kwa Wan	2000	140	154	294	EA1
Happy Luck Elderly Home Limited (“Happy Luck Home”)	Tsuen Wan	2015	73	73	146	EA1
Tsuen Wan Elderly Centre Limited (“Tsuen Wan Centre”)	Tsuen Wan	2008	79	71	150	EA1
Pine Villa	Tseung Kwan O	2013	N/A	90	90	N/A
			579	550	1,129	

The following table sets forth the average monthly occupancy rate of each respective care and attention homes as at 31 March 2019 and 2018:

	Average monthly occupancy rate ^(Note) as at 31 March	
	2019 %	2018 %
Kato Elderly Home	99.4	94.2
Kato Home for the Aged	97.6	95.1
Fai To Home (On Lai)	98.2	92.9
Fai To Home (Tuen Mun)	92.2	94.4
Fai To Sino West Home	93.9	91.2
Happy Luck Home	99.3	100.0
Tsuen Wan Centre	98.7	96.7
Pine Villa	95.6	95.6

Management Discussion and Analysis

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.

Revenue

The Group's revenue was principally generated from the provision of residential care services for the elderly in Hong Kong. The Group's revenue was derived from (i) rendering of elderly home care services; and (ii) sales of elderly home related goods in Hong Kong. The following table sets forth the breakdown of revenue for the Group's revenues by types of services for the Year and year ended 31 March 2018 (the "Previous Year"):

	2019		2018	
	HK\$'000	%	HK\$'000	%
Rendering of elderly home care services				
— residential care places purchased by the SWD under the EBPS	73,447	42.0	67,109	43.0
— residential care places purchased by individual customers	75,956	43.5	65,406	41.9
	149,403	85.5	132,515	84.9
Sales of elderly home related goods	25,349	14.5	23,498	15.1
Total	174,752	100.0	156,013	100.0

The total revenue of the Group increased by approximately HK\$18.8 million or 12.1% from approximately HK\$156.0 million for the Previous Year to approximately HK\$174.8 million for the Year, which was mainly due to the increase in average monthly residential fee and overall average occupancy rate.

Employee benefit expenses

Employee benefit expenses comprised of wages and salaries, retirement benefit scheme contributions, staff welfare and benefits, directors' remunerations and provision for long service payments. The employee benefits expenses slightly increased from approximately HK\$54.8 million for the Previous Year to approximately HK\$55.8 million for the Year, which was mainly due to the increase in wages and salaries.

Property rental and related expenses

Property rental and related expenses mainly comprised of rental expenses under operating leases in relation to the RCHes. The property rental and related expenses increased by approximately HK\$1.4 million or 5.0% from approximately HK\$28.2 million for the Previous Year to approximately HK\$29.6 million for the Year which was mainly due to the increase in monthly rental expense for certain RCHes in accordance with the terms of the respective tenancy agreements during the Year.

Medical fees and related expenses

Medical fees and related expenses mainly represented expenses incurred for medical consumables such as insulin injection, feeding bags and oxygen. Medical fees and related expenses remained stable which amounted to approximately HK\$1.8 million for the Year (2018: approximately HK\$1.8 million).

Listing expenses

Listing expenses represented professional and other expenses in connection to the listing. Listing expenses of approximately HK\$11.1 million and HK\$2.6 million were recorded during the Year and the Previous Year, respectively.

Management Discussion and Analysis

Profit for the Year

The profit for the Year increased by approximately 4.1% to approximately HK\$37.9 million for the Year as compared to HK\$36.4 million for the Previous Year. It was mainly due to the increase in average monthly residential fee and overall average occupancy rate, which was partly offset by the increase of non-recurring listing expenses during the Year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's net assets decreased to approximately HK\$28.4 million as at 31 March 2019 (2018: approximately HK\$42.3 million) which was mainly due to the combined effects of the operating profit and payment of dividends during the Year. As at 31 March 2019, the Group's net current assets was approximately HK\$18.4 million (2018: approximately HK\$26.3 million), including cash and cash equivalents of approximately HK\$48.1 million (2018: approximately HK\$30.6 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 1.4 times as at 31 March 2019 (2018: approximately 1.6 times).

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 total bank borrowings less cash and cash equivalents. Capital represents total equity as shown on the consolidated statement of financial position of the Group.

The gearing ratio as at 31 March 2019 and 2018 were as follows:

	2019 HK\$'000	2018 HK\$'000
Bank borrowings	23,438	26,718
Less: cash and cash equivalents	(48,092)	(30,551)
Net cash	(24,654)	(3,833)
Total equity	28,367	42,250
Gearing ratio	Net Cash	Net Cash

Since the amount of cash and cash equivalents exceeded that of bank borrowings, the Group is at net cash position as at 31 March 2019 and 2018. Thus, the gearing ratio was not applicable as at 31 March 2019 and 2018.

As at 31 March 2019, the Group's bank borrowings were denominated in Hong Kong Dollar and bore floating interest rates. The maturity profile for the Group's bank borrowings is set out as follows:

	HK\$'000
Within 1 year	1,250
2nd year	1,250
3rd to 5th year	3,750
Over 5 years	17,188
	23,438

• Management Discussion and Analysis

CAPITAL COMMITMENTS

As at 31 March 2019 and 2018, the Group had no significant capital commitment.

CAPITAL STRUCTURE

The Shares have been successfully listed on the Main Board of the Stock Exchange on the Listing Date. There have been no changes in the capital structure of the Group since then. The share capital of the Company only comprises of ordinary shares.

SIGNIFICANT INVESTMENTS

The Group had no significant investments during the Year (2018: Nil).

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

On 7 September 2018, the Group completed the group reorganisation undertaken by the Group in the preparation for the Listing (the “**Reorganisation**”), details of which are set out in the section headed “History, Development and Reorganisation — Reorganisation” in the prospectus of the Company dated 30 May 2019 (the “**Prospectus**”).

Subsequent to the completion of the Reorganisation and up to the date of this annual report, the Group did not have any acquisitions or disposals of subsidiaries, associates or joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as those disclosed under the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Group currently has no other plan for material investments and capital assets.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 March 2019 and 2018.

FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong and most of the Group’s transactions and the Group’s cash and cash equivalents are denominated in Hong Kong Dollar. The Group is not exposed to foreign currency risk on transaction that is in a currency other than the respective functional currency of the Group entities. Currently, the Group does not have foreign currency hedging policy, but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure where appropriate.

PLEDGE OF ASSETS

As at 31 March 2019 and 2018, none of the Group’s assets had been pledged.

EMPLOYEES AND REMUNERATION POLICIES

The total number of full-time and part-time employees were 405 and 383 as at 31 March 2019 and 2018, 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. For the years ended 31 March 2019 and 2018, the Group’s total employee benefit expenses (including Directors’ emoluments) amounted to approximately HK\$55.8 million and HK\$54.8 million, respectively.

Management Discussion and Analysis

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 in that particular year and general market conditions.

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

ENVIRONMENTAL POLICY

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

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The net proceeds from the Listing, after deducting listing related expenses, amounted to approximately HK\$118.4 million. After the Listing, these proceeds will be used for the purpose in accordance with that as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

Since the Company was only listed on the Stock Exchange after the year ended 31 March 2019, the Company has not applied any proceeds for any purpose as at 31 March 2019.

FUTURE PROSPECTS

The Board considers that the public listing status has impacted the perception of customers towards the Group. The Board believes that a public listing status is a form of complementary advertising which will further enhance the corporate profile, assist in reinforcing the brand awareness and market reputation, enhance the credibility with the public and potential business partners and offer the Company a broader shareholder base which will provide liquidity in the trading of the Shares. In addition, the Board believes that the Listing will enable the Group to gain access to the capital market for future fund raising both at the time of Listing and at later stages which would inevitably assist the Group in the future business development.

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

Building on the strength of the Group's established reputation, the size of the Group and the financial resources, as well as the Group's proven track record in operating a network of care and attention homes, the management believe that the Group is poised to reproduce the success of the care and attention homes to further capture new market opportunities driven by the strong demand for residential care home services in Hong Kong.

• Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Ngai Ka Yee (“Ms. Ngai”), aged 73, is the founder of the Group. Ms. Ngai was appointed as a Director on 2 October 2018 and was designated as an executive Director of the Board on 2 October 2018. Ms. Ngai founded the Group through the establishment of the first care and attention home for the elderly in May 1991. She has over 27 years of experience in the RCHE industry in Hong Kong.

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

Mr. Ngai Shi Shing Godfrey (“Mr. Ngai”), aged 45, 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 joined the Group in September 1998 as director and chief executive officer of Crawfield International. Mr. Ngai has over 20 years of experience in the RCHE industry in Hong Kong. Mr. Ngai obtained (i) a Higher Diploma in Manufacturing Engineering (Product Engineering and Design) from Hong Kong Technical Colleges in July 1996, and (ii) a Master of Science in Engineering Business Management from The University of Warwick in January 1998.

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

NON-EXECUTIVE DIRECTOR

Mr. Kwong Kai To (“Mr. Kwong”), aged 92, was appointed as a Director on 2 October 2018 and was designated as a non-executive Director and the chairman of the Board on 2 October 2018. He is responsible for advising, reviewing and overseeing the implementation of the business strategies of the Group and participating in the formulation of corporate and strategic development of the Group. In particular, Mr. Kwong is responsible for overseeing the expansion of the Group’s network of care and attention homes providing strategic advice in relation to the location, quality control and size. He has over 25 years of experience in the RCHE industry in Hong Kong.

The following table sets out the awards and honorary titles received by Mr. Kwong:

Year	Name of award	Issuing organisation
1 November 2009	Gold Dragon Award (金龍勳章)	Scout Association of Hong Kong
2 March 2010	Honorary Fellowship (榮譽院士)	The Hong Kong Institute of Education (now known as the Education University of Hong Kong)

Mr. Kwong is the director of each of Crawfield International, Kato Kung and Oriental Chinese. Mr. Kwong is the spouse of Ms. Ngai, the stepfather of Mr. Ngai and Mr. Lam Kong and the father of Mr. Kwong Thomas Wai Ping.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiu Lai Kuen Susanna ("Ms. Chiu"), aged 59, was appointed as the independent non-executive Director on 20 May 2019. Ms. Chiu graduated with a bachelor's degree with first class honours in economics from the University of Sheffield in the United Kingdom in July 1982 and obtained an executive master of business administration degree from The Chinese University of Hong Kong in December 1997.

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

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

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

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

Mr. Or Kevin ("Mr. Or"), aged 47, was appointed as an independent non-executive Director on 20 May 2019. Mr. Or graduated from Royal Melbourne Institute of Technology (now known as RMIT University) in Australia with a degree of bachelor of business in October 1994.

Mr. Or began his career at PricewaterhouseCoopers in 1996 and has since accumulated more than twenty 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

• Biographical Details of Directors and Senior Management

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

Mr. Wong Vinci (“Mr. Wong”), aged 48, was appointed as an independent non-executive Director on 20 May 2019. Mr. Wong graduated from the University of British Columbia with a bachelor of commerce degree in 1994. Mr. Wong was the Vice Chairman of the board of directors of Tung Wah Group of Hospitals from April 2014 to March 2018 and Mr. Wong was the Chairman of its board from April 2018 to March 2019.

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

SENIOR MANAGEMENT

Mr. Kwok Chi Kan (“Mr. Kwok”), aged 38, joined the Group in July 2018 as the chief financial officer, responsible for the accounting and financial planning and management, as well as overall corporate secretarial matters, of the Group. Mr. Kwok graduated with a bachelor of science in applied accounting degree from Oxford Brookes University in 2006.

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

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

Ms. Kwong Mei Ping (“Ms. Kwong”), aged 49, joined the Group in December 1996 as a personal care worker and is currently the head of nursing department of the Group and a home manager, responsible for supervising the care work for all the residents in the Group’s RCHes. Ms. Kwong graduated from The Open University of Hong Kong with a bachelor of education in primary education degree in 2000 and a higher diploma in nursing in 2012.

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

Biographical Details of Directors and Senior Management

Mr. Kwong Thomas Wai Ping, aged 63, joined the Group in October 2000 as a home manager and is currently the head of quality control department of the Group, responsible for overseeing the quality control of the elderly home care services the Group provides in its RCHes. Mr. Kwong Thomas Wai Ping obtained a master of business administration from Columbia Southern University in 2005. In 2007, Mr. Kwong Thomas Wai Ping further obtained a doctor of philosophy in business administration from Bulacan State University.

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

Mr. Lam Kong ("Mr. Lam"), aged 51, joined the Group in October 1992 as a technician and is currently the project manager of the Group, responsible for managing projects of the Group with government authorities. He joined the Group in October 1992 as a technician until June 1997. From July 1997 to December 2003, he worked in the Group as senior technician. In January 2004, he was promoted to the position of assistant manager, where he was responsible for the repair and maintenance work of the Group's RCHes, as well as the project management work of the Group. He was further promoted to the current position in January 2009.

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

• Corporate Governance Report

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

The Company complied with all code provisions in the CG Code during the period from 13 June 2019, being the Listing Date, to the date of this annual report.

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

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

COMPOSITION OF THE BOARD

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

Board members	Office
Ngai Ka Yee	Executive Director
Ngai Shi Shing Godfrey	Chief executive officer and executive Director
Kwong Kai To	Chairman and non-executive Director
Chiu Lai Kuen Susanna	Independent non-executive Director
Or Kevin	Independent non-executive Director
Wong Vinci	Independent non-executive Director

Audit Committee members

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

Remuneration Committee members

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

Corporate Governance Report

Nomination Committee members

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

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

The non-executive Director and each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of two years, commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

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

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

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

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

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

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

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

• Corporate Governance Report

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

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

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

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

Responsibilities

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

Director's Responsibilities for the Consolidated Financial Statements

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

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

Corporate Governance Report

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.

Chairman and Chief Executive

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established set out in writing. Mr. Kwong is the chairman of the Board and the chief executive officer is Mr. Ngai. The Chairman of the Board provides leadership to the Board in terms of formulating policies and strategies, and discharges those duties set out in code provision A.2 of the CG Code.

Board Diversity Policy

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

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

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

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

Board Meetings and General Meetings

During the period from the Listing Date to the date of this annual report, a Board meeting was held on 28 June 2019 to approve the annual results of the Group with all Directors present to review and consider, inter alias, the audited financial statements of the Group for the Year, internal control and risk management system and the corporate governance functions of the Group. No general meeting was held during the period from the Listing Date to the date of this annual report.

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 C3 of the CG Code. The Audit Committee comprises three members, namely Ms. Chiu, Mr. Or and Mr. Wong. The chairman of the Audit Committee is Ms. Chiu, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

• Corporate Governance Report

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 period from the Listing Date to the date of this annual report, an Audit Committee meeting was held on 21 June 2019 with all the members present to review and consider, the audited financial statements of the Group for the year ended 31 March 2019, the internal control and risk management system of the Group and the re-appointment of independent auditor of the Group. There was no disagreement between the Board and the Audit Committee on the selection and appointment of external auditors.

The Company's financial statements for the year ended 31 March 2019 have been reviewed by the Audit Committee. The Audit Committee considered that the relevant financial statements have been prepared in compliance with the applicable accounting principles and requirements of the Stock Exchange and disclosures have been fully made.

Remuneration Committee

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

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

During the period from the Listing Date to the date of this annual report, a Remuneration Committee meeting was held on 21 June 2019 with all the members present to review the remuneration of the Directors and the senior management.

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

During the Year, the remuneration of the senior management is listed below:

	Number of individuals
Nil to HK\$1,000,000	4

Corporate Governance Report

Nomination Committee

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

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

During the period from the Listing Date to the date of this annual report, a Nomination Committee meeting was held on 21 June 2019 with all the members present, the Nomination Committee members (i) reviewed and considered that the structure, size, diversity and composition of the Board; (ii) assessed the independence of Independent Non-executive Directors; (iii) recommended the re-appointments of Directors, and (iv) recommended the aforesaid matters to the Board for approval.

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

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

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

• Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

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

DIRECTORS’ SECURITIES TRANSACTIONS

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

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

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

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

Name of Directors	Types of training	
	Attending training organised by legal adviser of the Company before Listing	Reading materials updating on new rules and regulations
<i>Executive Directors</i>		
Ngai Ka Yee	√	√
Ngai Shi Shing Godfrey	√	√
<i>Non-executive Directors</i>		
Kwong Kai To	√	√
<i>Independent Non-executive Directors</i>		
Chiu Lai Kuen Susanna	√	√
Or Kevin	√	√
Wong Vinci	√	√

Corporate Governance Report

DIRECTORS AND OFFICERS INSURANCE

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

COMPANY SECRETARY

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

AUDITOR'S REMUNERATION AND RESPONSIBILITIES

The Company has appointed PricewaterhouseCoopers as the external auditor of the Group. The remuneration paid or payable to PricewaterhouseCoopers in respect of the Group's annual audit services for the year ended 31 March 2019 amounted to approximately HK\$450,000 and non-audit services for the Year in connection with the Group's Listing on the Stock Exchange amounted to approximately HK\$1,430,000 which is included in the listing expenses on the consolidated statement of comprehensive income. The reporting responsibilities of PricewaterhouseCoopers are set out in the section "Independent Auditor's Report" on pages 50 to 53 of this annual report.

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

• Corporate Governance Report

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

Shareholders are provided with contact details of the Company, such as telephone hotline, email address and postal address, in order to enable them to make any query 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, see the "Corporate Information" section of this annual report and the Company's website for further details.

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

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

To safeguard Shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. Besides, pursuant to article 58 of the Articles, the Board may whenever it thinks fit 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 Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Corporate Governance Report

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

Board of Directors

Kato (Hong Kong) Holdings Limited

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

Fax No.: (852) 3585 2908

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

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

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

• Report of the Directors

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2019 (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 for the elderly.

CORPORATE REORGANISATION

On 7 September 2018, the Group completed the Reorganisation, details of which are set out in the section headed “History, Development and Reorganisation — Reorganisation” in the Prospectus.

The Shares have been listed on the Main Board of the Stock Exchange since 13 June 2019.

RESULTS AND DIVIDEND

Details of the audited consolidated results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 54 of this annual report.

The Company declared an interim dividend of HK\$25,165,000 to the shareholders of the Company and such dividends had been fully settled by netting off against the amounts due from shareholders for the Year (2018: N/A).

The Board does not recommend the payment of final dividend for the Year (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

For determining Shareholders’ entitlement to attend and vote at the annual general meeting of the Company (“AGM”) to be held on Friday, 23 August 2019, the register of members of the Company will be closed from Tuesday, 20 August 2019 to Friday, 23 August 2019, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 19 August 2019.

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. Save as disclosed in this annual report, since the end of the Year, no important event affecting the Group has occurred.

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:

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

For other risks and uncertainties that the Group faces, please refer to the section headed "Risk Factors" in the Prospectus.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last four financial years is set out on page 100 of this annual report. This summary does not form part of the consolidated financial statements.

SUBSIDIARIES

Details (including the principal activities) of the Company's principal subsidiaries as at 31 March 2019 are set out in note 27(a) to the consolidated financial statements.

• Report of the Directors

PROPERTY AND EQUIPMENT

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

CHARITABLE DONATIONS

No charitable and other donations was made by the Group during the Year (2018: approximately HK\$185,000).

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2019, the Company's distributable reserves available for distribution is approximately HK\$9.1 million (2018: N/A).

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 18(a) to the consolidated financial statements. Please also refer to "Capital Structure" in the "Management Discussion and Analysis" of this annual report.

On the Listing Date, upon listing on the Stock Exchange, the Company has issued 250,000,000 shares at HK\$0.60 each with net proceeds of approximately HK\$118.4 million.

Save as disclosed in "Share Option Scheme" below, the Company did not enter into any equity-linked agreement during the Year.

DIRECTORS

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

Executive Directors

Ngai Ka Yee (*appointed on 2 October 2018*)

Ngai Shi Shing Godfrey (*Chief Executive Officer*) (*appointed on 19 April 2018*)

Non-executive Director

Kwong Kai To (*Chairman*) (*appointed on 2 October 2018*)

Independent non-executive Directors

Chiu Lai Kuen Susanna (*appointed on 20 May 2019*)

Or Kevin (*appointed on 20 May 2019*)

Wong Vinci (*appointed on 20 May 2019*)

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

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

Report of the Directors

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 15 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

Each of the non-executive Director and the independent non-executive Directors has signed a letter of appointment with the Company on 20 May 2019 for an initial term of two years, commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

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

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.

• Report of the Directors

TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 9(a) and 16(b) to the consolidated financial statements, 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 contract concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the Year.

DIRECTORS' EMOLUMENTS

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

EMOLUMENT POLICY

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

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

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

During the period from the Listing Date up to the date of this report, 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.

Report of the Directors

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

Name of Directors	Nature of interests	Percentage of shareholding in the Company's issued share capital ⁽³⁾	
		Number of Shares held ⁽¹⁾	
Mr. Kwong	Settlor of a family trust	624,000,000(L) ⁽²⁾	62.4
Ms. Ngai	Settlor of a family trust	624,000,000(L) ⁽²⁾	62.4
Mr. Ngai	Beneficiary of a family trust	624,000,000(L) ⁽²⁾	62.4

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**"). Mr. Kwong and Ms. Ngai are the settlors of the Family Trust and Mr. Ngai is the sole beneficiary of the Family Trust. By virtue of the SFO, Mr. Kwong, Ms. Ngai and Mr. Ngai are deemed to be interested in the Shares held by Sheung Fung.

(3) The approximate percentages were calculated based on 1,000,000,000 shares in issue as at the date of this report.

Save as disclosed above, as at the date of this report, none of the Directors nor chief executive of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

• Report of the Directors

DIRECTORS' RIGHT TO ACQUIRE SHARES

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

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

So far as the Directors are aware, as at the date of this report, 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	Percentage of shareholding in the Company's issued share capital ⁽⁵⁾	
		Number of Shares held ⁽¹⁾	
Sheung Fung	Beneficial owner	624,000,000(L)	62.4
Trustee	Trustee	624,000,000(L) ⁽²⁾	62.4
Ms. Wei Xiaoling ⁽³⁾	Interest of spouse	624,000,000(L)	62.4
Siu Mau Limited ("Siu Mau")	Beneficial owner	126,000,000(L)	12.6
Mr. Lam	Interest in controlled corporation	126,000,000(L) ⁽⁴⁾	12.6

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. Mr. Kwong and Ms. Ngai are the settlors of the Family Trust and Mr. Ngai is the sole beneficiary of the Family Trust. By virtue of the SFO, the Trustee, Mr. Kwong, Ms. Ngai and Mr. Ngai are deemed to be interested in the Shares held by Sheung Fung.

(3) Ms. Wei Xiaoling is the spouse of Mr. Ngai and is deemed to be interested in the Shares which are interested by Mr. Ngai under the SFO.

(4) These Shares are held by Siu Mau, which is held as to 62.7% by Mr. Lam. By virtue of the SFO, Mr. Lam is deemed to be interested in the Shares held by Siu Mau.

(5) The approximate percentages were calculated based on 1,000,000,000 shares in issue as at the date of this report.

Report of the Directors

Save as disclosed above, as at the date of this report, 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 the date of this report, 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 sales for the Year generated from the Group's major customers is as follows:

– The largest customer	42.0%
– Five largest customers	43.0%

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

– The largest supplier	32.8%
– Five largest suppliers	82.7%

Save as those disclosed in the Prospectus, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

DIRECTOR'S SECURITIES TRANSACTIONS

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

COMPETING INTERESTS

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

• Report of the Directors

NON-COMPETITION UNDERTAKING

The Company confirms that the deed of non-competition (the “**Deed**”) of each of Sheung Fung, Mr. Kwong, 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 since the Listing Date 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 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;

Report of the Directors

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

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

(iii) Maximum number of Shares

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

• 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 note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to connected persons

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

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

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

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

(vi) Time of acceptance and exercise of option

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

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

Report of the Directors

(vii) Performance targets

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

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

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

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

(ix) Ranking of Shares

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

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

(x) Restrictions on the time of grant of options

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

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

• Report of the Directors

(xi) Period of the Share Option Scheme

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

(xii) Rights on ceasing employment

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

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

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

(xiv) Rights on dismissal

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

(xv) Rights on breach of contract

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

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

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

(xvii) Rights on winding up

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

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

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

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

• Report of the Directors

(xix) Adjustments to the subscription price

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

(xx) Cancellation of options

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

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

(xxi) Termination of the Share Option Scheme

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

(xxii) Rights are personal to the grantee

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

(xxiii) Lapse of options

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

- (aa) the expiry of the period referred to in paragraph (vi);
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvii) and (xviii);
- (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) Others

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

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

AUDIT COMMITTEE

The Company has set up an Audit Committee on 20 May 2019 with written terms of reference in compliance with Rules 3.21 of the Listing Rules and paragraph C3 of the CG Code. The primary duties of the Audit Committee 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. The Audit Committee comprises three members, namely Ms. Chiu, Mr. Or and Mr. Wong. The chairman of the Audit Committee is Ms. Chiu, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The audited consolidated financial statements of the Group for the Year have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Listing Rules and legal requirements, and adequate disclosures have been made.

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

As the Company was not a listed company during the year ended 31 March 2019, the annual review and reporting requirements under Chapter 14A of the Listing Rules were therefore not applicable to the Company for the Year.

• Report of the Directors

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

I. Fully Exempt Continuing Connected Transactions

1. Laundry service agreement between the Company and Stand Harvest

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

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

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

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

II. Non-Exempt Continuing Connected Transactions

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

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

Date of the agreement	:	20 May 2019
Tenant	:	Kato Kung
Landlord	:	Kato Elderly Affairs
Location of property	:	Shops 8–12 on G/F and 1/F, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong
Term	:	Listing Date to 31 March 2022 (subject to renewal)

Report of the Directors

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

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

2. *Tenancy agreement between Kato Property Limited ("Kato Property") and Kato Kung*

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

Date of the agreement	:	20 May 2019
Tenant	:	Kato Kung
Landlord	:	Kato Property
Location of property	:	1/F, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong
Term	:	Listing Date to 31 March 2022 (subject to renewal)

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

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

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

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

Date of the agreement	:	20 May 2019
Tenant	:	Crawfield International

• Report of the Directors

Landlord	:	Classic Mate
Location of property	:	Shops 1-17 on 1/F, On Lai Building, 3 Tsing To Path, Tuen Mun, New Territories, Hong Kong
Term	:	Listing Date to 31 March 2022 (subject to renewal)

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

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

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

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

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

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

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

Report of the Directors

5. *Tenancy agreement between Shing Kong Limited ("Shing Kong") and Tsuen Wan Elderly Centre Limited ("Tsuen Wan Elderly Center")*

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

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

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

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

6. *Tenancy agreement between Smarts Corporation Limited ("Smarts Corporation") and Happy Luck Elderly Home Limited ("Happy Luck")*

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

Date of the agreement	:	20 May 2019
Tenant	:	Happy Luck
Landlord	:	Smarts Corporation
Location of property	:	2nd Floor of Phase 1 of Commercial Development of Allway Gardens, Nos. 187-195 Tsuen King Circuit, Nos. 2-22 On Yat Street, Tsuen Wan, New Territories, Hong Kong
Term	:	Listing Date to 31 March 2022 (subject to renewal)

• Report of the Directors

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

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

7. *Tenancy agreement between Mr. Ngai, Mr. Lam Kong and Tsuen Wan Elderly Centre Limited ("Tsuen Wan Elderly Centre")*

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

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

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

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

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

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

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

Report of the Directors

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

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

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

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

Date of the agreement	:	20 May 2019
Tenant	:	Happy Luck, Jane's Home, Oriental Chinese and Tsuen Wan Elderly Centre
Landlord	:	Ms. Ngai
Location of property	:	3/F, Four Sea Mansion, 11 Fa Yuen Street, Mongkok, Hong Kong
Term	:	Listing Date to 31 March 2022 (subject to renewal)

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

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

• Report of the Directors

10. Tenancy agreement between Ms. Ngai and Oriental Chinese

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

Date of the agreement	:	20 May 2019
Tenant	:	Oriental Chinese
Landlord	:	Ms. Ngai
Location of property	:	Room 10, 3/F, Tung Shun Hing Building, 22 Chi Kiang Street, Kowloon, Hong Kong
Term	:	Listing Date to 31 March 2022

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

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

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

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

Details of related party transactions of the Group during the Year are set out in note 16(b) to the consolidated financial statements in this annual report. Upon Listing, certain related party transactions set out in Note 16(b) to the consolidated financial statements are regarded as continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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 period from the Listing Date 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 16 to 25 of this annual report.

THE FORTHCOMING ANNUAL GENERAL MEETING

The forthcoming AGM of the Company will be held at conference room, portion of Level 5, The Capitol, LOHAS Park Road, Tseung Kwan O, New Territories, Hong Kong on Friday, 23 August 2019 at 2:30 p.m. and the notice convening such meeting will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

EVENTS AFTER THE REPORTING PERIOD

On 13 June 2019, the Company issued 749,990,000 ordinary shares upon capitalisation of certain amounts standing to the credit of the share premium account of the Company. The Company issued 250,000,000 shares at a price of HK\$0.60 each in the initial public offering and raised a cash proceeds of HK\$150,000,000 (before netting off related transaction costs).

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

INDEPENDENT AUDITORS

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

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

On behalf of the Board

Kwong Kai To

Chairman and Non-executive Director

Hong Kong, 28 June 2019

Independent Auditor's Report



羅兵咸永道

To the Shareholders of Kato (Hong Kong) Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Kato (Hong Kong) Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 54 to 99, which comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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

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.

Key audit matter identified in our audit is related to revenue recognition.

Key Audit Matter

How our audit addressed the Key Audit Matter

Revenue recognition

Refer to note 2.20 and note 5 to the consolidated financial statements.

The Group recognised revenue of HK\$174,752,000 by provision of elderly home care services and sales of elderly home related goods.

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

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

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

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

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

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

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

• Independent Auditor's Report

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 and will not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, 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.

Independent Auditor's Report •

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

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

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

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, 28 June 2019

• Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	5	174,752	156,013
Other income and other loss, net	6	—	2,377
Depreciation	13	(5,779)	(6,085)
Employee benefit expenses		(55,801)	(54,823)
Property rental and related expenses		(29,647)	(28,158)
Food and beverage costs		(6,992)	(6,411)
Utility expenses		(4,454)	(4,271)
Supplies and consumables		(1,805)	(1,594)
Repair and maintenance		(1,244)	(1,217)
Subcontracting fees		(1,723)	(2,003)
Cleaning expenses		(1,949)	(2,072)
Medical fees and related expenses		(1,845)	(1,767)
Donations		—	(185)
Other operating expenses		(4,350)	(2,861)
Listing expenses		(11,102)	(2,645)
Finance costs, net	7	(560)	(279)
Profit before taxation	8	47,501	44,019
Income tax expense	10	(9,619)	(7,582)
Profit and total comprehensive income for the year attributable to the owners of the Company		37,882	36,437
Earnings per share attributable to the owners of the Company (in HK cents)			
Basic earnings per share	12	5.05	4.86
Diluted earnings per share	12	5.05	4.86

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 2019

	Note	2019 HK\$'000	2018 HK\$'000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	13	9,987	15,400
Deferred tax assets	20	2,258	2,184
Total non-current assets		12,245	17,584
CURRENT ASSETS			
Trade receivables	14	2,675	1,518
Prepayments, deposits and other receivables	15	11,400	9,494
Amounts due from shareholders	25	—	20,100
Amount due from a director	16(a)	—	4,679
Amounts due from related companies	16(a)	—	4,560
Tax recoverable		—	645
Cash and cash equivalents	17	48,092	30,551
Total current assets		62,167	71,547
Total assets		74,412	89,131
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital	18(a)	—	—
Capital reserve	18(b)	36	36
Retained earnings		28,331	42,214
Total equity		28,367	42,250

• Consolidated Statement of Financial Position

As at 31 March 2019

	Note	2019 HK\$'000	2018 HK\$'000
LIABILITIES			
NON-CURRENT LIABILITY			
Accruals and other payables	19	2,231	1,635
CURRENT LIABILITIES			
Trade and other payables	19	12,506	7,324
Deposits from customers	19	4,094	3,722
Contract liabilities	5	1,602	1,781
Amounts due to related companies	16(a)	169	2,397
Bank borrowings	21	23,438	26,718
Income tax payable		2,005	3,304
Total current liabilities		43,814	45,246
Total liabilities		46,045	46,881
Total equity and liabilities		74,412	89,131

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

The consolidated financial statements on pages 54 to 99 were approved by the Board of Directors on 28 June 2019 and were signed on its behalf.

Mr. Ngai Shi Shing, Godfrey
Executive Director

Ms. Ngai Ka Yee
Executive Director

Consolidated Statement of Changes In Equity •

For the year ended 31 March 2019

	<i>Note</i>	Attributable to owners of the Company			Total HK\$'000
		Share capital	Capital reserve	Retained earnings	
		HK\$'000 (Note 18(a))	HK\$'000 (Note 18(b))	HK\$'000	
At 1 April 2017		—	36	22,457	22,493
Profit and total comprehensive income for the year		—	—	36,437	36,437
Transactions with owners in their capacity as owners:					
Dividends	11	—	—	(16,680)	(16,680)
At 31 March and 1 April 2018		—	36	42,214	42,250
Profit and total comprehensive income for the year		—	—	37,882	37,882
Transactions with owners in their capacity as owners:					
Dividends	11	—	—	(51,765)	(51,765)
At 31 March 2019		—	36	28,331	28,367

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 2019

	Note	2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities			
Cash generated from operations	23(a)	59,645	48,486
Hong Kong profits tax paid		(10,347)	(6,767)
Interest received		22	1
Interest paid		(582)	(280)
Net cash generated from operating activities		48,738	41,440
Cash flow from investing activities			
Purchases of property and equipment	13	(366)	(7,950)
Changes in balances with related companies		2,335	(1,611)
Increase in amounts due from shareholders		—	(12,013)
Net cash generated from/(used in) investing activities		1,969	(21,574)
Cash flows from financing activities			
Proceeds from bank borrowings	23(c)	—	25,000
Repayments of bank borrowings	23(c)	(3,280)	(6,820)
Dividends paid to shareholders	23(b)	(26,600)	(10,480)
Payment of professional fee in connection with the initial public offering		(3,286)	(1,376)
Advances from a director		—	1,469
Repayments to a director		—	(13,703)
Net cash used in financing activities		(33,166)	(5,910)
Net increase in cash and cash equivalents		17,541	13,956
Cash and cash equivalents at the beginning of year		30,551	16,595
Cash and cash equivalents at the end of year		48,092	30,551

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, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

Prior to the incorporation of the Company and the completion of a reorganisation (the “**Reorganisation**”) in preparation for the listing of the Company’s share on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), Ms. Ngai Ka Yee, Mr. Kwong Kai To and Mr. Ngai Shi Shing, Godfrey (“**Mr. Godfrey Ngai**”) directed the economic activities of the Listing Business mainly through six operating subsidiaries, namely Kato Kung Limited, Crawfield International Limited, Oriental Chinese Medicine Limited, Jane’s Home Limited, Tsuen Wan Elderly Centre Limited and Happy Luck Elderly Home Limited (the “**Operating Subsidiaries**”), which were ultimately controlled by Mr. Kwong Kai To and Ms. Ngai Ka Yee (collectively, “**Godfrey’s Parents**”) through Kato Elderly Group Limited. Mr. Godfrey Ngai and Godfrey’s Parents (collectively, the “**Kwong and Ngai Family**” or the “**Controlling Shareholders**”) are the ultimate controlling party of the Group. The Reorganisation was completed on 7 September 2018 and since then, the Company became the holding company of the Operating Subsidiaries now comprising the Group.

As at 31 March 2019 and prior to the listing of the Company’s shares on the Stock Exchange, the Company was directly owned as to 83.2% by Sheung Fung Limited, the ultimate holding company, which was directly owned by a trustee (the “**Trustee**”) of a family trust (the “**Family Trust**”) established by Godfrey’s Parents on 19 March 2018 in which Mr. Godfrey Ngai is the sole beneficiary, and as to 16.8% by Si Mau Limited which was directly owned by Mr. Lam Kong, Ms. Kwong Mei Ping, Mr. Kwong Wai Ping, Thomas, Mr. Ngai Chi Hang and Mr. Ngai Yiu Pan, Louis (collectively, the “**Individual Shareholders**”).

The Company’s ordinary shares were listed on the Stock Exchange on 13 June 2019.

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

• Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention.

Immediately prior to the Reorganisation and during the years ended 31 March 2019 and 2018, the Listing Business is mainly conducted through the Operating Subsidiaries which were controlled by Godfrey’s Parents.

Pursuant to the Reorganisation, the Operating Subsidiaries and the Listing Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Listing Business with no change in management of such business and the Controlling Shareholders of the Listing Business remain the same.

The Group resulting from the Reorganisation is regarded as a continuation of the Group’s business under the Operating Subsidiaries. Accordingly, the consolidated financial statements have been prepared and presented as a continuation of the Group’s business as if the Group structure has existed as at 1 April 2017.

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

The Group has adopted HKFRS 9 “*Financial Instruments*”, HKFRS 15 “*Revenue from contracts with Customers*” and HKFRS 15 (Amendments) “*Clarifications to HKFRS 15*” consistently throughout the years ended 31 March 2019 and 2018 with the practical expedients permitted under the standards.

Notes to the Consolidated Financial Statements •

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(a) *New standards, interpretations, improvements and amendments to standards and interpretations not yet adopted*

A number of new standards, interpretations, improvements and amendments to standards and interpretations 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
Annual improvements Project 2017	Annual Improvements 2015–2017 Cycle	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 3 (Amendments)	Definition of Business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in an Associates or Joint Ventures	1 January 2019
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Conceptual Framework for Financial Reporting 2018	Framework for Financial Reporting	1 January 2020

The directors of the Company have assessed the financial impact on the Group of the adoption of the above new standards, interpretations, improvements and amendments to existing standards. Except for HKFRS 16, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standards, interpretations, improvements and amendments to existing standards when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(a) *New standards, interpretations, improvements and amendments to standards and interpretations not yet adopted (Continued)*

HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has reviewed all of the leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases. As at 31 March 2019, the Group had non-cancellable operating lease commitments of approximately HK\$43,333,000 (Note 24) and most of these leases had an original lease term of over one year.

The Group expects the recognition of right-of-use assets and lease liabilities will result in significant increase in non-current assets and both current and non-current financial liabilities in the consolidated statement of financial position. Overall net current assets will be lower due to the presentation of a portion of the lease liabilities as current liabilities.

In the consolidated statement of comprehensive income, leases will be recognised in the future as depreciation and will no longer recorded as property rental and related expenses. Interest expense on the lease liabilities will be presented separately from depreciation under finance costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and interest expense will increase. The combination of a straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liabilities will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses in the latter part of the lease term. Operating cash outflows will decrease and the financing cash outflows will increase as the repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities, but the total cash flows of the Group would not be affected upon adoption of HKFRS 16.

The adoption of HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply HKFRS 16 to all contracts entered into before 1 April 2019 and identified as leases in accordance with existing standard and interpretation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

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

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

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

2.2.1 Business combination

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

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

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

• Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.2 Changes in ownership interests in subsidiaries

Transactions with non-controlling interest that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

When the Group ceases to consolidate an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2.4 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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 the consolidated statement of comprehensive income 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:

Leasehold improvements	Over the shorter of remaining lease term or 5 years
Furniture and fixtures	5 years
Office equipment	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains 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 comprehensive income.

2.6 Prepaid rent

Prepaid rent represents the timing difference of the rental payments made to the lessor and the rental expenses incurred, taken into account of the deduction arose from the amortisation of the aggregate benefit of incentives over the lease term.

2.7 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.

• Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets as debt instruments 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 investments in debt instruments, this will depend on the business model in which the investment is held.

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

2.8.2 Recognition and 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, transaction costs that are directly attributable to the acquisition of the financial asset.

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.

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. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

2.8.3 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

2.9 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 31 March 2019, there is no offset of financial assets and liabilities.

2.10 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. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets (Continued)

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.

When measuring expected credit loss, the Group considers forward-looking information. Impairment information of trade receivables is described in Note 14.

2.11 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.

2.12 Cash and cash equivalents

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

2.13 Share capital

Ordinary shares are classified as equity.

2.14 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.

2.15 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 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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.

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

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

(c) *Offsetting*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 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 statement of financial position date. The liability recognised in the consolidated statement of financial position in respect of long service payments is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

(c) *Provision for bonus*

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

2.19 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue and other income recognition

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

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

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

(a) Rendering of elderly home care services

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

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

(b) Sales of elderly home related goods

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

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

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

Notes to the Consolidated Financial Statements •

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue and other income recognition (Continued)

(c) Advertising income

Advertising income is recognised over time when the Group provides the service and all of the benefits are received and consumed simultaneously by the customer over the contractual period.

(d) Interest income

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

2.21 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease. Contingent rental arising under operating leases are recognised as an expense in the period in which they are incurred.

Lessee shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.22 Dividend distribution

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

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

2.23 Government grants and subsidies

Grants and subsidies from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants and subsidies relating to costs are recognised in the consolidated statement of comprehensive income 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" and "subcontracting fee" in the consolidated statement of comprehensive income.

• Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 *"Financial Instruments"* and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 *"Revenue from Contracts with Customers"*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to variety 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 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.

For the year ended 31 March 2019, 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 2019 would have decreased/increased by approximately HK\$98,000 (2018: HK\$112,000), 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, amounts due from shareholders, a director and related companies, and cash at banks.

Notes to the Consolidated Financial Statements •

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

As disclosed in Note 22, certain Operating Subsidiaries provided guarantees to banks in connection with facilities granted to some related companies controlled by a director. As these bank facilities are also pledged by certain properties owned by these related companies, the directors consider the credit risk in respect of the financial guarantees provided is effectively mitigated.

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.

The Group have policies in place to ensure that the provisions of services and goods sold 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 receivables ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

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

(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. All trade receivables has no history of default and management do not expect significant credit losses after considering forward looking information. Therefore, expected credit loss rate of trade receivables is assessed to be close to zero as at 31 March 2019 and 2018. As at 31 March 2019 and 2018, the provision for expected credit losses was assessed to be not material to the consolidated financial statements and no provision was made.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forward looking information.

As at 31 March 2019 and 2018, the gross carrying amount and the maximum exposure to loss of trade receivables was HK\$2,675,000 and HK\$1,518,000, respectively.

• Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) *Other receivables and amounts due from shareholders, a director and related companies*

For other receivables, including other receivables, amounts due from shareholders, a director and related companies, management makes periodic collective assessments as well as individual assessment on the recoverability based on historical settlement records and past experience. The directors consider that there is no material credit risk inherent in the Group's outstanding balance of these receivables.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are aged 0 to 60 days from invoice date	Lifetime expected losses
Non-performing	Interest and/or principal repayments are aged 61 to 120 days from invoice date	Lifetime expected losses
Write-off	Interest and/or principal repayments are aged over 120 days from invoice date and there is no reasonable expectation of recovery	Asset is written off

Notes to the Consolidated Financial Statements •

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Other receivables and amounts due from shareholders, a director and related companies (continued)

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical rates for each category of receivables and adjusts for forward looking macroeconomic data.

As at 31 March 2019 and 2018, the internal credit rating of other receivables and amounts due from shareholders, a director and related companies were performing. The Group has assessed that the expected credit loss rate for these receivables is close to zero under 12 months expected losses method. Thus, no loss allowance provision for other receivables and amounts due from shareholders, a director and related companies was recognised during the years ended 31 March 2019 and 2018.

As at 31 March 2019 and 2018, the maximum exposure to loss of deposits and other receivables and amounts due from shareholders, a director and related companies was summarised as follows:

	2019 HK\$'000	2018 HK\$'000
Deposits and other receivables	647	764
Amounts due from shareholders	—	20,100
Amount due from a director	—	4,679
Amounts due from related companies	—	4,560
Maximum exposure to loss	647	30,103

(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) and cash and cash equivalents (Note 17) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

• Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

	2019 HK\$'000	2018 HK\$'000
Floating rate		
Expiring within one year (bank borrowings and overdraft facilities)	1,000	1,000

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

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

	Less than one year or repayable on demand	
	2019 HK\$'000	2018 HK\$'000
Trade and other payables	7,791	2,427
Deposits from customers	4,094	3,722
Amounts due to related companies	169	2,397
Bank borrowings (with repayable on demand clause)	23,438	26,718
	35,492	35,264

The table that follows summarises the maturity analysis of bank borrowings with a repayable on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "less than one year or repayable on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with scheduled repayment dates set out in the loan agreements.

	2019 HK\$'000	2018 HK\$'000
Within 1 year	1,759	3,888
More than 1 year but less than 2 years	1,731	1,806
More than 2 years but less than 5 years	5,026	5,237
More than 5 years	19,832	21,765
	28,348	32,696

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 total bank borrowings less cash and cash equivalents. Capital represents total equity as shown on the consolidated statement of financial position.

The gearing ratio as at 31 March 2019 and 2018 were as follows:

	2019 HK\$'000	2018 HK\$'000
Bank borrowings	23,438	26,718
Less: Cash and cash equivalents	(48,092)	(30,551)
Net cash	(24,654)	(3,833)
Total equity	28,367	42,250
Gearing ratio	Net Cash	Net Cash

Since the amount of cash and cash equivalents exceeded that of bank borrowings, the Group is at net cash position as at 31 March 2019 and 2018. Thus, the gearing ratio was not applicable as at 31 March 2019 and 2018.

3.3 Fair value estimation

The carrying values of the Group's financial assets, including trade receivables, deposits and other receivables, amounts due from shareholders, a director and related companies and cash and cash equivalents, and financial liabilities, including trade and other payables, deposits from customers, and related companies and bank borrowings, approximate to their fair values due to their short-term maturities. 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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Offsetting financial assets and financial liabilities

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	Gross amount of recognised financial assets	Gross amount of financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position
	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2018			
Amounts due from shareholders	20,112	(12)	20,100
Amount due from a director	22,934	(18,255)	4,679
	43,046	(18,267)	24,779

For the financial asset subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allow for net settlement of the relevant financial asset and liability. In the absence of such an election, financial asset and liability will be settled on a gross basis.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Useful lives of property and equipment

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

Notes to the Consolidated Financial Statements •

5 REVENUE AND SEGMENT INFORMATION

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

During the year ended 31 March 2019, the Group had only one reportable operating segment, which was the provision of elderly home care services (2018: one reportable operating segment). Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

The Group's revenue was derived solely from its operations in Hong Kong during the years ended 31 March 2019 and 2018, and the non-current assets of the Group were located in Hong Kong as at 31 March 2019 and 2018.

Revenue of approximately HK\$73,447,000 for the year ended 31 March 2019, was derived from the Social Welfare Department under the Enhanced Bought Place Scheme, which amounted to more than 10% of the Group's revenue (2018: HK\$67,109,000).

Revenue, which is also the Group's turnover, represented amounts received and receivable from the provision of elderly home care services in Hong Kong. An analysis of revenue is as follows:

	2019 HK\$'000	2018 HK\$'000
Recognised over time:		
Rendering of elderly home care services	149,403	132,515
Recognised at a point in time:		
Sales of elderly home related goods	25,349	23,498
	174,752	156,013

The Group did not recognise any revenue-related contract assets during the years ended 31 March 2019 and 2018.

• Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Contract liabilities

The balances represent the receipt in advance from customers. The Group recognised the following revenue-related contract liabilities:

	2019 HK\$'000	2018 HK\$'000
Contract liabilities	1,602	1,781

The following table shows the revenue recognised during the years ended 31 March 2019 and 2018 related to carried-forward contract liabilities:

	2019 HK\$'000	2018 HK\$'000
Revenue recognised that was included in the contract liabilities balance as at beginning of the year	1,781	1,823

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

6 OTHER INCOME AND OTHER LOSS, NET

	2019 HK\$'000	2018 HK\$'000
Advertising income	—	2,413
Loss on disposals/write-off of property and equipment	—	(36)
	—	2,377

7 FINANCE COSTS, NET

	2019 HK\$'000	2018 HK\$'000
Interest income	22	1
Interest expenses	(582)	(280)
	(560)	(279)

Notes to the Consolidated Financial Statements •

8 PROFIT BEFORE TAXATION

	2019 HK\$'000	2018 HK\$'000
Auditors' remuneration	450	210
Depreciation (Note 13)	5,779	6,085
Employee benefit expenses	55,801	54,823
Wages and salaries	52,671	50,701
Retirement benefit scheme contributions	1,578	2,094
Staff welfare and benefits	477	957
Provision for long service payments	634	219
Directors' remunerations (Note 9)	1,818	1,818
Government subsidies	(1,377)	(966)
Lease payments under operating leases	27,396	26,004
Legal and professional fee	633	130
Listing expenses	11,102	2,645
Medical fees and related expenses	1,845	1,767
Subcontracting fees, net	1,723	2,003
Subcontracting fees	8,327	9,147
Government subsidies	(6,604)	(7,144)

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' remunerations

The remunerations of directors for each of the years ended 31 March 2019 and 2018 were as follows:

	Fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2018					
Ms. Ngai Ka Yee	—	600	—	—	600
Mr. Ngai Shi Shing, Godfrey	—	600	—	18	618
Mr. Kwong Kai To	—	600	—	—	600
	—	1,800	—	18	1,818
Year ended 31 March 2019					
Ms. Ngai Ka Yee	—	600	—	—	600
Mr. Ngai Shi Shing, Godfrey	—	600	—	18	618
Mr. Kwong Kai To	—	600	—	—	600
	—	1,800	—	18	1,818

• Notes to the Consolidated Financial Statements

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' remunerations (Continued)

Notes:

- (i) The remunerations shown above represent remunerations received from the subsidiaries of the Group by these directors in their capacity as employees to subsidiaries of the Group and no directors waived any emolument during each of the years ended 31 March 2019 and 2018.
- (ii) No director fees were paid to these directors in their capacity as directors of the Company and or the subsidiaries of the Group and no emoluments were paid by the subsidiaries of the Group to the directors as an inducement to join the subsidiaries of the Group, or as compensation for loss of office during each of the years ended 31 March 2019 and 2018.
- (iii) During each of the years ended 31 March 2019 and 2018, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.
- (iv) During each of the years ended 31 March 2019 and 2018, no significant transactions, agreements and contracts in relation to the Group's business to which the Company or any of the subsidiaries of the Group were a party and in which a director of the Company had material interest, whether directly or indirectly, subsisted at the end of each of the years ended 31 March 2019 and 2018, other than those disclosed in Note 16.
- (v) During each of the years ended 31 March 2019 and 2018, saved as disclosed in the Note 16 and Note 22, 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.
- (vi) Ms. Ngai Ka Yee and Mr. Kwong Kai To, are appointed as executive director and non-executive director of the Company, respectively, on 2 October 2018. The directors' emoluments are presented as if the directors had been appointed throughout the years ended 31 March 2019 and 2018.
- (vii) Mr. Ngai Sui Shing, Godfrey was appointed as a director of the Company on 19 April 2018 and designated as an executive director and chief executive officer on 2 October 2018. The directors' emoluments are presented as if the director had been appointed throughout the years ended 31 March 2019 and 2018.
- (viii) Ms. Chiu Lai Kwan Susanna, Mr. Or Kevin and Mr. Wong Vinci were appointed as independent non-executive directors of the Company on 20 May 2019.

(b) Five highest paid individuals

The five highest paid individuals during the year included 3 directors (2018: 3 directors), details of whose remuneration are set out in Note 9(a). Details of the remuneration for the year of the remaining 2 (2018: 2) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and other short-term employee benefits	1,480	1,350
Retirement benefit scheme contribution	36	45
	1,516	1,395

Notes to the Consolidated Financial Statements •

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individual	
	2019	2018
Nil to HK\$1,000,000	2	2

- (c) During the year ended 31 March 2019, 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 (2018: Nil).

10 INCOME TAX EXPENSE

Hong Kong profits tax had been provided on the estimated assessable profit at a rate of 16.5% for the year ended 31 March 2018.

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 and 16.5% on the remaining estimated assessable profit of the Group for the year ended 31 March 2019.

An analysis of the income tax expense is as follows:

	2019 HK\$'000	2018 HK\$'000
Hong Kong profits tax		
Current year	9,693	7,548
Deferred tax (Note 20)	(74)	34
	9,619	7,582

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:

	2019 HK\$'000	2018 HK\$'000
Profit before taxation	47,501	44,019
Tax calculated at a tax rate of 16.5% (2018: 16.5%)	7,838	7,263
Effect on two-tiered tax rate of 8.25% (2018: N/A)	(165)	—
Expenses not deductible for tax	1,950	499
Income not subject to tax	(4)	—
Tax reduction	—	(180)
	9,619	7,582

• Notes to the Consolidated Financial Statements

11 DIVIDENDS

Dividends declared by the Operating Subsidiaries prior to the completion of the Reorganisation were paid or payable to the then shareholders of the Operating Subsidiaries. The rates for dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

	2019 HK\$'000	2018 HK\$'000
Dividends declared	51,765	16,680

The directors do not recommend the payment of a final dividend for the year ended 31 March 2019.

12 EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares deemed to be in issue during the years ended 31 March 2019 and 2018.

	2019	2018
Profit attributable to the owners of the Company (HK\$'000)	37,882	36,437
Weighted average number of shares deemed to be in issue (shares)	750,000,000	750,000,000
Basic earnings per share (in HK cents)	5.05	4.86

The weighted average number of shares deemed to be in issue for the years ended 31 March 2019 and 2018 for the purpose of earnings per share computation has been retrospectively adjusted for the effect of the 1 ordinary share issued on 19 April 2018 (date of incorporation), 9,999 shares allotted for exchange of shares of the subsidiaries of the Group upon the Reorganisation on 7 September 2018 and 749,990,000 shares issued under the Capitalisation Issue on 13 June 2019 (Note 18(a)).

(b) Diluted

Diluted earnings per share for the years ended 31 March 2019 and 2018 are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

Notes to the Consolidated Financial Statements •

13 PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Total HK\$'000
At 1 April 2017				
Cost	38,854	10,336	3,925	53,115
Accumulated depreciation	(26,941)	(8,763)	(3,840)	(39,544)
Net carrying amount	11,913	1,573	85	13,571
Year ended 31 March 2018				
Opening net carrying amount	11,913	1,573	85	13,571
Additions	6,035	1,903	12	7,950
Depreciation	(5,024)	(1,021)	(40)	(6,085)
Disposals	—	(36)	—	(36)
Closing net carrying amount	12,924	2,419	57	15,400
At 31 March 2018 and 1 April 2018				
Cost	25,219	5,087	168	30,474
Accumulated depreciation	(12,295)	(2,668)	(111)	(15,074)
Net carrying amount	12,924	2,419	57	15,400
Year ended 31 March 2019				
Opening net carrying amount	12,924	2,419	57	15,400
Additions	—	357	9	366
Depreciation	(4,850)	(891)	(38)	(5,779)
Closing net carrying amount	8,074	1,885	28	9,987
At 31 March 2019				
Cost	25,219	5,444	177	30,840
Accumulated depreciation	(17,145)	(3,559)	(149)	(20,853)
Net carrying amount	8,074	1,885	28	9,987

• Notes to the Consolidated Financial Statements

14 TRADE RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Trade receivables	2,675	1,518

The Group's trading terms with its customers are mainly payment in advance. Generally, there is no credit term granted to customers. However, in practice, customers settled their outstanding balances shortly after the date when the amounts are due. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The ageing analysis of the Group's trade receivables, based on invoice date, as at 31 March 2019 and 2018 are as follows:

	2019 HK\$'000	2018 HK\$'000
Within 30 days	1,951	1,123
31–60 days	590	178
61–180 days	134	217
	2,675	1,518

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

These relate to a number of independent customers for whom there is no recent history of default. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The ageing analysis of the trade receivables which are past due but not impaired is as above as there is no credit term granted. The Group's trade receivables balance does not contained impaired assets.

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

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 March 2019 and 2018, the expected credit loss rate of trade receivables is assessed to be close to zero and considered to be not material to the consolidated financial statements, thus, no provision were made against the gross amounts of trade receivables.

Notes to the Consolidated Financial Statements •

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Prepayments	67	168
Prepaid rent	5,674	5,702
Prepaid listing expenses	5,012	2,860
Deposits	647	406
Other receivables	—	358
Current portion	11,400	9,494
Maximum exposure to credit risk	647	764

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 and are denominated in HK\$.

16 RELATED PARTIES BALANCES AND TRANSACTIONS

The Group is controlled by Sheung Fung Limited, a limited liability company incorporated in the BVI, which owns 83.2% of the Company's shares as at 31 March 2019.

(a) Balances with related parties

	2019 HK\$'000	2018 HK\$'000
<i>Amounts due from related parties</i>		
Mr. Lam Kong (Note 25)	—	3,046
Mr. Kwong Kai To (Note 25)	—	7,233
Ms. Kwong Mei Ping (Note 25)	—	1,523
Ms. Ngai Ka Yee (Note 25)	—	7,536
<i>Amount due from a director</i>		
Mr. Ngai Shi Shing, Godfrey	—	4,679
<i>Amounts due from related companies</i>		
Classic Mate Limited	—	546
Kato Kung Publishing Limited	—	144
Kato Property Limited	—	190
Kato Shing Limited	—	281
Perfect Cheer Investment Limited	—	1,378
Shing Kong Limited	—	2,021
	—	4,560
<i>Amounts due to related companies</i>		
Kato Elderly Affairs Limited	—	(2,225)
Stand Harvest Limited	(169)	(172)
	(169)	(2,397)

• Notes to the Consolidated Financial Statements

16 RELATED PARTIES BALANCES AND TRANSACTIONS (CONTINUED)

(a) Balances with related parties (Continued)

	Maximum balance outstanding during the year ended 31 March	
	2019 HK\$'000	2018 HK\$'000
<i>Amounts due from directors</i>		
Mr. Kwong Kai To	7,233	8,469
Ms. Ngai Ka Yee	7,536	11,775
Mr. Ngai Shi Shing, Godfrey	4,679	6,152

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

Remaining balances with related parties, a director and related companies are unsecured, interest-free, non-trade in nature and repayable on demand.

The carrying amounts of the balances with related parties, a director and related companies approximate to their fair values due to their short maturities and are denominated in HK\$.

(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 2019 and 2018:

	2019 HK\$'000	2018 HK\$'000
Rental expenses paid to related parties:		
— Ms. Ngai Ka Yee	439	421
— Mr. Ngai Shi Shing, Godfrey	144	144
Rental expenses paid to related companies:		
— Classic Mate Limited	1,200	1,140
— Kato Elderly Affairs Limited	4,800	4,600
— Kato Property Limited	2,400	2,320
— Perfect Cheer Investment Limited	1,920	1,860
— Shing Kong Limited	3,060	3,060
— Smarts Corporation Limited	2,097	—
Laundry expenses paid to a related company		
— Stand Harvest Limited	1,888	1,806

Notes to the Consolidated Financial Statements •

16 RELATED PARTIES BALANCES AND TRANSACTIONS (CONTINUED)

(b) Related party transactions (Continued)

Rental expenses and laundry expenses were conducted in the normal course of business and were charged at terms mutually agreed by the relevant parties.

The Group's banking facilities of HK\$24,438,000 and HK\$27,718,000 as at 31 March 2019 and 2018, respectively, are secured by the personal guarantee of a director of the Company, Mr. Ngai Shi Shing, Godfrey, and land and buildings and unlimited guarantees provided by the following related companies:

- Kato Elderly Affairs Limited
- Kato Property Limited
- Perfect Cheer Investment Limited

All land and buildings and corporate guarantee provided by the related companies and personal guarantee provided by Mr. Ngai Shi Shing, Godfrey as securities for the banking facilities have been released upon the Listing.

(c) Key management compensation

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

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

	2019 HK\$'000	2018 HK\$'000
Salaries and other short term employee benefits	2,691	2,556
Retirement benefit scheme contribution	59	80
	2,750	2,636

17 CASH AND CASH EQUIVALENTS

	2019 HK\$'000	2018 HK\$'000
Cash at banks	47,255	29,401
Cash on hand	837	1,150
Cash and cash equivalents	48,092	30,551
Maximum exposure to credit risk	47,255	29,401

• Notes to the Consolidated Financial Statements

17 CASH AND CASH EQUIVALENTS (CONTINUED)

As at 31 March 2019 and 2018, the Group's cash and cash equivalents are denominated in HK\$. The carrying amounts of cash and cash equivalents approximate their fair values due to their short maturities.

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

18 SHARE CAPITAL AND RESERVE

(a) Share capital of the Company

	Number of ordinary shares	Equivalent nominal value of ordinary share HK\$
Authorised:		
38,000,000 shares of HK\$0.01 each (<i>Note</i>)	38,000,000	380,000
Issued and fully paid:		
As at 19 April 2018 (date of incorporation)	1	—
Issuance of ordinary shares of HK\$0.01 each for acquisition of subsidiaries upon Reorganisation	9,999	100
As at 31 March 2019	10,000	100

Note: On 19 April 2018 (date of incorporation), the authorised and issued paid-up capital of the Company is 38,000,000 shares and 1 share of HK\$0.01 each, respectively. On 7 September 2018, as part of the Reorganisation, the Company issued 9,999 new ordinary shares as the consideration for acquisition of the subsidiaries now comprising the Group. On 20 May 2019, the authorised share capital of the Company was increased from 38,000,000 shares of HK\$0.01 each to 3,000,000,000 shares of HK\$0.01 each.

On 13 June 2019, the Company issued 749,990,000 ordinary shares upon capitalisation of certain amounts standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**"). The Company issued 250,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.60 per share pursuant to the initial public offering and listing of the Company's shares on the Stock Exchange on 13 June 2019.

(b) Reserves

The capital reserve of the Group represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange through share swap pursuant to the Reorganisation.

Notes to the Consolidated Financial Statements •

19 TRADE AND OTHER PAYABLES AND DEPOSITS FROM CUSTOMERS

	2019 HK\$'000	2018 HK\$'000
Trade payables	1,715	1,931
Accruals and other payables	926	473
Accrued wages and salaries and retirement benefit scheme contributions	4,715	4,736
Listing expenses payable	5,150	184
Deposits from customers	4,094	3,722
Provision for reinstatement cost	575	575
Provision for long service payments	1,656	1,060
	18,831	12,681
Less: non-current portion	(2,231)	(1,635)
Current portion	16,600	11,046

As at 31 March 2019 and 2018, the carrying amounts of trade and other payables and deposits from customers approximate to their fair values, as the impact of discounting is not significant, and are denominated in HK\$.

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

	2019 HK\$'000	2018 HK\$'000
Within 60 days	1,715	1,931

20 DEFERRED TAX ASSETS

The analysis of deferred tax assets is as follows:

	2019 HK\$'000	2018 HK\$'000
To be recovered after more than 12 months	1,927	1,923
To be recovered within 12 months	331	261
	2,258	2,184
At the beginning of the year	2,184	2,218
Credited/(charged) to the consolidated statement of comprehensive income (Note 10)	74	(34)
At the end of the year	2,258	2,184

• Notes to the Consolidated Financial Statements

20 DEFERRED TAX ASSETS (CONTINUED)

The movements in deferred tax assets of the Group for each of the years ended 31 March 2019 and 2018 are as follows:

	Decelerated tax depreciation HK\$'000
At 1 April 2017	2,218
Charged to the consolidated statement of comprehensive income	(34)
At 31 March and 1 April 2018	2,184
Credited to the consolidated statement of comprehensive income	74
At 31 March 2019	2,258

As at 31 March 2019 and 2018, there is no significant unrecognised deferred tax.

There are no income tax consequences attaching to the payment of dividends by the companies now comprising the Group to their then respective shareholders.

21 BANK BORROWINGS

The bank borrowings are term loans drawn by the Group. The Group's borrowings, after taking into account of repayable on demand clause, are repayable as follows:

	2019 HK\$'000	2018 HK\$'000
Bank borrowings		
— Within one year or on demand	23,438	26,718

The Group's bank borrowings based on the scheduled repayment dates are analysed as follows:

	2019 HK\$'000	2018 HK\$'000
Within 1 year	1,250	3,281
More than 1 year but less than 2 years	1,250	1,250
More than 2 years but less than 5 years	3,750	3,750
More than 5 years	17,188	18,437
	23,438	26,718

Notes to the Consolidated Financial Statements •

21 BANK BORROWINGS (CONTINUED)

The carrying amount of the Group's bank borrowings as at 31 March 2019 and 2018 are exposed to interest rate changes and the contractual re-pricing-dates are within 3 months.

The Group's bank borrowings are denominated in HK\$.

The Group's bank borrowings are secured by the land and buildings of related companies and unlimited corporate guarantees from related companies.

Certain Group's bank borrowings are guaranteed by a subsidiary of the Group.

Certain of the Group's bank borrowings are secured by personal guarantee of a director of the Company, Mr. Ngai Shi Shing, Godfrey.

Bank borrowings bear effective interest rate of 2.5% and 2.0% per annum for the years ended 31 March 2019 and 2018, respectively.

All personal guarantee provided by a director, Mr. Ngai Shi Shing, Godfrey, and corporate guarantees and land and buildings provided by related companies was released upon the Listing and replaced by the corporate guarantee provided by the Company.

22 FINANCIAL GUARANTEE

As at 31 March 2019 and 2018, certain Operating Subsidiaries provided guarantees to banks in connection with facilities of approximately HK\$273,382,000 and HK\$115,689,000, respectively, granted to some of the related companies, controlled by Mr. Ngai Shi Shing, Godfrey, a director of the Company, which were utilised to the extent of approximately HK\$263,382,000 and HK\$78,689,000, respectively. In the opinion of the directors, the fair value of the financial guarantee contracts was considered to be insignificant based on the fair value of the property held by and the repayment history of the Group's related companies.

All corporate guarantee provided to related companies were released upon the Listing and replaced by the corporate guarantee provided by the Company.

• Notes to the Consolidated Financial Statements

23 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	Note	2019 HK\$'000	2018 HK\$'000
Profit before taxation		47,501	44,019
Adjustments for:			
Interest income	7	(22)	(1)
Interest expenses	7	582	280
Depreciation	13	5,779	6,085
Loss on disposals/write-off of property and equipment	6	—	36
		53,840	50,419
Changes in working capital:			
Trade receivables		(1,157)	101
Prepayments, deposits and other receivables		1,380	(1,496)
Trade and other payables		5,778	(1,084)
Deposits from customers		372	578
Contract liabilities		(179)	(42)
Balances with related companies		(389)	10
Cash generated from operations		59,645	48,486

(b) Significant non-cash transactions

During the years ended 31 March 2019 and 2018, 6 and 2 of the subsidiaries of the Group have declared dividends totalling HK\$26,600,000 and HK\$16,680,000 to the then shareholders of the Operating Subsidiaries, respectively. During the year ended 31 March 2019, the Company has declared dividend of HK\$25,165,000. Dividends of HK\$25,165,000 and HK\$6,200,000 were settled by netting off the outstanding balances of the current accounts with the shareholders of the Company and the then shareholders of the Operating Subsidiaries for the years ended 31 March 2019 and 2018, respectively.

(c) Net debt reconciliation

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

	2019 HK\$'000	2018 HK\$'000
Cash and cash equivalents	48,092	30,551
Bank borrowings	(23,438)	(26,718)
Net cash	24,654	3,833
Cash and cash equivalents	48,092	30,551
Gross debt — variable interest rates	(23,438)	(26,718)
Net cash	24,654	3,833

Notes to the Consolidated Financial Statements •

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

(c) Net debt reconciliation (continued)

	Cash and cash equivalents HK\$'000	Amount due to a director repayable on demand HK\$'000	Bank borrowings HK\$'000
Net cash as at 1 April 2017	16,595	(7,555)	8,538
Cash inflows/(outflows), net	13,956	7,555	18,180
Net cash as at 31 March 2018 and 1 April 2018	30,551	—	26,718
Cash inflows/(outflows), net	17,541	—	(3,280)
Net cash as at 31 March 2019	48,092	—	23,438

24 OPERATING LEASE AND CAPITAL COMMITMENTS

Operating lease commitments — as lessee

The Group leases certain of its elderly centers under operating lease arrangements. Leases for these properties are negotiated for terms ranging from two to fifteen years. At as 31 March 2019 and 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 HK\$'000	2018 HK\$'000
Within one year	18,533	27,382
More than one year but less than five years	14,173	32,500
More than five years	10,627	11,100
	43,333	70,982

The Group did not have other significant commitments at 31 March 2019 and 2018.

• Notes to the Consolidated Financial Statements

25 AMOUNTS DUE FROM SHAREHOLDERS

	2019 HK\$'000	2018 HK\$'000
Mr. Lam Kong	—	3,046
Mr. Kwong Kai To	—	7,233
Ms. Kwong Mei Ping	—	1,523
Mr. Ngai Chi Hang	—	762
Ms. Ngai Ka Yee	—	7,536
	—	20,100

Balances with shareholders are unsecured, interest-free, non-trade in nature and repayable on demand.

The carrying amounts of the balances with shareholders approximate to their fair values due to their short maturities and are denominated in HK\$.

26 FINANCIAL INSTRUMENTS BY CATEGORY

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

	2019 HK\$'000	2018 HK\$'000
Assets as per consolidated statement of financial position		
Financial assets at amortised cost:		
— Trade receivables	2,675	1,518
— Deposits and other receivables	647	764
— Amounts due from shareholders	—	20,100
— Amount due from a director	—	4,679
— Amounts due from related companies	—	4,560
— Cash and cash equivalents	48,092	30,551
	51,414	62,172
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost:		
— Trade and other payables	(7,791)	(2,427)
— Deposits from customers	(4,094)	(3,722)
— Amounts due to related companies	(169)	(2,397)
— Bank borrowings	(23,438)	(26,718)
	(35,492)	(35,264)

Notes to the Consolidated Financial Statements •

27 STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2019 HK\$'000
ASSETS		
Non-current asset		
Investments in a subsidiary	(i)	36,639
Current assets		
Prepayments		5,012
Amounts due from subsidiaries		48,080
		53,092
Total assets		89,731
EQUITY AND LIABILITIES		
Equity attributable to the owners of the Company		
Share capital	18(a)	—
Capital reserve	27(b)	36,639
Reserves	27(b)	9,050
Total equity		45,689
LIABILITIES		
Current liabilities		
Accruals and other payables		5,320
Amount due to a subsidiary		38,722
Total liabilities		44,042
Total equity and liabilities		89,731

The statement of financial position of the Company was approved by the Board of Directors on 28 June 2019 and was signed on its behalf.

Mr. Ngai Shi Shing, Godfrey
Executive Director

Mr. Ngai Ka Yee
Executive Director

• Notes to the Consolidated Financial Statements

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

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

(i) Investment in a subsidiary

	2019 HK\$'000
Investment in unlisted shares	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:

			Issued and fully paid ordinary share capital	Attributable equity interest of the Group	
Company name	Place of incorporation	Principal activities and place of operation		2019	2018
Indirectly held by the Company:					
Kato Kung Limited	Hong Kong	Operation of elderly residential care homes in Hong Kong	HK\$5,000	100%	100%
Crawfield International Limited	Hong Kong	Operation of elderly residential care homes in Hong Kong	HK\$20,000	100%	100%
Oriental Chinese Medicine Limited	Hong Kong	Operation of elderly residential care homes in Hong Kong	HK\$11,000	100%	100%
Jane’s Home Limited	Hong Kong	Operation of elderly residential care homes in Hong Kong	HK\$100	100%	100%
Tsuen Wan Elderly Centre Limited	Hong Kong	Operation of elderly residential care homes in Hong Kong	HK\$110	100%	100%
Happy Luck Elderly Home Limited	Hong Kong	Operation of elderly residential care homes in Hong Kong	HK\$110	100%	100%

Notes to the Consolidated Financial Statements •

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

(b) Reserves movement of the Company

	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 19 April 2018 (date of incorporation)	—	—	—
Contribution surplus (<i>Note</i>)	36,639	—	36,639
Profit and other comprehensive income for the period	—	34,215	34,215
Dividends (<i>Note 23(b)</i>)	—	(25,165)	(25,165)
At 31 March 2019	36,639	9,050	45,689

Note: The capital reserve of the Company represents 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.

28 EVENTS AFTER THE REPORTING PERIOD

On 13 June 2019, the Company issued 749,990,000 ordinary shares upon capitalisation of certain amounts standing to the credit of the share premium account of the Company. The Company issued 250,000,000 shares at a price of HK\$0.60 each in the initial public offering and raised a cash proceeds of HK\$150,000,000 (before netting off related transaction costs).

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.

• Four Years Financial Summary

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

		Year ended 31 March		
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
RESULTS				
Revenue	174,752	156,013	150,195	142,379
Profit before taxation	47,501	44,019	40,064	36,436
Income tax expense	(9,619)	(7,582)	(6,582)	(5,594)
Profit for the year attributable to the owners of the Company	37,882	36,437	33,482	30,842
		As at 31 March		
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
FINANCIAL POSITION				
Non-current assets	12,245	17,584	15,789	12,444
Current assets	62,167	71,547	42,979	38,778
Non-current liabilities	(2,231)	(1,635)	(1,574)	(1,633)
Current liabilities	(43,814)	(45,246)	(34,701)	(47,335)
Net assets attributable to the owners of the Company	28,367	42,250	22,493	2,254