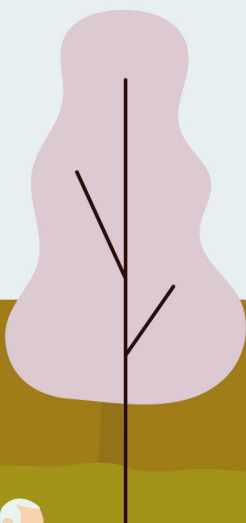




Hang Chi Holdings Limited 恒智控股有限公司

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



2021
Annual Report

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors (the “Directors”) of Hang Chi Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Director

Mr. Lau Joseph Wan Pui

Independent non-executive Directors

Mr. Kwok Chi Shing
 Mr. Lau Tai Chim
 Mr. Wong Wai Ho

Board Committees

Audit Committee

Mr. Kwok Chi Shing (*Chairman*)
 Mr. Lau Tai Chim
 Mr. Wong Wai Ho

Nomination Committee

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

Remuneration Committee

Mr. Lau Joseph Wan Pui (*Chairman*)
 Mr. Kwok Chi Shing
 Mr. Lau Tai Chim

Company Secretary

Ms. Leung Pui Shan (*HKICPA*)

Authorised Representatives

Mr. Chung Kin Man
 Ms. Leung Pui Shan

Compliance Officer

Mr. Chung Kin Man

Registered Office

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

Headquarters and Principal Place of Business in Hong Kong

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

Auditor

Ernst & Young
 Certified Public Accountants

Principal Bankers

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

Principal Share Registrar and Transfer Office in the Cayman Islands

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

Branch Share Registrar and Transfer Office In Hong Kong

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

Stock Code

8405

Company's Website

www.shuionnc.com

Contact Information

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FINANCIAL HIGHLIGHTS

	2021 HK\$'000	2020 HK\$'000	Change % (approximate)
Consolidated statement of profit or loss and other comprehensive income			
Revenue	203,849	205,038	-0.58%
EBITDA	97,872	100,733	-2.84%
Profit for the year	52,191	52,883	-1.31%
Consolidated statement of financial position			
Cash and cash equivalents	66,329	85,914	-22.80%
Trade receivables	165	191	-13.61%
Net assets value	179,141	196,230	-8.71%

CHAIRMAN'S STATEMENT

Dear Shareholders,

My sincere greetings to every one of you. "Grasping the Nettle and Forging Ahead" is the most appropriate term used to describe what we had gone through over the year. We were still challenged by various difficulties due to the persistent epidemic outbreak. With grateful feelings, I would like to present the annual results of the Company and its subsidiaries (collectively with the Company, the "Group") for the year ended 31 December 2021 (the "Reporting Year").

Business Review

We will continue to upgrade our residential care homes and increase our participation opportunity in the Enhanced Bought Place Scheme of the Social Welfare Department. Although such move did not bring about a significant increase in revenue, the occupancy rates and revenue became relatively stable, which in turn ensures the smooth operation of the residential care homes, further abates the risk of market impact and enhances the reputation of our residential care homes in the districts. The Group has started to provide health and personal care services to the users of elderly residential care services who need quarantine since late April 2020. During the course of undertaking the health care services in the quarantine centre, not only have we gained additional revenue, but also valuable experience. Despite the fact that the revenue generated from our principal business experienced a slight decrease due to the epidemic impact, we believe all difficulties are short-lived. Our development will be back on track and will continue to move ahead when the epidemic is over and the society return to normal.

Future Development

All industries and sectors are seriously bombarded due to the persistence of epidemic outbreak. The Group was exposed to minor impact as compared with other industries. In the future, we will channel all our efforts to the development of the elderly care business in Hong Kong, and gradually expand our business by opening, acquiring or merging residential care homes, so as to provide more quality residential care places for the elderly in need.

Appreciation

I am most proud of the courage demonstrated by our frontline staff and must take this opportunity to pay the highest tribute to you all for being at the forefront to serve our elderly residents without fear of the epidemic. Meanwhile, I would also like to express my appreciation to everyone who has participated in the fight against the epidemic in Hong Kong and you are all greatest warriors.

Yik Tak Chi

Chairman and Executive Director

Hong Kong, 21 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business and Operational Review

In response to the outbreak of coronavirus in Hong Kong, the Company has formed a crisis response team to monitor the situation of its residential care homes and launched a series of special measures to strengthen infection control. The crisis response team holds meetings regularly to review the adequacy of current measures. During the Reporting Year, the Group’s revenue amounted to approximately HK\$203,849,000, representing a slight decrease of 0.58% as compared with that of last year. Profit for the year decreased by approximately 1.31% to approximately HK\$52,191,000. The Group will continue to optimise existing resources, strengthen staff training, and save costs through cost control measures.

Prospect

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

MANAGEMENT DISCUSSION AND ANALYSIS

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



Year **2019**
244 residential care places
SHATIN
 Guardian Home (Chun Shek)
 Integrated Elderly Home

Year **2016**
91 residential care places
SHATIN
 Shui On Nursing Centre
 (Sun Tin Wai) Company Limited

Year **2016**
263 residential care places
KWAI TSING
 Shui On Nursing Centre
 (Kwai Shing E.) Co. Limited

136 of residential care places under EBPS EA1*

Year **2017**
207 residential care places
KWUN TONG
 Shui Jun Nursing Centre (Yau Tong)
 Company Limited

42 of residential care places under EBPS EA2*

Year **2008**
72 residential care places
EASTERN
 Shui On Nursing Centre
 (Hing Wah) Company Limited

Year **2007**
118 residential care places
KWUN TONG
 Shui On Nursing Centre
 (Shun On) Company Limited

61 of residential care places under EBPS EA1*

Year **2011**
90 residential care places
KWUN TONG
 Shui Hing Nursing Centre Limited

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

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Performance

Revenue

The breakdown of revenue by types of services provided by the Group for the Reporting Year and year ended 31 December 2020 are set out as follows:

	2021		2020	
	Revenue HK\$'000	Percentage of segment revenue approximate%	Revenue HK\$'000	Percentage of segment revenue approximate%
Rendering of elderly home care services				
– residential care places leased by the Social Welfare Department (the “SWD”) under the Enhanced Bought Place Scheme (the “EBPS”)	39,024	19.14%	38,364	18.71%
– residential care places leased by the SWD under the Bought Place Scheme on Day Care Units (the “Day Care Services”)	4,759	2.33%	2,824	1.38%
– residential care places leased by individual customers	107,488	52.73%	111,646	54.45%
– residential care places leased by non-governmental organisations	620	0.30%	828	0.40%
	151,891	74.50%	153,662	74.94%
Sales of elderly related goods and provision of healthcare services	51,958	25.50%	51,376	25.06%
Total	203,849	100.00%	205,038	100.00%

During the Reporting Year, the Group’s revenue slightly decreased from approximately HK\$205,038,000 for the last year to approximately HK\$203,849,000, representing an approximately 0.58% decrease.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Performance *(Continued)***Rendering of elderly home care services**

The revenue from rendering of elderly home care services was derived from the provision of, among others, residence, nursing and caretaking services, health and medical services, rehabilitation services, meal preparation services and social care services in Hong Kong. The revenue decreased from approximately HK\$153,662,000 for the last year to approximately HK\$151,891,000 for the Reporting Year, representing an approximately 1.15% decrease.

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

During the Reporting Year, the revenue derived from the SWD, which leased a fixed number of residential care places at the Group's elderly residential care homes under the EBPS, increased from approximately HK\$38,364,000 for the last year to approximately HK\$39,024,000, representing an approximately 1.72% increase.

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

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

During the Reporting Year, the revenue derived from the SWD, which elder persons nominated and arranged by the SWD to receive the Day Care Services at the Group's elderly residential care homes under the Day Care Services increased from approximately HK\$2,824,000 for the last year to approximately HK\$4,759,000, representing an approximately 68.52% increase. The increment was mainly due to recognition of whole year revenue generated from Day Care Services during the Reporting Year, whereas only eight months revenue was recognised for the last year.

- **Residential care places leased by individual customers**

The revenue derived from rendering of elderly home care services for individual customers, together with the unsubsidised portions paid by individual customers under the EBPS decreased from approximately HK\$111,646,000 for the last year to approximately HK\$107,488,000 for the Reporting Year, representing an approximately 3.72% decrease.

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

The revenue derived from the non-governmental organisations which leased residential care places from the Group's elderly residential care homes decreased from approximately HK\$828,000 for the last year to approximately HK\$620,000 for the Reporting Year, representing an approximately 25.12% decrease. The decline in revenue was due to the reduction on referrals of customers from non-government organisation as a result of the epidemic.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Performance *(Continued)***Sales of elderly related goods and provision of healthcare services**

The revenue from sales of elderly related goods and provision of healthcare services was derived from the sales of adult nappies, nutritional milk, other medical consumable products, daily supplies and provision of additional healthcare services to the residents. The revenue increased from approximately HK\$51,376,000 for the last year to approximately HK\$51,958,000 for the Reporting Year, representing an approximately 1.13% increase.

Average occupancy rates of the elderly residential care homes

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

	2021 approximate %	2020 approximate %
Average occupancy rates		
– elderly residential care homes under the EBPS	92.26%	93.54%
– non-EBPS elderly residential care homes	82.17%	87.70%

Average occupancy rates

- elderly residential care homes under the EBPS
- non-EBPS elderly residential care homes

Staff costs

Staff costs are the largest component of the operating expenses, which comprised of wages, salaries, bonuses, long service payments, retirement benefit costs and other allowances and benefits payable to employees. During the Reporting Year, since more staff have been employed for providing health and personal care services to service users of residential care homes who were admitted for quarantine, the amount of staff costs increased from approximately HK\$75,338,000 for the last year to approximately HK\$83,464,000 for the Reporting Year, representing an approximately 10.79% increase.

Property rental and related expenses

Property rental and related expenses mainly represented by the rental and ancillary office payments under operating leases related to the elderly residential care homes. The amount of property rental and related expenses increased from approximately HK\$17,284,000 for the last year to approximately HK\$18,540,000 for the Reporting Year, representing an approximately 7.27% increase. With the adoption of IFRS 16 Leases, the rental expenses were re-allocated between Property rental and related expenses, Depreciation and amortisation and Finance costs. The rental and related expenses payments for the elderly residential care homes and office amounted to approximately HK\$41,546,000 in total for the Reporting Year.

Profit for the year

During the Reporting Year, the Group recorded a profit of approximately HK\$52,191,000 and approximately HK\$52,883,000 was noted for the last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources, Gearing Ratio and Capital Structure

Liquidity

As at 31 December 2021, current assets amounted to approximately HK\$85,093,000 (2020: approximately HK\$102,311,000). Current liabilities were approximately HK\$53,244,000 (2020: approximately HK\$51,319,000).

Financial Resources

As at 31 December 2021, the Group had total cash and bank balances of approximately HK\$66,329,000 (2020: approximately HK\$85,914,000).

As at 31 December 2021, the Group had trade receivables of approximately HK\$165,000 (2020: approximately HK\$191,000).

Gearing Ratio

The gearing ratio of the Group as at 31 December 2021 was 15% (2020: 10%) as the Group incurred the lease liabilities with the adoption of IFRS 16 Leases during the Reporting Year. The Group was not in need of any material debt financing during the Reporting Year.

The approach of the board of Directors of the Company (the “Board”) to manage the Group’s working capital is to ensure sufficient liquid assets to meet its matured liabilities so as to avoid any unacceptable losses or damage to the Group’s reputation.

Capital Structure

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

As at 31 December 2021, the total equity of the Group was approximately HK\$179,141,000 (2020: approximately HK\$196,230,000).

Dividend

The Board does not recommend the payment of a final dividend for the Reporting Year (2020: HK\$32,000,000).

Significant Investments Held by the Group

As at 31 December 2021, there was no significant investment held by the Group.

Future Plans for Material Investment and Capital Assets

As at 31 December 2021, the Group did not have any plan for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the Reporting Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Exposure

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

Contingent Liabilities

As at 31 December 2021, the Group had no material contingent liabilities (2020: nil).

Capital Expenditure

During the Reporting Year, the Group's capital expenditure amounted to approximately HK\$3,255,000 (2020: approximately HK\$3,901,000) which was used for the acquisition of plant and equipment in the elderly residential care homes.

Human Resources and Remuneration Policy

As at 31 December 2021, the Group had 389 employees (2020: 381 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme (the "Share Option Scheme") has been adopted on 21 June 2017 for, among others, the employees of the Group.

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

	<u>Number of persons</u>
Less than HK\$500,000	–
HK\$500,001 to HK\$1,000,000	6
Over HK\$1,000,001	–

Proposed Transfer of Listing from GEM to the Main Board of Stock Exchange

On 16 June 2020, the Company submitted a formal application (the "Application") to the Stock Exchange in respect of the proposed transfer of listing of the Shares from GEM to the Main Board of Stock Exchange of (i) all the Shares in issue; and (ii) any Shares which may be issued upon the exercise of any share options which may be granted under the Share Option Scheme, on the Main Board by way of transfer of listing pursuant to Chapter 9A of and Appendix 28 to the Rules Governing the Listing of Securities on the Stock Exchange and the relevant provisions of the GEM Listing Rules (the "Proposed Transfer of Listing"). The Proposed Transfer of Listing would not involve any issue of new Shares by the Company.

The renewal of the Application was submitted to the Stock Exchange on 3 February 2021 and has lapsed as six months or more had elapsed since the date of the submission for the renewal of the Application.

The Company has decided not to proceed with the Proposed Transfer of Listing. The Board believes that such decision has no material adverse impact on the financial or business operations of the Group.

For more details about the Proposed Transfer of Listing, please refer to the announcements of the Company dated 16 June 2020, 3 February 2021 and 3 August 2021, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

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

During preparation of the Proposed Transfer of Listing, the Company identified that (i) the use of properties located at (a) Shops 101 to 105, 127 to 142 and 158 to 165, 1st Floor, Ka Kwai Arcade and (b) Unit No. G67, Ground Floor and Unit B, 1st Floor, Ka Fat Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong (the “Yau Tong Properties”) by Shui Jun Nursing Centre (Yau Tong) Company Limited (“Shui Jun (Yau Tong)”) for the operation of an elderly residential care home is inconsistent with the user stated in the deed of mutual covenants and occupation permits, which also constitutes a breach of the government lease; and (ii) Shui Jun (Yau Tong) or the relevant landlords failed to serve a notice under Section 25 of the Buildings Ordinance (Cap. 123 of the Laws of Hong Kong) to the Building Authority about the intended change of user of the Yau Tong Properties.

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

The Company has prepared a relocation plan and has been trying to locate a suitable property for relocation of Shui Jun (Yau Tong). In the event the Company could not find a suitable property, the Company will consider other necessary actions to minimise the impact of the said incident to the Group, including but not limited to a potential disposal of Shui Jun (Yau Tong), subject to the then market condition. At the date of this report, the Group has not engaged in any formal negotiations or signed any documents regarding the potential disposal with any potential buyers.

Events after the Reporting Year

Subsequent to the Reporting Year, the Group had following significant events taken place:

On 14 March 2022, Shui Jun (Yau Tong), as tenant, entered into two new tenancy agreements (collectively, the “2022 Tenancy Agreements”) with Ever Premier Limited (“Ever Premier”) and Roymark Limited (“Roymark”), as landlords, in relation to the Yau Tong Properties, respectively. The Yau Tong Properties will be rented by Shui Jun (Yau Tong) for the operation of the elderly residential care home under the name of Shui Jun Nursing Centre (Yau Tong) Company Limited (瑞臻護老中心(油塘)有限公司) from 1 July 2022 (or the date of fulfillment of the conditions as set out in the respective 2022 Tenancy Agreements, whichever is later) and expiring on 30 June 2026 (both dates inclusive) at the monthly rental of HK\$200,000 and HK\$890,000 per month, respectively. The entering into of the 2022 Tenancy Agreements is a transitional measure for operation of the elderly residential care home prior to adoption of the plan as disclosed in the paragraph headed “Potential Relocation of Shui Jun Nursing Centre (Yau Tong) Company Limited” above.

As at the date of this report, (i) Roymark is beneficially owned as to 40% by Mr. Yik Yak Chi (“Mr. Yik”) (through Hang Chi Development & Investment Limited (“HCDI”)), 25% by Ms. Yik Wai Hang (“Ms. WH Yik”) and 35% by two other independent third parties; (ii) the board of directors of Roymark consists of five directors, including Mr. Yik, Ms. WH Yik, Mr. Lui Chi Tat (“Mr. Lui”) and two other independent third parties; (iii) Ever Premier is wholly-owned by Roymark; and (iv) the board of directors of Ever Premier consisted of two directors, including Mr. Yik and Mr. Lui.

As (a) Mr. Yik is an executive Director and a controlling shareholder of the Company; (b) Mr. Lui is the chief executive officer of the Company and an executive Director; and (c) Ms. WH Yik is a controlling shareholder of the Company, a sister of Mr. Yik and the mother of Mr. Lui, Roymark and Ever Premier are associates of connected persons of the Company under the GEM Listing Rules and the transactions contemplated under the Tenancy Agreements constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

Events after the Reporting Year *(Continued)*

Pursuant to IFRS16, leases shall be recognised as right-of-use assets in the Group's consolidated statement of financial position. Accordingly, the entering into of the 2022 Tenancy Agreements will be regarded as a one-off acquisition of assets of the Group for the purposes of the GEM Listing Rules. Given that one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the 2022 Tenancy Agreements based on the estimated value of right of- use assets recognised by the Group pursuant to IFRS16 exceed 5% but all are less than 25%, the 2022 Tenancy Agreements, on an aggregate basis, constitute discloseable and connected transactions of the Company under Chapters 19 and 20 of the GEM Listing Rules and is subject to the reporting announcement and independent shareholders' approval requirements under the GEM Listing Rules.

As a good corporate governance practice, (i) both of Mr. Yik and Mr. Lui, who are considered to have a material interest in the transactions contemplated under the 2022 Tenancy Agreements, abstained from voting on the resolutions of the Board approving the 2022 Tenancy Agreements and the transactions contemplated thereunder; and (ii) pursuant to code provision C.5.7 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules, all independent non-executive directors who have no material interest in the transaction were present at the said Board meeting.

The Company will seek the independent shareholders' approval regarding the 2022 Tenancy Agreements and the transactions contemplated thereunder at the forthcoming annual general meeting.

For details of the 2022 Tenancy Agreements, please refer to the announcement of the Company dated 14 March 2022. For details of the existing tenancy agreements entered into by Shui Jun (Yau Tong) with Ever Premier and Roymark on 10 June 2021, respectively, please refer to the paragraph headed "Continuing Connected Transactions" on page 70 of this report.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Yik Tak Chi (易德智先生) (“Mr. Yik”), aged 69, was appointed as a Director on 16 February 2016, and was redesignated as the Chairman and an executive Director, and appointed as the CEO on 7 February 2017. Mr. Yik stepped down as the CEO with effect from 22 January 2018. He is also the chairman of the Nomination Committee. Mr. Yik is the founder of the Group, who also serves as a director of all of the subsidiaries of the Company. Mr. Yik is responsible for the overall management, strategic planning, business development and major decision-making of the Group.

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

In 1993, Mr. Yik and his sister co-founded Shui On Aged Home (Prince Edward Road), a private elderly residential care home located in Kowloon. Since then, he has been actively involved in the planning and establishment, the daily management and operation of elderly residential care homes and has accumulated more than 27 years of experience in the operation and management of elderly residential care homes. Other than the elderly residential care homes of the Group, Mr. Yik also assisted in management and operation of three other elderly residential care homes before the establishment of the Group.

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

Mr. Chung Kin Man (鍾建民先生) (“Mr. Chung”), aged 58, was appointed as an executive Director and the compliance officer of the Company on 7 February 2017. Mr. Chung also serves as a director of the Group companies, namely, Shui On Nursing Centre (Shun On) Company Limited (“Shui On (Shun On)”) and Shui On Nursing Home Holdings Limited (“Shui On Holdings (HK)”). Mr. Chung is currently responsible for human resource management, staff training and daily operation of the Group. He also assists Mr. TC Yik in affairs such as corporate strategic planning and business development of the Group.

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

Mr. Chung has over 18 years of work experience in elderly residential care homes. Prior to joining the Group, Mr. Chung worked as a health worker in other elderly residential care homes, and primarily assisted the nurses and physiotherapists in taking care of the elderly residents and handling administrative duties. Mr. Chung first joined the Group as the director of Shui On (Shun On) in March 2006 and became the home manager of Shui On (Shun On) in September 2007. He was responsible for the daily management and operation of Shui On (Shun On). From June 2011 to April 2019, Mr. Chung was further appointed as the director of Shui Hing and was responsible for staff training and daily operation of the Group in view of the Group’s expansion.

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors *(Continued)*

Ms. Chung Wai Man (鍾慧敏女士) (“Ms. Chung”), aged 56, was appointed as an executive Director on 7 February 2017. Ms. Chung also serves as a director of medical service of Shui On (Shun On). Ms. Chung is currently responsible for making healthcare policies, procedures, training programs for the medical staff at all levels in the Group, and also responsible for allocating, distributing and supervising the medical and nursing work, and evaluating the work efficiency from time to time. She also assists Mr. TC Yik in recruiting, supervising and managing the medical staff at all levels in the Group.

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

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

Mr. Lui Chi Tat (雷志達先生) (“Mr. Lui”), aged 48, was appointed as the CEO on 22 January 2018. He has been appointed as an executive Director on 27 February 2019. Mr. Lui also serves as a director of all of the subsidiaries of the Company, except Shui On Nursing Home Holdings (BVI) Limited. He is currently responsible for the daily operation and management of the Group.

Mr. Lui started working as an apprentice in the renovation industry after his graduation from secondary school in 1991. He then joined the industry of elderly residential care homes by working in Jun Pak Limited (formerly known as Shui On Nursing Centre Limited), which operated an elderly residential care home in Yau Tong district, as a general clerk in 1994. Mr. Lui subsequently became the deputy home manager of the aforesaid elderly residential care home from 2001 to 2004 and the home manager of an elderly residential care home in Shatin district, from 2004 to 2010. Since 2010, Mr. Lui has been appointed as a director of Shui On Nursing Centre (Kwai Shing E.) Co. Limited (“Shui On (Kwai Shing E.)”). He also served as the home manager of Shui On (Kwai Shing E.) from July 2010 to June 2016. As a home manager, Mr. Lui has been responsible for daily operation, management and administration of the above elderly residential care homes during the relevant period. Mr. Lui has accumulated more than 20 years of experience in the management and operation of elderly residential care homes.

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Director

Mr. Lau Joseph Wan Pui (劉允培先生) (“Mr. Joseph Lau”), aged 70, was appointed as a non-executive Director on 7 February 2017. He is also the chairman of the Remuneration Committee. Mr. Joseph Lau is currently responsible for providing advice on the business strategies of the Group.

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

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

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Kwok Chi Shing (郭志成先生) (“Mr. Kwok”), aged 60, was appointed as an independent non-executive Director on 21 June 2017. He is also the chairman of the Audit Committee and a member of the Remuneration Committee.

Mr. Kwok obtained a degree of Master of Arts in Economics with Accountancy from The University of Aberdeen in U.K. in July 1986. Mr. Kwok is a certified public accountant in Hong Kong. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants since February 1997 and a member of the Institute of Chartered Accountants of Scotland since November 1989. Mr. Kwok has also been a certified financial planner granted by the Institute of Financial Planners of Hong Kong since October 2001.

Mr. Kwok has extensive experience in corporate and financial management work especially for the real estate development and property management industries.

Mr. Kwok is currently a director of BTC Management Consultants Limited (formerly known as Sun Sing Auto Company Limited and Wilson C. Kwok Management Consultants Limited). From 1993 to 1999, Mr. Kwok was a partner of Wong, Lam, Leung & Kwok, Certified Public Accountants. From 1999 to 2010, he was a director of Lam, Kwok, Kwan & Cheng C.P.A. Limited. Since 2007, Mr. Kwok has been a director of LKKC C.P.A. Limited.

Mr. Kwok has served as an independent non-executive director of Fantasia Holdings Group Co., Limited (花樣年控股集團有限公司) since November 2021, a company whose shares were listed on the Main Board (stock code: 1777). Mr. Kwok has served as an independent non-executive director of Grand Ocean Advanced Resources Company Limited (弘海高新資源有限公司) (formerly known as DeTeam Company Limited and Angels Technology Company Limited) from January 2006 to September 2020, a company whose shares were listed on GEM until 19 June 2009 (stock code: 8112), and whose listing was transferred to the Main Board thereafter (stock code: 0065). Mr. Kwok has also served as an independent non-executive director of Speed Apparel Holding Limited (尚捷集團控股有限公司) from January 2017 to June 2021, the shares of which were listed on GEM (stock code: 8183) and transferred from GEM to Main Board on 12 December 2019 (stock code: 3860); and an independent non-executive director of Huakang Biomedical Holdings Company Limited (華康生物醫學控股有限公司) from November 2018 to September 2020, the shares of which are listed on GEM (stock code: 8622). Mr. Kwok has served as an independent non-executive director of Cityneon Holdings Limited from August 2017 to January 2019, a company whose shares were formerly listed on the Singapore Stock Exchange (stock code: SGX:5HJ) and delisted with effect from 1 February 2019. Mr. Kwok has served as an independent non-executive director of DTXS Silk Road Investment Holdings Company Limited (大唐西市絲路投資控股有限公司) since May 2020, the shares of which were listed on the Main Board (stock code: 0620). Mr. Kwok has also served as an independent non-executive director of Bonjour Holdings Limited (卓悅控股有限公司) since September 2020, a company whose shares are listed on the Main Board (stock code: 0653).

Moreover, Mr. Kwok has been a director of Pok Oi Hospital since 2015, a director of Yan Oi Tong in 2016 and the founding second vice president of the Lions Club of Hong Kong New Territories West.

Mr. Lau Tai Chim (劉大潛先生) (“Mr. Lau”), aged 70, was appointed as an independent non-executive Director on 21 June 2017. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee.

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors *(Continued)*

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

Mr. Wong Wai Ho (黃偉豪先生) (“Mr. Wong”), aged 72, joined the Group and was appointed as an independent non-executive Director on 21 June 2017. He is also a member of the Audit Committee and the Nomination Committee.

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

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

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

Senior Management

Ms. Leung Pui Shan (梁佩珊女士) (“Ms. Leung”), aged 41, joined the Group as the chief financial officer in Shui On Holdings (HK) in December 2015 and was appointed as the chief financial officer and company secretary of the Company on 7 February 2017. She is currently responsible for accounting, financial management and company secretarial matters of the Group.

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

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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

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

Code of Conduct of Directors' Securities Transactions

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

Board of Directors

The Board has a balance of skills and experience required of the Group's business. As at the date of this report, the Board comprised four executive Directors, one non-executive Director and three independent non-executive Directors, whose biographies are set out in the section headed "Board of Directors and Senior Management" on pages 13 to 16 of this report. An updated list of Directors by category identifying their roles and functions is at all times available on the websites of the Company and the Stock Exchange. Save as disclosed under the section headed "Board of Directors and Senior Management", there is no other financial, business, family or other material or relevant relationships between the Board members, and in particular, between the Chairman and the CEO.

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

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

CORPORATE GOVERNANCE REPORT

Board of Directors (Continued)**Meetings**

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

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

	Number of meetings attended/held during the respective tenure				
	General Meeting	Board Meetings	Audit Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meeting
Chairman and Executive Director					
Mr. Yik Tak Chi	1/1	4/4	n/a	1/1	n/a
Executive Directors					
Mr. Chung Kin Man	1/1	4/4	n/a	n/a	n/a
Ms. Chung Wai Man	1/1	4/4	n/a	n/a	n/a
Mr. Lui Chi Tat	1/1	4/4	n/a	n/a	n/a
Non-executive Director					
Mr. Lau Joseph Wan Pui	1/1	4/4	n/a	n/a	1/1
Independent non-executive Directors					
Mr. Kwok Chi Shing	1/1	4/4	4/4	n/a	1/1
Mr. Lau Tai Chim	1/1	4/4	4/4	1/1	1/1
Mr. Wong Wai Ho	1/1	4/4	4/4	1/1	n/a

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

Responsibilities and Delegation

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

CORPORATE GOVERNANCE REPORT

Board of Directors *(Continued)***Responsibilities and Delegation** *(Continued)*

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

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

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

Financial Reporting

During the Reporting Year, the management of the Company has provided to the Board quarterly updates with quarterly consolidated financial statement of the Company's performance, position and prospects in sufficient details during the regular Board meetings of the Company. In addition, the management has provided the Board with in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board. The management discussion and analysis prepared by the management and reviewed by the Board are included in pages 4 to 12 of this report.

Induction and Continuous Professional Development

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

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on Directors' training. To ensure their contributions to the Board remains informed and relevant, all the Directors have participated in continuous professional development to develop and refresh their knowledge and skill. During the Reporting Year, all the Directors were provided with regular updates and presentations on changes and developments of the Group's business and the latest developments in laws, rules and regulations relating to director's duties and responsibilities.

Chairman and Chief Executive Officer

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

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

CORPORATE GOVERNANCE REPORT

Board of Directors *(Continued)***Appointment and Re-election of Directors**

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

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

Insurance of the Directors and Officers

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

Remuneration of Directors and Senior Management

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

Details of the emoluments/fee of the Directors and five individuals with highest remuneration are set out in notes 8 and 9 to the consolidated financial statements.

Board Diversity Policy

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

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

The Nomination Committee will review the Board Diversity Policy regularly, as appropriately, to ensure the effectiveness of the Board Diversity Policy. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy *(Continued)*

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

- Age: The age of the Directors ranges from 49 to 73.
- Gender: The Company has a mixed gender Board.
- Professional and industry experience: The Board members have diversified experiences in different fields, including management of residential care homes, business administration, corporate governance, accounting, legal, nursing and social work.
- Education background: Most of the Board members obtained a bachelor's degree or above in local or overseas universities.

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

Nomination Policy

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

- (a) diversity in all its aspects, including but not limited to skills, knowledge, gender, age, ethnicity, cultural and educational background, professional experience and other personal qualities of the candidate;
- (b) ability to exercise sound business judgment and possess proven achievement and experience in directorship including effective oversight of and guidance to management;
- (c) commitment of the candidate to devote sufficient time for the proper discharge of the duties of a Director. In this regard, the number and nature of offices held by the candidate in public companies or organisations, and other executive appointments or significant commitments will be considered;
- (d) potential/actual conflicts of interest that may arise if the candidate is selected;
- (e) independence of the independent non-executive director candidates must satisfy the independence requirements under the GEM Listing Rules; and
- (f) in the case of a proposed re-appointment of an independent non-executive director, the number of years he/she has already served.

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

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

CORPORATE GOVERNANCE REPORT

Nomination Policy *(Continued)*

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

Board Committees

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

Audit Committee

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

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

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

- (a) reviewed with the management and the external auditor the effectiveness of audit process and the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual results of the Company for the year ended 31 December 2020, the first quarterly results of the Company for the three months ended 31 March 2021, the interim results of the Company for the six months ended 30 June 2021 and the third quarterly results of the Company for the three months ended 30 September 2021;
- (b) met with the external auditor to discuss the accounting and audit issues of the Group and reviewed their findings, recommendations and representations;
- (c) reviewed with the management the risk management and internal control system of the Group;
- (d) conducted annual review on the exempt continuing connected transactions of the Group;
- (e) recommended the Board on the re-appointment of external auditor at the 2021 annual general meeting; and
- (f) reviewed the independence of external auditor and approved its engagement.

The Company's annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee in conjunction the management and the external auditor. The Audit Committee was satisfied that the consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2021.

Subsequent to the Reporting Year, the Audit Committee has reviewed and approved the Anti-Corruption Policy and the Whistleblowing Policy of the Group during the meeting in March 2022.

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

CORPORATE GOVERNANCE REPORT

Board Committees *(Continued)***Audit Committee** *(Continued)*

According to code provision D.3.1 of the CG Code, the Audit Committee is also responsible for performing certain corporate governance duties as delegated by the Board. During the Reporting Year, the Audit Committee developed and reviewed the Company's corporate governance policies and practices, reviewed and monitored the continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and reviewed Company's compliance with the CG Code and disclosure in this corporate governance report.

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

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

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

Nomination Committee

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

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

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

- (a) reviewed the existing structure, size, composition and diversity of the Board;
- (b) assessed the independence of the independent non-executive Directors and reviewing the independent non-executive Directors' annual confirmations on their independence;
- (c) made recommendation to the Board on the re-election of Directors at the 2021 annual general meeting.

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

CORPORATE GOVERNANCE REPORT

Board Committees *(Continued)***Remuneration Committee**

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

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

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

- (a) recommended to the Board on the remuneration package regarding the newly appointed executive Director; and
- (b) considered and reviewed the executive Directors’ remuneration.

The company secretary provides administrative support and instructs the Human Resources Department to implement the approved remuneration packages and other human resources related decisions approved by the Remuneration Committee.

The Board has resolved that the senior management of the Company comprises the Directors, the CEO and the company secretary of the Company. Please refer to in notes 8 to the consolidated financial statements for details of the remuneration payable to the Directors and the chief executives of the Company.

Risk Management and Internal Controls

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

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

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

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

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Controls *(Continued)*

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

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

Dissemination of Inside Information

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

Dividend Policy

The Board has approved and adopted a dividend policy (the "Dividend Policy") on 18 January 2019 in compliance with code provision E.1.5 of the CG Code. It is the policy of the Board, in considering the payment of dividends, to allow Shareholders to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities.

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

- (a) the actual and expected financial performance of the Group;
- (b) the capital and debt level of the Group;
- (c) the general market conditions;
- (d) any working capital requirements, capital expenditure requirements and future development plans of the Group;
- (e) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (f) the liquidity position of the Group;
- (g) any restrictions on dividend payouts imposed by any of the Group's lenders;
- (h) the statutory and regulatory restrictions which the Group is subject to from time to time; and
- (i) any other relevant factors that the Board may deem appropriate.

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

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

CORPORATE GOVERNANCE REPORT

Whistleblowing Policy and Anti-Corruption Policy

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

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

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

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

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

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

Auditor's Remuneration

During the Reporting Year, remuneration in respect of audit service provided by the auditor of the Company to the Group was approximately HK\$1,680,000.

No non-audit service was provided by the auditor of the Company to the Group during the Reporting Year.

Directors and Auditor's Responsibilities for Financial Statement

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Year. The auditor of the Company acknowledges its reporting responsibilities in the auditor's report on the financial statement during the year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as going concern. The statement made by the auditor of the Company regarding their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 72 to 75 of this report.

Company Secretary

The company secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. The company secretary reports to the Chairman and is responsible for advising the Board on corporate governance matters and facilitating communication between the Board members, the Shareholders and the management of the Company. During the Reporting Year, the company secretary undertook more than 15 hours of relevant professional training. The Directors have access to the company secretary for ensuring that Board procedures, and all applicable law, rules and regulations, are followed. The biography of the company secretary is set out in the section headed "Board of Directors and Senior Management" on pages 13 to 17 of this report.

CORPORATE GOVERNANCE REPORT

Shareholders' Rights

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

Way to Convene an Extraordinary General Meeting

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right to require an extraordinary general meeting to be called by the Board. The requisition shall be in writing stating the purposes of the meeting, signed by the requisitionists, addressed to the Board or the company secretary and deposited at the principal place of business in Hong Kong of the Company and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Enquiries to the Board

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

Procedures for Putting Forward Proposals at Shareholders' Meeting

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

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

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

CORPORATE GOVERNANCE REPORT

Investor Relations**Communication with Shareholders**

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

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

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

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

During the Reporting Year, the Company did not make any changes to the constitutional documents of the Company, and the current version of which are available on the websites of the Stock Exchange and the Company.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Introduction, Environmental, Social and Governance Policies

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

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

The ESG Governance Structure

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

The Board has the overall responsibility for the Group’s ESG strategies and reporting, as well as overseeing and managing its ESG-related issues. The Board is required to formulate the ESG management structure, policies, strategies, priorities and objectives. In order to better manage the Group’s ESG performance, related issues and potential risks, the Board regularly evaluates and identifies the Group’s ESG risks and opportunities, and reviews their performance and progress in view of ESG-related goals and targets. The Board is also responsible for ensuring the effectiveness of risk management and internal monitoring systems, as well as approving disclosures in environmental, social and governance report (the “ESG Report”).

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

Reporting Scope

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting Period

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2021 (the “Reporting Period”).

Reporting Framework

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

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

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Chairman Statement

Dear Stakeholders,

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

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

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

Although the Group, as an operator of residential care homes for the elderly, does not have a significant environmental impact on its operations, the Group still actively responds to environmental policies on carbon neutrality, energy conservation and waste reduction, to promote sustainable development of the enterprise. In addition, the Group believes that setting ESG-related targets can enhance the Group's commitment to corporate social responsibility and allow stakeholders of the Group to better understand the Group's ESG performance. Accordingly, the Group has formulated relevant targets on issues that are material to the Group, including greenhouse gas ("GHG") emissions, waste management, energy management and water management. The Board reviews the progress of relevant targets through the Task Force regularly and ensures that the Group possesses sufficient measures and resources to achieve the set targets.

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

Yik Tak Chi

Chairman and Executive Director

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholder Engagement

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

Stakeholder	Communication Channels	Expectations
Shareholders and investors	<ul style="list-style-type: none"> Annual general meeting and other shareholders meetings Financial reports Announcements and circulars 	<ul style="list-style-type: none"> Compliance with related laws and regulations Disclosing latest information in due course Financial performance Corporate sustainable development
Customers	<ul style="list-style-type: none"> Customer satisfaction surveys Customer service center Customer service manager Complaints revision meetings 	<ul style="list-style-type: none"> Fulfilling product and service responsibility Customer service and privacy protection
Suppliers	<ul style="list-style-type: none"> Supplier management meetings and events 	<ul style="list-style-type: none"> Fair competition Business ethics and reputation Win-win cooperation
Employees	<ul style="list-style-type: none"> Employee satisfaction surveys Means for employees to express opinions (forms, opinion collection boxes, etc.) Regular management communication and performance reviews Employee communication channel and broadcast Intranet 	<ul style="list-style-type: none"> Health and safety Equal opportunities Remuneration and benefits Career development
Government and regulatory bodies	<ul style="list-style-type: none"> Regular meetings Written response to public enquires Site visits 	<ul style="list-style-type: none"> Tax payment according to law Business ethics Compliance with related laws and regulations
Communities, NGOs, and media	<ul style="list-style-type: none"> Community activities and partner programs Community investment plans ESG reports 	<ul style="list-style-type: none"> Payback to the society Environmental protection Compliance with related laws and regulations

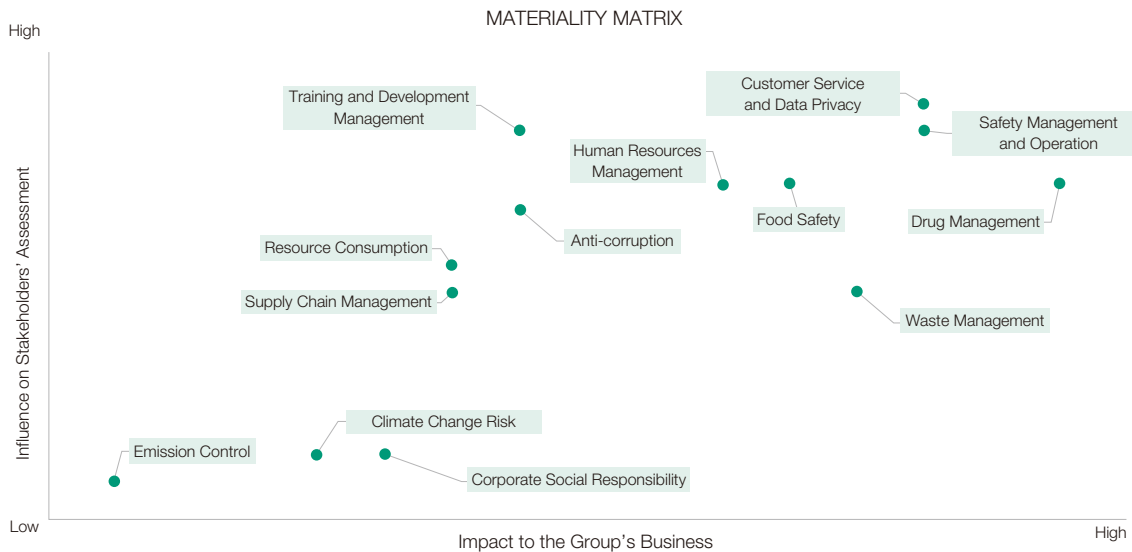
The Group is committed to cooperating with every stakeholder to improve its performance on ESG aspects and continuously create greater value for a broader society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Assessment

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

The following matrix summarises the Group’s material ESG issues during the Reporting Period:



Contact Us

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

A. Environmental

A1. Emissions

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

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

DIRECTORS' REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. Environmental (Continued)

A1. Emissions (Continued)

Emission Control

Air Emissions

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

GHG Emissions

The Group's GHG emissions include direct GHG emissions (Scope 1) and indirect GHG emissions (Scope 2). Emission sources include the combustion of gasoline for transportation, towngas used for cooking and purchased electricity. To minimise the Group's carbon footprint, the Group has set a target to reduce its total GHG emissions intensity (tCO₂e/employee) by 2% in the next five years, using 2021 as the baseline year, and has actively adopted electricity conservation and energy saving measures to reduce GHG emissions. Related measures are described in the section headed "Energy Management" under aspect A2. During the Reporting Period, the Group's total GHG emissions intensity has increased by approximately 10.77% due to the additional health and personal care services provided to users of elderly residential care home services under quarantine during the Reporting Period. The Group's GHG emissions performance is summarised as follows:

Indicators ¹	Unit	Emissions	
		2021	2020
Direct GHG emissions (Scope 1)	tCO ₂ e	48.51	31.05
Indirect GHG emissions (Scope 2)	tCO ₂ e	1,750.86	1,561.99
Total GHG emissions (Scope 1 and 2)	tCO ₂ e	1,799.37	1,593.04
Total GHG emissions intensity	tCO ₂ e/employee ²	4.63	4.18

Notes:

- GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, including but not limited to, the "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, CLP "2020 Sustainability Report", Hong Kong Electric "Sustainability Report 2020" and Towngas "Sustainability Report 2020", and the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5).
- As at 31 December 2021, the Group had a total of 389 full-time employees (2020: 381) in respect of the Reporting Scope. The data is also used for calculating other intensity data.

Domestic sewage

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. Environmental *(Continued)*A1. Emissions *(Continued)**Waste Management**Non-Hazardous Waste Management – Food Waste and Others*

The Group's elderly home services for elderly residents include catering services and therefore food waste is generated during operation. To reduce food waste, the Group is committed to reducing waste at source and has set a target to reduce its total non-hazardous waste intensity (tonnes/employee) by 2% in the next five years, using 2021 as the baseline year. In order to achieve the target, the Group continues to support the Environmental Protection Department's Food Wise Charter to reduce food waste. The Group has also formulated the Food and Environmental Hygiene Guideline for its kitchens to provide notes on food preparation, and the control of food processing. The Group also introduces various food waste reduction measures, such as monitoring the amount of food wastes generated on a regular basis, estimating the number of diners and food portions, setting food storage guidelines and making better use of food ingredients.

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

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

During the Reporting Period, the Group had generated approximately 1,236.40 tonnes of food wastes and domestic wastes (2020: approximately 1,389.92 tonnes) and consumed approximately 1.88 tonnes of paper (2020: approximately 1.85 tonnes). The Group's total non-hazardous waste intensity has decreased by approximately 12.88% from approximately 3.65 tonnes per employee in 2020 to approximately 3.18 tonnes per employee in 2021. The decrease was mainly due to effective waste management and an increase in employees' environmental awareness.

Hazardous Waste Management – Clinical Waste and Others

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. Environmental *(Continued)*A1. Emissions *(Continued)**Waste Management (Continued)**Hazardous Waste Management – Clinical Waste and Others (Continued)*

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

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

During the Reporting Period, the Group has generated a total of approximately 0.16 tonnes of hazardous wastes (2020: approximately 0.21 tonnes), and the total hazardous wastes intensity has decreased by approximately 33.33% from approximately 0.0006 tonnes per employee in 2020 to approximately 0.0004 tonnes per employee in 2021. The decrease was mainly due to effective waste management and an increase in employees' environmental awareness.

A2. Use of Resources

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. Environmental (Continued)

A2. Use of Resources (Continued)

Resource Consumption

Energy Management

During the course of daily operation, the Group's major energy source is electricity consumption for operation and fuel consumption by transportation. In line with the Group's commitment to increase energy efficiency, the Group has set a target to reduce total energy consumption intensity (MWh/employee) by 2% in the next five years, using 2021 as the baseline year. The Group has formulated power management policy and relevant guidelines to effectively reduce electricity consumption as well as to achieve efficient use of electricity. Relevant measures are as follows:

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

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

In addition, in order to reduce the fuel usage of the Group's vehicles during its operation, the Group has put in place a number of measures, such as the use of smaller displacement vehicles, regular maintenance to ensure optimal engine performance and existing usage. During the Reporting Period, the Group's total energy consumption intensity has increased by approximately 1.35%. The increase was mainly due the additional health and personal care services provided to users of elderly residential care home services under quarantine during the Reporting Period. The Group's energy consumption performance is summarised as follows:

Energy type	Unit	Consumption	
		2021	2020
Direct energy consumption	MWh	207.59	142.62
Petrol	MWh	9.55	8.21
Diesel	MWh	53.11	–
LPG	MWh	76.81	61.94
Towngas	MWh	68.12	72.47
Indirect energy consumption	MWh	3,004.94	2,963.94
Purchased electricity	MWh	3,004.94	2,963.94
Total energy consumption	MWh	3,212.53	3,106.56
Total energy consumption intensity	MWh/employee	8.26	8.15

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. Environmental (Continued)**A2. Use of Resources (Continued)***Water Management*

The Group's water use is mainly domestic water. In order to conserve water, the Group has set a target to reduce total water consumption intensity (m³/employee) by 2% in the next five years, using 2021 as the baseline year. To encourage all employees to develop the habit of saving water, the Group has strengthened the promotion of water conservation through posting water-saving slogans in kitchens and toilets, so as to guide employees to use water reasonably. The followings are water conservation measures taken in the Group's elderly residential care homes:

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

During the Reporting Period, the Group's total water consumption was approximately 49,297.40 m³ of water (2020: approximately 50,389.76 m³). The Group's total water consumption intensity has decreased by approximately 4.18% from approximately 132.26 m³ per employee in 2020 to approximately 126.73 m³ per employee in 2021. The decrease was mainly due to effective water management and an increase in employees' environmental awareness. Due to the Group's operation locations, the Group does not encounter any significant issues in sourcing water that is fit for purpose.

Use of Packaging Material

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

A3. The Environment and Natural Resources

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

Indoor Air Quality

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. Environmental *(Continued)***A4. Climate Change**

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

Physical Risks

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

Transition Risks

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

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

B. Social**B1. Employment**

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social *(Continued)***B1. Employment** *(Continued)**Human Resources**Employment, Promotion and Dismissal*

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

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

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

Compensation and Benefits

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social (Continued)

B1. Employment (Continued)

Human Resources (Continued)

Equal Opportunities, Diversity and Anti-Discrimination

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

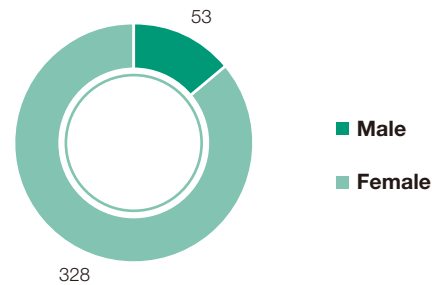
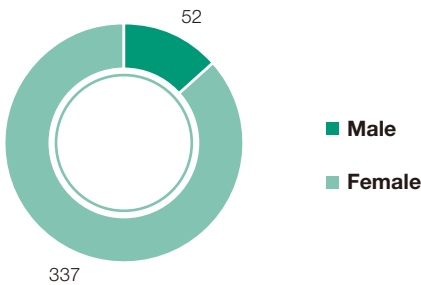
As at 31 December 2021, the total number of employees was 389 (2020: 381) in respect of the Reporting Scope, all of them are working in Hong Kong, and details on the breakdown of the Group’s employees are shown in the following graphs:

2021

2020

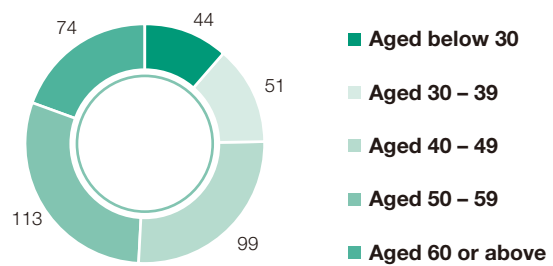
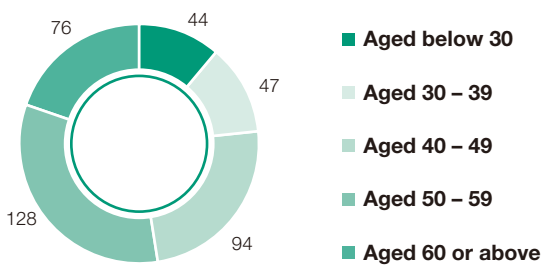
Gender Distribution

Gender Distribution



Age Distribution

Age Distribution



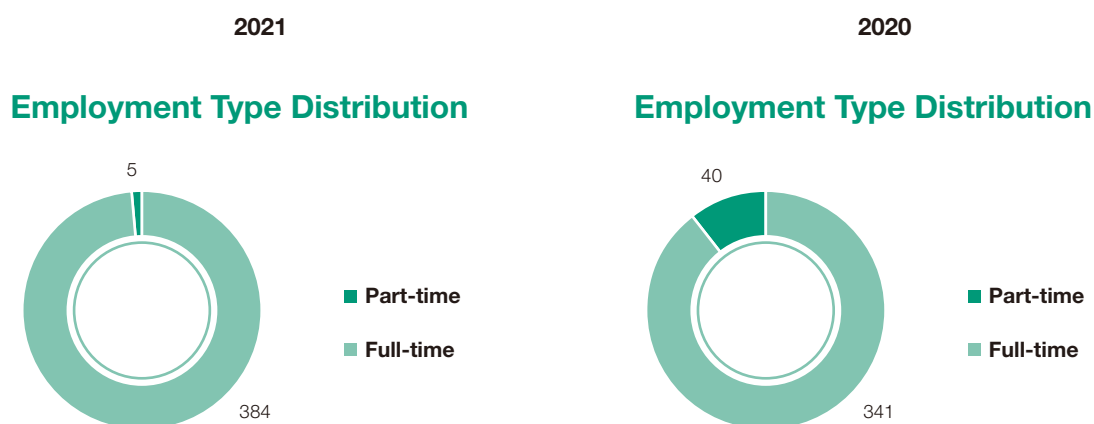
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social (Continued)

B1. Employment (Continued)

Human Resources (Continued)

Equal Opportunities, Diversity and Anti-Discrimination (Continued)



During the Reporting Period, the details of the employee turnover rate³ of the Group are set out in the table below:

	2021
By Gender	
Male	51.92%
Female	55.79%
By Age Group	
Age below 30	120.45%
Age 30–39	44.68%
Age 40–49	62.77%
Age 50–59	45.31%
Age 60 or above	31.58%
By Geographical Region	
Hong Kong	55.27%

Note:

3. The turnover rate is calculated by dividing the number of employees in the specified category leaving employment during the Reporting Period by the number of employees in the specific category as at 31 December 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social *(Continued)***B2. Health and Safety**

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

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

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

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

Safety Management and Operation

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

Kitchen Safety

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social *(Continued)***B2. Health and Safety** *(Continued)**Safety Management and Operation (Continued)**Response measures for COVID-19 pandemic*

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

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

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

B3. Development and Training

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

Training and Development Management

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social (Continued)

B3. Development and Training (Continued)

Training and Development Management (Continued)

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

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

The Group believes that continuous education is the key to maintain the professionalism of staff, and it plays a key role to the Group's business growth and long-term sustainable development. Therefore, training schemes take into consideration many factors including employees' career development, and personal health and growth to provide appropriate trainings to employees. The Group encourages the employees to participate seminars relating to occupational safety and health to expand their professional knowledge, thus widening their career path. The Group also encourages staff to participate in seminars on handling stress in work and workers pressure sharing sessions to maintain good physical and mental health. During the Reporting Period, the Group's employees had participated in a total 393 training sessions with a total number of attendees of approximately 4,863 persons and a total training time of 4,784.45 hours while the average training hours per employee⁴ were 0.98 hours.

During the Reporting Period, the number of training attendees, the total training hours and the average training hours by gender and employee category are as follows:

	Number of Training Attendees	Total Training Hours	Average Training Hours ⁵
Gender			
Male	116	139.80 hours	1.21 hours
Female	4,747	4,644.65 hours	0.98 hours
Employee Category			
Home Manager	101	111.75 hours	1.11 hours
Social Worker	38	50.75 hours	1.34 hours
Occupational Therapist Assistant	12	9.70 hours	0.81 hours
Physiotherapist Assistant	205	192.65 hours	0.94 hours
Registered Nurse	22	17.60 hours	0.80 hours
Enrolled Nurse	81	80.75 hours	1.00 hours
Care Worker	1,754	1,664.15 hours	0.95 hours
Health Worker	2,334	2,357.25 hours	1.01 hours
Assistant Worker	316	299.85 hours	0.95 hours

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social *(Continued)***B3. Development and Training** *(Continued)**Training and Development Management (Continued)*

Notes:

4. The average training hours per employee is calculated by dividing the total number of training hours during the Reporting Period by the total number of training attendees during the Reporting Period, covering the existing and resigned employees.
5. The average training hours by category is calculated by dividing the number of training hours for employees in the specified category during the Reporting Period by the number of training attendees in the specified category during the Reporting Period, covering existing and resigned employees.

B4. Labour Standards*Prevention of Child and Forced Labour*

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social *(Continued)***B5. Supply Chain Management**

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social *(Continued)***B6. Product Responsibility**

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

Food Safety

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

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

Drug Management

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social *(Continued)*B6. Product Responsibility *(Continued)**Drug Management (Continued)**Drug Storage and Record*

The elderly residential care homes operated by the Group provide safety guidelines (among other things) on the preparation, handling, and usage of medication, such guidelines include requiring staff to verify all medications taken and owned by elderly residents (include medication details and records); sorting drugs in accordance to their ingredients, nature and residents category, and placing drugs in locked cabinets or other specific places, while complying and following the relevant instructions stated on the package; and being kept and accessed by designated personnel; performing “three checks five rights” (i.e. ensuring (i) right elderly resident; (ii) right drugs; (iii) right time; (iv) right order; and (v) right dosage, for three times); and being investigated monthly by health workers, ensure the drug storage record of the Group’s residential care homes is consistent with the elderly residents medication record.

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

Drug Disposal

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

Customer Service and Data Privacy

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social *(Continued)***B6. Product Responsibility** *(Continued)**Customer Service and Data Privacy (Continued)*

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

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

Service Quality

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

Intellectual Property Rights

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

Advertising and Labelling

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social *(Continued)***B7. Anti-corruption**

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

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

Whistleblowing Mechanism

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social (Continued)

B8. Community Investment

Corporate Social Responsibility

In addition to bringing profits for stakeholders, the Group also bears social responsibilities and gives back to the community whenever necessary. Therefore, the Group strives to contribute to the society through sustainable community service to fulfil the Group’s corporate social responsibility. During the Reporting Period, The Group donated a total of HK\$49,000 to the community, including a donation of HK\$20,000 to the Kwun Tong Residents Association and 1600 PANDAS WORKSHOP.

The Group has actively cultivated employees’ sense of social responsibility, encouraging employees to participate in social charity during their work and private time. The Group aims to send happiness and caring to every Hong Kong’s senior resident meanwhile spreading the message of elderly care through organising various events. During the Reporting Period, the Group organised 3 lucky bag distribution activities to donate food and daily necessities to the elderly and the underprivileged in Cha Kwo Ling, Yick Yuen Tsuen and Tin Sam Sun Tsuen. By expressing love and care, the Group wishes to contribute to building a better and harmonious community.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. Social *(Continued)*B8. Community Investment *(Continued)**Corporate Social Responsibility (Continued)**Social Caring Pledge*

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

DIRECTORS' REPORT

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

DIRECTORS' REPORT

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

Principal Activities

The Company is an investment holding company. The activities of the subsidiaries are set out in note 1 to the consolidated financial statements.

Results and Dividends

The results of the Group for the Reporting Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 64 of this report.

An interim dividend of HK\$0.08 per ordinary share was paid on 7 December 2021. The Board does not recommend the payment of a final dividend for the Reporting Year (2020:HK\$32,000,000).

Business Review

The business review of the Group for the Reporting Year is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 10 of this report.

Principal Risks and Uncertainties in relation to COVID-19

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

The costs or expenses incurred/to be incurred by the Group on the precautionary measures taken to prevent the spread of COVID-19 mainly relate to (i) daily consumable materials used (such as face masks, hand sanitisers and other personal protective equipment) for the Group's normal operations, and accordingly, the consumable expenses incurred by the Group during the Reporting Year were approximately HK\$1,975,000, comparing to that of approximately HK\$1,816,000 for the last year (the period before impact from the spread of COVID-19 in Hong Kong); and (ii) infection control (i.e. applying anti-virus coating spray) subsidised by the SWD to the Group's elderly residential care homes, which was amount to approximately HK\$339,240 for the Reporting Year. Accordingly, the Company is of the view that COVID-19 has no material adverse impact on the Group's financial performance.

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

Financial Summary

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 131 of this report.

Property, Plant And Equipment

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

DIRECTORS' REPORT

Share Capital

Details of movements during the Reporting Year in the share capital of the Company are set out in note 24 to the consolidated financial statements.

Subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2021 are set out in note 1 to the consolidated financial statements.

Purchase, Sale or Redemption of Securities

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

Major Customers and Suppliers

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

During the Reporting Year, the Group's largest supplier and the five largest suppliers accounted for approximately 20% (2020: approximately 31.1%) and approximately 55.7% (2020: approximately 73.8%) respectively, of the Group's total purchases.

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

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

Environment and Compliance with Laws

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

Reserves

Details of movements in the reserves of the Group and the Company during the Reporting Year are set out in the consolidated statement of changes in equity on page 79 of this report and note 25 to the consolidated financial statements respectively. As at 31 December 2021, the Company's reserves that were available for distribution to the Shareholders amounted to HK\$168,567,000 (2020: HK\$185,529,000).

DIRECTORS' REPORT

Directors

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

Executive Directors

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

Non-executive Director

Mr. Lau Joseph Wan Pui

Independent non-executive Directors

Mr. Kwok Chi Shing
 Mr. Lau Tai Chim
 Mr. Wong Wai Ho

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

Directors' Service Contracts

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

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

Independent Non-executive Directors

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

DIRECTORS' REPORT

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

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

Management Contracts

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

Competing Business of Directors and Controlling Shareholders

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

Emolument Policy

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

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

Details of the emoluments of the Directors and five individuals with highest remuneration are set out in note 8 and note 9 to the consolidated financial statements.

Donations

During the Reporting Year, the Group made charitable donation in the amount of approximately HK\$49,000 (2020: HK\$10,000).

DIRECTORS' REPORT

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

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the Shares

Name of Directors/ chief executive	Capacity/Nature of interests	Number of Shares held/ interested in	Approximate percentage of shareholding (Note 1)
Mr. Yik Tak Chi ("Mr. Yik")	(i) Interest of controlled corporation (Note 2) (ii) Beneficial owner (Note 2)	262,980,000	65.75%
Mr. Lui Chi Tat ("Mr. Lui")	(i) Interest of controlled corporation (Note 3) (ii) Beneficial owner (Note 3) (iii) Interest of spouse (Note 3)	36,032,000	9.01%
Mr. Chung Kin Man ("Mr. Chung")	Beneficial owner	40,000	0.01%
Ms. Chung Wai Man ("Ms. Chung")	Beneficial owner	20,000	0.005%

Notes:

- The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at 31 December 2021.
- As at 31 December 2021, Mr. Yik was interested in 262,980,000 Shares, of which 248,700,000 Shares were held by Shui Wah Limited ("Shui Wah") and 14,280,000 Shares were directly held by him. Shui Wah was owned as to 89.11% by Lucky Expert Investments Limited ("Lucky Expert"), which was in turn owned as to 59.88% by Hang Chi Development & Investment Limited ("HCDI"). Mr. Yik indirectly owned the entire issued share capital of HCDI through Multifield Investment Development Limited ("Multifield"). By virtue of the SFO, Mr. Yik is deemed to be interested in the same number of shares in Lucky Expert held by HCDI, same number of shares in Shui Wah held by Lucky Expert, and all the Shares held by Shui Wah. Mr. Yik is the sole director of Shui Wah, Lucky Expert, HCDI and Multifield.

Subsequent to the Reporting Year, on 12 January 2022, Will Peace Limited ("Will Peace") as vendor and Lucky Expert as purchaser entered into a sale and purchase agreement for transfer of 1,089 ordinary shares (representing 10.89% of the issued share capital) of Shui Wah in the consideration of HKD24,104,252.7. The above share transfer was completed on the same date and Shui Wah is owned as to 100.00% by Lucky Expert Investments Limited accordingly.

- As at 31 December 2021, Mr. Lui was interested in 36,032,000 Shares, of which 15,300,000 Shares were held by Jumbo Sino Investment Limited ("Jumbo Sino"), a company incorporated in Hong Kong and wholly owned by Mr. Lui, 20,720,000 Shares were directly held by him and 12,000 Shares were held by his spouse. By virtue of the SFO, Mr. Lui is deemed to be interested in all the Shares held by Jumbo Sino and his spouse. Mr. Lui is a director of Jumbo Sino.

DIRECTORS' REPORT

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

Long Positions in the ordinary shares of associated corporation

Name of Directors/ chief executive	Name of associated corporation	Capacity/ Nature of interests	Number of shares held/ interested in	Percentage of shareholding
Mr. Yik	Multifield	Beneficial owner (Note)	1	100.00%
	HCDI	Interest of controlled corporation (Note)	20,000	100.00%
	Lucky Expert	Interest of controlled corporation (Note)	5,988	59.88%
	Shui Wah	Interest of controlled corporation (Note)	8,911	89.11%
Mr. Chung	Lucky Expert	Beneficial owner	493	4.93%
Ms. Chung	Lucky Expert	Beneficial owner	602	6.02%
Mr. Lui	Jumbo Sino	Beneficial owner	3	100.00%

Note:

As at 31 December 2021, the Company was owned as to approximately 62.18% by Shui Wah. Shui Wah was owned as to 89.11% by Lucky Expert, which was in turn owned as to 59.88% by HCDI. Mr. Yik indirectly owned the entire issued share capital of HCDI through Multifield. By virtue of the SFO, Mr. Yik is deemed to be interested in the same number of shares in Lucky Expert held by HCDI, same number of shares in Shui Wah held by Lucky Expert and all the Shares held by Shui Wah. Accordingly, Multifield, HCDI, Lucky Expert and Shui Wah are associated corporations of the Company.

Subsequent to the Reporting Year, on 12 January 2022, Will Peace as vendor and Lucky Expert as purchaser entered into a sale and purchase agreement for transfer of 1,089 ordinary shares (representing 10.89% of the issued share capital) of Shui Wah in the consideration of HKD24,104,252.7. The above share transfer was completed on the same date and Shui Wah is owned as to 100.00% by Lucky Expert accordingly.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which was required to be notified the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or otherwise to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' REPORT

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

As at 31 December 2021, as far as known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had the interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in the Shares

Name of Shareholders	Capacity/Nature of interests	Number of Shares held/interested in	Approximate percentage of shareholding (Note 1)
Shui Wah	Beneficial owner (Note 2)	248,700,000	62.18%
Lucky Expert	Interest in controlled corporation (Note 2)	248,700,000	62.18%
Multifield	(i) Interest in controlled corporation (Note 2) (ii) Interest held jointly with other person (Note 3)	262,980,000	65.75%
HCDI	(i) Interest in controlled corporation (Note 2) (ii) Interest held jointly with other person (Note 3)	262,980,000	65.75%
Ms. WH Yik	Interest held jointly with other person (Note 3)	262,980,000	65.75%
Ms. Chung Shuk Man	Interest of spouse (Note 4)	262,980,000	65.75%
Yingfeng International Investment Limited (盈豐國際投資有限公司) ("Yingfeng International")	Beneficial owner (Note 5 & 6)	32,000,000	8.00%
Ruipei Industrial (Shanghai) Co., Ltd.* (芮沛實業(上海)有限公司) ("Ruipei")	Interest in controlled corporation (Note 5 & 6)	32,000,000	8.00%
Zhongchuang Investment (Holdings) Limited (眾創投資(控股)有限公司) ("Zhongchuang")	Interest in controlled corporation (Note 5 & 6)	32,000,000	8.00%
China Minsheng Futurelife Holding Group Co., Ltd.* (中民未來控股集團有限公司) ("CMIG Futurelife")	Interest in controlled corporation (Note 5 & 6)	32,000,000	8.00%
China Minsheng Investment Group Co., Ltd.* (中國民生投資股份有限公司) ("CMIG")	Interest in controlled corporation (Note 5 & 6)	32,000,000	8.00%

* For identification purposes only

DIRECTORS' REPORT

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

Long Positions in the Shares (Continued)

Notes:

1. The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at 31 December 2021.
2. As at 31 December 2021, Shui Wah held 248,700,000 Shares. Shui Wah was owned as to 89.11% by Lucky Expert, which was in turn owned as to 59.88% by HCDI. Mr. Yik indirectly owned the entire issued share capital of HCDI through Multifield. By virtue of the SFO, each of Mr. Yik, Multifield, HCDI and Lucky Expert is deemed to be interested in all the Shares held by Shui Wah.

Subsequent to the Reporting Year, on 12 January 2022, Will Peace as vendor and Lucky Expert as purchaser entered into a sale and purchase agreement for transfer of 1,089 ordinary shares (representing 10.89% of the issued share capital) of Shui Wah in the consideration of HKD24,104,252.7. The above share transfer was completed on the same date and Shui Wah is owned as to 100.00% by Lucky Expert accordingly.

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

As disclosed above, as at 31 December 2021, Mr. Yik was interested in 262,980,000 Shares. Accordingly, by virtue of the Acting in Concert Agreement, Mr. Yik, Multifield, HCDI and Ms. WH Yik together control approximately 65.75% of the issued share capital of the Company.

4. Ms. Chung Shuk Man is the spouse of Mr. Yik. By virtue of the SFO, Ms. Chung Shuk Man is deemed to be interested in all the Shares in which Mr. Yik is interested.
5. As disclosed in the Prospectus, on 21 June 2017, Yingfeng International, as cornerstone investor, entered into a cornerstone investment agreement with, among others, the Company, pursuant to which Yingfeng International subscribed for a total number of 32,000,000 Shares.
6. Yingfeng International is a company incorporated under the laws of British Virgin Islands. To the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, Yingfeng International is wholly-owned by Zhongchuang, a company incorporated in Hong Kong. Zhongchuang is wholly owned by Ruipei, which is in turn wholly owned by CMIG Futurelife. CMIG Futurelife is held as to 65% by CMIG and 35% by an independent third party. Each of Ruipei, CMIG Futurelife and CMIG is established under the laws of the People's Republic of China.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' REPORT

Arrangements to Acquire Shares and Debentures

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

Share Option Scheme

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

Pre-emptive Rights

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

Sufficiency of Public Float

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

Continuing Connected Transactions

As the original tenancy agreements would expire on 30 June 2021, on 10 June 2021, Shui Jun (Yau Tong), a wholly-owned subsidiary of the Company, as tenant, entered into two new tenancy agreements (collectively, the "2021 Tenancy Agreements") with Ever Premier and Roymark, as landlords in relation to the Yau Tong Properties, respectively, to renew the original tenancy agreements dated 30 June 2020. The premises under the 2021 Tenancy Agreements are rented by Shui Jun (Yau Tong) for the operation of the elderly residential care home under the name of Shui Jun Nursing Centre (Yau Tong) Company Limited (瑞臻護老中心(油塘)有限公司) from 1 July 2021 to 30 June 2022 at the monthly rental of HK\$150,000 and HK\$620,000 per month, respectively.

By virtue of the relationship among Roymark, Ever Premier, Mr. Yik, Ms. WH Yik and Mr. Lui as disclosed on page 11 of this report, the transactions contemplated under the 2021 Tenancy Agreements constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Details of the 2021 Tenancy Agreements are set out in the announcements of the Company dated 10 June 2021 and 15 June 2021.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive Directors, who are of the view that the transactions are on normal commercial terms and in the ordinary and usual course of business of the Group and the terms of the 2021 Tenancy Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 20.74 of the GEM Listing Rules, the Company is required to comply with the annual review and disclosure requirements, but is exempted from the circular (including independent financial advice) and shareholders' approval requirements if the Group continues to conduct the transactions under the 2021 Tenancy Agreements.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 116 of this report in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the company to the Stock Exchange.

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

Save as the transactions above, none of the related party transactions undertaken by the Group during the Reporting Year set out in note 31 to the consolidated financial statements constituted connected transaction or continuing connected transaction under Chapter 20 of the GEM Listing Rules.

DIRECTORS' REPORT

Non-competition Undertakings

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

Each of the Covenantors has confirmed and declared to the Company of his/her/its compliance with their undertakings given in the Non-competition Deed. During the period from the date of listing of the Company on the Stock Exchange and up to the date of this report, the Covenantors did not, either on his/her/its own or in conjunction with any third party, take up any opportunity relating to the Restricted Business, or offer or make available such opportunity to the Company. At a meeting of an independent board committee comprising members of the Audit Committee held on 21 March 2022, all the independent non-executive Directors reviewed the confirmations in respect of the Non-competition Deed submitted to the Company by the Covenantors, which confirmed compliance with the Non-competition Deed by the Covenantors.

Permitted Indemnity Provisions

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

Closure of Register of Members

Entitlement to Attend and Vote at the AGM

For determining the Shareholders' eligibility to attend and vote at the forthcoming AGM to be held on Friday, 27 May 2022 (the "2022 AGM"), the register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, both days inclusive, during which period no transfer of Shares will be registered. The record date will be Friday, 27 May 2022. In order to qualify for attending and voting at the 2022 AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Monday, 23 May 2022.

DIRECTORS' REPORT

Auditor

Ernst & Young, which was re-appointed as auditor of the Company for the year ended 31 December 2021, has been the auditor of the Company since 2015. As good corporate governance practice, in order to ensure independence of the auditor, the Board, having considered the recommendation of the Audit Committee, has resolved to change its auditor with effect from the close of the forthcoming annual general meeting of the Company. Ernst & Young shall retire in the forthcoming annual general meeting. A resolution for appointment of UniTax Prism (HK) CPA as the new auditor of the Company will be proposed at the forthcoming AGM.

By order of the Board

Hang Chi Holdings Limited

Yik Tak Chi

Chairman

Hong Kong, 21 March 2022

INDEPENDENT AUDITOR'S REPORT



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 Quarry Bay, Hong Kong

To the shareholders of Hang Chi Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Hang Chi Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 77 to 131, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matters *(Continued)*

Key audit matter

Impairment of goodwill

The carrying value of goodwill in the consolidated financial statements amounted to HK\$112,790,000 as at 31 December 2021, representing 40.5% of the total assets of the Group. In accordance with IFRSs, the Group is required to perform impairment test for goodwill at least annually. In performing the impairment test, goodwill generated from acquisition is allocated to the corresponding subsidiaries acquired as each of these acquired subsidiaries is a separate cash-generating unit. The impairment test is based on the recoverable amount of each of these cash-generating units which is its value in use determined using cash flow projections based on a financial budget covering a five-year period. This matter is significant to our audit because the impairment test process is complex and involves significant judgements and estimates based on assumptions that are affected by expected future market and economic conditions.

The Group's disclosures about the impairment of goodwill are included in notes 2.4, 3 and 15 to the consolidated financial statements, which specifically explain the key assumptions management used for the calculation of the recoverable amounts.

How our audit addressed the key audit matter

Our audit procedures included, among others, evaluating, with the assistance from our internal valuation specialists, the assumptions and methodologies used by the Group, in particular, budgeted gross margin, discount rate and growth rate. We evaluated the assumptions, taking into account the historical accuracy of the Group's cash flow projections, by comparing the forecasts with the historical performance, reviewing the business development plan of each cash-generating unit and comparing with comparable companies.

We also assessed the adequacy of disclosures of goodwill impairment in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Other information included in the Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made 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 judgement and maintain professional scepticism throughout the audit. We also:

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

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young

Certified Public Accountants

Hong Kong

21 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	Year ended 31 December	
		2021 HK\$'000	2020 HK\$'000
REVENUE	5	203,849	205,038
Other income	5	31,462	25,572
Staff costs		(83,464)	(75,338)
Property rental and related expenses		(18,540)	(17,284)
Depreciation and amortisation		(32,381)	(35,479)
Food		(5,641)	(5,543)
Medical fees		(11,256)	(9,359)
Professional and legal fees		(5,504)	(8,780)
Utility expenses		(4,053)	(3,620)
Consumables		(1,975)	(1,816)
Loss on disposal of property, plant and equipment		–	(321)
Other operating expenses		(7,006)	(7,816)
Finance costs	6	(3,684)	(4,350)
PROFIT BEFORE TAX	7	61,807	60,904
Income tax expense	10	(9,616)	(8,021)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		52,191	52,883
Attributable to:			
Owners of the parent		46,954	46,182
Non-controlling interests		5,237	6,701
		52,191	52,883
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents)	12	11.74	11.55

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	As at 31 December	
		2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	9,545	8,143
Right-of-use assets	17	64,038	77,563
Intangible assets	14	3,752	7,307
Goodwill	15	112,790	112,790
Deferred tax assets	23	3,542	2,897
Total non-current assets		193,667	208,700
CURRENT ASSETS			
Trade receivables	16	165	191
Prepayments, other receivables and other assets	18	17,853	15,897
Tax recoverable		746	309
Cash and cash equivalents	19	66,329	85,914
Total current assets		85,093	102,311
CURRENT LIABILITIES			
Trade payables	21	1,289	1,253
Other payables and accruals	22	20,837	20,594
Due to a related company	20	511	483
Tax payables		2,191	6,139
Lease liabilities	17	28,416	22,850
Total current liabilities		53,244	51,319
NET CURRENT ASSETS		31,849	50,992
TOTAL ASSETS LESS CURRENT LIABILITIES		225,516	259,692
NON-CURRENT LIABILITIES			
Lease liabilities	17	46,375	63,462
Total non-current liabilities		46,375	63,462
Net assets		179,141	196,230

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

		As at 31 December	
		2021	2020
		HK\$'000	HK\$'000
Notes			
EQUITY			
Equity attributable to owners of the parent:			
	Issued capital	24 4,000	4,000
	Reserves	25 164,483	181,529
		168,483	185,529
	Non-controlling interests	10,658	10,701
	Total equity	179,141	196,230

Yik Tak Chi
Chairman

Chung Kin Man
Director

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF
FINANCIAL POSITION

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent						Non-controlling interests HK\$'000	Total equity HK\$'000
	Issued capital	Share premium*	Merger reserve*	Other reserve*	Retained profits*	Total		
	HK\$'000 (note 24)	HK\$'000	HK\$'000 (note 26)	HK\$'000	HK\$'000	HK\$'000		
At 31 December 2020 and 1 January 2021	4,000	109,298	5	(10,840)	83,066	185,529	10,701	196,230
Profit and total comprehensive income for the year	-	-	-	-	46,954	46,954	5,237	52,191
Interim dividend declared	-	-	-	-	(32,000)	(32,000)	(2,640)	(34,640)
Final dividend declared	-	-	-	-	(32,000)	(32,000)	(2,640)	(34,640)
At 31 December 2021	4,000	109,298	5	(10,840)	66,020	168,483	10,658	179,141

* These reserve accounts comprise the consolidated reserves of HK\$164,483,000 and HK\$181,529,000 in the consolidated statements of financial position as at 31 December 2021 and 2020, respectively.

Year ended 31 December 2020

	Attributable to owners of the parent						Non-controlling interests HK\$'000	Total equity HK\$'000
	Issued capital	Share premium*	Merger reserve*	Other reserve*	Retained profits*	Total		
	HK\$'000 (note 24)	HK\$'000	HK\$'000 (note 26)	HK\$'000	HK\$'000	HK\$'000		
At 31 December 2019 and 1 January 2020	4,000	109,298	5	(10,840)	60,884	163,347	9,680	173,027
Profit and total comprehensive income for the year	-	-	-	-	46,182	46,182	6,701	52,883
Final dividend declared	-	-	-	-	(24,000)	(24,000)	(5,680)	(29,680)
At 31 December 2020	4,000	109,298	5	(10,840)	83,066	185,529	10,701	196,230

* These reserve accounts comprise the consolidated reserves of HK\$181,529,000 and HK\$159,347,000 in the consolidated statements of financial position as at 31 December 2020 and 2019, respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	Year ended 31 December	
		2021 HK\$'000	2020 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		61,807	60,904
Adjustments for:			
Finance costs		3,684	4,350
Loss on disposal of items of property, plant and equipment		–	321
Depreciation of property, plant and equipment	7	1,853	3,328
Depreciation of right-of-use assets	17	26,973	26,661
Amortisation of intangible assets	7	3,555	5,490
		97,872	101,054
Decrease in trade receivables		26	273
(Increase)/decrease in prepayments, other receivables and other assets		(1,956)	228
Increase/(decrease) in trade payables		36	(474)
Increase in other payables and accruals		243	2,031
Increase in an amount due to a related company		28	188
		96,249	103,300
Cash generated from operations		(3,684)	(4,350)
Interest paid		(14,646)	(9,323)
Income tax paid			
		77,919	89,627
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(3,255)	(3,901)
Proceeds from disposal of items of property, plant and equipment		–	510
		(3,255)	(3,391)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments	27(b)	(24,969)	(22,909)
Dividend paid		(69,280)	(29,680)
		(94,249)	(52,589)
Net cash flows used in financing activities			
		(19,585)	33,647
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		85,914	52,267
		66,329	85,914
CASH AND CASH EQUIVALENTS AT END OF YEAR			

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

Cash and bank balances as stated in the consolidated statement of financial position

Non-pledged time deposits with original maturity of less than three months when acquired

Cash and cash equivalents as stated in the consolidated statement of cash flows

Year ended 31 December

2021	2020
HK\$'000	HK\$'000
57,537	67,145
8,792	18,769
66,329	85,914

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. Corporate Information

Hang Chi Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, with the registered address of Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. In the opinion of the directors, the holding company of the Company is Shui Wah Limited (“Shui Wah”), which was incorporated in the British Virgin Islands (“BVI”). The Company’s ultimate holding company is Multifield Investment Development Limited, a company incorporated in the BVI with limited liability on 8 January 2010, which is wholly owned by Mr. Yik Tak Chi.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the operation of elderly residential care homes in Hong Kong.

Information about subsidiaries

Particulars of the Company’s subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shui On Nursing Home Holdings (BVI) Limited (“Shui On (BVI)”)	BVI 25 June 2015	US\$62,353	100%	–	Investment holding
Shui On Nursing Home Holdings Limited (“Shui On Holdings (HK)”)	Hong Kong 11 September 2009	HK\$5,300	–	100%	Investment holding and provision of management services
Shui On Nursing Centre (Shun On) Company Limited (“Shui On (Shun On)”)	Hong Kong 2 March 2006	HK\$10,000	–	100%	Operation of an elderly residential care home
Shui Hing Nursing Centre Limited (“Shui Hing”)	Hong Kong 14 November 2008	HK\$10,000	–	100%	Operation of an elderly residential care home
Shui On Nursing Centre (Hing Wah) Company Limited (“Shui On (Hing Wah)”)	Hong Kong 13 November 2007	HK\$10,000	–	100%	Operation of an elderly residential care home
Shui On Nursing Centre (Sun Tin Wai) Company Limited (“Shui On (Sun Tin Wai)”)	Hong Kong 2 November 2006	HK\$15,000	–	100%	Operation of an elderly residential care home

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. Corporate Information (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's subsidiaries are as follows: (Continued)

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shui On Nursing Centre (Kwai Shing E.) Co. Limited ("Shui On (Kwai Shing E.)")	Hong Kong 12 December 2006	HK\$3,760,000	–	86.67%	Operation of an elderly residential care home
Shui Jun Nursing Centre (Yau Tong) Company Limited ("Shui Jun (Yau Tong)")	Hong Kong 4 February 2006	HK\$6,000	–	100%	Operation of an elderly residential care home
Guardian Home Limited ("Guardian Home")*	Hong Kong 12 August 2006	HK\$8,601,000	–	60%	Investment holding
Glory Crest Limited ("Glory Crest")*	Hong Kong 20 November 2007	HK\$1	–	60%	Investment holding
Guardian Home (Chun Shek) Limited ("Chun Shek")*	Hong Kong 8 May 2009	HK\$10,000	–	60%	Operation of an elderly residential care home

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and the impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had no interest-bearing bank or other borrowings as at 31 December 2021.

- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.3 Issued But not Yet Effective IFRSs

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the financial statements:

Amendments to IFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
IFRS 17	<i>Insurance Contracts²</i>
Amendments to IFRS 17	<i>Insurance Contracts^{2,4}</i>
Amendments to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Effective for annual periods beginning on or after 1 January 2023)</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current²</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract¹</i>
Annual Improvements to IFRS standards 2018–2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41¹</i>

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

The directors of the Group considered that the application of the above issued but not yet effective IFRSs will not have a material impact on the Group's consolidated financial results.

2.4 Summary of Significant Accounting Policies**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 Summary of Significant Accounting Policies *(Continued)***Business combinations and goodwill** *(Continued)*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 Summary of Significant Accounting Policies (Continued)**Fair value measurement (Continued)**

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 Summary of Significant Accounting Policies *(Continued)***Related parties**

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 Summary of Significant Accounting Policies (Continued)**Property, plant and equipment and depreciation (Continued)**

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and equipment	20%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Customer relationships

Customer relationships are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives ranging from 2 to 4 years.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 Summary of Significant Accounting Policies (Continued)**Leases**

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land and buildings: 1.25 to 6 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of land and buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 Summary of Significant Accounting Policies (Continued)**Investments and other financial assets***Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 Summary of Significant Accounting Policies *(Continued)***Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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2.4 Summary of Significant Accounting Policies (Continued)*Impairment of financial assets (Continued)**General approach (Continued)*

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, an amount due to a related company, financial liabilities included in other payables and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities is as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 Summary of Significant Accounting Policies *(Continued)***Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

2.4 Summary of Significant Accounting Policies (Continued)*Income tax (Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO FINANCIAL STATEMENTS

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2.4 Summary of Significant Accounting Policies *(Continued)***Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition*Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Rendering of services

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

(b) Sale of goods

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

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

NOTES TO FINANCIAL STATEMENTS

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2.4 Summary of Significant Accounting Policies (Continued)**Share-based payments**

The Company grants shares with no vesting conditions to employees of the Group for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value of the shares granted is determined by management using the market price, further details of which are given in note 25 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity.

Employee benefits**Pension scheme**

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Deferred tax assets

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

Useful lives of property, plant and equipment and intangible assets

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

Impairment of non-financial assets (other than goodwill)

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units based on assumptions that are affected by expected future market and economic conditions and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was HK\$112,790,000 (2020: HK\$112,790,000). Further details are given in note 15 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

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4. Operating Segment Information

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

Geographical information

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

Information about a major customer

Revenue of approximately HK\$43,783,000 for the year ended 31 December 2021 (year ended 31 December 2020: HK\$41,188,000), which amounted to more than 10% of the Group's revenue, was derived from the Hong Kong Government under the Enhanced Bought Place Scheme ("EBPS") and the Bought Place Scheme on Day Care Units ("Day Care Services").

5. Revenue and Other Income

An analysis of revenue is as follows:

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
<i>Revenue from contracts with customers</i>		
Rendering of elderly home care services	151,891	153,662
Sale of elderly related goods and provision of healthcare services	51,958	51,376
	203,849	205,038

Revenue from contracts with customers*(i) Disaggregated revenue information*

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Timing of revenue recognition		
Services transferred over time	174,052	176,667
Goods transferred at a point in time	29,797	28,371
	203,849	205,038

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5. Revenue and Other Income (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

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

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of elderly home care services	445	222
Sale of elderly related goods and provision of healthcare services	72	31
Total revenue from contracts with customers	517	253

(ii) Performance obligations

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

Rendering of services

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

Sale of goods

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

NOTES TO FINANCIAL STATEMENTS

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5. Revenue And Other Income *(Continued)*Revenue from contracts with customers *(Continued)*

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 are as follows:

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000
Within one year	457	517

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Other income		
Provision of care support services	21,823	7,956
Government grants	5,013	13,896
Rental income	2,720	2,644
Sundry income	88	511
Bank interest income	21	322
Others	1,797	243
	31,462	25,572

6. Finance Costs

An analysis of finance costs is as follows:

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Interest on lease liabilities	3,684	4,350

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7. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Cost of inventories sold	12,804	11,940
Depreciation of property, plant and equipment	1,853	3,328
Depreciation of right-of-use assets	26,973	26,661
Amortisation of intangible assets	3,555	5,490
Auditors' remuneration	1,680	2,100
Employee benefit expense (excluding directors' and chief executive's remuneration as set out in note 8):		
– Wages and salaries	73,936	67,602
– Pension scheme contributions	2,308	2,064
	76,244	69,666
Lease and related payments not included in the measurement of lease liabilities	18,540	17,284
Bank interest income*	(21)	(322)
Government grants*	(5,013)	(13,896)

* Included in "Other income" in the consolidated statement of profit or loss and other comprehensive income.

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8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Fees	1,440	1,440
Other emoluments:		
Salaries, allowances and benefits in kind	3,299	3,131
Pension scheme contributions	100	108
	4,839	4,679

During the year, no remuneration was paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Mr. Wong Wai Ho (i)	180	180
Mr. Lau Tai Chim (i)	180	180
Mr. Kwok Chi Shing (i)	180	180
	540	540

(i) Mr. Wong Wai Ho, Mr. Lau Tai Chim and Mr. Kwok Chi Shing were appointed as independent non-executive directors of the Company on 21 June 2017.

There were no other emoluments payable to the independent non-executive directors during the reporting period (year ended 31 December 2020: Nil).

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8. Directors' and Chief Executive's Remuneration (Continued)

(b) Executive directors, a non-executive director and the chief executive

The remuneration of each of the executive directors, a non-executive director and a chief executive for the year ended 31 December 2021 is set out below:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
2021				
Executive directors:				
Mr. Yik Tak Chi (ii)	180	912	–	1,092
Mr. Chung Kin Man (ii)	180	673	33	886
Ms. Chung Wai Man (ii)	180	669	31	880
Mr. Lui Chi Tat (iii)	180	1,045	36	1,261
	720	3,299	100	4,119
Non-executive director:				
Mr. Lau Joseph Wan Pui (ii)	180	–	–	180
	900	3,299	100	4,299

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8. Directors' and Chief Executive's Remuneration (Continued)**(b) Executive directors, a non-executive director and the chief executive (Continued)**

The remuneration of each of the executive directors, a non-executive director and a chief executive for the year ended 31 December 2020 is set out below:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
2020				
Executive directors:				
Mr. Yik Tak Chi (ii)	180	600	–	780
Mr. Chung Kin Man (ii)	180	686	33	899
Ms. Chung Wai Man (ii)	180	670	31	881
Mr. Lui Chi Tat (iii)	180	1,175	44	1,399
	720	3,131	108	3,959
Non-executive director:				
Mr. Lau Joseph Wan Pui (ii)	180	–	–	180
	900	3,131	108	4,139

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

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

There was no arrangement under which the directors waived or agreed to waive any remuneration during the reporting period (year ended 31 December 2020: Nil).

NOTES TO FINANCIAL STATEMENTS

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9. Five Highest Paid Employees

The five highest paid employees during the reporting period included three directors and the chief executive (year ended 31 December 2020: three directors and the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one highest paid employees (year ended 31 December 2020: two) who is neither a director nor chief executive of the Company, are as follows:

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and benefits in kind	814	702
Pension scheme contributions	22	18
	836	720

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December	
	2021	2020
Nil to HK\$1,000,000	1	1

During the year, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (year ended 31 December 2020: Nil).

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10. Income Tax Expenses

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the reporting period (year ended 31 December 2020: 16.5%), except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Current – Hong Kong		
Charge for the year	10,837	10,169
Overprovision in prior years	(576)	(267)
Deferred (note 23)	(645)	(1,881)
Total tax charge for the year	9,616	8,021

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

Hong Kong

	Year ended 31 December			
	2021		2020	
	HK\$'000	%	HK\$'000	%
Profit before tax	61,807		60,904	
Tax at the statutory rate	10,198	16.5	10,049	16.5
Adjustments in respect of current tax of previous periods	(576)	(0.9)	(267)	(0.4)
Income not subject to tax *	(113)	(0.2)	(2,410)	(4.0)
Two tiered tax rate	(165)	(0.3)	(165)	(0.2)
Expenses not deductible for tax	272	0.4	814	1.3
Tax charge at the Group's effective rate	9,616	15.5	8,021	13.2

* Income not subject to tax mainly represented government grants related to Covid-19 and bank interest income during the year ended 31 December 2021 which was not taxable in Hong Kong.

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11. Dividends

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Interim – HK8.00 cents (2020: Nil) per ordinary share	32,000	–
Proposed final – Nil (2020: HK8.00 cents) per ordinary share	–	32,000
	32,000	32,000

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

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

The distribution amounts set out in the consolidated statement of changes in equity of HK\$5,680,000 for the year ended 31 December 2020, represented the dividends declared by Guardian Home, a non-wholly-owned subsidiary of the Company, to its non-controlling shareholders.

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amount is based on the profit for the year ended 31 December 2021 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 400,000,000 (year ended 31 December 2020: 400,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of basic earnings per share is based on:

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	46,954	46,182

	Year ended 31 December	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	400,000,000	400,000,000

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2021 and 2020 as the Group had no potentially dilutive ordinary shares in issue during these years.

NOTES TO FINANCIAL STATEMENTS

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13. Property, Plant and Equipment

	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2021				
At 1 January 2021:				
Cost	16,811	8,026	4,620	29,457
Accumulated depreciation	(11,070)	(6,658)	(3,586)	(21,314)
Net carrying amount	5,741	1,368	1,034	8,143
At 1 January 2021, net of accumulated depreciation	5,741	1,368	1,034	8,143
Additions	822	2,433	–	3,255
Depreciation provided during the year (note 7)	(676)	(936)	(241)	(1,853)
At 31 December 2021, net of accumulated depreciation	5,887	2,865	793	9,545
At 31 December 2021:				
Cost	17,633	10,262	4,620	32,515
Accumulated depreciation	(11,746)	(7,397)	(3,827)	(22,970)
Net carrying amount	5,887	2,865	793	9,545

NOTES TO FINANCIAL STATEMENTS

31 December 2021

13. Property, Plant and Equipment (Continued)

	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2020				
At 1 January 2020:				
Cost	14,874	7,569	3,944	26,387
Accumulated depreciation	(9,051)	(5,852)	(3,083)	(17,986)
Net carrying amount	5,823	1,717	861	8,401
At 1 January 2020, net of accumulated depreciation				
	5,823	1,717	861	8,401
Additions	2,152	737	1,012	3,901
Depreciation provided during the year (note 7)	(2,019)	(806)	(503)	(3,328)
Disposals	(215)	(280)	(336)	(831)
At 31 December 2020, net of accumulated depreciation	5,741	1,368	1,034	8,143
At 31 December 2020:				
Cost	16,811	8,026	4,620	29,457
Accumulated depreciation	(11,070)	(6,658)	(3,586)	(21,314)
Net carrying amount	5,741	1,368	1,034	8,143

NOTES TO FINANCIAL STATEMENTS

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14. Intangible Assets

	Trademarks HK\$'000	Customer relationships HK\$'000	Total HK\$'000
31 December 2021			
At 1 January 2021:			
Cost	2	29,212	29,214
Accumulated amortisation	–	(21,907)	(21,907)
Net carrying amount	2	7,305	7,307
At 1 January 2021, net of accumulated amortisation	2	7,305	7,307
Amortisation provided during the year (note 7)	–	(3,555)	(3,555)
At 31 December 2021, net of accumulated amortisation	2	3,750	3,752
At 31 December 2021:			
Cost	2	29,212	29,214
Accumulated amortisation	–	(25,462)	(25,462)
Net carrying amount	2	3,750	3,752
31 December 2020			
At 1 January 2020:			
Cost	2	29,212	29,214
Accumulated amortisation	–	(16,417)	(16,417)
Net carrying amount	2	12,795	12,797
At 1 January 2020, net of accumulated amortisation	2	12,795	12,797
Amortisation provided during the year (note 7)	–	(5,490)	(5,490)
At 31 December 2020, net of accumulated amortisation	2	7,305	7,307
At 31 December 2020:			
Cost	2	29,212	29,214
Accumulated amortisation	–	(21,907)	(21,907)
Net carrying amount	2	7,305	7,307

NOTES TO FINANCIAL STATEMENTS

31 December 2021

15. Goodwill

	HK\$'000
Cost and net carrying amount at 31 December 2020 and 31 December 2021	112,790

The carrying amounts of goodwill allocated to the cash-generating units are as follows:

	Guardian Home	Shui Jun (Yau Tong)	Shui On (Kwai Shing E.)	Shui On (Sun Tin Wai)	Total
Carrying amount of goodwill as at 31 December 2021	32,850	36,216	33,494	10,230	112,790

Impairment testing of goodwill

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

The recoverable amounts of the cash-generating units of elderly residential care homes have been determined based on a value in use calculation using cash flow projections covering a five-year period approved by senior management. The discount rate applied to the cash flow projections ranges from 11.4% to 11.5% (2020: 11.4% to 11.5%). The cash flows of the four cash-generating units are projected using an annual growth rate of 3% (2020: 3%) during the five-year period, which was based on historical growth rates and business development plan. The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2020: 3%), which was based on their historical growth rates and the long-term average growth rate of the industry. The recoverable amounts of the cash-generating units estimated from the cash flow forecasts exceed the carrying amounts.

Assumptions were used in the value in use calculation of the cash-generating units for 31 December 2021 and 31 December 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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16. Trade Receivables

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000
Trade receivables	165	191

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

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

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

17. Leases

The Group as a lessee

The Group has lease contracts for various items of land and buildings. Leases of land and buildings generally have lease terms between 1 and 6 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Land and buildings HK\$'000
As at 1 January 2020	102,515
Addition	1,709
Depreciation charge	(26,661)
As at 31 December 2020 and 1 January 2021	77,563
Addition	13,448
Depreciation charge	(26,973)
As at 31 December 2021	64,038

NOTES TO FINANCIAL STATEMENTS

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17. Leases *(Continued)*The Group as a lessee *(Continued)**(b) Lease liabilities*

The carrying amount of the Group's lease liabilities and the movements during the year are as follows:

	2021	2020
	Lease liabilities	Lease liabilities
	HK\$'000	HK\$'000
Carrying amount at 1 January	86,312	107,512
New leases	13,448	1,709
Accretion of interest recognised during the year	3,684	4,350
Payments	(28,653)	(27,259)
Carrying amount at 31 December	74,791	86,312
Analysed into:		
Current portion	28,416	22,850
Non-current portion	46,375	63,462

The maturity analysis of lease liabilities is disclosed in note 32 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Interest on lease liabilities	3,684	4,350
Depreciation charge of right-of-use assets	26,973	26,661
Expense relating to short-term leases (included in property rental and related expenses)	11,988	11,327
Total amount recognised in profit or loss	42,645	42,338

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 27(c) and 29, respectively, to the financial statements.

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18. Prepayments, Other Receivables and Other Assets

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000
Prepayments	384	360
Deposits	14,750	13,805
Other receivables	2,719	1,732
	17,853	15,897

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

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

19. Cash and Cash Equivalents

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000
Cash and bank balances	57,537	67,145
Non-pledged time deposits with original maturity of less than three months when acquired	8,792	18,769
	66,329	85,914

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

20. Balances with Related Parties

		As at 31 December	
		2021	2020
		HK\$'000	HK\$'000
	<i>Note</i>		
Amount due to a related company of which Mr. Yik Tak Chi is a member of key management personnel:			
	(i)	511	483

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

Note:

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

21. Trade Payables

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Within 3 months	1,289	1,253

The trade payables are non-interest-bearing and are normally settled between 30 and 60 days. The carrying amounts of trade payables approximate to their fair values.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

22. Other Payables and Accruals

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000
Customer deposits	10,647	10,933
Accruals	8,665	7,893
Other payables	1,068	1,251
Contract liabilities	457	517
	20,837	20,594

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

23. Deferred Tax

The movements in deferred tax assets and liabilities during the reporting period are as follows:

Deferred tax assets

	Depreciation in excess of related depreciation allowance HK\$'000
Gross deferred tax assets at 1 January 2020	2,594
Deferred tax credited to profit or loss during the year	1,411
Gross deferred tax assets at 31 December 2020 and 1 January 2021	4,005
Deferred tax credited to profit or loss during the year	59
Gross deferred tax assets at 31 December 2021	4,064

NOTES TO FINANCIAL STATEMENTS

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23. Deferred Tax (Continued)

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries HK\$'000	Depreciation allowances in excess of related depreciation HK\$'000	Total HK\$'000
Gross deferred tax liabilities at 1 January 2020	1,909	140	2,049
Deferred tax credited to profit or loss during the year	(906)	(35)	(941)
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	1,003	105	1,108
Deferred tax credited to profit or loss during the year	(586)	-	(586)
Gross deferred tax liabilities at 31 December 2021	417	105	522

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000
Gross deferred tax assets	4,064	4,005
Offsetting with deferred tax liabilities	(522)	(1,108)
Net deferred tax assets	3,542	2,897
Gross deferred tax liabilities	522	1,108
Offsetting with deferred tax assets	(522)	(1,108)
Net deferred tax liabilities	-	-

NOTES TO FINANCIAL STATEMENTS

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24. Issued Capital

Shares

	As at 31 December	
	2021 HK\$	2020 HK\$
Issued and fully paid:		
400,000,000 (2020: 400,000,000) ordinary shares	4,000,000	4,000,000

A summary of movements in the Company's issued share capital is as follows:

	Notes	Number of shares in issue	Share capital HK\$
At 1 January 2017		6,550	66
Capitalisation issue of shares	(i)	299,993,450	2,999,934
Issue of shares from initial public offering	(ii)	100,000,000	1,000,000
At 31 December 2018, 2019, 2020 and 2021		400,000,000	4,000,000

- (i) Pursuant to the written resolution of shareholders of the Company passed on 21 June 2017, subject to the share premium account of the Company being credited pursuant to the listing of the Company's shares, the Company capitalised HK\$2,999,934 standing to the credit of the share premium account of the Company to pay up in full 299,993,450 new ordinary shares of HK\$0.01 each for allotment and issue pari passu to the then existing shareholders of the Company.
- (ii) In connection with the Company's initial public offering, 100,000,000 new shares of HK\$0.01 each were issued at a price of HK\$0.72 per share for a total cash consideration, before expenses, of approximately HK\$72,000,000 on 12 July 2017.

NOTES TO FINANCIAL STATEMENTS

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25. Reserves

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

Merger reserve

The merger reserve represents the nominal value of paid-up capital of subsidiaries acquired by the Company pursuant to the Reorganisation as set out in note 1 to the financial statements.

26. Partly-Owned Subsidiary with Material Non-Controlling Interests

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Guardian Home*		
Percentage of equity interest held by non-controlling shareholders	40.0%	40.0%
Profit for the year allocated to non-controlling interests	5,237	6,701
Dividends paid to non-controlling shareholders	5,280	5,680

* The Group acquired a 60.0% equity interest in Guardian Home on 12 July 2019.

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000
Guardian Home		
Accumulated balances of non-controlling interests	9,698	9,741

NOTES TO FINANCIAL STATEMENTS

31 December 2021

26. Partly-Owned Subsidiary with Material Non-Controlling Interests (Continued)

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Guardian Home		
Revenue	40,477	45,361
Total expenses	(27,383)	(28,435)
Profit and total comprehensive income for the year	13,094	16,926
Net cash flows from operating activities	16,797	27,726
Net cash flows used in investing activities	2,544	3,177
Net cash flows used in financing activities	(19,495)	(19,527)
Net (decrease)/increase in cash and cash equivalents	(154)	11,376
	As at 31 December	
	2021 HK\$'000	2020 HK\$'000
Guardian Home		
Current assets	29,253	28,932
Non-current assets	30,868	41,474
Current liabilities	(11,772)	(13,844)
Non-current liabilities	(24,231)	(32,366)

NOTES TO FINANCIAL STATEMENTS

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27. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK\$13,448,000 (2020: HK\$1,709,000) and HK\$13,448,000 (2020: HK\$1,709,000), respectively, in respect of lease arrangements for land and buildings.

(b) Changes in liabilities arising from financing activities

	2021 Lease liabilities HK\$'000	2020 Lease liabilities HK\$'000
At 1 January	86,312	107,512
Changes from financing cash flows	(24,969)	(22,909)
New leases	13,448	1,709
Interest expense	3,684	4,350
Interest paid classified as operating cash flows	(3,684)	(4,350)
At 31 December	74,791	86,312

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 HK\$'000	2020 HK\$'000
Within operating activities	3,684	4,350
Within financing activities	24,969	22,909
	28,653	27,259

28. Contingent Liabilities

The Group and the Company had no significant contingent liabilities at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

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29. Related Party Transactions

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

		Year ended 31 December	
		2021	2020
		HK\$'000	HK\$'000
	<i>Note</i>		
Purchases from a related company of which Mr. Yik Tak Chi is a member of key management personnel			
– Yu Fat Hong	(i)	5,630	5,747
Rental expenses paid to related companies of which Mr. Yik Tak Chi is a member of key management personnel			
– Ever Premier Limited	(ii)	1,800	1,800
– Roymark Limited	(ii)	7,440	7,440

Notes:

- (i) The purchases were made according to the prices and conditions offered by the related company to its major customers.
- (ii) The rentals were determined based on terms mutually agreed by both parties at arm's length.

- (b) Outstanding balances with related parties:

Details of the Group's balances with related parties as at the end of the reporting period are included in note 20 to the financial statements.

- (c) Compensation of key management personnel of the Group:

		Year ended 31 December	
		2021	2020
		HK\$'000	HK\$'000
Short term employee benefits		8,984	9,095
Post-employment benefits		243	261
Total compensation paid to key management personnel		9,227	9,356

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

30. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

Financial assets at
amortised cost

	As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
Trade receivables	165	191
Financial assets included in prepayments, other receivables and other assets	17,468	15,537
Cash and cash equivalents	66,329	85,914
	83,962	101,642

Financial liabilities

Financial liabilities at
amortised cost

	As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
Trade payables	1,289	1,253
Financial liabilities included in other payables and accruals	11,610	12,184
Due to a related company	511	483
	13,410	13,920

NOTES TO FINANCIAL STATEMENTS

31 December 2021

31. Fair Value and Fair Value Hierarchy of Financial Instruments

As at 31 December 2021 and 2020, the fair values of the Group's financial assets or financial liabilities approximated to their respective carrying amounts.

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

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

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

Fair value hierarchy

The Group did not have any financial assets or financial liabilities measured at fair value as at 31 December 2020 and 2021.

During the years ended 31 December 2020 and 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

32. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been during the reporting period, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Group's trading terms with its customers are mainly payment in advance. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets included in prepayments, other receivables and other assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

32. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2021

	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Trade payables	1,289	–	–	–	–	1,289
Financial liabilities included in other payables and accruals	11,611	–	–	–	–	11,611
Lease liabilities	–	7,486	23,716	48,467	–	79,669
Due to a related company	511	–	–	–	–	511
	13,411	7,486	23,716	48,467	–	93,080

As at 31 December 2020

	On demand HK\$'000	Less than 3 months HK\$'000	3 to 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Trade payables	1,253	–	–	–	–	1,253
Financial liabilities included in other payables and accruals	12,184	–	–	–	–	12,184
Lease liabilities	–	5,955	16,895	63,462	–	86,312
Due to a related company	483	–	–	–	–	483
	13,920	5,955	16,895	63,462	–	100,232

Capital management

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

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

NOTES TO FINANCIAL STATEMENTS

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32. Financial Risk Management Objectives and Policies *(Continued)***Capital management** *(Continued)*

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

	As at 31 December	
	2021 HK\$'000	2020 HK\$'000
Trade payables	1,289	1,253
Other payables and accruals	20,837	20,594
Amount due to a related company	511	483
Lease liabilities	74,791	86,312
Less: cash and cash equivalents	(66,329)	(85,914)
Net debt	31,099	22,728
Equity	179,141	196,230
Net debt and equity	210,240	218,958
Gearing ratio	15%	10%

33. Events after the Reporting Period

- (a) The outbreak of novel coronavirus (COVID-19) continued to spread all over the world, and the fifth wave of outbreak in Hong Kong since late January 2022 indicates a worsening COVID-19 pandemic development. RCHE industry in Hong Kong is facing a great challenge as vast number of residential care homes for the elderly had infection cases in the past few months. The directors are of the opinion that the COVID-19 outbreak did not materially affect the financial position and operating results of the Company. None of the staff nor elderly residents was infected by COVID-19 up to now. The Company has taken actions in operation to protect the safety of the elderly, and will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Company.
- (b) On 14 March 2022, Shui Jun (Yau Tong), as tenant, entered into two new tenancy agreements with Ever Premier Limited and Roymark Limited, as landlords, in relation to the properties for operation of the elderly residential care home, respectively. The contract period would start from 1 July 2022 and expire on 30 June 2026 at the monthly rental of HK\$200,000 and HK\$890,000 per month, respectively, which would lead to increases in both right-of-use assets and lease liabilities.

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34. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Note	As at 31 December	
		2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Investment in a subsidiary		5	5
Total non-current assets		5	5
CURRENT ASSETS			
Due from a subsidiary		–	28,400
Cash and cash equivalents		2,673	2,689
Total current assets		2,673	31,089
CURRENT LIABILITIES			
Other payable and accruals		–	5
Due to a subsidiary		41,509	5,909
Total current liabilities		41,509	5,914
NET CURRENT ASSETS		(38,836)	25,175
TOTAL ASSETS LESS CURRENT LIABILITIES		(38,831)	25,180
Net assets		(38,831)	25,180
EQUITY			
Issued capital	24	4,000	4,000
Reserves (note)		(42,831)	21,180
Total equity		(38,831)	25,180

NOTES TO FINANCIAL STATEMENTS

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34. Statement of Financial Position of the Company (Continued)*Note:*

A summary of the Company's reserves is as follows:

	Share premium account	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	58,491	(13,302)	45,189
Profit for the year	–	(9)	(9)
Dividend declared	–	(24,000)	(24,000)
At 31 December 2020 and 1 January 2021	58,491	(37,311)	21,180
Profit for the year	–	(11)	(11)
Dividend declared	–	(64,000)	(64,000)
At 31 December 2021	58,491	(101,322)	(42,831)

35. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 21 March 2022.

FIVE YEARS FINANCIAL SUMMARY

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the financial statements of the Groups are summarised below:

Results

	Year ended 31 December 2017 HK\$'000	Year ended 31 December 2018 HK\$'000	Year ended 31 December 2019 HK\$'000	Year ended 31 December 2020 HK\$'000	Year ended 31 December 2021 HK\$'000
Revenue	97,148	135,516	168,680	205,038	203,849
Profit for the year	3,166	23,709	30,544	52,833	52,191

Assets and Liabilities

	As at 31 December				
	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Total assets	156,966	165,845	307,086	311,011	278,760
Total liabilities	19,185	18,855	134,059	114,781	99,619