Hang Chi Holdings Limited
恒智控股有限公司

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

2017 Annual Report

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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

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

Compliance Adviser

Guotai Junan Capital Limited

Registered Office

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

Headquarters and Principal Place of Business in Hong Kong

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10 Shing Yip Street
Kwun Tong
Kowloon
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKER

Hang Seng Bank Limited

Principal Share Registrar and Transfer Office in the Cayman Islands

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

Branch Share Registrar and Transfer Office in Hong Kong

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

Stock Code

8405

Company's Website

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Contact Information

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FINANCIAL HIGHLIGHTS

	2017 HK$'000	2016 HK$'000	Change % (approximate)
Consolidated statement of profit or loss and other comprehensive income			
Revenue	**97,148**	58,975	64.73%
EBITDA	**11,836**	13,307	-11.05%
Adjusted EBITDA *(Note 1)*	**24,060**	18,540	29.77%
Profit for the year	**3,166**	7,608	-58.39%
Adjusted profit for the year *(Note 2)*	**15,390**	12,841	19.85%
Consolidated statement of financial position			
Cash and bank balances	**47,567**	22,326	113.06%
Trade receivables	**270**	70	285.71%
Net assets value	**137,781**	74,124	85.88%

Note 1

Adjusted EBITDA represented by the EBITDA before deducting Listing expenses and crediting Share of profit of an associate and Gain on disposal of an associate.

Note 2

Adjusted profit for the year represented by the Profit for the year before deducting Listing expenses and crediting Share of profit of an associate and Gain on disposal of an associate.

CHAIRMAN'S STATEMENT

"Seek Development and Share Success through Good Governance"

Dear Shareholders,

Greetings. I am pleased and honored to present this annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017.

12 July 2017 (the "Listing Date") represents a day worth commemoration, as we achieved a historical advancement by successfully having the shares of the Company (the "Shares") listed on GEM of the Stock Exchange (the "Listing"). This marks an important milestone for the Group. On behalf of the management of the Group as a whole, I hereby extend my gratitude to various professional teams and our front-line employees involved in our listing plan.

Business Review

During late 2017, we applied the proceeds from the Listing to acquire an elderly residential care home with 207 residential care places, which is currently in operation. In addition, our residential care home located at Kwai Shing East Estate, Kwai Chung, New Territories was revamped for its facilities and beds, with an increase in the number of residential places by 18 from 220 to 238. Currently, the number of residential care places we operate grows by 38.2% to 814, as compared against 589 prior to the Listing. In October 2017, our headquarters and staff training centre located at Shing Yip Street, Kwun Tong commenced operation. In the future, we will be able to have more efficient management of our elderly residential care homes as well as stronger logistics support. Our staff training centre serves as a platform to offer training courses designed to enhance nursing skills of our front-line employees, thereby improving the overall nursing quality of our elderly residential care homes. In addition to acquiring elderly residential care homes in operation and establishing training centres and headquarters, we also applied the proceeds from the Listing to upgrade and maintain the facilities at elderly residential care homes with the purposes of gradually improving the service quality, as well as offering more comfortable, secure, and desirable accommodation for the elderly residents.

Future Development

Despite our better conditions at present, operating elderly residential care homes is different from providing general services, as it carries the weight of social conscience and responsibility and no simple capital investment can achieve immediate result. In this connection, we are required to exercise due prudence amid our steady business development before properly gaining reasonable returns. We will capitalise on new developments and acquisitions to expand our elderly residential care business. Besides expanding our elderly residential care homes, we will also monitor closely the movements in the elderly residential care service market, including market demands, policies of the Social Welfare Department governing elderly residential care services and the changes of the markets where labor and leasing account for a large share of our business operation. In due and appropriate course, we will also realign our operating strategies to suit our practical needs.

Appreciation

At last, I hereby express my heartfelt appreciation once again to our clients, business partners, front-line employees and the board of Directors of the Company (the "Board") for your trust, support and contributions to a fruitful year of the Group. I am looking forward to sharing with you our future achievements and delight in our future annual reports.

Yik Tak Chi
Chairman and executive Director

Hong Kong, 20 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operational Review

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. The Group derived its revenue from its self-owned and self-operated four “Shui On 瑞安”, one “Shui Hing 瑞興” and one “Shui Jun 瑞臻” branded elderly residential care homes across four districts in Hong Kong.

The Shares were successfully listed on GEM of the Stock Exchange on 12 July 2017. The Directors believe that the Listing will assist the implementation of the Group’s business strategies as stated in the prospectus of the Company dated 28 June 2017 (the “Prospectus”). The net proceeds from the Listing will provide financial resources to the Group to pursue business opportunities and implement such business strategies, which will further strengthen the Group’s market position and facilitate its business expansion in Hong Kong. The public listing status will also enhance the Group’s corporate profile and assist in reinforcing its brand awareness and market reputation.

During the year, the Group acquired Shui Jun Nursing Centre (Yau Tong) Company Limited (“Shui Jun (Yau Tong)”) at the aggregate consideration of HK$45,000,000. Shui Jun (Yau Tong) is an operator of an elderly residential care home with 207 residential care places in Yau Tong, Hong Kong and is classified as class EA2 under the Enhanced Bought Place Scheme (the “EBPS”) of the Social Welfare Department (the “SWD”). After the completion of the acquisition of Shui Jun (Yau Tong) in November 2017, the Group can provide 814 residential care places in total.

The Directors are of the view that the enormous demand for residential care home services is the key driver for the growth of the elderly residential care home industry in Hong Kong. With the Group’s experienced management team and reputation in the market, the Directors will continue to strive to achieve the business objectives as stated in the Prospectus.

Strategic location of the elderly residential care homes of the Group

Elderly residential care home	Location	Year of commencement of operation by the Group	Total number of residential care places	Number of residential care places under the EBPS	Classification under the EBPS
Shui On (Shun On)	Kwun Tong	2007	118	59	EA1
Shui On (Hing Wah)	Eastern	2008	72	N/A	N/A
Shui Hing	Kwun Tong	2011	90	N/A	N/A
Shui On (Sun Tin Wai)	Shatin	2016	89	N/A	N/A
Shui On (Kwai Shing E.)	Kwai Tsing	2016	238	134	EA1
Shui Jun (Yau Tong)	Kwun Tong	2017	207	40	EA2

Operating Performance

Revenue

The breakdown of revenue by types of services provided by the Group for the year ended 31 December 2017 (the "Reporting Year") and 31 December 2016 are set out as follows:

	2017		2016	
	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 SWD under the EBPS	24,758	25.48%	13,321	22.59%
– residential care places leased by individual customers	53,144	54.71%	35,414	60.05%
– residential care places leased by non-governmental organisations	205	0.21%	139	0.24%
	78,107	80.40%	48,874	82.88%
Sales of elderly related goods and provision of healthcare services	19,041	19.60%	10,101	17.12%
Total	97,148	100.00%	58,975	100.00%

During the Reporting Year, the Group's revenue increased from approximately HK$58,975,000 for the last year to approximately HK$97,148,000, representing an approximately 64.73% increase.

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 increased from approximately HK$48,874,000 for the last year to approximately HK$78,107,000 for the Reporting Year, representing an approximately 59.81% increase.

- *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$13,321,000 for the last year to approximately HK$24,758,000, representing an approximately 85.86% increase.

  The significant increment was mainly due to the number of elderly residential care homes classified as EA1 under the EBPS increased from one elderly residential care home for last year to two elderly residential care homes for the Reporting Year. Besides, Shui Jun (Yau Tong) which was acquired by the Group in November 2017 is an elderly residential care home classified as EA2 under the EBPS.

- *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 increased from approximately HK$35,414,000 for the last year to approximately HK$53,144,000 for the Reporting Year, representing an approximately 50.06% increase.

  The increment was mainly attributed by the increase in the total number of residential care places. During the Reporting Year, the Group owned and operated six elderly residential care homes with a total of 814 residential care places; while there were only five elderly residential care homes with a total of 589 residential care places for the last year. With the stabilised occupancy rate of all elderly residential care homes recorded for both the Reporting Year and the last year, the revenue amount increased.

- *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 increased from approximately HK$139,000 for the last year to approximately HK$205,000 for the Reporting Year, representing an approximately 47.48% increase.

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$10,101,000 for the last year to approximately HK$19,041,000 for the Reporting Year, representing an approximately 88.51% 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:

	2017 Approximate	2016 Approximate
Average occupancy rates		
– elderly residential care homes under the EBPS	**95.61%**	98.41%
– non-EBPS elderly residential care homes	**95.65%**	94.68%

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. Due to the increase in the number of elderly residential care homes operated by the Group, in turn, an increase in total number of staff, the amount of staff costs increased from approximately HK$22,205,000 for the last year to approximately HK$41,042,000 for the Reporting Year, representing an approximately 84.83% 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. With the increase in the number of residential care homes, the amount of property rental and related expenses increased from approximately HK$9,576,000 for the last year to approximately HK$17,175,000 for the Reporting Year representing an approximately 79.35% increase.

Listing expenses

Listing expenses comprised of professional and other expenses in relation to the Listing. Listing expenses of approximately HK$12,224,000 and HK$7,463,000 were recorded for the Reporting Year and last year respectively.

Profit for the year

During the Reporting Year, the Group's recorded a profit of approximately HK$3,166,000 and approximately HK$7,608,000 was noted for the last year. The decrease in profit for the Reporting Year was mainly due to the one-off Listing expenses incurred.

Operating Performance *(Continued)*

Adjusted profit for the year

The Group calculated the adjusted profit for the year by adding back listing expenses and crediting (i) share of profit of an associate; and (ii) gain on disposal of an associate to profit or loss for the year.

The Group presented this financial measure as it is useful to evaluate the financial performance by excluding the impact of the above items, in which these items were not indicative of the Group's ordinary operating performance and will no longer be outstanding subsequently to the Listing.

During the Reporting Year, the Group's adjusted profit for the year increased by approximately 19.85% to approximately HK$15,390,000 as compared to approximately HK$12,841,000 for the last year.

Liquidity, Financial Resources, Gearing and Capital Structure

Liquidity

As at 31 December 2017, current assets amounted to approximately HK$55,898,000 (2016: approximately HK$29,527,000). Current liabilities were approximately HK$18,029,000 (2016: approximately HK$11,798,000).

Financial resources

As at 31 December 2017, the Group had total cash and bank balances of approximately HK$47,567,000 (2016: approximately HK$22,326,000).

As at 31 December 2017, the Group had trade receivables of approximately HK$270,000 (2016: approximately HK$70,000).

Gearing

The gearing ratio of the Group as at 31 December 2017 was nil (2016: nil) as the Group was not in need of any material debt financing during the Reporting Year.

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

Capital structure

The Shares 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 2017, the total equity of the Group was approximately HK$137,781,000 (2016: approximately HK$74,124,000).

Significant Investments Held by the Group

As at 31 December 2017, there was no significant investment held by the Group.

Future Plans for Material Investment and Capital Assets

Save as disclosed above and in the Prospectus, the Group does not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On 9 October 2017, Shui On Nursing Home Holdings Limited (the "Purchaser"), a wholly-owned subsidiary of the Company and Mr. Hui Lung and Mr. Chui Sai Ming (the "Vendors") entered into a sale and purchase agreement, pursuant to which the Vendors, conditionally agreed to sell and the Purchaser conditionally agreed to acquire the entire issued share capital of Shui Jun (Yau Tong) at the aggregate consideration of HK$45,000,000 in cash (the "Acquisition"). Shui Jun (Yau Tong) is an operator of an elderly residential care home with 207 residential care places in Yau Tong, Hong Kong. The Acquisition was completed on 13 November 2017. For details, please refer to the announcements of the Company dated 9 October 2017 and 13 November 2017, and the circular of the Company dated 7 December 2017.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the Reporting Year.

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 2017, the Group had no material contingent liabilities (2016: nil).

Capital Expenditure

During the Reporting Year, the Group's capital expenditure amounted to approximately HK$8,901,000 (2016: approximately HK$5,867,000) 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 2017, the Group employed 293 employees (2016: 200 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme (the "Scheme") has been adopted on 21 June 2017 for, among others, the employees of the Group.

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

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

Use of Proceeds

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK$45,500,000.

An analysis of the utilisation of the net proceeds from the Listing as at 31 December 2017 is set out below:

Business strategies as stated in the Prospectus	Planned use of net proceeds as stated in the Prospectus up to 31 December 2017	Actual use of net proceeds up to 31 December 2017
	HK$'000	*HK$'000*
Acquisition of an operating residential care home	25,000	25,000
Establishment of headquarters and on-the-job training centre	2,000	2,000
Renew and upgrade the facilities at our residential care homes	2,000	2,000
Upgrade information technology infrastructure	2,600	2,600
Working capital for other general corporate purposes	100	100

The Company currently intends to use the remaining of the net proceeds from the Listing in the manner consistent with that disclosed in the section headed "Statement of Business Objectives and Use of Proceeds" of the Prospectus.

The Directors will constantly evaluate the Group's business objectives and, where necessary, will change or modify the plans in view of the changing market condition to suit the business growth of the Group. All the unutilised balances have been placed in licensed banks in Hong Kong.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Yik Tak Chi (易德智先生) ("Mr. Yik"), aged 65, was appointed as a Director on 16 February 2016, and was redesignated as the Chairman and an executive Director, and appointed as the chief executive officer of the Company (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 23 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 54, 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)"), Shui Hing Nursing Centre Limited and Shui On Nursing Home Holdings Limited ("Shui On Holdings (HK)"). Mr. Chung is currently responsible for human resource management, staff training and daily operation of the Group. He also assists Mr. Yik in affairs such as corporate strategic planning and business development of the Group.

Mr. Chung obtained a degree of Bachelor of 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.

Executive Directors *(Continued)*

Mr. Chung has over 14 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). In June 2011, 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.

Ms. Chung Wai Man (鍾慧敏女士) ("Ms. Chung"), aged 52, was appointed as an executive Director on 7 February 2017. Ms. Chung also serves as a director of the Group companies, namely, Shui On Nursing Centre (Hing Wah) Company Limited ("Shui On (Hing Wah)") and a director of medical service of Shui On (Shun On). Ms. Chung is currently responsible for making healthcare policies, procedures, training programs for the medical staff at all levels in the Group, and also responsible for allocating, distributing and supervising the medical and nursing work, and evaluating the work efficiency from time to time. She also assists Mr. Yik in recruiting, supervising and managing the medical staff at all levels in the Group.

Ms. Chung obtained a degree of Bachelor of Nursing from The University of Newcastle in Australia in April 1996 and a Post-Experience Diploma in Nursing Management from The Hong Kong Polytechnic University in November 1998. She has been a registered nurse registered with the Nursing Council of Hong Kong since December 1990. Ms. Chung has approximately 26 years of experience as a registered nurse in Hong Kong specialising in geriatrics. 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 Geriatrics and Hospice division 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 (Hing Wah) 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.

Non-Executive Director

Mr. Lau Joseph Wan Pui (劉允培先生) ("Mr. Joseph Lau"), aged 66, 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 Nursing Centre (Kwai Shing E.) Co. Limited ("Shui On (Kwai Shing E.)"), an indirect non-wholly owned subsidiary of the Company, from January 2008 to March 2011.

Non-Executive Director *(Continued)*

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 10 November 2012 to 1 June 2013, the shares of which are listed on GEM, and re-designated as its non-executive director from 1 June 2013 to 3 December 2013.

Independent Non-Executive Directors

Mr. Kwok Chi Shing (郭志成先生) ("Mr. Kwok"), aged 56, 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 January 1991 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 1992 to 1998, Mr. Kwok was a partner of Wong Lam Leung & Kwok CPA Limited. From 1999 to 2010, he was a partner of Lam, Kwok, Kwan & Cheng C.P.A. Limited. Since 2007, Mr. Kwok has been a director of LKKC CPA Limited.

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) since 2006, 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: 65). In addition, Mr. Kwok has served as an independent non-executive director of Speed Apparel Holding Limited (stock code: 8183) the shares of which have been listed on GEM since 31 May 2017.

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

Independent Non-Executive Directors *(Continued)*

Mr. Lau Tai Chim (劉大潛先生) ("Mr. Lau"), aged 66, 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 an attesting officer appointed by the Ministry of Justice in Beijing, PRC.

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) since December 2014, 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 International 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 68, 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 The People's University of China (Beijing) (also known as Renmin University of China 中國人民大學) in June 2004.

Mr. Wong has served an independent non-executive director 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), a company whose shares are currently listed on the Main Board (stock code: 1098) since 2014, and he has been a consultant in Jumboland Resources Limited (珍寶投資有限公司) since 2012. 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) (stock code: 8089), a company whose shares are currently listed on GEM, from 2000 to 2006. 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

Mr. Lui Chi Tat (雷志達先生) ("Mr. Lui"), aged 44, was appointed as the CEO on 22 January 2018. Mr. Lui also serves as a director of Shui On (Kwai Shing E.). 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 and the home manager of Shui On (Kwai Shing E.). 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 18 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.

Ms. Leung Pui Shan (梁佩珊女士) ("Ms. Leung"), aged 37, 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 Accountancy and Management Information Systems from The City University of Hong Kong in November 2004, and a degree of master of 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 12 years of experience in auditing, advisory accounting and financial management. For the period from May 2012 to April 2015, Ms. Leung served as a financial controller and company secretary of 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. 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.

Dr. Mak Kam Lun (麥錦麟醫生) ("Dr. Mak"), aged 42, joined the Group as a director of medical service on 16 February 2017 and is currently responsible for the quality control of the elderly home care services provided by the Group.

Dr. Mak obtained a degree of Bachelor of Medicine and a degree of Bachelor of Surgery from The University of Hong Kong in December 1999, a Diploma of Child Health from The Royal College of Physicians of Ireland and Surgeons in Ireland in September 2001, a Professional Diploma in Diabetes Management and Education from The Chinese University of Hong Kong in August 2005, a Graduate Diploma in Family Medicine from The Monash University of Australia in November 2005 and a Diploma of Practical Dermatology in Cardiff University in July 2010. Besides, Dr. Mak has been a fellow member of Hong Kong College of Family Physicians since May 2010, and a fellow of The Royal Australian College of General Practitioners since May 2010. Dr. Mak has been appointed as an Honorary Clinical Tutor in Family Medicine of The Chinese University of Hong Kong since 2016, and was an Honorary Clinical Assistant Professor in Family Medicine of The University of Hong Kong from 2012 to 2013. Dr. Mak also served as a manager of The Church of Christ in China Kei Primary School from 2008 to 2009, and worked as a resident of Hospital Authority (Tuen Mun Hospital) from 1999 to 2003.

Senior Management *(Continued)*

Ms. Gan Bee Lye (顏美麗女士) ("Ms. Gan"), aged 49, was the head of human resources of the Group. She joined the Company on 16 February 2017 and was responsible for recruitment and human resources matters of the Group. Ms. Gan resigned as the head of human resources of the Group on 1 January 2018 and ceased to hold any position in the Group since then.

Ms. Gan obtained a degree of Bachelor of Economics (honours) from Northern University of Malaysia in September 1993, a degree of Master of Economics from La Trobe University in Australia in March 1998, a Graduate Diploma in Management Research from the University of South Australia in 2009, a Certificate in Legal Studies in July 2014 and a Diploma in Legal Studies in July 2015, both from the School of Professional and Continuing Education of the University of Hong Kong. Ms. Gan was granted the award of Graduate Diploma from the Manchester Metropolitan University having followed an approved programme in English and Hong Kong Law (Common Professional Examination) in September 2015, and she obtained a degree of Bachelor of Law from the Manchester Metropolitan University in July 2016.

Ms. Gan has accumulated an extensive working experience in tutoring and teaching in various institutions and universities. Ms. Gan is currently a part-time lecturer in The Hong Kong Baptist University, and was also an instructor from 2001 to 2003 and in 2005 and a part-time lecturer from 2010 to 2011 and from 2015 to 2016 in the same university. She was also a part time tutor in The Open University of Hong Kong until January 2017. In addition, she also served as an economics instructor in The Hong Kong Polytechnic University from January 2006 to June 2013, a part-time economics tutor in AMG Tutorial Centre from December 2005 to March 2008, and an economics teacher (Warwick University High Education Foundation Programme) in The British Council (Hong Kong) from September 2004 to June 2005 and was a lecturer in The Northern University of Malaysia from 1997 to 2001.

Ms. Gan is the spouse of Mr. Chung, an executive Director.

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Company places high value on the corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the Shareholders.

During the period from the date of the Listing to 31 December 2017 (the "Period"), the Company has adopted and complied with, where applicable, the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 to the GEM Listing Rules, except for the deviation from the code provision A.2.1 of the CG Code.

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 Period.

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 three executive Directors, one non-executive Directors and three independent non-executive Directors, whose biographies are set out on pages 12 to 17 of this report. Save as disclosed under the section headed "Board of Directors and Senior Management", there is no financial, business, family or other material or relevant relationships between Board members, and in particular, between the Chairman and the CEO.

During the Period, 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. 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 Period.

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 article of association of the Company (the "Article of Association").

The composition of the Board and their respective attendance in the general meeting, the Board meetings and other committee meetings during the Period 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
Executive Directors					
Mr. Yik Tak Chi	n/a	3/3	n/a	0/0	n/a
Mr. Chung Kin Man	n/a	3/3	n/a	n/a	n/a
Ms. Chung Wai Man	n/a	3/3	n/a	n/a	n/a
Non-executive Director					
Mr. Lau Joseph Wan Pui	n/a	3/3	n/a	n/a	0/0
Independent non-executive Directors					
Mr. Kwok Chi Shing	n/a	3/3	2/2	n/a	0/0
Mr. Lau Tai Chim	n/a	3/3	2/2	0/0	0/0
Mr. Wong Wai Ho	n/a	3/3	2/2	0/0	n/a

During the Period, the Company has not convened any general meeting since the Listing Date.

The company secretary is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes will normally be circulated to the Directors for comment within a reasonable time after each meeting and the final version is open for the Directors' inspection.

Board of Directors *(Continued)*

Responsibilities and Delegation

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

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 Period, 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

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

During the Period, Mr. Yik was the chairman and the CEO. As Mr. Yik had been providing strong and consistent leadership to the Group, the Board believed that having him performing both functions would provide a more effective strategic planning and overall management to the Group. Besides, considering that Mr. Yik has more than 23 years of experience in the operation and management of elderly residential care homes, and had a good understanding of the trends and policy changes in the elderly residential care home industry, the Board believed that it was in the best interest of the Group to have Mr. Yik taking up both roles for effective management and business development for the Group. Accordingly, the Company did not segregate the roles of the chairman and chief executive officer as required by code provision A.2.1 of the CG Code.

In order to enhance the Company's corporate governance practices and enable the Company to better comply with the CG Code, Mr. Yik has resigned as the CEO and Mr. Lui has been appointed as the CEO with effect from 22 January 2018. For details, please refer to the announcement of the Company dated 22 January 2018.

Board of Directors *(Continued)*

Appointment and Re-election of Directors

Each of the non-executive Directors has entered into a service contract with the Company for a term of three years. Furthermore, in accordance with the Articles of Association, 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.

According to the Articles of Association, Directors appointed to fill casual vacancies shall hold office until the next following general meeting and can be eligible for re-appointment at that time.

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.

Board Committees

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 our 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.

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

During the Period, the Audit Committee held two meetings. Matters reviewed and discussed in the meetings included, among others, the interim results of the Company for the six months ended 30 June 2017, the third quarter results of the Company for the nine months ended 30 September 2017, the internal control system review and compliance of corporate governance code and relevant disclosures.

The Company's annual result for the year ended 31 December 2017 have been reviewed by the Audit Committee.

Nomination Committee

A 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 and composition of the Board on regular basis; identify individuals suitably qualified to become members of our Board; access the independence of independent non-executive Directors; 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 Nomination Committee comprises three members, being one executive Director, namely Mr. Yik (chairman of the committee), and two independent non-executive Directors, namely Mr. Lau. and Mr. Wong.

During the Period, no meeting of the Nomination Committee was held.

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 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 Period, no meeting of the Remuneration Committee was held.

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.

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

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$1,300,000.

Directors and Auditor's Responsibilities for Financial Statement

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Year. The auditor of the Company acknowledges its reporting responsibilities in the auditor's report on the financial statement during the year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as going concern. The statement made by the auditor of the Company regarding their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 42 to 46 of this annual report.

Company Secretary

The company secretary is a full time employee of the Company and have 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 Board members, the Shareholders and management of the Company. During the Reporting Year, the company secretary undertook more than 15 hours of relevant professional training. The biography of the company secretary is set out in the section "Board of Directors and Senior Management" on pages 12 to 17 of this annual report.

Investor Relations

Constitutional Documents

During the Period, 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.

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 Room D, 35/F., T G Place, 10 Shing Yip Street, Kwun Tong, 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.

Communication with Shareholders

Information of the Group is delivered to the Shareholders through a number of channels at the Company's website at www.shuionnc.com. The latest information of the Group together with the published documents are also available on the Company's website.

Reporting Scope

As a company based and serve in Hong Kong, the Company is fully committed to environment protection, socially responsible and equipped with the strictest corporate governance. In pursuant to the newly released requirement of the *Environmental, Social and Governance Reporting guide ("Environmental, Social and Governance Guide*") in Appendix 20 of the GEM Listing Rules, the Group has prepared the *2017 Environmental Social and Governance Report* (thereafter "ESG Report"), covering the various segments in the business. 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.

It is also the intention of the management of the Group to provide an overview of the Group's direction in managing ESG related issues, driving for ESG initiatives throughout the Group, and communicating the ESG performance result with the stakeholders of the Group (the "Stakeholders").

Boundary and Reporting Period

The reporting boundary shall cover the operation activities throughout the Group, including the Hong Kong head office as well as its self-owned and self-operated four "Shui On 瑞安", one "Shui Hing 瑞興" and one "Shui Jun 瑞臻" branded elderly residential care homes across four districts in Hong Kong.

The reporting period of this report shall cover the date from **1 January 2017 to 31 December 2017**.

Environment

The Group recognises the potential impacts that may cause to the natural environment due to the daily operation. As clinical waste will be the by-product from the daily operation of the elderly residential care homes (pharmaceutical products), the Group's cautious on the management measures, especially on the waste management, and strive to minimise the impacts. While the Group strategies to generate revenue for the Shareholders, provide the best products and services to the clients, the senior management also established various sets of **Environmental Policy and Waste Management Measures**, emphasising on best managing the Group's environmental impacts to the local environment according to different parts of the operations.

The Group also established various awareness programme for the staff, reminding on environmental protection throughout the operation, and encouraging the same to clients to improve all together.

Air Emission

The Group took the initiative to examine the issue of air emission across all of the operation, and the result indicated no significant impact could be reported. Due to the business nature, the Group did not involve with any combustion process, industrial, or heavy transportation activities that could lead to direct emission to the atmosphere. Thus, the Group posed no major impact in the Air Emission aspect.

The Group will continue monitoring the operation and ensuring the air emission of the Group will be maintained at this level, and further information will be disclosed as changes occur.

Environment *(Continued)*

Carbon Emission

Besides the effort in monitoring air pollutant emission, the Group is also exploring measures into reducing the carbon emission, and particularly in reducing the overall carbon footprint. As a first step, the Group estimated the carbon footprint based on the electricity consumption and the emission factor provided by the electricity providers in this reporting period (data on electricity consumption and the carbon intensity factor are available on the electricity bill and the Sustainability Report from the electricity provider respectively). With the above information, the Group looks to further investigate and work with the employees, along with external Stakeholders, on enhancing the Group's overall performance and minimising the carbon footprint. Further information and progress will be disclosed in the subsequent ESG report.

As a summary, and based on the energy consumption on electricity and natural gas alone, the Carbon Footprint for the Group in this reporting year was 1,275tCO_2e.

Waste Management

The main business of the Group involves elderly residential care homes services and management, and with the needs on handling various types of medical related products, part of the operation includes the managing and disposing hazardous wastes. The Group is cautious about managing of the generated wastes, and with clear guidelines and measures to ensure the safety of the employees and the compliance to relevant laws and regulations subject to waste treatment based on:

- Waste Disposal Ordinance – *WDO*
- Waste Disposal (Chemical Waste) (General) Regulation – Chapter 354C of the Laws of Hong Kong, the "*WD(CW)(G)R*"; and
- Waste Disposal (Clinical Waste) (General) Regulation – Chapter 354O of the Laws of Hong Kong, the "*Clinical Waste Regulation*",

which stipulate among other things, the control and regulation of the production, storage, collection and disposal of (a) chemical waste and (b) clinical waste.

Hazardous Waste – Chemical Waste

Chemical waste generated in the operation includes the disposal of unused or expired drugs for the elderly residents, and as defined under the *WDO* and the *WD(CW)(G)R*, which also involves the production, storage, collection and the disposal of chemical waste. The employees were trained, and in particularly on the proper handling on chemical waste, according to the *In-House Manual*, before transferring to licensed waste handling company for further treatment.

Hazardous Waste – Clinical Waste

As the services provided by the elderly residential care homes of the Group may produce used or contaminated sharp objects, such as syringes, needles, dressings as well as the medicine and drugs left by the elderly residents, the operation is subject to the *WDO*, the *Clinical Waste Regulation* and the *Clinical Waste Code of Practice* in respect of the production, storage, collection and disposal of clinical waste. The *In-House Manual* provides the appropriate management measures according to the *Clinical Waste Regulation*, providing the employees the guidance on handling daily clinical waste from the operation.

In this reporting period, the Group was not subject to any real or threatened proceedings brought under, or received any written complaints or warnings in relation to the production, storage, collection and disposal of clinical waste under the *WDO* and the *Clinical Waste Regulation*. In addition, the Group had generated a total of 81kg of hazardous waste in this reporting period.

Environment *(Continued)*

Non-Hazardous Waste

The Group kept a close working relationship with the partner and had been promoting waste reduction to the staff. To avoid waste generation, measures such as paper recycling, and the appropriate use of recycled paper was encouraged in the workplaces. In addition, We took the initiative further by driving for a paper-less working environment. Staff were encouraged to work and communicate through emails and e-format documents instead of hard copies. The effort was well received and was supported by the staff.

In summary, the Group had generated 881,556kg of non-hazardous waste in this reporting period.

Use of Resources

As an environmental friendly company, the Group is actively promoting the culture of "Smart Usage" of natural resources. The Group consumes a fair amount of natural resources during the operation, and with this in mind, the Group is cautious about the consumption habit, and especially on electricity and water use and trying to conserve and to minimise the consumption footprint.

Initiatives such as adopting to an energy conservation and efficiency policy and practices in offices were successfully implemented throughout the year. Some of the measures included upgrading equipment on lighting and air-conditioning systems, promotional programme on efficient use of water, and paper recycling were successfully implemented, and received the full support by the employees.

The Group also worked with the staff by promoting the "Smart Usage" concept, reminding them to take-action throughout their daily operation. For example, notices were posted around different office area, reminding the staff on turning off lights and photocopier after use. Staff were also reminded to maintain a good practice on utilising the electronic devices, such as creating a comfortable working environment by setting the air-conditioner to 25.5°C; or printing documents double sided whenever it was appropriate. The Group will continue monitoring and improving the performance as opportunity arise.

As a summary, and after a careful data consolidation and analysis, the Group reported a total of 2,355,787 kWh of electricity, 38,892m^3 of water, 4,136 unit of natural gas, and a total of 303,057 piece of paper consumption in this reporting period.

Social

The Group treats corporate social responsibility ("CSR") as one of the top priority topics, looking to apply the CSR concept throughout the operation. As the business of the Group mainly operates in caring and service industry, the Group pay special attention to all social aspects in the operation. Competitive compensations are offered to the staff, while treating the staff equally and fairly, and complying to laws and regulations have always been one of the Group's guiding principles. The Group will monitor and improve in areas as needed and continue to grow in a sustainable and in a socially responsible manner. The following sections will provide details on the social performance in this reporting period.

Human Resources and Remuneration Policy

Human resources are valuable assets to the Group. The Group encourages career development and training, promoting a healthy living style with harmony working environment at the same time.

The Group offers competitive remuneration package to retain talents, including fixed salaries, performance annual bonuses. Other benefits such as long service payments, retirement benefit, social and medical insurance, annual leave, sick leave, maternity leave, compensation leaves and other allowances are also part of the package offered to the employees. Salary and benefit levels of the Group's employees are reviewed annually on a performance appraisal related basis by the management team. In addition, as part of the incentive programme, share option scheme (the "Scheme") has been adopted since 21 June 2017 for, among others, the employees of the Group. Further details to be explained in section below.

As of 31 December 2017, the Group has employed a total of 293 employees.

Social *(Continued)*

Share Option Scheme

The Company has conditionally adopted the Scheme on 21 June 2017, which is valid and effective for a period of 10 years from 21 June 2017.

The purpose of the Scheme is to enable the Company to grant share options to the eligible persons as incentives or rewards for their contributions to the Group. Eligible persons of the Scheme include any full-time or part-time employee of the Company or any member of the Group, such as executive directors, non-executive directors and independent non-executive directors, suppliers, customers, agents, advisors and consultants of the Group who, in the sole opinion of the Board, whom had contribution toward the Group.

Remuneration Committee

To ensure the remuneration scheme stays competitive, the Group had established the Remuneration Committee on 21 June 2017, 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. The principal duties of the committee are making recommendations to the Board on the overall remuneration policy and packages to all executive Directors and senior management; review performance-based remuneration; and ensure none of the Directors determine their own remuneration.

The Remuneration Committee consists of three members, namely Mr. Lau Joseph Wan Pui, Mr. Kwok Chi Shing and Mr. Lau Tai Chim. Members of the Remuneration Committee will meet regularly to review the policy for the remuneration of Directors and assess the performance of executive Directors and certain senior management of the Group.

Emolument Policy

The emolument of the employees of the Group is determined by the Remuneration Committee, and will be assessed based on merit, qualifications and competence. The offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees.

Occupational Health and Safety

Safety has always been one of the Group's priorities, and the Group are dedicated to maintain a high occupational safety and health standard, providing a safe and comfortable working environment to the staff and the elderly residents. The internal policies and systems were developed for the employees as a safe workplace operation guidance, arousing awareness during operation, and in addition with the requirements for recording and handling accidents and compliance records. To minimise on work-related injury, the Group invested into various aiding tools, tools, and the staff (nurse and health workers) were trained and recommended to utilise aiding equipment, such as body-lifting equipment during operation.

Directors, senior management and home manager ensure that the professional staff and employees strictly comply with relevant laws, regulations, industrial standards and protocols while serving our elderly residents. The *Quality Control Manuals, Employee Handbooks and Guidelines* are provided to staff at all levels whilst the management supervises the execution.

Kitchen

The *Kitchen Operation Manual* provides a clear guidance on safety matters for the kitchen staff. Staff are required to strictly follow the guidance during their daily operation, and any non-compliance action will be recorded and reviewed as part of the year-end staff performance evaluation. The Group believes such measures could raise the attention of the employees on workplace safety, and would help to reduce work related injuries and the seriousness of such injuries, if any, and would adequately and effectively prevent serious work injuries.

Social *(Continued)*

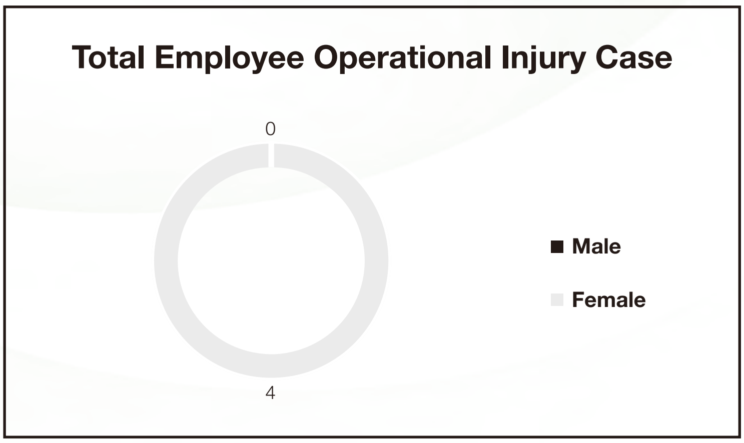
Occupational Health and Safety *(Continued)*

Elderly Residential Home

The *Internal Control Policies and Procedures*, enforced and led by the home manager, ensures the elderly residents living in a risk-free environment. The elderly residential care homes have adopted a set of stringent security protocols and fire and explosive protection procedures in case of emergency. The clerical staff at the elderly residential care homes are responsible for controlling the surveillance systems installed at the elderly residential care homes. The Group has installed electronic security and surveillance systems at the elderly residential care homes to monitor the premises and record emergency events and incidents, which may be used as evidence in case of disputes or investigations.

The maintenance division is in charge of responding to water, electricity and gas emergency situations, such as power outage or water leakage at the elderly residential care homes. The Group has installed emergency lighting systems in the elderly residential care homes in accordance with the *Fire Service Ordinance (Cap 95 of the Laws of Hong Kong)* for safety and compliance. The medical and cleaning division is responsible for the cleaning and disinfection of the elderly residential care homes and ensures that the cleaning protocols are properly followed by the staff.

During the reporting period, as a result of the comprehensive safety management and internal control procedure, the Group only encountered 4 work-related injuries at the elderly residential care homes in the year, which were considered minor and did not cause a material adverse effect on the business, financial condition or result operations.



Training and Development

The Group highly values the quality of product and services that are offered, and thus comprehensive professional trainings are regularly arranged for employees on issues that may arise in daily operations and to keep the quality is up-to-standard. The goal is continuously enhancing the staff's overall quality and professional capabilities, and especially in elderly residential care centres to ensure a special care and a comfortable environment is delivered to the elderly residents.

Health and Care workers

The Health & Care workers are trained with basic elderly and nursing care, such as tooth care, proper use of wheelchair, prevent flu and "Skills Upgrading Scheme" of practical skills in lifting and transfer (扶抱及轉移技巧), feeding skills (餵食技巧), skin and incontinence Care (皮膚及失禁的護理), knowledge on elderly care with cognitive disorders, diabetes, herpes zoster (帶狀皰疹：俗稱生蛇).

Social *(Continued)*

Training and Development *(Continued)*

Nurses

The Group requires nurses to attend technical training to improve, update and refresh their knowledge on drug management, resistance issue, vaccination and constraints training.

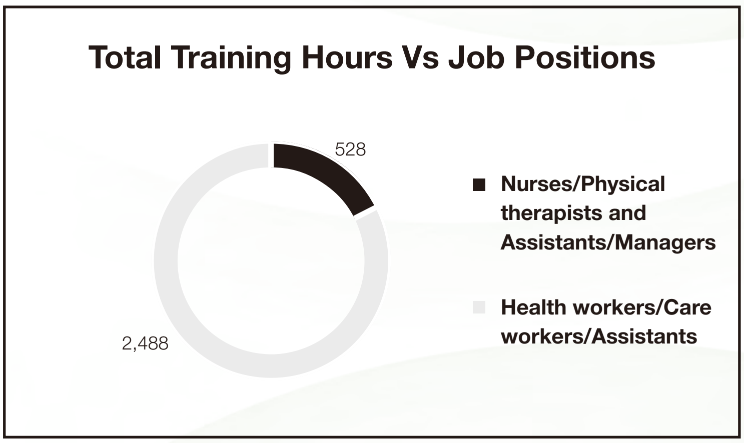
The Group considers continuous improvement as the key element in maintaining the professionalism of the staff, and as the key factor for the business growth and sustainable development. The training scheme also takes other factors, such as employees' career development, personal health and growth into consideration. The Group encourages the employees participating seminars on occupational safety and health, solution of stress in work, workers pressure sharing to expand their knowledge capacity, and thus widening their career path.

Managers and Social Workers

The on-site managers and social workers are responsible for the operation control of the centre, maintaining the overall quality is up to the Group's standard, and the mental and to maintain well-being of the elderly residents in areas such as:

- Infection control of the residential care centre
- Quality Assurance Scheme for elderly residential care home
- Quality control on elderly care of abusers and deal with suspected cases

In this reporting period, the Group's recorded a total of 3,016 training hours participated by employees. The breakdowns of the number of the training hours are shown as below:

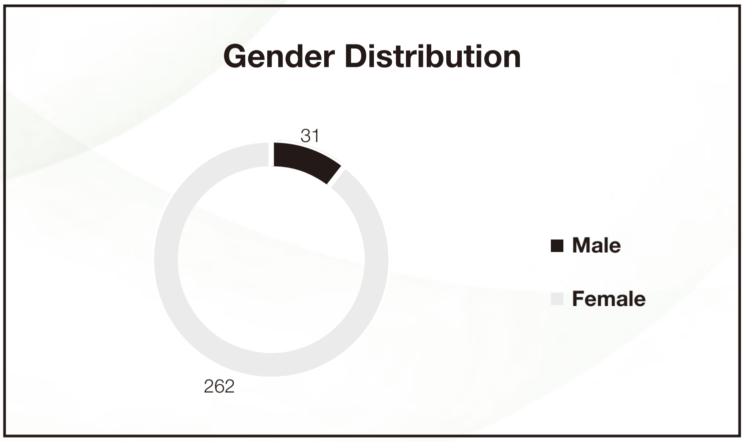


Social *(Continued)*

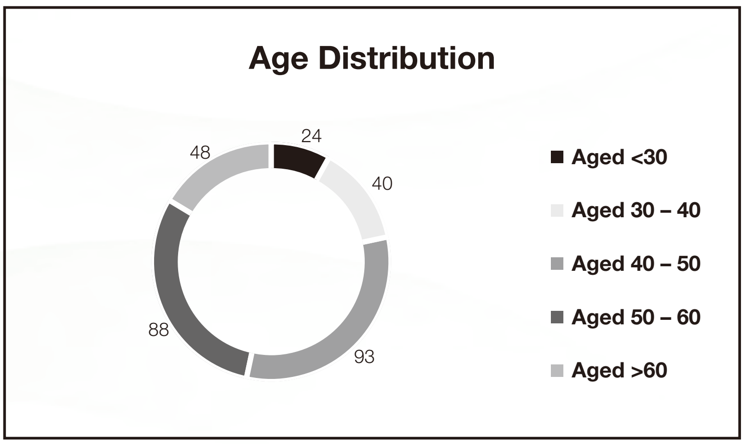
Equal Opportunities, Diversity And Anti-Discrimination

As an equal opportunity employer, the Group is committed to providing a working environment that is non-discriminated on the basis of race, colour, creed, age, religious belief, sexual orientation, pregnancy, marital and family status, national origin, or disability. The employment practices of the Group were firmly established and implemented in the operation, such as hiring, training and development, promotion, compensation and benefits, in order to ensure employees and job applicants enjoy equal opportunities and fair treatment.

At the end of 2017, the total headcount was 293 respectively, and details on the number of the Group's employees are shown in the table below:



As of 31 December 2017, the breakdowns of the number of the Group's employees with respect to the age group is shown in the table below:



In 2017, there was no confirmed non-compliance incident in relation to recruitment and promotion, compensation and dismissal, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare of any employment that have a significant impact on the Group.

Social *(Continued)*

Employees, Customers, Suppliers and Other Stakeholders

The Group values relationship with customers and suppliers, and treats it as an important aspect of the business. The Group maintains an open engagement channel with the customers through complaint revision meetings, as it brings insight to the operation performance. It was proven to be effective in understand the latest updates and to better the services. The Group is also dedicated to build a close working relationship with the suppliers, and the Group conducted regular performance revision and appraisal to build a closer working relationship with clients.

The Group believes an effective communication should include a timely and accurate information disclosure. Not only it brought confident to the Shareholders' and investors', which were beneficial for investor relations, it also invited constructive feedback for perfecting the operation.

The Group will continue working closely with the stakeholders with an open communication channel, and maintaining an active interaction in the future.

Operation Standards

Food Safety

Food safety is a critical part of our service, and a comprehensive *Quality Control Procedure* relating to food preparation and storage, maintenance of kitchen facilities and the conduct of kitchen staff is established as the requirement for the staff to follow. The Group's quality inspection teams, consisting of the chef and kitchen staff at each of the elderly residential care homes, are responsible for inspecting the food ingredients and supplies, including the quality control of the raw food. In addition, guidelines and trainings are provided for chefs and assistants on food and environmental hygiene.

Food preparation is supervised by chefs and home managers, and it is prepared in accordance with the standard food preparation procedures. Any food that is not prepared in accordance with standard procedures or does not meet the standard shall be disposed. Aside from food preparation, the *Quality Control Manual* also sets the storage procedures, hygiene standard and guidance on kitchen staff conduct. The Group require the kitchen staff to strictly adhere to the stipulated quality standard and procedures to ensure that ingredients supplied to the elderly residential care homes and kitchens are safe for consumption. The Group will continually provide training to our chefs and kitchen staff to ensure the safety of the food supplied and ensure the compliance with the operational procedures and quality standards.

Collection, Storage and Dispensation of Chemicals

The elderly residential care home has strictly follow the operation procedure, as set out in the *In-House manual*, on the collection, storage and dispensation of chemicals. Such operational procedure provides guidance, among other things, the preparation, handling and administration of medication and a summary of the relevant procedures is as follows:

- Verification check, such as medication details and records of the elderly residents, will be performed on all medications upon the admission to the elderly residential care homes medication;

- Drugs shall not be kept by the elderly residents unless our caretakers have been instructed and evaluated as appropriate (elderly residents being able to understand doctors' prescription and to intake drugs on time, and present with no risk of passing drugs mistakenly to neighbouring elderly residents). During the drug collection process, whether from clinics or the elderly residents, the personnel will verify and record the name of the patient, nature, intake instructions are printed on the labels. Drugs will then be sorted according to their nature and elderly residents, and placed in locked cabinets or other specified places, and with the relevant instructions stated on the package;

- The staff will perform "three checks five rights" (三核五對) action before any distribution and administration action, namely (a) after taking out the drugs form the cabinet; (b) before collecting the drugs from the drug bottle or package; and (c) at the time of putting back the drugs into the cabinet and to ensure on (i) right elderly resident; (ii) right drugs; (iii) right time; (iv) right route; and (v) right dosage, for three times;

Social *(Continued)*

Operation Standards *(Continued)*

Collection, Storage and Dispensation of Chemicals (Continued)

- Changes in the medication of the elderly residents will be recorded accordingly in the relevant elderly residents' records;
- Medical wastage, such as used syringe and cotton pads, shall be disposed in designated containers which shall be sealed for stage when 70% of the capacity is utilised;
- All wastages are kept in locked rooms or containers with restricted access prior to disposal. Drugs under regulation will be recorded separately, and listed for disposal; and
- As confirmed by the Directors, all of Shui On (Shun On), Shui Hing, Shui On (Hing Wah), Shui On (Sun Tin Wai) and Shui On (Kwai Shing E.) had been registered with the Environmental Protection Department as chemical waste producers.

During the reporting period, the Group did not experience any complaints from customers concerning the collection, storage and dispensation of medication that had any material adverse impact on the brand, the business and result of operation.

Complaints

The Group has adopted a comprehensive complaining 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 raised by 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. Depending on the severity, the relevant personnel may report to the home managers, and an investigation will be started. The home managers are required, under the standard procedures, to maintain detailed records of the disputes and report the incidents to the executive Directors and inform the family of the concerned elderly resident.

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

During this reporting period, there was no material complaints lodged directly with the elderly residential care homes. The Directors also confirmed that there were no complaints lodged with the SWD against the elderly residential care homes and found to be substantiated by the SWD after its inspection during the year ended 31 Dec 2015. However, there were a total of four complaints lodged with the SWD against our Shui On (Kwai Shing E.) elderly residential care home and found to be substantiated by the SWD after its inspection in 2017. The Directors further confirm that one of the four substantiated complaints had led to the issue of a warning letter on 13 March 2017 against Shui On (Kawi Shing E.) elderly residential care home.

Social *(Continued)*

Data Privacy

The operation involves serving lot of the elderly residents and the Group exerts extra cautious in safeguarding their personal data and ensure appropriate measures are implemented. *Data Policies* on protecting the elderly resident's personal data are adopted, which is in accordance with relevant laws and regulations. To further ensure the elderly residents' right on data privacy, the Group has restricted access to the information systems with designated employees so that certain information are only obtained on an as-needed basis. In addition, the employees and professional staff are required to sign confidentiality agreements with the Group under which they undertake to keep all personal data confidential.

Anti-Corruption

The Group is strictly complying to all law requirements and fully committed in restricting any of illegal activities, including Corruption, without exception. The Group requested the staff to understand, prohibit and work to safeguard the Group throughout their daily operation, and also prevent money laundering activities. The employee handbook sets out the relevant guidance on work ethics and prevention of fraud, negligence, anti-bribery and corruption. All employees are given an employee handbook upon hiring and is required to observe the rules and guidelines throughout the course of his/her employment.

During this reporting period, the Group was unaware of any action in relation to non-compliance with legal regulation, and related to corruption, bribery, extortion, fraud and money laundering.

Community

The Group understands the importance of the business is to both generate and bring in profit to the Shareholders, and also being socially responsible to care, serve and give back to the community wherever is needed at the same time.

Community Investment

The Company is committed in serving the local community, and especially in the elderly caring service. In the year of 2017, the Group has organised various events, such as **Museum Visit**, **Heritage Tours**, **Natural Park Visit**, **Festival Dinners**, serving the senior citizen in Hong Kong. The rationale is to expand the elderly social life, and to spread the messages in Hong Kong for elderly care. The Group will continue efforts to serve the community and look for opportunity to serve even further in the future.

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 47.

The Directors recommend the payment of a final dividend of HK$0.03 per ordinary share, totaling HK$12,000,000 (2016: Nil) for the Reporting Year.

Business Review

The business review of the Group for the Reporting Year is set out in the sections of "Chairman Statement" and "Management Discussion and Analysis" on pages 3 to 11 of this report.

Financial Summary

A summary of the published results and assets and liabilities of the Group for the last three financial years is set out on page 106 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.

Share Capital

Details of movements during the Reporting Year in the share capital of the Company are set out in note 25 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 purchased less than 30% of its goods and services from its 5 largest suppliers and sold less then 30% of its goods and services to its largest customer.

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 49 and note 37 to the consolidated financial statements respectively. As at 31 December 2017, the Company's reserves that were available for distribution to the Shareholders amounted to HK$131,005,000 (2016: HK$71,023,000).

Directors

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

Executive Directors

Mr. Yik Tak Chi *(Chairman)*	(appointed on 7 February 2017)
Mr. Chung Kin Man	(appointed on 7 February 2017)
Ms. Chung Wai Man	(appointed on 7 February 2017)

Non-executive Director

Mr. Lau Joseph Wan Pui	(appointed on 7 February 2017)

Independent non-executive Directors

Mr. Kwok Chi Shing	(appointed on 21 June 2017)
Mr. Lau Tai Chim	(appointed on 21 June 2017)
Mr. Wong Wai Ho	(appointed on 21 June 2017)

In accordance with article 84 of the Article of Association, at each 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. Accordingly, all the Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

Directors' Service Contracts

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

Independent Non-Executive Directors

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

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

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 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 emolument 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 a share option scheme as an incentive to the Directors and eligible employees, details of the 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.

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 2017, 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; (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 Director	Capacity/Nature of interests	Number of Shares held/ interested in	Approximate percentage of shareholding *(Note 1)*
Mr. Yik Tak Chi	Interest of controlled corporation *(Note 2)*	248,700,000	62.18%

Notes:

1. The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at 31 December 2017.

2. These 248,700,000 Shares are held by Shui Wah Limited ("Shui Wah"), a company incorporated in the British Virgin Islands. Shui Wah is owned as to 89.11% by Lucky Expert Investment Limited ("Lucky Expert"), which is in turn owned as to 59.88% by Hang Chi Development & Investment Limited ("Hang Chi"). Mr. Yik Tak Chi ("Mr. Yik") indirectly owns the entire issued share capital of Hang Chi 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 Hang Chi, same number of shares in Shui Wah held by Lucky Expert, and same number of Shares held by Shui Wah.

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	Name of associated corporation	Capacity/ Nature of interests	Number of shares held/ interested in	Percentage of shareholding
Mr. Yik Tak Chi	Multified	Beneficial owner *(Note)*	1	100.00%
	Hang Chi	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 Kin Man	Lucky Expert	Beneficial owner	493	4.93%
Ms. Chung Wai Man	Lucky Expert	Beneficial owner	602	6.02%

Note:

The Company is owned as to approximately 62.18% by Shui Wah. Shui Wah is owned as to 89.11% by Lucky Expert, which is in turn owned as to 59.88% by Hang Chi. Mr. Yik indirectly owns the entire issued share capital of Hang Chi 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 Hang Chi, same number of shares in Shui Wah held by Lucky Expert and same number of Shares held by Shui Wah; and Multifield, Hang Chi, Lucky Expert and Shui Wah are associated corporations of the Company.

Save as disclosed above, as at 31 December 2017, 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, or which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or otherwise to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 31 December 2017, 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 Shareholder	**Capacity/Nature of interests**	**Number of Shares held/ interested in**	**Approximate percentage of shareholding** *(Note 1)*
Multifield	Interest in controlled corporation *(Note 2)*	248,700,000	62.18%
Hang Chi	Interest in controlled corporation *(Note 2)*	248,700,000	62.18%
Lucky Expert	Interest in controlled corporation *(Note 2)*	248,700,000	62.18%
Shui Wah	Beneficial owner *(Note 2)*	248,700,000	62.18%
Ms. Yik Wai Hang	Interest held jointly with other person *(Note 3)*	248,700,000	62.18%
Ms. Chung Shuk Man	Interest of spouse *(Note 4)*	248,700,000	62.18%
Top Champ Ventures Limited	Beneficial owner *(Note 5)*	36,000,000	9.00%
Mr. Mok Pui Yin Terry	(i) Beneficial owner *(Note 5)* (ii) Interest in controlled corporation *(Note 5)*	37,000,000	9.25%

Notes:

1. The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at 31 December 2017.

2. These 248,700,000 Shares are held by Shui Wah. Shui Wah is owned as to 89.11% by Lucky Expert, which is in turn owned as to 59.88% by Hang Chi. Mr. Yik indirectly owns the entire issued share capital of Hang Chi through Multifield. By virtue of the SFO, each of Mr. Yik, Multifield, Hang Chi and Lucky Expert is deemed to be interested in all the Shares held by Shui Wah.

3. On 13 December 2016, Mr. Yik, Multifield, Hang Chi and Ms. Yik Wai Hang 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. Yik Wai Hang 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 at the date of this report, Mr. Yik, Multifield, Hang Chi and Ms. Yik Wai Hang are controlling approximately 62.18% 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. Mr. Mok Pui Yin was interested in 37,000,000 Shares, of which 36,000,000 Shares were held by Top Champ Ventures Limited ("Top Champ") and 1,000,000 Shares were directly held by him. As Mr. Mok Pui Yin Terry owned the entire issued share capital of Top Champ, by virtue of the SFO, he was deemed to be interested in all the Shares held by Top Champ.

   The Company was informed by Top Champ that on 26 January 2018, Top Champ as vendor has sold and Ms. Woo Pui Kei Betty as purchaser has purchased 36,000,000 Shares in the Company (representing 9% of the issued share capital of the Company). Since then, Top Champ has ceased to have any interests in the Shares. Please refer to the announcement of the Company dated 26 January 2018 for details.

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

Long Positions in the Shares *(Continued)*

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Arrangements to Acquire Shares and Debentures

Other than the Scheme and as disclosed under the section "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 Options

The Company has conditionally adopted the Scheme on 21 June 2017 which is valid and effective for a period of 10 years from 21 June 2017. The purpose of the Scheme is to reward eligible persons who have contributed or are expected to contribute to the Group.

No share option was granted, exercised or cancelled by the Company under the Scheme from during the Reporting Year and there was no outstanding share option as at the date of this report.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Article 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

Interests of Compliance Adviser

As confirmed by the Company's compliance adviser, Guotai Junan Capital Limited (the "Compliance Adviser"), as at 31 December 2017, save and except for the compliance adviser's agreement entered into between the Company and the Compliance Adviser dated 14 February 2017, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

Continuing Connected Transactions

Prior to the date of the sale and purchase agreement dated 9 October 2017 regarding the Acquisition, Shui Jun (Yau Tong) had already entered into tenancy agreements (the "CCT Agreements") with Ever Primer Limited and Roymark Limited. Mr. Yik is also the director and one of the ultimate shareholders of both Ever Premier Limited and Roymark Limited. Therefore, Ever Premier Limited and Roymark Limited are the associates of a connected person of the Company under the GEM Listing Rules. As such, upon the completion of the Acquisition on 13 November 2017, the CCT Agreements and the transactions contemplated thereunder have constituted continuing connected transactions of the Company under the GEM Listing Rules.

Continuing Connected Transactions *(Continued)*

The premises under the CCT Agreements are rented by Shui Jun (Yau Tong) for the operation of the elderly residential care home as its ordinary course of business from 1 July 2016 to 30 June 2019 at the monthly rental of HK$150,000 and HK$620,000 per month.

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, their terms 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 exempt from the circular (including independent financial advice) and shareholders' approval requirements if the Group continues to conduct the transactions under the CCT 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 his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 98 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 complies or 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.

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 20 March 2018, 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.

Subsequent Events

On 22 January 2018, Mr. Yik resigned as the CEO. Mr. Yik remains as the Chairman, an executive Director and the chairman of the nomination committee of the Company. Mr. Lui was appointed as the CEO with effect from the same date. Please refer to the announcement of the Company dated 22 January 2018.

The Company was informed by Top Champ that on 26 January 2018, Top Champ as vendor had sold and Ms. Woo Pui Kei Betty as purchaser had purchased 36,000,000 Shares in the Company (representing 9% of the issued share capital of the Company). Since then, Top Champ has ceased to have any interests in the Shares. Please refer to the announcement of the Company dated 26 January 2018.

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

(A) Entitlement to Attend and Vote at the AGM

For determining the Shareholders' eligibility to attend and vote at the forthcoming AGM to be held on Tuesday, 8 May 2018 (the "2018 AGM"), the register of members of the Company will be closed from Thursday, 3 May 2018 to Tuesday, 8 May 2018, both days inclusive, during which period no transfer of Shares will be registered. The record date will be Tuesday, 8 May 2018. In order to qualify for attending and voting at the 2018 AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 2 May 2018.

(B) Entitlement to the Proposed Final Dividend

For the purposes of determining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 24 May 2018 to Tuesday, 29 May 2018, both days inclusive. The record date will be Tuesday, 29 May 2018. In order to qualify for the entitlement of the purposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Wednesday, 23 May 2018. If the resolution for approving the proposed final dividend is passed at the AGM, the proposed final dividend will be payable on Tuesday, 12 June 2018.

Auditor

Ernst & Young shall retire in the forthcoming AGM and being eligible, will offer themselves for re-appointment. A resolution for appointment of Ernst & Young will be proposed at the forthcoming AGM.

On behalf of the Board
Yik Tak Chi
Chairman

Hong Kong, 20 March 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Hang Chi Holdings Limited
(Incorporated in 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 47 to 105, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 Hong Kong Companies Ordinance.

Basis for Opinion

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

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.

Key Audit Matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill The carrying value of goodwill in the consolidated financial statements amounted to HK$79,940,000 as at 31 December 2017, representing 50.9% 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 an 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 16 to the consolidated financial statements, which specifically explain the key assumptions management used for the calculation of the recoverable amounts.	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.
Purchase price allocation for business combination During the year, the Group completed a major acquisition at a total consideration of HK$45,000,000. We considered the acquisition to be a key audit matter as it is a significant transaction during the year which required significant management judgement regarding the allocation of the purchase price to the assets and liabilities acquired. This exercise also required management to determine the fair values of the assets and liabilities acquired and to identify intangible assets acquired in the acquisition. Management has engaged an external valuation expert to assist in such exercise. The accounting policies and disclosures for business combination are included in notes 2.4, 3 and 28 to the consolidated financial statements.	Our audit procedures included, among others, reading the sales and purchase agreement and the circular issued to the shareholders of the Company in relation to the acquisition to obtain an understanding of the transaction and the key terms. We discussed with management to understand the identification of assets and liabilities acquired. We involved our internal valuation specialists to assist us in evaluating the valuation methodology and assumptions used by management and the external valuation expert in the fair valuation of acquired assets and liabilities. We assessed the valuation assumptions such as discount rate and growth rate by comparing these assumptions to source data, market data and historical experiences of the Group in respect of acquisitions of companies in the same business. We also assessed the objectivity, independence, competence and relevant experience of the external valuation expert. We also assessed the adequacy of related disclosures in the consolidated financial statements.

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, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

As part of an audit in accordance with HKSAs, 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Certified Public Accountants
Hong Kong
20 March 2018

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	Year ended 31 December 2017 HK$'000	 2016 HK$'000
REVENUE	*5*	**97,148**	58,975
Other income	*5*	**4,522**	2,643
Staff costs		**(41,042)**	(22,205)
Property rental and related expenses		**(17,175)**	(9,576)
Depreciation and amortisation		**(5,400)**	(2,851)
Food		**(2,989)**	(1,820)
Medical fees		**(4,930)**	(2,305)
Professional and legal fees		**(2,534)**	(1,213)
Utility expenses		**(2,377)**	(1,594)
Consumables		**(1,283)**	(849)
Other operating expenses		**(5,280)**	(3,042)
Listing expenses		**(12,224)**	(7,463)
Finance costs	*7*	**–**	(474)
Share of profit of an associate	*15*	**–**	206
Gain on disposal of an associate	*15*	**–**	2,024
PROFIT BEFORE TAX	*6*	**6,436**	10,456
Income tax expense	*10*	**(3,270)**	(2,848)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,166**	7,608
Attributable to:			
Owners of the parent		**1,491**	6,684
Non-controlling interests		**1,675**	924
		3,166	7,608
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents)	*12*	**0.43**	2.23

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
		As at 31 December	
NON-CURRENT ASSETS			
Property, plant and equipment	13	**11,771**	6,255
Intangible assets	14	**8,636**	6,864
Goodwill	16	**79,940**	43,724
Deferred tax assets	23	**721**	745
Total non-current assets		**101,068**	57,588
CURRENT ASSETS			
Trade receivables	17	**270**	70
Prepayments, deposits and other receivables	18	**7,252**	7,066
Due from a related company	20	**–**	5
Tax recoverable		**809**	60
Cash and bank balances	19	**47,567**	22,326
Total current assets		**55,898**	29,527
CURRENT LIABILITIES			
Trade payables	21	**868**	677
Other payables and accruals	22	**15,154**	10,818
Due to a related company	20	**261**	180
Tax payables		**1,746**	123
Total current liabilities		**18,029**	11,798
NET CURRENT ASSETS		**37,869**	17,729
TOTAL ASSETS LESS CURRENT LIABILITIES		**138,937**	75,317
NON-CURRENT LIABILITIES			
Deferred tax liabilities	23	**1,156**	1,193
Total non-current liabilities		**1,156**	1,193
Net assets		**137,781**	74,124
EQUITY			
Equity attributable to the equity holder of the parent:			
Issued capital	25	**4,000**	–
Reserves	26	**131,005**	71,023
		135,005	71,023
Non-controlling interests		**2,776**	3,101
Total equity		**137,781**	74,124

Yik Tak Chi
Director

Chung Kin Man
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent							
	Issued capital HK$'000 *(note 25)*	Share premium* HK$'000	Merger reserve* HK$'000 *(note 26)*	Other reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2016 and 1 January 2017	–	50,807	5	(1,046)	21,257	71,023	3,101	74,124
Profit and total comprehensive income for the year	–	–	–	–	1,491	1,491	1,675	3,166
Interim dividend declared	–	–	–	–	–	–	(2,000)	(2,000)
Capitalisation issue	3,000	(3,000)	–	–	–	–	–	–
Issue of shares for the Initial Public Offering ("IPO")#	1,000	71,000	–	–	–	72,000	–	72,000
Share issue expenses	–	(9,509)	–	–	–	(9,509)	–	(9,509)
At 31 December 2017	4,000	109,298	5	(1,046)	22,748	135,005	2,776	137,781

The Company's shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited from 12 July 2017. Upon the completion of the listing, 100,000,000 ordinary shares were issued at a price of HK$0.72 per share for a total cash consideration, before expenses, of HK$72,000,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent							
	Issued capital HK$'000 *(note 25)*	Share premium* HK$'000	Merger reserve* HK$'000 *(note 26)*	Other reserve* HK$'000	Retained profits* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	–	–	5	718	14,573	15,296	525	15,821
Profit and total comprehensive income for the year	–	–	–	–	6,684	6,684	924	7,608
Acquisition of a non-controlling interest**	–	–	–	(1,046)	–	(1,046)	(767)	(1,813)
Acquisition of a subsidiary *(note 28)*	–	–	–	–	–	–	2,419	2,419
Reclassification of pre-IPO investment from other liability *(note 24)*	–	12,474	–	(718)	–	11,756	–	11,756
Deemed contribution from the ultimate controlling shareholder *(note 29(a)(i))*	–	38,333	–	–	–	38,333	–	38,333
At 31 December 2016	–	50,807	5	(1,046)	21,257	71,023	3,101	74,124

* These reserve accounts comprise the consolidated reserves of HK$131,005,000 and HK$71,023,000 in the consolidated statement of financial position as at 31 December 2017 and 2016, respectively.

** On 19 August 2016, the Group acquired a 24% equity interest in Shui On Nursing Centre (Hing Wah) Company Limited at a cash consideration of HK$1,813,000.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 31 December 2017

	Notes	Year ended 31 December 2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**6,436**	10,456
Adjustments for:			
Finance costs	*7*	**–**	474
Share of profit of an associate		**–**	(206)
Gain on disposal of an associate		**–**	(2,024)
Depreciation	*6*	**3,116**	1,554
Amortisation of intangible assets	*6*	**2,284**	1,297
		11,836	11,551
(Increase)/decrease in trade receivables		**(134)**	2
Increase in prepayments, deposits and other receivables		**(721)**	(2,020)
Decrease/(increase) in an amount due from an associate		**–**	908
Decrease in an amount due from a related company		**5**	34
Increase/(decrease) in trade payables		**145**	(7)
Increase in other payables and accruals		**573**	1,475
Increase in an amount due to a related company		**57**	88
Cash generated from operations		**11,761**	12,031
Income tax paid		**(4,023)**	(4,287)
Net cash flows from operating activities		**7,738**	7,744

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
		Year ended 31 December	
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investment in an associate	15	–	2,280
Acquisition of subsidiaries	28	(43,942)	(5,168)
Purchase of items of property, plant and equipment		(1,792)	(1,292)
Net cash flows used in investing activities		(45,734)	(4,180)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of a non-controlling interest		–	(1,813)
Proceeds from issue of shares		72,000	–
Share issue expenses		(6,763)	–
Dividend paid		(2,000)	–
Dividend paid to the then shareholder of a subsidiary acquired		–	(4,500)
Net cash flows from/(used in) financing activities		63,237	(6,313)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		25,241	(2,749)
Cash and cash equivalents at beginning of year		22,326	25,075
CASH AND CASH EQUIVALENTS AT END OF YEAR		47,567	22,326
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statements of financial position		47,567	22,326
Cash and cash equivalents as stated in the consolidated statements of cash flows		47,567	22,326

1. Corporate Information

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, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. In the opinion of the directors, the holding company of the Company is Shui Wah Limited, which was incorporated in the British Virgin Islands ("BVI"). The Company's ultimate controlling shareholder is 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.

Pursuant to a group reorganisation (the "Reorganisation") which was completed on 31 August 2016, the Company became the holding company of the other subsidiaries comprising the Group.

The Company's shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 2017.

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 Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Shui On Nursing Home Holdings (BVI) Limited ("Shui On (BVI)")	The British Virgin Islands ("BVI") 25 June 2015	US$62,353	100%	–	Investment holding
Shui On Nursing Home Holdings Limited ("Shui On Holdings (Hong Kong)")	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

1. Corporate Information *(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 Direct	Indirect	Principal activities
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
Shui On Nursing Centre (Kwai Shing E.) Co. Limited ("Shui On (Kwai Shing E.)")	Hong Kong 12 December 2006	HK$3,760,000	–	66.67%	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

* The Group acquired the 100% equity interest in Shui Jun (Yau Tong) at a cash consideration of HK$45,000,000 on 13 November 2017 and thereafter Shui Jun (Yau Tong) became a wholly-owned subsidiary of the Group.

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 Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. 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.

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12 included in *Annual Improvements 2014–2016 Cycle*	Disclosure of Interests in Other Entities

The adoption of the revised IFRSs has had no significant financial effect on these financial statements.

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 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
IFRS 9	Financial Instruments[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[3]
Amendments to IFRS 15	Clarification to IFRS 15: Revenue from Contracts with Customers[1]
Amendments to IAS 40	Transfers of Investment Property[1]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 1 included in *Annual Improvements 2014–2016 Cycle*	First-time Adoption of International Financial Reporting Standards[1]
Amendments to IAS 28 included in *Annual Improvements 2014–2016 Cycle*	Investments in Associates or Joint Ventures[1]
Amendments to IAS 19	Employee Benefits[2]
Amendments to IAS 28	Long-term interests in Associates and Joint Ventures[2]
Amendments to IFRS 3 included in *Annual Improvements 2015–2017 Cycle*	Business Combinations[2]
Amendments to IFRS 11 included in *Annual Improvements 2015–2017 Cycle*	Joint Arrangements[2]
Amendments to IAS 12 included in *Annual Improvements 2015–2017 Cycle*	Income Taxes[2]
Amendments to IAS 23 included in *Annual Improvements 2015–2017 Cycle*	Borrowing Costs[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

2.3 Issued But Not Yet Effective IFRSs *(Continued)*

Further information about those IFRSs that are expected to be applicable to the Group is described below:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has determined that the adoption of IFRS 9 will not have a significant impact on the Group's financial performance and financial position, including the measurement of financial assets and disclosures.

IFRS 15, issued in May 2014, establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of IFRS 15 will not be material. However, the expected changes in accounting policies, as further explained below, will have a material impact on the presentation and disclosure of the Group's financial statements from 2018 onwards. During 2017, the Group has performed a detailed assessment on the impact of the adoption of IFRS 15. Based on the assessment, the Group anticipates that the adoption of IFRS 15 is unlikely to have significant impact on the revenue recognition from the provision of elderly home care services, healthcare services and sales of elderly related goods.

2.3 Issued But Not Yet Effective IFRSs *(Continued)*

(b) Impairment *(Continued)*

The Group's principal activities consist of the operation of elderly residential care homes in Hong Kong. The expected impacts arising from the adoption of IFRS 15 on the Group are summarised as follows:

(a) Presentation and disclosure

The presentation and disclosure requirements in IFRS 15 are more detailed than those under the current IAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

IFRS 16, issued in January 2016, replaces IAS 17 Leases. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 30 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$35,801,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Other than IFRS 9, IFRS 15 and IFRS 16, the Group is in the process of making an assessment of the impact of the other new and revised IFRSs upon initial application. So far, the Directors of the Company anticipate that the new and revised IFRSs, excluding IFRS 9, IFRS 15 and IFRS 16, may result in changes in accounting policies but are unlikely to have material impact on the Group's results of operations and financial position upon application.

2.4 Summary of Significant Accounting Policies

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Upon loss of significant influence over the associates, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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.

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.

2.4 Summary of Significant Accounting Policies *(Continued)*

Business combinations and goodwill *(Continued)*

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.

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.

2.4 Summary of Significant Accounting Policies *(Continued)*

Fair value measurement *(Continued)*

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), 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.

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.

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.

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.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statements of profit or loss and other comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statements of profit or loss and other comprehensive income on the straight-line basis over the lease terms.

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 loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded 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 is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

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.

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, 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 and other liability.

2.4 Summary of Significant Accounting Policies *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities is as follows:

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.

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.

2.4 Summary of Significant Accounting Policies *(Continued)*

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.

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, associates and joint ventures, 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, 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, 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, associates and joint ventures, 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.

2.4 Summary of Significant Accounting Policies *(Continued)*

Income tax *(Continued)*

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.

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, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services when the relevant services have been rendered;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, 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; and

(e) dividend income, when the shareholders' right to receive payment has been established.

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.

2.4 Summary of Significant Accounting Policies *(Continued)*

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.

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.

3. Significant Accounting Judgements and Estimates *(Continued)*

Estimation uncertainty *(Continued)*

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 2017 was HK$79,940,000 (2016: HK$43,724,000). Further details are given in note 16 to the financial statements.

Business combination

On 13 November 2017, the Company, through Shui On Holdings (Hong Kong), acquired a 100% interest in Shui Jun (Yau Tong). Shui Jun (Yau Tong) is engaged in the operation of an elderly residential care home in Hong Kong. Intangible asset acquired by the Group in the acquisition includes customer relationships. The residual portion of the purchase consideration was allocated as goodwill, which represents the balance of the purchase consideration over the fair value of identifiable net assets acquired by the Group. The purchase price allocation has involved significant management judgement and estimation, such as the valuation methodologies, budgeted revenue, budged profit margins, the discount rate adopted and the estimation of useful life of the intangible asset.

Further details are given in note 28 to the financial statements.

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$24,758,000 for the year ended 31 December 2017 (year ended 31 December 2016: HK$13,321,000), 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").

5. Revenue and other Income

Revenue represents the value of services rendered and the net invoiced value of goods sold during the year.

An analysis of revenue and other income is as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Revenue		
Rendering of elderly home care services	**78,107**	48,874
Sale of elderly related goods and provision of healthcare services	**19,041**	10,101
	97,148	58,975
Other income		
Government grants	**2,748**	1,298
Sundry income	**399**	135
Rental income	**565**	391
Management fee income	**–**	610
Others	**444**	207
Bank interest income	**366**	2
	4,522	2,643

6. Profit Before Tax

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

	Year ended 31 December	
	2017 HK$'000	2016 HK$'000
Cost of inventories sold	**7,234**	4,084
Depreciation	**3,116**	1,554
Amortisation of intangible assets	**2,284**	1,297
Auditors' remuneration	**1,300**	1,000
Employee benefit expense (excluding Directors' and chief executive's remuneration as set out in note 8):		
– Wages and salaries	**36,361**	19,808
– Pension scheme contributions	**1,289**	706
	37,650	20,514
Healthcare referral service charges*	**629**	300
Minimum lease payments under operating leases of land and buildings	**17,175**	9,576
Bank interest income**	**(366)**	(2)
Government grants**	**(2,748)**	(1,298)

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

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

7. Finance Costs

	Year ended 31 December	
	2017 HK$'000	2016 HK$'000
Finance costs *(note 24)*	**–**	474

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	
	2017	2016
	HK$'000	HK$'000
Fees	**1,536**	136
Other emoluments:		
Salaries, allowances and benefits in kind	**1,551**	1,053
Pension scheme contributions	**59**	36
	3,146	1,225

During the reporting period, 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	
	2017	2016
	HK$'000	HK$'000
Mr. Wong Wai Ho *(i)*	**90**	–
Mr. Lau Tai Chim *(i)*	**90**	–
Mr. Kwok Chi Shing *(i)*	**90**	–
	270	–

(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 (2016: Nil).

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 and a non-executive director for the year ended 31 December 2017 is set out below:

	Fees HK$'000	Salaries and allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2017				
Executive Directors:				
Mr. Yik Tak Chi *(ii)/(iii)*	480	384	8	872
Mr. Chung Kin Man *(ii)*	348	552	26	926
Ms. Chung Wai Man *(ii)*	348	615	25	988
	1,176	1,551	59	2,786
Non-executive Director:				
Mr. Lau Joseph Wan Pui *(ii)*	90	–	–	90
	1,266	1,551	59	2,876

(ii) Mr. Yik Tak Chi was appointed as the sole Director of the Company on 16 February 2016 upon its 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 Directors of the Company on 7 February 2017.

(iii) Mr. Yik Tak Chi was appointed as the chief executive of the Company on 7 February 2017.

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 Directors for the year ended 31 December 2016 is set out below:

	Fees HK$'000	Salaries and allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2016				
Executive Directors:				
Mr. Yik Tak Chi *(iv)*	136	–	–	136
Mr. Chung Kin Man *(iv)*	–	490	18	508
Ms. Chung Wai Man *(iv)*	–	563	18	581
	136	1,053	36	1,225

(iv) These Directors received remuneration from the subsidiaries now comprising the Group for their services as Directors of these subsidiaries or as employees of these subsidiaries.

There was no arrangement under which the Directors waived or agreed to waive any remuneration during the reporting period (year ended 31 December 2016: Nil).

9. Five Highest Paid Employees

The five highest paid employees during the reporting period included three Directors (year ended 31 December 2016: two), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two highest paid employees (year ended 31 December 2016: three) who are neither a Director nor chief executive of the Company, during the reporting period, are as follows:

	Year ended 31 December	
	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	**1,486**	1,139
Pension scheme contributions	**36**	52
	1,522	1,191

9. Five Highest Paid Employees *(Continued)*

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	
	2017	2016
Nil to HK$1,000,000	**2**	3

During the reporting period, 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 2016: Nil).

10. Income Tax

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 2016: 16.5%).

	Year ended 31 December	
	2017 **HK$'000**	2016 HK$'000
Current – Hong Kong		
Charge for the year	**3,846**	3,055
Deferred *(note 23)*	**(576)**	(207)
Total tax charge for the year	**3,270**	2,848

10. Income Tax *(Continued)*

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			
	2017		2016	
	HK$'000	**%**	HK$'000	%
Profit before tax	**6,436**		10,456	
Tax at the statutory rate	**1,062**	**16.5**	1,725	16.5
Profits or losses attributable to associates	**–**	**–**	(34)	(0.3)
Income not subject to tax*	**(60)**	**(0.9)**	(334)	(3.3)
Expenses not deductible for tax**	**2,268**	**35.2**	1,585	15.2
Others	**–**	**–**	(94)	(0.9)
Tax charge at the Group's effective rate	**3,270**	**50.8**	2,848	27.2

* Income not subject to tax mainly represented the bank interest income and a gain on disposal of associates during the year ended 31 December 2017 and for the year ended 31 December 2016, respectively, which were not taxable in Hong Kong.

** Expenses not deductible for tax mainly represented the Listing expenses incurred during the year ended 31 December 2017 and for the year ended 31 December 2016, respectively, which were not deductible for tax in Hong Kong.

11. Dividends

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Proposed final – HK3.00 cents (2016: Nil) per ordinary share	**12,000**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The distribution amounts set out in the consolidated statements of changes in equity of HK$2,000,000 for the year ended 31 December 2017 represented the dividends declared by Shui On (Kwai Shing E.), 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 2017 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 347,123,288 (year ended 31 December 2016: 300,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year includes the 100,000,000 ordinary shares issued in connection with the listing of the Company's ordinary shares on the Stock Exchange on 12 July 2017.

The calculation of basic earnings per share is based on:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**1,491**	6,684

	Year ended 31 December	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation*	**347,123,288**	300,000,000

* Arrived at on the assumption that the capitalisation issue of 299,993,450 shares (note 25(iii)) had been effective since 1 January 2016.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2016 and 2017 as the Group had no potentially dilutive ordinary shares in issue during those years.

13. Property, Plant and Equipment

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2017				
At 1 January 2017:				
Cost	5,612	4,887	2,595	13,094
Accumulated depreciation	(2,336)	(3,186)	(1,317)	(6,839)
Net carrying amount	3,276	1,701	1,278	6,255
At 1 January 2017, net of accumulated depreciation	3,276	1,701	1,278	6,255
Additions	333	538	921	1,792
Acquisition of a subsidiary *(note 28)*	6,011	829	–	6,840
Depreciation provided during the year *(note 6)*	(1,522)	(753)	(841)	(3,116)
At 31 December 2017, net of accumulated depreciation	8,098	2,315	1,358	11,771
At 31 December 2017:				
Cost	11,956	6,254	3,516	21,726
Accumulated depreciation	(3,858)	(3,939)	(2,158)	(9,955)
Net carrying amount	8,098	2,315	1,358	11,771

13. Property, Plant and Equipment *(Continued)*

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2016				
At 1 January 2016:				
Cost	2,452	3,095	1,680	7,227
Accumulated depreciation	(1,659)	(2,786)	(840)	(5,285)
Net carrying amount	793	309	840	1,942
At 1 January 2016, net of accumulated depreciation	793	309	840	1,942
Additions	–	377	915	1,292
Acquisition of subsidiaries	3,160	1,415	–	4,575
Depreciation provided during the year *(note 6)*	(677)	(400)	(477)	(1,554)
At 31 December 2016, net of accumulated depreciation	3,276	1,701	1,278	6,255
At 31 December 2016:				
Cost	5,612	4,887	2,595	13,094
Accumulated depreciation	(2,336)	(3,186)	(1,317)	(6,839)
Net carrying amount	3,276	1,701	1,278	6,255

14. Intangible Assets

	Trademarks HK$'000	Customer relationships HK$'000	Total HK$'000
31 December 2017			
At 1 January 2017:			
Cost	2	12,709	12,711
Accumulated amortisation	–	(5,847)	(5,847)
Net carrying amount	2	6,862	6,864
At 1 January 2017, net of accumulated amortisation	2	6,862	6,864
Acquisition of a subsidiary *(note 28)*	–	4,056	4,056
Amortisation provided during the year *(note 6)*	–	(2,284)	(2,284)
At 31 December 2017, net of accumulated amortisation	2	8,634	8,636
At 31 December 2017:			
Cost	2	16,765	16,767
Accumulated amortisation	–	(8,131)	(8,131)
Net carrying amount	2	8,634	8,636

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14. Intangible Assets *(Continued)*

	Trademarks HK$'000	EBPS HK$'000	Customer relationships HK$'000	Total HK$'000
31 December 2016				
At 1 January 2016:				
Cost	2	–	5,092	5,094
Accumulated amortisation	–	–	(4,550)	(4,550)
Net carrying amount	2	–	542	544
At 1 January 2016, net of accumulated amortisation	2	–	542	544
Acquisition of subsidiaries	–	–	7,617	7,617
Amortisation provided during the year *(note 6)*	–	–	(1,297)	(1,297)
At 31 December 2016, net of accumulated amortisation	2	–	6,862	6,864
At 31 December 2016:				
Cost	2	–	12,709	12,711
Accumulated amortisation	–	–	(5,847)	(5,847)
Net carrying amount	2	–	6,862	6,864

15. Investment in an Associate

15.1 Investment in Wui Fung Care Home (Wan Tsui) Limited ("Wan Tsui")

The following table illustrates the summarised financial information in respect of Wan Tsui (formerly known as Shui On Nursing Centre (Wan Tsui) Company Limited) adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	From 1 January to 28 June 2016 HK$'000
Revenue	7,133
Depreciation and amortisation	(9)
Tax expenses	(46)
Profit/(loss) and total comprehensive income for the year/period	271

On 28 June 2016, the Group disposed of its 76% equity interest in Wan Tsui with a carrying amount of HK$256,000 to an independent third party for a cash consideration of HK$2,280,000.

The following table illustrates the summarised financial information in respect of Wan Tsui, adjusted for any differences in accounting policies, as at the date of disposal:

	As at 28 June 2016 HK$'000
Current assets	2,908
Non-current assets	210
Current liabilities	(2,781)
Net assets	337
Reconciliation to the Group's interest in Wan Tsui:	
Proportion of the Group's ownership	76%
Cash consideration of disposal	2,280
Less: Group's share of net assets of Wan Tsui and carrying amount of the investment	256
Gain on disposal	2,024

16. Goodwill

	HK$'000
Cost and net carrying amount at 1 January 2016	–
Acquisition of subsidiaries	43,724
Cost and net carrying amount at 31 December 2016 and 1 January 2017	43,724
Acquisition of a subsidiary *(note 28)*	36,216
Cost and net carrying amount at 31 December 2017	**79,940**

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

	Shui On (Kwai Shing E.)	Shui On (Sun Tin Wai)	Total
Carrying amount of goodwill as at 31 December 2016	33,494	10,230	43,724

	Shui Jun (Yau Tong)	**Shui On (Kwai Shing E.)**	**Shui On (Sun Tin Wai)**	**Total**
Carrying amount of goodwill as at 31 December 2017	**36,216**	**33,494**	**10,230**	**79,940**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to three 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 is 14.1% (2016: 14.1%). The cash flows of the three cash-generating units are projected using annual growth rates ranging from 3% to 5% (2016: 3% to 5%) 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% (2016: 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.

16. Goodwill *(Continued)*

Impairment testing of goodwill *(Continued)*

Assumptions were used in the value in use calculation of the cash-generating units for 31 December 2017 and 31 December 2016. 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.

17. Trade Receivables

	As at 31 December	
	2017 HK$'000	2016 HK$'000
Trade receivables	**270**	70

The Group normally requires with its customers payment 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.

18. Prepayments, Deposits and other Receivables

	As at 31 December	
	2017 **HK$'000**	2016 HK$'000
Prepayments	**425**	349
Deposits	**6,760**	3,925
Other receivables	**67**	46
Listing expenses	**–**	2,746
	7,252	7,066

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, deposits and other receivables approximate to their fair values.

19. Cash and Bank Balances

	As at 31 December	
	2017 **HK$'000**	2016 HK$'000
Cash and bank balances	**47,567**	22,326

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

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

20. Balances with Related Parties

	Note	As at 1 January 2016 HK$'000	Maximum amount outstanding during the year HK$'000	As at 31 December 2016 HK$'000	Maximum amount outstanding during the year HK$'000	**As at 31 December 2017 HK$'000**
Amount due from a company significantly influenced by Mr. Yik Tak Chi:						
Roymark Limited	*(i)*	–	5	5	5	**–**

	Note	**As at 31 December 2017 HK$'000**	As at 31 December 2016 HK$'000
Amount due to a related company of which Mr. Yik Tak Chi is a member of key management personnel:			
Yu Fat Hong (Hong Kong) Limited ("Yu Fat Hong")	*(i)*	**261**	180

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

Note:

(i) The balance due with a 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 reporting period, based on the invoice date, is as follows:

	As at 31 December	
	2017 HK$'000	2016 HK$'000
Within 3 months	**868**	677

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.

22. Other Payables and Accruals

	As at 31 December	
	2017 **HK$'000**	2016 HK$'000
Customer deposits	**7,196**	4,712
Accruals	**5,178**	3,573
Other payables	**2,659**	2,286
Receipt in advance	**121**	247
	15,154	10,818

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 2016	798
Deferred tax assets recognised for acquisition of subsidiaries	464
Deferred tax charged to profit or loss during the year	(38)
Gross deferred tax assets at 31 December 2016 and 1 January 2017	1,224
Deferred tax credited to profit or loss during the year	160
Gross deferred tax assets at 31 December 2017	**1,384**

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 2016	109	85	194
Deferred tax liabilities recognised in the acquisition of subsidiaries	1,723	–	1,723
Deferred tax credited/(charged) to profit or loss during the year	(291)	46	(245)
Gross deferred tax liabilities at 31 December 2016 and 1 January 2017	1,541	131	1,672
Deferred tax liabilities recognised in the acquisition of a subsidiary *(note 28)*	563	–	563
Deferred tax credited/(charged) to profit or loss during the year	(537)	121	(416)
Gross deferred tax liabilities at 31 December 2017	**1,567**	**252**	**1,819**

23. Deferred Tax *(Continued)*

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	
	2017 HK$'000	2016 HK$'000
Gross deferred tax assets	**1,384**	1,224
Offsetting with deferred tax liabilities	**(663)**	(479)
Net deferred tax assets	**721**	745
Gross deferred tax liabilities	**1,819**	1,672
Offsetting with deferred tax assets	**(663)**	(479)
Net deferred tax liabilities	**1,156**	1,193

24. Other Liability

	Financial liability for the Pre-IPO Investment
At 1 January 2016	11,282
Imputed interest charged to finance costs during the year *(note 7)*	474
Reclassification as equity	(11,756)
At 31 December 2016 and 2017	–

On 11 December 2015, Top Champ Ventures Limited ("Top Champ") entered into a subscription agreement (the "Subscription Agreement") with Shui On (BVI) and Mr. Yik Tak Chi, pursuant to which Top Champ agreed to subscribe for 9,353 shares in Shui On (BVI) (the "BVI Shares") at the consideration of HK$12,000,000 (the "Pre-IPO Investment"). Pursuant to the Subscription Agreement, Top Champ had the right to require Shui On (BVI) or Mr. Yik Tak Chi, as a guarantor, to repurchase all the BVI Shares held by it, at a maximum amount of consideration previously paid by Top Champ if the listing of the Company did not take place by 30 June 2017. The Pre-IPO Investment was recognised at fair value initially and has been recognised as a long-term financial liability at amortised cost in the consolidated statement of financial position as at 31 December 2015. As at 31 December 2015, the carrying amount of the Pre-IPO Investment approximated to its fair value.

As the Reorganisation completed on 31 August 2016, the BVI Shares held by Top Champ were transferred to the Company in consideration of 786 shares (the "Subscribed Shares") issued by the Company to Top Champ.

On 31 December 2016, Top Champ, Shui On (BVI) and Mr. Yik Tak Chi entered into a supplemental agreement (the "Supplemental Agreement") pursuant to which, among others, Top Champ's right to require the Company to repurchase the Subscribed Shares held by it if the listing of the Company did not take place by 30 June 2017 was removed, while Top Champ still had the right to require Mr. Yik Tak Chi to repurchase the Subscribed Shares if the listing of the Company did not take place by 31 December 2017. As the Group's repurchase obligation was removed, the Pre-IPO Investment was reclassified from other liability to equity on 31 December 2016.

25. Issued Capital

Shares

	As at 31 December	
	2017 **HK$**	2016 HK$
Issued and fully paid:		
400,000,000 (2016: 6,550) ordinary shares	**4,000,000**	66

A summary of the Company's issued share capital from 16 February 2016 (date of incorporation) to 31 December 2017 is as follows:

	Notes	**Number of shares in issue**	**Share capital** HK$
At 16 February 2016 (date of incorporation)	*(i)*	1	–
Shares issued during the period	*(ii)*	6,549	66
At 31 December 2016 and 1 January 2017		6,550	66
Capitalisation issue of shares	*(iii)*	299,993,450	2,999,934
Issue of shares from initial public offering	*(iv)*	100,000,000	1,000,000
At 31 December 2016 and 1 January 2017		400,000,000	4,000,000

(i) The Company is a limited liability company incorporated in the Cayman Islands on 16 February 2016. The authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the date of incorporation, 1 ordinary share of HK$0.01 was issued and allotted by the Company to a subscriber, and was transferred to Mr. Yik Tak Chi on the same date.

(ii) On 25 August 2016, pursuant to the reorganisation agreement, the Company acquired the entire issued share capital of Shui On (BVI) from Lucky Expert, Will Peace, Jumbo Sino Investment Limited ("Jumbo Sino") and Top Champ. As the consideration thereof, (i) the one nil paid subscriber share that was previously transferred to Mr. Yik Tak Chi was credited as fully paid; and (ii) the Company allotted and issued, credited as fully paid, 3,670 shares to Shui Wah Limited ("Shui Wah") (as directed by Lucky Expert), 448 shares to Shui Wah (as directed by Will Peace), 334 shares to Jumbo Sino and 786 shares to Top Champ.

On 25 August 2016, the one fully paid subscriber share was transferred from Mr. Yik Tak Chi to Shui Wah for the consideration of HK$1.

On 31 August 2016, the Company, through its subsidiary, Shui On Holdings (Hong Kong), acquired 10,000 shares in Shui On (Kwai Shing E.), representing approximately 66.67% of the issued share capital of Shui On (Kwai Shing E.), from Mr. Yik Tak Chi at the consideration of HK$38,333,000. The consideration was satisfied by the issue and allotment of 1,311 shares by the Company, credited as fully paid, to Shui Wah (as directed by Mr. Yik Tak Chi).

25. Issued Capital *(Continued)*

Shares *(Continued)*

(iii) 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.

(iv) 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.

26. Reserves

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

Merger reserve

The merger reserve represents 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.

27. Partly-Owned Subsidiaries With Material Non-Controlling Interests

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

	Year ended to 31 December 2017 HK$'000	From 23 August to 31 December 2016 HK$'000
Shui On (Kwai Shing E.)*:		
Percentage of equity interest held by non-controlling interests	**33.3%**	33.3%
Profit for the year/period allocated to non-controlling interests:	**1,675**	682
Dividends paid to non-controlling interests	**2,000**	1,500

* The Group acquired a 66.7% equity interest in Shui On (Kwai Shing E.) on 23 August 2016.

	As at 31 December	
	2017 HK$'000	2016 HK$'000
Shui On (Kwai Shing E.):		
Accumulated balances of non-controlling interests	**2,776**	3,101

27. Partly-Owned Subsidiaries With Material Non-Controlling Interests *(Continued)*

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	Year ended to 31 December 2017 HK$'000	From 23 August to 31 December 2016 HK$'000
Shui On (Kwai Shing E.):		
Revenue	**35,360**	12,125
Total expenses	**(30,337)**	(10,077)
Profit and total comprehensive income for the year	**5,023**	2,048
Net cash flows from operating activities	**7,947**	1,535
Net cash flows used in investing activities	**(208)**	18
Net cash flows used in financing activities	**(6,000)**	(4,500)
Net increase/(decrease) in cash and cash equivalents	**1,739**	(2,983)

	As at 31 December	
	2017 HK$'000	2016 HK$'000
Shui On (Kwai Shing E.):		
Current assets	**6,704**	4,698
Non-current assets	**6,137**	8,822
Current liabilities	**(3,703)**	(3,025)
Non-current liabilities	**(809)**	(1,189)

28. Business Combination for Acquisition of a Subsidiary

On 13 November 2017, the Company, through Shui On Holdings (Hong Kong), acquired a 100% interest in Shui Jun (Yau Tong), from Mr. Hui Lung and Mr. Chui Sai Ming who are independent third parties. Shui Jun (Yau Tong) is engaged in the operation of an elderly residential care home in Hong Kong. The acquisition was made as part of the Group's strategy to expand its market share of elderly care homes in Hong Kong. The total purchase consideration for the acquisition was HK$45,000,000, which was paid by cash.

The fair values of the identifiable assets and liabilities of Shui Jun (Yau Tong) as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000
Property, plant and equipment	*13*	6,840
Intangible asset	*14*	4,056
Trade receivables		66
Prepayments, deposits and other receivables		2,211
Cash and bank balances		1,058
Trade payables		(46)
Other payables and accruals		(3,763)
Due to a related party		(24)
Tax payables		(1,051)
Deferred tax liabilities	*23*	(563)
Total identifiable net assets at fair value		8,784
Goodwill on acquisition	*16*	36,216
Satisfied by cash		45,000

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$66,000 and HK$2,211,000, respectively. No trade receivables or other receivable balances were expected to be uncollectible.

The Group incurred transaction costs of HK$438,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

28. Business Combination for Acquisition of a Subsidiary *(Continued)*

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(45,000)
Cash and bank balances acquired	1,058
Net outflow of cash and cash equivalents included in cash flows from investing activities	(43,942)
Transaction costs of the acquisition included in cash flows from operating activities	(438)
	(44,380)

Since the acquisition, Shui Jun (Yau Tong) contributed HK$4,298,000 to the Group's revenue and HK$515,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination of Shui Jun (Yau Tong) taken place at the beginning of the year, the revenue from operations of the Group and the profit of the Group for the year ended 31 December 2017 would have been HK$124,816,000 and HK$5,766,000 respectively.

29. Notes to the Consolidated Statements of Cash Flows

(a) Major non-cash transactions

i. On 31 August 2016, the Company, through Shui On Holdings (Hong Kong), acquired 10,000 shares in Shui On (Kwai Shing E.), representing approximately 66.67% of the issued share capital of Shui On (Kwai Shing E.), from Mr. Yik Tak Chi at the consideration of HK$38,333,000. The consideration was satisfied by the issue and allotment of 1,311 shares by the Company, credited as fully paid, to Shui Wah (as directed by Mr. Yik Tak Chi).

ii. On 31 December 2016, pursuant to the Supplemental Agreement, Top Champ's right to require the Company to repurchase the Subscribed Shares held by it if the listing of the Company did not take place by 30 June 2017 was removed. As the Group's repurchase obligation was removed, the Pre-IPO Investment was reclassified from other liability to equity on 31 December 2016. Further details are disclosed in note 24.

30. Operating Lease Arrangements

The Group leases its residential care homes under operating lease arrangements. Leases for office premises are negotiated for terms ranging from three to six years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Within one year	**23,268**	13,818
In the second to fifth years, inclusive	**12,533**	18,199
	35,801	32,017

In addition, the operating lease rentals of certain premises are based on the higher of a fixed rental and a contingent rent depending on the revenue of residential care homes pursuant to the terms and conditions as set up in the rental agreements. As the future revenue of these residential care homes could not be reliably determined as at the end the reporting period, the relevant contingent rentals have not been included above and only the minimum lease commitments have been included in the above table.

31. Contingent Liabilities

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

32. Related Party Transactions

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

		Year ended 31 December	
	Notes	**2017 HK$'000**	2016 HK$'000
Shui On (Kwai Shing E.)*:			
Management fee income	*(i)*	**–**	90
Service fee	*(ii)*	**–**	60
An associate:			
Wan Tsui:			
Management fee income	*(i)*	**–**	500
A company significantly influenced by Mr. Yik Tak Chi:			
Roymark Limited:			
Service income	*(iii)*	**–**	20
Purchases from a related company of which Mr. Yik Tak Chi is a member of key management personnel			
Yu Fat Hong	*(iv)*	**2,495**	1,443
Rent from a related company of which Mr. Yik Tak Chi is a member of key management personnel			
Ever Premier Limited	*(v)*	**240**	–
Roymark Limited	*(v)*	**992**	–

* Shui On (Kwai Shing E.) was an associate of the Group up to 26 June 2015 and, it was still considered as a related company, as Mr. Lui, a relative of Mr. Yik Tak Chi still had significant influence on it. Thereafter the acquisition of Shui On (Kwai Shing E.) on 23 August 2016, it became a non-wholly owned subsidiary of the Group.

Notes:

(i) The management fees received from the then associates and a related company were charged based on the terms mutually agreed by both parties.

(ii) The service fee was based on terms mutually agreed by both parties.

(iii) The service income was charged based on terms mutually agreed by both parties.

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

(v) The rental expenses were based on terms mutually agreed by both parties.

32. Related Party Transactions *(Continued)*

(b) Other transactions with related parties:

(i) On 23 August 2016, the Group acquired a 66.67% interest in Shui On (Kwai Shing E.) from Mr. Yik Tak Chi at the consideration of HK$38,333,000.

(c) 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.

(d) Compensation of key management personnel of the Group:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Short term employee benefits	**6,307**	2,761
Post-employment benefits	**154**	101
Total compensation paid to key management personnel	**6,461**	2,862

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

33. 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

	Loans and receivables	
	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Trade receivables	**270**	70
Financial assets included in prepayments, deposits and other receivables	**6,827**	3,971
Due from a related company	**–**	5
Cash and bank balances	**47,567**	22,326
	54,664	26,372

Financial liabilities

	Financial liabilities at amortised costs	
	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000
Trade payables	**868**	677
Financial liabilities included in other payables and accruals	**9,855**	6,998
Due to a related company	**261**	180
	10,984	7,855

34. Fair Value and Fair Value Hierarchy of Financial Instruments

As at 31 December 2017 and 2016, 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 bank balances, trade receivables, an amount due from an associate, an amount due from a related company, financial assets included in prepayments, deposits and other receivables, 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.

The fair values of the other liability have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

The Group did not have any financial assets or financial liabilities measured at fair value as at 31 December 2016 and 2017.

During the year ended 31 December 2016 and 2017, 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.

35. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and bank balances. 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 should be undertaken.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Directors reviews and agrees 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 bank balances, amounts due from an associate and a related company, financial assets included in prepayments, deposits and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

35. 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 2017

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 2 years HK$'000	Total HK$'000
Trade payables	868	–	–	–	868
Financial liabilities included in other payables and accruals	9,855	–	–	–	9,855
Due to a related company	261	–	–	–	261
	10,984	–	–	–	10,984

As at 31 December 2016

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	Total HK$'000
Trade payables	677	–	–	677
Financial liabilities included in other payables and accruals	6,998	–	–	6,998
Due to a related company	180	–	–	180
	7,855	–	–	7,855

35. Financial Risk Management Objectives and Policies *(Continued)*

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.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes trade payables, other payables and accruals, an amount due to a related company, less cash and bank balances. Capital represents equity attributable to the equity holder of the parent.

As at 31 December 2017 and 2016, the Group's cash and bank balances exceeded the financial liabilities. As such, no gearing ratios as at 31 December 2017 and 2016 were presented.

36. Events After the Relevant Periods

There was no significant event that took place after the reporting period and up to the date of the financial statements.

37. 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:

		As at 31 December	
	Note	**2017 HK$'000**	2016 HK$'000
NON-CURRENT ASSETS			
Investment in a subsidiary		**5**	–
Total non-current assets		**5**	–
CURRENT ASSETS			
Prepayments, deposits and other receivables		**–**	–
Due from a subsidiary		**44,900**	–
Due from shareholders		**–**	–
Cash and bank balances		**21,841**	–
Total current assets		**66,741**	–
CURRENT LIABILITIES			
Due to a subsidiary		**5,909**	–
Total current liabilities		**5,909**	–
NET CURRENT ASSETS		**60,832**	–
TOTAL ASSETS LESS CURRENT LIABILITIES		**60,837**	–
Net assets		**60,837**	–
EQUITY			
Issued capital	*25*	**4,000**	–
Reserves *(note)*		**56,837**	–
Total equity		**60,837**	–

37. Statement of Financial Position of the Company *(Continued)*

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

	Share premium account HK$'000	Retained profits HK$'000	Total HK$'000
At 16 February 2016 upon incorporation	–	–	–
Loss for the year	–	–	–
At 31 December 2016 and 1 January 2017	–	–	–
Loss for the year	–	(1,654)	(1,654)
Issue of shares for the IPO	71,000	–	71,000
Capitalisation issue	(3,000)	–	(3,000)
Share issue expenses	(9,509)	–	(9,509)
At 31 December 2017	**58,491**	**(1,654)**	**56,837**

38. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of Directors on 20 March 2018.

THREE YEARS FINANCIAL SUMMARY

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

Results

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2016 HK$'000	**Year ended 31 December 2017 HK$'000**
Revenue	39,937	58,975	**97,148**
Profit for the year	36,407	7,608	**3,166**

Assets and liabilities

	As at 31 December		
	31 December 2015 HK$'000	31 December 2016 HK$'000	**31 December 2017 HK$'000**
Total assets	32,505	87,115	**156,966**
Total liabilities	16,684	12,991	**19,185**