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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2189

SHARE OFFER

Sole Sponsor

VMS 鼎珮

Joint Bookrunners and Joint Lead Managers

VMS 鼎珮

新城晉峰 FUTURE LAND RESOURCES

海通國際 HAITONG

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	**:**	**250,000,000 Shares**
Number of Public Offer Shares	**:**	**25,000,000 Shares (including 2,500,000 Employee Reserved Shares, subject to reallocation)**
Number of Placing Shares	**:**	**225,000,000 Shares (subject to reallocation)**
Offer Price	**:**	**Not more than HK\$0.64 per Offer Share and expected to be not less than HK\$0.60 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK\$0.01 per Share**
Stock code	**:**	**2189**

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海通國際 HAITONG

Co-Managers

太陽證券有限公司 SUN SECURITIES LIMITED

六福金融 LUKFOOK FINANCIAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified under the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on Wednesday, 5 June 2019. The Offer Price will be not more than HK\$0.64 per Offer Share and is currently expected to be not less than HK\$0.60 per Offer Share, unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.64 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.64 per Offer Share.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of the Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the number of the Offer Shares and/or the indicative Offer Price range will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.elderlyhk.com as soon as practicable but in any event, not later than the morning of the last day for lodging applications under the Public Offer. If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) by Wednesday, 5 June 2019, the Share Offer will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Pursuant to certain provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Joint Bookrunners (for themselves and on behalf of the Underwriters) has the right in certain circumstances, in its absolute discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares first commence on the Stock Exchange. Further details of the terms of such provisions are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Public Offer — Public Offer Underwriting Agreement — Grounds for termination" in this prospectus. It is important that you refer to that section for further details. No information on any website forms part of this prospectus.

30 May 2019

Public Offer commences and **WHITE**, **YELLOW** and **PINK** Application Forms available from	9:00 a.m. on Thursday, 30 May 2019
Latest time for lodging **PINK** Application Forms at our Company's principal place of business at 1/F, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong	12:00 noon on Monday, 3 June 2019
Application lists of the Public Offer open[2]	11:45 a.m. on Tuesday, 4 June 2019
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[3]	12:00 noon on Tuesday, 4 June 2019
Application lists of the Public Offer close[2]	12:00 noon on Tuesday, 4 June 2019
Expected Price Determination Date[4]	Wednesday, 5 June 2019
Announcement of the Offer Price, the level of indication of interest in the Placing, the level of applications in respect of the Public Offer and the Employee Preferential Offering and the basis of allocation of the Public Offer Shares and Employee Reserved Shares under the Public Offer and the Employee Preferential Offering to be published on the website of our Company at **www.elderlyhk.com**[5] and on the website of the Stock Exchange at **www.hkexnews.hk** on or before	Wednesday, 12 June 2019
Announcement of results of allocations in the Public Offer and the Employee Preferential Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Public Offer Shares and Employee Reserved Shares — 10. Publication of Results" in this prospectus from	Wednesday, 12 June 2019
Results of allocations in the Public Offer and the Employee Preferential Offering will be available at **www.unioniporesults.com.hk** with a "search by ID" function from	Wednesday, 12 June 2019

Despatch/Collection of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer and the Employee Preferential Offering on or before[6] . . . . Wednesday, 12 June 2019

Despatch/Collection of refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer and the Employee Preferential Offering on or before[6 and 7] . . . . Wednesday, 12 June 2019

Dealings in Shares on the Main Board of the Stock Exchange expected to commence at 9:00 a.m. on . . . . Thursday, 13 June 2019

Notes:

1. All dates and times refer to Hong Kong local dates and time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of our Company at **www.elderlyhk.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 4 June 2019, the application lists will not open or close on that day. Please see the section headed "How to Apply for the Public Offer Shares and Employee Reserved Shares — 9. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus. If the application lists do not open and close on Tuesday, 4 June 2019, the dates mentioned in this section may be affected. We will make an announcement in such event.

3. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should see the section headed "How to Apply for the Public Offer Shares and Employee Reserved Shares — 5. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS" in this prospectus.

4. The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on Wednesday, 5 June 2019. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company by Wednesday, 5 June 2019, the Share Offer (including the Public Offer) will not proceed and will lapse.

5. None of the website or any information contained on the website forms part of this prospectus.

6. Applicants who apply for 1,000,000 or more Public Offer Shares on **WHITE** Application Forms and have provided all information required in their Application Forms may collect Share certificates (if applicable) and refund cheques (if applicable) in person from our Hong Kong Branch Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 June 2019 or any other date as announced by us as the date of despatch of Share certificates/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations which are eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their Share certificates,

which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For those applicants who have applied on **PINK** Application Forms, their refund cheques (if applicable) and Share certificates (if applicable) will be sent to our Company on Wednesday, 12 June 2019 and our Company will arrange for onward transmission to the applicants. For further information, applicants should refer to the section headed "How to Apply for the Public Offer Shares and Employee Reserved Shares — 13. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

7. Refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to Apply for the Public Offer Shares and Employee Reserved Shares" in this prospectus.

Share certificates for the Offer Shares are expected to be issued on Wednesday, 12 June 2019 but will only become valid certificates of title at 8:00 a.m. on Thursday, 13 June 2019 provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

Particulars of the structure of the Share Offer, including the conditions thereto, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. Details relating to how to apply for the Public Offer Shares and Employee Reserved Shares are set out in the section headed "How to Apply for the Public Offer Shares and Employee Reserved Shares" in this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms.

Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, any of the Underwriters, any of our or their respective directors or any other persons or parties involved in the Share Offer.

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This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are an established operator of residential care homes for the elderly in Hong Kong offering a wide range of residential care services for the elderly including (i) the provision of accommodation, professional nursing and care-taking services, nutritional management, medical services, physiotherapy and occupational therapy services, psychological and social care services, individual care plans and recreational services; and (ii) the sale of healthcare and medical goods and the provision of add-on healthcare services to our residents. Our history can be traced back to 1991 when Fai-To Home for the Aged was established in Hong Kong, being the first care and attention home of our Group. Since then, our Group has experienced substantial business growth, as at the Latest Practicable Date, we operated a total of eight care and attention homes for the elderly with 1,129 residential care places (excluding isolation beds) operating across four districts in Hong Kong under the brand names of "Fai To 輝濤", "Kato 嘉濤", "Happy Luck Home", "Tsuen Wan Centre" and "Pine Villa" all bearing the same logo.

According to the Industry Report, in 2017, we were the third largest private residential care home for the elderly operator in Hong Kong (in terms of revenue with a market share of 1.3%) and the second largest private residential care home for the elderly operator participating in the Enhanced Bought Place Scheme (in terms of number of Enhanced Bought Place Scheme places purchased by the Social Welfare Department with a market share of 7.3%). We derive our revenue mainly from two sources, namely, (i) rendering of elderly home care services; and (ii) sales of elderly home related goods. See "Financial Information — Description of Selected Items in Consolidated Statements of Comprehensive Income — Revenue" in this prospectus for more details on our revenue sources.

During the Track Record Period, our Group's customers primarily consisted of two groups, namely: (i) the Social Welfare Department; and (ii) individual customers who settled their own residential fee entirely by themselves and those who were subsidised by the Social Welfare Department under the Enhanced Bought Place Scheme but settled the unsubsidised portion by themselves. Seven of our care and attention homes for the elderly are participating in the Enhanced Bought Place Scheme pursuant to which the Social Welfare Department purchased up to 579 of our 1,129 residential care places during the Track Record Period and up to the Latest Practicable Date. As at Latest Practicable Date, four of our care and attention homes for the elderly were classified as class Enhanced A1, whilst three of our care and attention homes for the elderly were classified as class Enhanced A2.

We endeavour to provide adequate and quality care services for the elderly, which is evident through (i) the accreditation of all of our care and attention homes with the Service Quality Management Certification Scheme — Elderly Services by the Hong Kong Quality Assurance Agency; (ii) our adoption of a stringent control and assurance system to monitor and ensure standard operation procedures at all our care and attention homes; and (iii) our requirement of our staff to be familiarise with our manuals, operation procedures and guidelines which regulate various aspects such as, training, elderly safety, event management, hygiene, food safety, medicine dispensation, accident management, purchases and medical consultation arrangements.

The following table sets out the breakdown of our revenue contribution from (i) rendering of elderly home care services; and (ii) sales of elderly home related goods, during the Track Record Period:

	For the year ended 31 March						For the eight months ended 30 November			
	2016		**2017**		**2018**		**2017**		**2018**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Rendering of elderly home care services										
— residential care places purchased by the Social Welfare Department under the Enhanced Bought Place Scheme	62,572	43.9	64,162	42.7	67,109	43.0	43,925	43.1	48,805	42.5
— residential care places purchased by individual customers *(Note)*	58,752	41.3	62,356	41.5	65,406	41.9	42,558	41.8	49,469	43.1
	121,324	85.2	126,518	84.2	132,515	84.9	86,483	84.9	98,274	85.6
Sales of elderly home related goods	21,055	14.8	23,677	15.8	23,498	15.1	15,397	15.1	16,530	14.4
Total	142,379	100.0	150,195	100.0	156,013	100.0	101,880	100.0	114,804	100.0

Note:

For the three years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, our revenue derived from individual customers who settled their own residential fee entirely by themselves amounted to approximately HK$41.5 million, HK$46.2 million, HK$49.1 million, HK$31.9 million and HK$37.7 million, respectively.

Our total revenue for the three years ended 31 March 2018 and the eight months ended 30 November 2017 and 2018 were approximately HK$142.4 million, HK$150.2 million, HK$156.0 million, HK$101.9 million and HK$114.8 million, respectively. Our profit and total comprehensive income for the three years ended 31 March 2018 and the eight months ended 30 November 2017 and 2018 were approximately HK$30.8 million, HK$33.5 million, HK$36.4 million, HK$24.1 million and HK$22.3 million, respectively.

The table below sets forth the recent performance of our care and attention homes:

	For the year ended 31 March			For the eight months ended 30 November	
	2016	2017	2018	2017 (Unaudited)	2018
Average monthly occupancy rate *(Note 1)*					
— overall residential care places *(%)*	89	93	93	92	96
— in respect of residential care places purchased by the Social Welfare Department under the Enhanced Bought Place Scheme *(%)*	97	98	96	96	99
— in respect of the residential care places purchased by individual customers *(%)*	82	88	89	88	93
Residential care places purchased by the Social Welfare Department under the Enhanced Bought Place Scheme as a percentage of the total number of our residential care places *(%)*	51	52	53	53	51
Average monthly residential fee in respect of residential care places purchased by the Social Welfare Department under the Enhanced Bought Place Scheme *(HK$'000)* *(Note 2)*	8.2	9.1	9.6	9.6	10.4
Average monthly residential fee in respect of residential care places purchased by individual customers *(HK$'000)* *(Note 3)*	10.8	10.5	11.4	10.9	12.3

Notes:

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

(2) The monthly residential fee in respect of residential care places purchased by the Social Welfare Department under the Enhanced Bought Place Scheme is calculated as follows: the sum of (i) the total monthly revenue generated from the payment of the base rate by the Social Welfare Department under the Enhanced Bought Place Scheme on a committed basis during the relevant month; and (ii) the total monthly revenue generated from the payment of the monthly residential fee by the residents under the Enhanced Bought Place Scheme during the relevant month, and such sum to be divided by the actual number of residential care places purchased by the Enhanced Bought Place Scheme during the relevant month. The average monthly residential fee in respect of residential care places purchased by the Social Welfare Department under the Enhanced Bought Place Scheme for the year/period is calculated by dividing the sum of the monthly residential fee in respect of the residential care places purchased by the Social Welfare Department under the Enhanced Bought Place Scheme by the total number of months in that year/period.

(3) The average monthly residential fee in respect of the residential care places purchased by individual customers is equal to the total revenue during the relevant month divided by the number of residential care places purchased by our individual residents during the relevant month. The average monthly residential fee in respect of residential care places purchased by individual customers for the year/period is calculated by dividing the sum of the monthly residential fee in respect of residential care places purchased by our residents by the total number of months in that year/period.

OUR CARE AND ATTENTION HOMES

As at the Latest Practicable Date, we operated a network of eight care and attention homes for the elderly with 1,129 residential care places, seven of which participating in the Enhanced Bought Place Scheme. Among the eight care and attention homes, three are branded "Fai To 輝濤", two are branded "Kato 嘉濤", one branded Happy Luck Home, one branded Tsuen Wan Centre and one branded Pine Villa.

The table below sets out details of each of our care and attention homes as at the Latest Practicable Date:

	Kato Elderly Home	Kato Home for the Aged	Fai To Home (On Lai)	Fai To Home (Tuen Mun)	Fai To Sino West Home	Happy Luck Home	Tsuen Wan Centre	Pine Villa
Location	Tuen Mun	Tuen Mun	Tuen Mun	Tuen Mun	To Kwa Wan	Tsuen Wan	Tsuen Wan	Tseung Kwan O
Year of commencement of operations	1999	1998	1997	1995	2000	2015	2008	2013
Approximate saleable area *('000 sq. ft.)*	18.7	12.3	5.3	8.7	30.8	15.7	16.0	24.3
Number of residential care places under Enhanced Bought Place Scheme	126	86	28	47	140	73	79	N/A
Total number of residential care places	180	123	56	90	294	146	150	90
Classifications under the Enhanced Bought Place Scheme *(Note 2)*	Enhanced A1	Enhanced A2	Enhanced A2	Enhanced A2	Enhanced A1	Enhanced A1	Enhanced A1	N/A *(Note 1)*
Type and number of employees *(Note 3)*								
Home manager	1	1	1	1	1	1	1	1
Registered/enrolled nurses	12	—	1	1	21	6	8	7
Social worker(s)	—	—	—	—	1	2	1	—
Physiotherapists	—	—	—	—	1	1	1	—
Physiotherapist assistant(s)	—	—	1	—	2	1	—	—
Occupational therapist	—	—	—	—	—	—	—	—
Occupational therapist assistant(s)	—	—	1	—	—	—	—	—
Health workers	7	10	4	8	10	5	10	5
Care workers	27	26	10	14	47	23	23	13
Ancillary workers	13	6	5	6	19	12	13	8
Services and amenities								
Haircut service	√	√	√	√	√	√	√	√
Centralised dispensary	√	√	√	√	√	√	√	√
Physiotherapy area	√	√	√	√	√	√	√	√
Occupational therapy area	—	—	√	—	—	—	—	—
Movie corner	√	√	√	√	√	√	√	√
Elevator/disabled lift	√	√	√	√	√	√	√	√
Computer corner	—	—	—	—	—	—	—	√
Nursing station	√	√	√	√	√	√	√	√
Medical room	√	√	√	√	√	√	√	√

Notes:

(1) Pine Villa is one of our care and attention homes that focuses on high-end customers and does not participate in the EBPS.

(2) Enhanced A1 homes have higher requirements in terms of staffing and per capita net floor space as compared to Enhanced A2 homes. As required under the Enhanced Bought Place Scheme, the staffing requirement for an Enhanced A1 homes with 40 places is 21.5, calculated on the basis of eight working hours per staff per day including relief staff and its per capita net floor area is 9.5 m^2, whereas the staffing requirement for Enhanced A2 homes with 40 places is 19, calculated on the basis of eight working hours per staff per day, including relief staff, and its per capita floor net area is 8 m^2.

(3) Type and number of employees include only full-time or part-time employees for each of our care and attention homes for the elderly and do not include personnel such as care workers, health workers, physiotherapists and occupational therapists sourced from employment agencies and our administrator and management staff. As at the Latest Practicable Date, all of our care and attention homes for the elderly had complied with the staffing requirements pursuant to the RCH(EP)R, RCHE Code of Practice and EBPS Agreements (where applicable).

We are required to comply with staffing requirements in relation to, amongst others, health workers, registered/enrolled nurses, physiotherapists, care workers, home manager and ancillary workers under the RCH(EP)R, RCHE Code of Practice and Enhanced Bought Place Scheme Agreements. The EBPS Agreement stipulates the staffing requirements applicable to the residential care homes for the elderly which are more stringent than the staffing requirements under the RCH(EP)R and the RCHE Code of Practice. By way of example, below is a guideline on the staffing requirements under the Enhanced Bought Place Scheme (with reference to a 40-place residential care homes for the elderly on the basis of eight working hours per one staff member per day) for Enhanced A1 residential care homes for the elderly and Enhanced A2 residential care homes for the elderly, which is also subject to the staffing requirements provided specifically under the EBPS Agreement.

	Number of staff member for	
Member of staff	**Enhanced A1 RCHE**	**Enhanced A2 RCHE**
Home manager	1	1
Registered/Enrolled nurse	2	—
Physiotherapist*(Note)*	0.5	—
Health worker	2	4
Care worker	8	8
Ancillary worker	8	6
Total	21.5	19

Note: Applicable only to Enhanced Bought Place Scheme RCHEs receiving government subsidy for provision of physiotherapy service.

We are also obligated to comply with other requirements on the service and amenities as stipulated in the EBPS Agreements and the RCHE Code of Practice. As at the Latest Practicable Date, all of our care and attention homes for the elderly had complied with the staffing requirements and other requirements on the services and amenities pursuant to the RCH(EP)R, RCHE Code of Practice and EBPS Agreements (where applicable). See "Regulatory Overview" for more details on staffing requirements and "Business — Principal terms of the EBPS Agreements with the SWD" in this prospectus for more details.

OUR COMPETITIVE STRENGTHS

We believe our success and future growth are attributable to the following competitive strengths: (i) we have been in the market for over 27 years with a recognised brand and established network of care and attention homes for the elderly participating in the Enhanced Bought Place Scheme; (ii) over half of our residential care places are purchased by the HK Government and we possess a recognised brand of care and attention home, seven out of our eight care and attention homes participate in the Enhanced Bought Place Scheme; (iii) we are well-positioned to capture opportunities in the growing elderly home market in Hong Kong; (iv) we provide quality elderly home care services to our customers at our care and attention homes that are strategically located near residential areas of affordable private and public estates; and (v) our Group is supported by a management team with extensive experience in the residential care home for the elderly industry and a team of nurses, physiotherapists, social workers, health workers and care workers who strive to provide quality and caring services to our elderly residents. See "Business — Our Competitive Strengths" in this prospectus for more details.

OUR STRATEGIES

In order to exploit the opportunities presented by favourable industry development and to diversify our customer base, we have the following strategies: (i) expand our network of care and attention homes for the elderly in Hong Kong; (ii) hire additional staff and continue to retain skilled workforce through systematic training and professional development; (iii) continue to upgrade the facilities and purchase of new equipment at our network of care and attention homes for the elderly and renovate our care and attention homes for the elderly; and (iv) continue to strengthen our information systems. See "Business — Our Strategies" and "Future Plans and Use of Proceeds" in this prospectus for more details.

OUR CUSTOMERS

Our Group's customers primarily consisted of two groups, namely: (i) the Social Welfare Department; and (ii) individual customers who settled their own residential fee entirely by themselves and those who were subsidised by the Social Welfare Department under the Enhanced Bought Place Scheme but settled the unsubsidised portion by themselves. As at 30 November 2018, our care and attention homes for the elderly had 1,091 residents of whom 3.1% were aged under 60, 12.2% were aged 60 to 69, 18.4% were aged 70 to 79, 42.1% were aged 80 to 89, 23.2% were aged 90 to 99, and 1.0% were aged 100 or above. As at 30 November 2018, each of our residents had resided in our care and attention homes for the elderly for an average period of 3.2 years. For the three years ended 31 March 2018 and the eight months ended 30 November 2018, the number of residents passed away (including those who passed away in the hospital but were not discharged as our resident) as a percentage of the total number of residents as at the end of the respective year/period were approximately 3.3%, 2.9%, 3.6%, and 6.5%, respectively. In terms of the level of care required, our residents are generally categorised into three health profiles (i) able to self-care; (ii) need assistance, such as dressing, grooming, showering, shaving, assistance in eating, etc.; and (iii) totally dependent, for residents who are unable to leave the beds who require our full care and attention. Common illnesses that affect our residents generally include, high blood pressure, diabetes, heart failure, Alzheimer's disease, Parkinson's disease, gout, etc. For the three years ended 31 March 2018 and the eight months ended 30 November 2018, revenue generated from the Social Welfare Department, our largest customer, amounted to approximately HK$62.6 million, HK$64.2 million, HK$67.1 million, and HK$48.8 million, respectively, representing approximately 43.9%, 42.7%, 43.0%, and 42.5% of our total revenue, respectively. Revenue generated from individual customers who settled their own residential fee entirely by themselves and those who were subsidised by the Social Welfare Department under the Enhanced Bought Place Scheme but settled the unsubsidised portion by themselves amounted to approximately HK$58.8 million, HK$62.4 million, HK$65.4 million, and HK$49.5 million for the three years ended 31 March 2018 and the eight months ended 30 November 2018, respectively, representing approximately 41.3%, 41.5%, 41.9%, and 43.1% of our total revenue, respectively. See "Business — Our Customers — Resident statistics" in this prospectus for more details.

The Social Welfare Department

Our Group has participated in the Enhanced Bought Place Scheme for more than 20 years and we derived a major portion of our revenue from the Social Welfare Department, which was our largest customer during the Track Record Period. Participants of the Enhanced Bought Place Scheme are partially subsidised by the Social Welfare Department. The monthly base rate for our residents enrolled under the Enhanced Bought Place Scheme payable by the Social Welfare Department varies depending on (i) the category (Enhanced A1 or Enhanced A2) under the Enhanced Bought Place Scheme; and (ii) the district. Seven of our residential care and attention homes for the elderly have entered into the EBPS Agreements with a fixed term, typically of two years, with the Social Welfare Department in respect of the provision of residential accommodation and care to their nominated elderly persons in our care and attention homes for the elderly. Such EBPS Agreements are signed on the basis of committed payment to our Group whereby we commit to provide a specified number of residential care places to the Social Welfare Department and the Social Welfare Department commits to purchase a specified number of residential care places, and fees are payable based upon the number of elderly persons committed to enrol into our care and attention homes for the elderly. Our Group derived a substantial portion of our revenue from the Social Welfare Department under the Enhanced Bought Place Scheme. For the three years ended 31 March 2018 and the eight months ended 30 November 2018, we generated revenue from the payment of the base rate by the Social Welfare Department under the Enhanced Bought Place Scheme of approximately HK$62.6 million, HK$64.2 million, HK$67.1 million, and HK$48.8 million, respectively, representing approximately 43.9%, 42.7%, 43.0% and 42.5% of our total revenue, respectively. See "Business — Our Customers — The SWD" and "Business — Our Customers — Our long-term cooperative relationship with the SWD under the EBPS" in this prospectus for more details.

OUR SUPPLIERS

Our Group primarily relies on our suppliers for food, medical care products, nutritional milk, other general goods and groceries and professional and qualified staff. During the Track Record Period, our major suppliers primarily include traders of groceries, intermediaries referring professional and qualified staff and medical care product companies.

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, the aggregate purchase from our five largest suppliers amounted to approximately HK$14.3 million, HK$15.3 million, HK$18.0 million and HK$11.5 million, respectively, representing approximately 75.0%, 78.1%, 83.8% and 82.3% of our total purchases (including expenses of hiring professional and qualified staff through employment agencies), respectively. During the same periods, the purchases from our largest supplier amounted to approximately HK$5.6 million, HK$6.4 million, HK$8.3 million and HK$4.6 million, respectively, representing approximately 29.5%, 32.8%, 38.7% and 32.9% of our total purchases (including expenses of hiring professional and qualified staff through employment agencies), respectively. See "Business — Our Suppliers — Major suppliers" in this prospectus for more details.

SHAREHOLDERS' INFORMATION

Immediately following completion of the Capitalisation Issue and the Share Offer (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), our Company will be owned as to approximately 62.4% by Sheung Fung, which is wholly owned by the Trustee. Mr. Kwong and Ms. Ngai are the settlors of the Family Trust and Mr. Ngai is the sole beneficiary of the Family Trust. Accordingly, Sheung Fung, Mr. Kwong, Ms. Ngai and Mr. Ngai will be regarded as a group of Controlling Shareholders. See "Relationship with the Controlling Shareholders" in this prospectus for more details.

SUMMARY FINANCIAL INFORMATION AND OPERATION DATA

The following is the summary of the consolidated statements of comprehensive income and other financial information during the Track Record Period:

Selected items of consolidated statements of comprehensive income

	For the year ended 31 March			Eight months ended 30 November	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	142,379	150,195	156,013	101,880	114,804
Operating profit *(Note)*	35,092	38,144	44,566	27,259	37,198
Profit before taxation	36,436	40,064	44,019	28,698	28,064
Profit and total comprehensive income for the year/period attributable to the shareholders of our Company	30,842	33,482	36,437	24,114	22,251

Note: Operating Profit is defined as profit and total comprehensive income for the year/period attributable to the shareholders of our Company before other income and other loss, net, listing expenses, finance costs, net and income tax expense.

Selected items of consolidated statements of financial position

	For the year ended 31 March			Eight months ended 30 November
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	12,444	15,789	17,584	14,110
Current assets	38,778	42,979	71,547	75,118
Current liabilities	47,335	34,701	45,246	49,142
Non-current liabilities	1,633	1,574	1,635	2,185
Net current (liabilities)/assets	(8,557)	8,278	26,301	25,976

We recorded net current liabilities of approximately HK$8.6 million as at 31 March 2016 and net current assets of approximately HK$8.3 million, HK$26.3 million and HK$26.0 million as at 31 March 2017, 31 March 2018 and 30 November 2018, respectively. Our net current liabilities position of approximately HK$8.6 million as at 31 March 2016 was mainly due to the repayment of (i) amount due to a director and (ii) interest-bearing bank borrowings which was primarily used as working capital. Our net current assets positions of approximately HK$8.3 million, HK$26.3 million and HK$26.0 million as at 31 March 2017, 31 March 2018 and 30 November 2018, respectively were mainly due to the decrease of (i) amount due to a director and (ii) interest-bearing bank borrowings and the increase in (i) amounts due from shareholders and; (ii) cash and cash equivalents; and (iii) trade and other payables.

Accumulated losses

Our Group recorded accumulated losses of approximately HK$2.9 million as at 1 April 2015 (i.e. the beginning of the Track Record Period), see "Consolidated Statements of Changes in Equity" in Appendix I to this prospectus. Such accumulated losses were mainly attributable to the tax penalty imposed by the IRD of approximately HK$5.5 million recorded in the year ended 31 March 2015. See "Business — Legal Compliance and Litigation — Non-compliance — Tax incident prior to the Track Record Period" for further details.

Selected items of consolidated statements of cash flows

	For the year ended 31 March			For the eight months ended 30 November
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net cash generated from operating activities	20,735	40,149	41,440	35,916
Net cash used in investing activities	(9,461)	(8,800)	(21,574)	(477)
Net cash used in financing activities	(6,239)	(32,728)	(5,910)	(29,760)
Net increase/(decrease) in cash and cash equivalents	5,035	(1,379)	13,956	5,679
Cash and cash equivalents at the beginning of the year/period	12,939	17,974	16,595	30,551
Cash and cash equivalents at the end of the year/period	17,974	16,595	30,551	36,230

KEY FINANCIAL RATIOS

	For the year ended 31 March 2016	2017	2018	For the eight months ended 30 November 2018
Net profit margin *(%)*	21.7	22.3	23.4	19.4
Return on equity *(%)*	1,368.3	148.9	86.2	N/A
Return on total assets *(%)*	60.2	57.0	40.9	N/A
Current ratio *(times)*	0.8	1.2	1.6	1.5
Quick ratio *(times)*	0.8	1.2	1.6	1.5
Gearing ratio *(%)*[(Note)]	1,446.6	83.7	68.9	69.2%
Interest coverage ratio *(times)*	793.1	227.3	158.2	72.6

Note: Gearing ratio is calculated based on the total debts (bank borrowings, amounts due to related companies and to a director) divided by the total equity as at the respective year/period end dates and multiplied by 100%.

See "Financial Information — Key Financial Ratios" in this prospectus for more details.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive an aggregate Net Proceeds of approximately HK$123.2 million from the Share Offer, assuming an Offer Price of HK$0.62 per Share, being the mid-point of the indicative Offer Price. Our Directors intend to use all of the Net Proceeds from the Share Offer for the following purposes:

Use of Proceeds	% of the Net Proceeds	HK$ million
To establish six new care and attention homes	73.8	90.9
To renew and upgrade the facilities at our care and attention homes	23.3	28.7
To upgrade the information technology infrastructure	1.3	1.6
General working capital	1.6	2.0

See "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus for more details.

REASON FOR THE LISTING

Our Directors, after having considered the following reasons, believe that the Listing is beneficial to our Group for our business expansions and our long term goals and our Company and our Shareholders as a whole: (i) the Listing will allow our Group to meet the surging industry growth and demand; (ii) the Listing will allow our Group to have a better access to capital and future fund raising to fund our expansion plans; and (iii) successful Listing will further enhance our corporate profile, assist in reinforcing our brand awareness and market reputation, enhance our credibility with the public and potential business partners and offer us a broader shareholder base which will provide liquidity in the trading of our Shares. See "Future Plans and Use of Proceeds — Reasons for the Listing" in this prospectus for more details.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2019

Our Directors estimate that, on the bases set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, the estimated unaudited consolidated profit attributable to shareholders of our Company for the year ended 31 March 2019 is as follows:

Estimated unaudited consolidated profit attributable to shareholders of our Company *(Note 1)*	Not less than HK$36.5 million
Unaudited pro forma estimated earnings per Share *(Note 2)*	Not less than HK3.65 cents

Notes:

1. The bases on which the above profit estimate for the year ended 31 March 2019 has been prepared are summarised in Appendix III to this prospectus. Our Directors have prepared the estimate of the consolidated profit attributable to shareholders of our Company for the year ended 31 March 2019 based on the audited consolidated results of our Group for the eight months ended 30 November 2018 and the unaudited consolidated results based on management accounts of our Group for the four months ended 31 March 2019. The profit estimate has been prepared on the basis that is consistent in all material respects with the accounting policies normally adopted by our Group as set out in the accountant's report, the text of which is set out in Appendix I to this prospectus.

2. The unaudited pro forma estimated earnings per Share is calculated by dividing the estimated consolidated profit for the year ended 31 March 2019 attributable to shareholders of our Company by 1,000,000,000 assuming that the Capitalisation Issue and the Share Offer have been completed on 1 April 2018. The calculation of the estimated earnings per Share does not take into account any Shares which may be allotted and issued by our Company pursuant to the Share Option Scheme or any Shares which may be allotted and issued and repurchased by our Company pursuant to the general mandates granted to the Directors to allot and issue or repurchase Shares. See the section headed "Share Capital" in this prospectus for more details.

SHARE OFFER STATISTICS

	Based on the minimum indicative Offer Price of HK$0.60 per Share	**Based on the maximum indicative Offer Price of HK$0.64 per Share**
Market capitalisation at Listing *(Note 1)*	HK$600.0 million	HK$640.0 million
Unaudited pro forma adjusted net tangible assets per Share *(Note 2)*	HK$0.17	HK$0.18

Notes:

(1) The calculation of our market capitalisation is based on 1,000,000,000 Shares which will be in issue immediately following completion of the Capitalisation Issue and the Share Offer, but takes no account of any Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Schemes or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this prospectus.

(2) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that 749,000,000 Shares were in issue assuming that the Capitalisation Issue and the Share Offer have been completed on 30 November 2018 but take no account of any Shares which may be allotted and issued by our Company pursuant to the Share Option Scheme or any Shares which may be allotted and issued and repurchased by our Company pursuant to the general mandates granted to our Directors to allot and issue or repurchase Shares as described in the section headed "Share Capital" in this prospectus.

DIVIDENDS

During the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2018, our Operating Subsidiaries had declared dividends of HK$25.8 million, HK$21.3 million, HK$16.7 million and HK$26.6 million, respectively. Following completion of the Share Offer, our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and amount of dividends declared by our Board will depend upon our Group's (a) overall results of operation; (b) financial position; (c) capital requirements; (d) shareholders' interests; (e) future prospects; and (f) other factors which our Board deems relevant. In addition, the controlling shareholders of our Company (as defined in the Listing Rules), subject to the Articles of Association, may influence our dividend policy. See "Financial Information — Dividends" in this prospectus for more details. After completion of the Share Offer, our Directors' priority will be to retain earnings in order to facilitate capital growth and expansion of our Group. We expect to pay not less than 80.0% of our distributable net profit for the financial year after the Listing (i.e. for the year ending 31 March 2020). **However, we cannot guarantee that we will be able to make any dividend distributions in the aforesaid proportion of net profit or at all in any future year beyond the first financial year after the Listing.**

LISTING EXPENSES

The total amount of listing expenses in connection with the Share Offer is estimated to be approximately HK$31.8 million (based on the mid-point of the Offer Price of HK$0.62 per Offer Share), of which approximately HK$2.6 million and HK$8.7 million had been charged to our consolidated statements of comprehensive income for the year ended 31 March 2018 and the eight months ended 30 November 2018, respectively, and approximately HK$2.4 million and HK$5.4 million is expected to be charged to our consolidated statements of comprehensive income for the remaining period in the year ended 31 March 2019 and year ending 31 March 2020, respectively and the remaining amount of approximately HK$12.7 million is expected to be accounted for as a deduction from equity upon the Listing.

Our Directors consider that our financial results will be affected by the expenses in relation to the Share Offer as we expect to recognise approximately HK$11.1 million in the consolidated statement of comprehensive income for the year ended 31 March 2019. Accordingly, the financial performance for the remaining period in the year ended 31 March 2019 is expected to be adversely affected by the estimated expenses in relation to the Listing. See "Financial Information — Listing Expenses" in this prospectus for more details.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, our overall average monthly occupancy rate for the period from 1 December 2018 to the Latest Practicable Date was approximately 96%, which remained relatively stable as compared to that for the eight months ended 30 November 2018. Based on our management accounts for the four months ended 31 March 2019, our Group's revenue on average, as compared to the eight months ended 30 November 2018, increased due to the increase in occupancy rate of individual customers who settled their own residential fee entirely by themselves and increase in revenue from residential care places purchased by the Social Welfare Department under the Enhanced Bought Place Scheme. Our Group's net profit margin on average for the four months ended 31 March 2019, as compared to the eight months ended 30 November 2018 increased due to the increase in revenue outweighed the increase in overall expenses. See "Business — Legal Compliance and Litigation — Non-compliance — Non-compliance with the MPFS Ordinance and Mandatory Provident Fund Schemes (General) Regulation (Chapter 485A of the Laws of Hong Kong) in this prospectus. Subsequent to 30 November 2018 and up to the Latest Practicable Date, our Company had declared dividends of approximately HK$25.2 million. See "Financial Information — Dividends" in this prospectus for more details. Saved as disclosed above, our Directors confirmed that since 31 March 2019 (being the date to which the latest management accounts of our Group was made up) and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group.

MATERIAL NON-COMPLIANCE INCIDENTS AND LEGAL PROCEEDINGS

There were instances where our Group failed to comply with certain applicable laws and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date, including non-compliance with: (i) RCH(EP)O, RCH(EP)R and RCHE Code of Practice; and (ii) the MPFS Ordinance and Mandatory Provident Fund Schemes (General) Regulation (Chapter 485A of the Laws of Hong Kong). See "Business — Legal Compliance and Litigation — Non-compliance" in this prospectus for more details of such material non-compliance incidents and the respective rectification actions taken.

During the Track Record Period and up to the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance pending or, to our knowledge and information, threatened by or against us or any of our Directors that could have a material adverse effect on the business, results of operations or financial condition of our Group.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, our Group had complied with the relevant laws and regulations in relation to our business in all material respects and there were no material breaches or violations of the laws or regulations applicable to our Group that would have a material adverse effect on our business or financial condition taken as a whole.

HIGHLIGHTS OF RISK FACTORS

Potential investors are advised to carefully read the section headed "Risk Factors" in this prospectus before making any investment decision in the Share Offer. Set out below are some of the major risks that may materially and adversely affect us:

- We have previously been involved in certain incidents of non-compliance with certain Hong Kong regulatory requirements and the RCHE Code of Practice. If our residential care home for the elderly licences are suspended, cancelled or not renewed, or if we fail to obtain a new residential care home for the elderly licence for any new care and attention home that we operate, we may be unable to maintain or expand our operations.

- We depend on the Social Welfare Department for a significant portion of our revenue.

- We depend on our reputation within the residential care home for the elderly industry and are subject to risks of negative publicity resulting from caretaking incidents or accidents and legal proceedings arising from our operations may harm our reputation.

- We are required to comply with staffing requirements and our performance depends on our ability to recruit and retain quality and qualified staff. In addition, the residential care home for the elderly industry in Hong Kong is faced with manpower shortage which may adversely affect our labour costs.

- As we lease all of the properties for the operation of our care and attention homes, of which, six of our care and attention homes for the elderly were leased from our Controlling Shareholders, there is no assurance that our tenancy agreements will be successfully renewed or renewed on comparable term or will not be early terminated and we are subject to risk of rental price fluctuation in the real estate market in Hong Kong.

- We have limited or no control over the quality of the pharmaceuticals, medical equipment, consumables and other supplies we use in our operations, and cannot guarantee that none of the products we use are counterfeits free from defects and meet the relevant quality standards.

- We may not receive further government subsidies and the loss of which may affect our financial position.

- Media exposure of cases of abuse of residents in private RCHEs has raised public concern and resulted in a negative perception about the service quality of private RCHEs, which may eventually impact customers decision when selecting residential care services.

In this prospectus, the following expressions shall have the meanings set out below unless the context requires otherwise.

"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **PINK** Application Form(s), or where the context so requires, any of such forms as used in the Public Offer or the Employee Preferential Offering
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on 20 May 2019 (with effect upon Listing) and as amended from time to time, a summary of which is contained in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board", "Board of Directors" or "our Board"	the board of Directors
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of 749,990,000 Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company upon completion of the Share Offer
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Internet System"	the website operated by HKSCC to enable CCASS Investor Participants and, upon authorisation by a CCASS Clearing Participant or a CCASS Custodian Participant, stock segregated account statement recipients of that CCASS Clearing Participant or CCASS Custodian Participant to access CCASS
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCASS Phone System"	the interactive voice response system operated by HKSCC for enabling CCASS Investor Participants and, upon authorisation by a CCASS Clearing Participant or a CCASS Custodian Participant, statement recipients of that CCASS Clearing Participant or CCASS Custodian Participant to access CCASS
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Co-Managers"	Sun Securities and Luk Fook Securities
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Kato (Hong Kong) Holdings Limited (嘉濤(香港)控股有限公司), formerly known as Kato Holdings Limited (嘉濤控股有限公司) and Kato Elderly Care Holdings Limited (嘉濤安老控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 19 April 2018
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules, and in the context of our Company, means Sheung Fung, Mr. Kwong, Ms. Ngai and Mr. Ngai
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Crawfield International"	Crawfield International Limited (嘉豐國際有限公司), a company incorporated in Hong Kong with limited liability on 23 May 1991 and an indirect wholly-owned subsidiary of our Company and the licence holder of Fai To Home (Tuen Mun) and Fai To Home (On Lai)

"Deed of Indemnity"	the deed of indemnity dated 20 May 2019 entered into by the Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding certain indemnities, details of which are set out in the paragraph headed "Other Information — 16. Estate duty, tax and other indemnities" in Appendix V to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 20 May 2019 entered into by the Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding the non-competition undertaking
"Deed of Reorganisation"	the deed of reorganisation dated 7 September 2018 entered into by our Company, Kato Elderly Care, Sheung Fung, Si Mau, Kato Elderly Group, Mr. Lam Kong, Mr. Kwong Thomas Wai Ping, Mr. Ngai Yiu Pan, Louis, Ms. Kwong Mei Ping and Mr. Ngai Chi Hang in respect of the Reorganisation
"Director(s)" or "our Director(s)"	the director(s) of our Company
"Eligible Employee(s)"	any full-time employee(s) of our Group who joined our Group on or before the Latest Practicable Date and who: (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of Hong Kong Identity Card; (c) remains as a full-time employee of our Company or any of our subsidiaries, and is not on probation, as at the Latest Practicable Date; (d) has not tendered resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before the Latest Practicable Date; (e) is not the chief executive or directors of our Company or our subsidiaries or a close associate of such chief executive or directors; (f) is not an existing beneficial owner of Shares or of shares of any and/or a core connected person of our subsidiaries; (g) is not a connected person of our Company or will not become a connected person and/or core connected person of our Company immediately upon completion of Share Offer; and (h) is not an associate of any of the above
"Employee Preferential Offering"	the offer of up to 2,500,000 Offer Shares to the Eligible Employees as described in the paragraph headed "Employee Preferential Offering" under the section headed "Structure and Conditions of the Share Offer" in this prospectus

"Employee Reserved Shares"	up to 2,500,000 Offer Shares (representing 1% of the Offer Shares available under the Share Offer) available in the Employee Preferential Offering and which are to be allocated out of the Public Offer Shares
"Fai-To Centre for the Aged"	Fai-To Centre for the Aged (輝濤老人中心), our care and attention home for the elderly with LORCHE No. 070, the operating address of which was at 1/F, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong which underwent renovation, rebranded and merged into Kato Elderly Home during 2017
"Fai-To Elderly Affairs"	Fai-To Elderly Affairs Limited (輝濤安老有限公司), a company incorporated in Hong Kong with limited liability on 12 November 1999 and dissolved by deregistration on 3 February 2017 and was the licence holder of Ka-To Home for The Aged
"Fai To Home (On Lai)"	Fai-To Home for the Aged (On Lai) Branch (輝濤護老院(安麗分院)), our care and attention home for the elderly with LORCHE No. 0584, the operating address of which is at Shop 1–17 on 1/F, including Entrance on G/F, On Lai Building, 3 Tsing To Path, Tuen Mun, New Territories, Hong Kong
"Fai To Home (On Lai) Tenancy Agreement"	the tenancy agreement dated 20 May 2019 entered into by Crawfield International, our indirect wholly-owned subsidiary, in respect of Fai To Home (On Lai) located at Shop 1–17 on 1/F, including Entrance on G/F, On Lai Building, 3 Tsing To Path, Tuen Mun, New Territories, Hong Kong
"Fai To Home (Tuen Mun)"	Fai To Home for the Aged (Tuen Mun) Branch (輝濤護老院屯門分院), our care and attention home for the elderly with LORCHE No. 0077, the operating address of which is at 1/F, including Entrance on G/F, Florence Mansion, 6 Tsing Ling Path, Area 4B, Tuen Mun, New Territories, Hong Kong
"Fai To Home (Tuen Mun) Tenancy Agreement"	the tenancy agreement dated 20 May 2019 entered into by Crawfield International, our indirect wholly-owned subsidiary, in respect of Fai To Home (Tuen Mun) located at 1/F, including Entrance on G/F, Florence Mansion, 6 Tsing Ling Path, Area 4B, Tuen Mun, New Territories, Hong Kong
"Fai To Sino West Home"	Fai To Sino West Combined Home for the Aged (輝濤中西結合安老院), our care and attention home for the elderly with LORCHE No. 0923, the operating address of which is at Part of Shop 1 on G/F, 1/F & 2/F, (3A–3C), 5A–5F Ma Hang Chung Road & 55–65 Pau Chung Street, To Kwa Wan, Kowloon, Hong Kong

"Fai To Sino West Staff Quarters Tenancy Agreement"	the tenancy agreement dated 20 May 2019 entered into by Oriental Chinese, our indirect wholly-owned subsidiary, in respect of staff quarters for Fai To Sino West Home located at Room 10, 3/F, Tung Shun Hing Building, 22 Chi Kiang Street, Kowloon, Hong Kong
"Family Trust"	The Kwong and Ngai Family Trust established pursuant to the trust deed dated 19 March 2018 and executed by the Trustee and Mr. Kwong and Ms. Ngai as settlors, as amended and supplemented by a deed of variation and removal of beneficiaries dated 17 July 2018, the sole beneficiary being Mr. Ngai
"Future Land"	Future Land Resources Securities Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) regulated activities for the purpose of the SFO
"FY2016"	the financial year ended 31 March 2016
"FY2017"	the financial year ended 31 March 2017
"FY2018"	the financial year ended 31 March 2018
"Group" or "our Group" or "we" or "us"	our Company and our subsidiaries or any of them, or whether the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Haitong International Securities"	Haitong International Securities Company Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities for the purpose of the SFO
"Happy Luck"	Happy Luck Elderly Home Limited (荃威安老院有限公司), a company incorporated in Hong Kong with limited liability on 8 April 2014 and an indirect wholly-owned subsidiary of our Company and the licence holder of Happy Luck Home
"Happy Luck Home"	Happy Luck Elderly Home Limited (荃威安老院有限公司), our care and attention home for the elderly with LORCHE No. 1331, the operating address of which is at 2nd Floor of Phase 1 of Commercial Development of Allway Gardens, Nos. 187–195 Tsuen King Circuit, Nos. 2–22 On Yat Street, Tsuen Wan, New Territories, Hong Kong

"Happy Luck Home Tenancy Agreement"	the tenancy agreement dated 20 May 2019 entered into by Happy Luck, our indirect wholly-owned subsidiary, in respect of Happy Luck Home located at 2nd Floor of Phase 1 of Commercial Development of Allway Gardens, Nos. 187–195 Tsuen King Circuit, Nos. 2–22 On Yat Street, Tsuen Wan, New Territories, Hong Kong
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	the Hong Kong Financial Reporting Standards (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by HKICPA
"HKICPA"	the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Union Registrars Limited, the Hong Kong branch share registrar and transfer office of our Company
"Hong Kong Government" or "HK Government"	the Government of the Hong Kong
"Independent Third Party(ies)"	person(s) or company(ies) which is/are independent of and not connected with any member of our Group, our Directors, chief executives and substantial shareholders of our Company or any of our subsidiaries and any of their respective associates within the meaning of the Listing Rules
"Individual Shareholders"	the individual shareholders of the Operating Subsidiaries prior to the Reorganisation, namely: (i) Mr. Lam Kong, (ii) Mr. Kwong Thomas Wai Ping, (iii) Mr. Ngai Yiu Pan Louis, (iv) Ms. Kwong Mei Ping, and (v) Mr. Ngai Chi Hang (also known as Mr. Chen Wei)
"Industry Consultant"	Ipsos Limited, an independent market research and consulting company which prepared the Industry Report and an Independent Third Party
"Industry Report"	a report on the residential care homes for elderly in Hong Kong, which was issued by the Industry Consultant and commissioned by us

"Inland Revenue Ordinance" or "IRO"	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Jane's Home"	Jane's Home Limited (頤樂居有限公司), a company incorporated in Hong Kong with limited liability on 25 May 2012 and an indirect wholly-owned subsidiary of our Company and the licence holder of Pine Villa
"Joint Bookrunners" or "Joint Lead Managers"	VMS Securities, Future Land and Haitong International Securities
"Kato Elderly Care"	Kato Elderly Care Limited (嘉濤安老有限公司), a company incorporated in the BVI on 20 April 2018, which is wholly-owned by our Company
"Kato Elderly Group"	Kato Elderly Group Limited (嘉濤安老集團有限公司), a company incorporated in Hong Kong with limited liability on 25 June 2014
"Kato Elderly Home"	Kato Home for the Elderly (嘉濤耆樂苑), our care and attention home for the elderly with LORCHE No. 0787, the operating address of which is at Shop 8–12 on G/F & 1/F, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong
"Kato Elderly Home Tenancy Agreement"	the tenancy agreement dated 20 May 2019 entered into by Kato Kung, our indirect wholly-owned subsidiary, in respect of Kato Elderly Home located at Shop 8–12 on G/F & 1/F, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong
"Kato Home for the Aged"	Kato Home for the Aged (嘉濤耆康之家), our care and attention home for the elderly with LORCHE No. 0668, the operating address of which is at 1/F, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong
"Kato Home for the Aged Staff Quarters Tenancy Agreement"	the tenancy agreement dated 20 May 2019 entered into by Kato Kung, our indirect wholly-owned subsidiary, in respect of staff quarters for Kato Home for the Aged located at Rooms C and D on 2/F and Flat Roof, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong
"Kato Home for the Aged Tenancy Agreement"	the tenancy agreement dated 20 May 2019 entered into by Kato Kung, our indirect wholly-owned subsidiary, in respect of Kato Home for the Aged located at 1/F, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong

"Kato Kung"	Kato Kung Limited (嘉濤宮有限公司), a company incorporated in Hong Kong with limited liability on 25 May 1995 and an indirect wholly-owned subsidiary of our Company and the licence holder of Kato Elderly Home and Kato Home for the Aged
"Ka-To Home for The Aged"	Ka-To Home for the Aged (嘉濤護老院), our care and attention home for the elderly with LOROHE No. 0910, the operating address of which was at Shop G3 G/F, Phase I, Tsuen Wan Centre, Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong which was closed in 2015
"Latest Practicable Date"	21 May 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Legal Counsel"	Ms. Ng Wing Shan Queenie, barrister-at-law of Hong Kong
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date on which dealings in our Shares first commence on the Main Board, which is expected to be on Thursday, 13 June 2019
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Luk Fook Securities"	Luk Fook Securities (HK) Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities for the purpose of SFO
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange, independent from and operated in parallel with the GEM; and for the avoidance of doubt, the Main Board excludes GEM
"Memorandum" or "Memorandum of Association"	the third amended and restated memorandum of association of our Company adopted on 20 May 2019 (with immediate effect) and as amended from time to time, a summary of which is contained in Appendix IV to this prospectus
"MPFS Ordinance"	the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Mr. Kwong"	Mr. Kwong Kai To (鄺啟濤), chairman of the Board, our non-executive Director, one of our Controlling Shareholders, spouse of Ms. Ngai, father of Mr. Kwong Thomas Wai Ping and stepfather of Mr. Ngai and Mr. Lam Kong

"Mr. Ngai"	Mr. Ngai Shi Shing, Godfrey (魏仕成), formerly known as Lam Shing (林晟), our executive Director, one of our Controlling Shareholders, son of Ms. Ngai, stepson of Mr. Kwong, brother of Mr. Lam Kong and stepbrother of Mr. Kwong Thomas Wai Ping and beneficiary of the Family Trust
"Ms. Ngai"	Ms. Ngai Ka Yee (魏嘉儀), formerly known as Ngai Fung (魏峰), our executive Director, one of our Controlling Shareholders, spouse of Mr. Kwong, mother of Mr. Ngai and Mr. Lam Kong and stepmother of Mr. Kwong Thomas Wai Ping
"Net Proceeds"	net proceeds from the Share Offer after deducting underwriting fees and estimated expenses in connection with the Share Offer
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%) at which the Offer Shares are to be subscribed or purchased pursuant to the Share Offer, which is expected to be not more than HK$0.64 per Offer Share but not less than HK$0.60 per Offer Share
"Offer Shares"	the Public Offer Shares (including the Employee Reserved Shares) and the Placing Shares
"Operating Subsidiaries"	Kato Kung, Crawfield International, Oriental Chinese, Jane's Home, Tsuen Wan Elderly Centre and Happy Luck
"Oriental Chinese"	Oriental Chinese Medicine Limited (東方中醫葯有限公司), a company incorporated in Hong Kong with limited liability on 1 March 2000 and an indirect wholly-owned subsidiary of our Company and the licence holder of Fai To Sino West Home
"Peaceful Elderly"	Peaceful Elderly Centre Limited (養和護老中心有限公司), a company incorporated in Hong Kong with limited liability on 13 September 2005
"Pine Villa"	Pine Villa (康城松山府邸), our care and attention home for the elderly with LORCHE No. 1310, the operating address of which is at Portion of Level 5, The Capitol, Lohas Park Road, Tseung Kwan O, New Territories, Hong Kong
"**PINK** Application Form(s)"	the application form(s) for use by the Eligible Employees to subscribe for the Employee Reserved Shares pursuant to the Employee Preferential Offering

"Placing"	the conditional placing of Placing Shares by the Placing Underwriters for and on behalf of our Company with selected professionals, institutional and/or other investors, details of which are described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing Shares"	the 225,000,000 Shares (subject to reallocation) initially being offered by our Company for subscription at the Offer Price under the Placing as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing Underwriters"	the underwriter(s) of the Placing Shares
"Placing Underwriting Agreement"	the conditional underwriting agreement relating to the Placing expected to be entered into on or around the Price Determination Date by, among others, our Company and the Placing Underwriters, as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses — The Placing" in this prospectus
"Price Determination Agreement"	the agreement expected to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on Wednesday, 5 June 2019 on which the Offer Price is determined
"Property Valuer"	Prudential Surveyors (Hong Kong) Limited, our independent property valuer
"Public Offer"	the offer of the Public Offer Shares for subscription by the public in Hong Kong as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on and subject to the terms and conditions stated in this prospectus and the Application Forms, and for avoidance of doubt, includes the Employee Preferential Offering
"Public Offer Shares"	the 25,000,000 Shares being initially offered by our Company for subscription in the Public Offer (subject to reallocation as described in the section headed "Structure and Conditions of the Share Offer") in this prospectus, including the 2,500,000 Employee Reserved Shares which are available for subscription by the Eligible Employees pursuant to the Employee Preferential Offering

"Public Offer Underwriters"	the underwriters of the Public Offer named in the section headed "Underwriting — Public Offer Underwriters" in this prospectus
"Public Offer Underwriting Agreement"	the underwriting agreement dated 29 May 2019 and entered into by, among others, our Company, the Joint Bookrunners, the Co-Manager and the Public Offer Underwriters relating to the Public Offer, as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Public Offer" in this prospectus
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the pre-listing reorganisation of our Group, further details of which are described under the section headed "History, Development and Reorganisation — Reorganisation" in this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with par value of HK$0.01 each in the share capital of our Company
"Share Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme conditionally adopted by our Company, further details of which are described in the paragraph headed "Other Information — 15. Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Sheung Fung"	Sheung Fung Limited (上鋒有限公司), a limited liability company incorporated in the BVI on 18 April 2018
"Si Mau"	Si Mau Limited (仕茂有限公司), a limited liability company incorporated in the BVI on 18 April 2018
"Staff Quarters Tenancy Agreement"	the tenancy agreement dated 20 May 2019 entered into by Happy Luck, Jane's Home, Oriental Chinese and Tsuen Wan Elderly Centre, our indirect wholly-owned subsidiaries, in respect of staff quarters for our Happy Luck Home, Pine Villa, Fai To Sino West Home and Tsuen Wan Centre located at 3/F, Four Sea Mansion, 11 Fa Yuen Street, Mongkok, Kowloon, Hong Kong
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it under the Listing Rules, unless the context otherwise requires

"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Sun Securities"	Sun Securities Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) regulated activities for the purpose of the SFO
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended supplemented or otherwise modified from time to time
"Tax Adviser"	PricewaterhouseCoopers Limited, the independent tax adviser to our Company effective from 4 May 2018
"Tenancy Agreements"	the Fai To (On Lai) Tenancy Agreement, Kato Home for the Aged Tenancy Agreement, Kato Elderly Home Tenancy Agreement, Fai To Home (Tuen Mun) Tenancy Agreement, Tsuen Wan Centre Tenancy Agreement, Happy Luck Home Tenancy Agreement, Tsuen Wan Staff Quarters Tenancy Agreement, Kato Home for the Aged Staff Quarters Tenancy Agreement, Staff Quarters Tenancy Agreement and Fai To Sino West Staff Quarters Tenancy Agreement
"Track Record Period"	the period comprising FY2016, FY2017, FY2018 and the eight months ended 30 November 2018
"Trustee"	the Trustee of the Family Trust, Shi Fung (PTC) Limited, a Private Trust Company (within the meaning of the BVI Financial Services (Exemptions) Regulations, 2007) incorporated on 6 February 2018
"Tsuen Wan Centre"	Tsuen Wan Elderly Centre Limited (荃灣老人中心有限公司), our care and attention home for the elderly with LORCHE No. 1223, the operating address of which is at Shop C1, 1/F, Tsuen Wan Centre Shopping Arcade, 87–105 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong
"Tsuen Wan Centre Tenancy Agreement"	the tenancy agreement dated 20 May 2019 entered into by Tsuen Wan Elderly Centre, our indirect wholly-owned subsidiary, in respect of Tsuen Wan Centre located at Shop C1, 1/F, Tsuen Wan Centre Shopping Arcade, 87–105 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong
"Tsuen Wan Elderly Centre"	Tsuen Wan Elderly Centre Limited (荃灣老人中心有限公司), a company incorporated in Hong Kong with limited liability on 28 June 2002 and an indirect wholly-owned subsidiary of our Company and the licence holder of Tsuen Wan Centre

"Tsuen Wan Staff Quarters Tenancy Agreement"	the tenancy agreement dated 20 May 2019 entered into by Tsuen Wan Elderly Centre, our indirect wholly-owned subsidiary in respect of staff quarters for Tsuen Wan Centre located at Flat C, 24/F, Block 9 (Nanking House), Tsuen, Wan Centre, 89 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong
"Underwriters"	the Public Offer Underwriters and the Placing Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"VMS Securities" or "Sole Sponsor"	VMS Securities Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities for the purpose of the SFO
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Offer Shares to be issued in the applicant's or applicants' own name(s)
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS
"%"	per cent.

Unless expressly stated or otherwise required by the context, all data contained in this prospectus are as at the Latest Practicable Date.

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assume no exercise of any options which may be granted under the Share Option Scheme.

Any websites referred to in this prospectus or any information appearing on such website do not form part of this prospectus.

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions or usage of those terms.

"CAGR"	compound annual growth rate
"care and attention home(s) for the elderly" or "care and attention home(s)"	care and attention homes for the elderly provide residential care, meals, personal care and limited nursing care for elderly persons who suffer from poor health or physical/mild mental disabilities with deficiency in activities of daily living but are mentally suitable for communal living, and are assessed to be of moderate impairment level under the Standardised Care Need Assessment Mechanism for Elderly Services
"Central Waiting List"	the Central Waiting List that has been implemented by the SWD for subsidised long-term care services since 28 November 2003 to facilitate the registration request of elderly for subsidised long term services at a single entry point
"EBPS Agreement(s)"	an agreement between the HK Government and a RCHE which can meet the requirements under EA1 or EA2 and has offered its residential care places for lease by the SWD. Such agreement sets out the minimum staffing requirement applicable to the RCHE, which is higher than the minimum staffing requirement under the RCH(EP)R and the RCHE Code of Practice
"Enhanced A1" or "EA1"	one of the two categories under the Enhanced Bought Place Scheme. EA1 homes have higher requirements in terms of staffing and per capita net floor space as compared to EA2 homes. As required under the Enhanced Bought Place Scheme, the staffing requirement for an EA1 homes with 40 places is 21.5, calculated on the basis of eight working hours per staff per day including relief staff and its per capita net floor area is 9.5 m^2
"Enhanced A2" or "EA2"	one of the two categories under the Enhanced Bought Place Scheme. EA2 homes have lower requirements in terms of staffing and per capita net floor area as compared to EA1 homes. As required under the Enhanced Bought Place Scheme, the staffing requirement for an EA2 homes with 40 places is 19, calculated on the basis of eight working hours per staff per day, including relief staff, and its per capita floor net area is 8 m^2

"Enhanced Bought Place Scheme" or "EBPS"	the scheme under which the SWD has purchased residential care places (beds) from private homes for the elderly since 1998, with a view to upgrading the service standard of these homes through enhanced service requirements in terms of staffing and space standard. This also helps to increase the supply of subsidised places so as to reduce elderly's waiting time for subsidised RCHE places. Elderly homes under the EBPS are split into two categories, namely EA1 and EA2 with different space standards and staffing requirements
"GFA"	gross floor area
"HKQAA"	the Hong Kong Quality Assurance Agency
"LORCHE"	Licensing Office of Residential Care Homes for the Elderly, which is established by the SWD for the administration of the licensing scheme under the RCH(EP)O, the RCH(EP)R and the RCHE Code of Practice
"RCH(EP)O"	the Residential Care Homes (Elderly Persons) Ordinance (Chapter 459 of the Laws of Hong Kong)
"RCH(EP)R"	the Residential Care Homes (Elderly Persons) Regulation (Chapter 459A of the Laws of Hong Kong)
"RCHE Code of Practice"	the Code of Practice for Residential Care Homes (Elderly Persons) issued by the SWD under section 22 of the RCH(EP)O
"residential care home(s) for the elderly" or "RCHE(s)"	RCHEs provide residential care and facilities for elderly aged 60 or above whom, for personal, social, health and/or other reasons, cannot adequately be taken care of at home. Persons aged between 60 and 64 may apply if there is a proven need. There are four types of RCHEs, namely, nursing homes, care and attention homes for the elderly, homes for the aged and hostels for the elderly
"residential care places"	beds in a RCHE
"SQMCS — ES"	the Service Quality Management Certification Scheme — Elderly Services
"Standardised Care Need Assessment Mechanism for Elderly Services"	since November 2000, the SWD has implemented the Standardised Care Need Assessment Mechanism for Elderly Services. Under the Standardised Care Need Assessment Mechanism for Elderly Services, an internally recognised tool, Minimum Data-Set Home Care (MDS-HC), is adopted to ascertain the care needs of elders and match them with appropriate services

"sq. ft."	square foot or square feet
"sq. m." or "m^2"	square metre(s)
"SWD"	the Social Welfare Department of the Hong Kong Government

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may”, “will”, “should”, “would”, “could”, “can”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “continue”, “seek”, “estimate”, or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements regarding our business strategies, development activities, estimates and projections, expectations concerning future operations, profit margins, profitability, competition and the effects of regulation.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Although these forward-looking statements are made by our Directors after due and careful consideration, these statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of the risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are neither statements of historical fact nor guarantees or assurances of future performance. Hence, you should not place undue reliance on such forward-looking statements.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- the success of our existing and future operation;
- our ability to materialise and manage our planned business expansion;
- our ability to retain senior management team members and recruit qualified and experienced new team members;
- our ability to maintain our competitiveness and operational efficiency;
- our prospective financial conditions;
- laws, regulations and rules for the residential care home for the elderly industry in Hong Kong; and
- other factors that are described in the section headed “Risk Factors” in this prospectus.

Any forward-looking statement made by us in this prospectus applies only as at the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

You should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We have previously been involved in certain incidents of non-compliance with certain Hong Kong regulatory requirements and the RCHE Code of Practice. If our RCHE licences are suspended, cancelled or not renewed, or if we fail to obtain a new RCHE licence for any new care and attention home that we operate, we may be unable to maintain or expand our operations.

We require RCHE licences to operate our existing and any new care and attention homes. The operations of our care and attention homes are subject to various laws and regulations, such as the RCH(EP)O, RCH(EP)R and RCHE Code of Practice, which mainly relate to, among others, the requirements for licensing, operation, management and supervision of care and attention homes and registration of health workers in Hong Kong. Our operations are also subject to certain other laws and regulations in relation to, among others, building safety, fire safety, labour, physiotherapists, registered nurses, dealing in and storage of pharmaceutical products and dangerous drugs. Our care and attention homes are subject to periodic licence renewal requirements and inspections by various government departments in relation to building safety, fire safety, health and care and social work. See "Business — Legal Compliance and Litigation — Licences" in this prospectus for details of the major licences for our care and attention homes and their respective expiration dates and see "Regulatory Overview" in this prospectus for a summary of the key laws and regulations which are applicable to our Group's operations.

We have previously been involved in certain non-compliance incidents, namely, non-compliance with RCH(EP)O, RCH(EP)R, RCHE Code of Practice, Inland Revenue Ordinance and MPFS Ordinance. During the Track Record Period and up to the Latest Practicable Date, six of our care and attention homes had received seven warning letters from the LORCHE. According to the relevant warning letters, the SWD may, among others, cancel or temporarily suspend the licence of the relevant RCHE, refuse to renew the licence, or change any condition attached to the licence. For details on non-compliance incidents, see "Business — Legal Compliance and Litigation — Compliance with laws and regulations" in this prospectus for further details.

There is no assurance that our RCHE licences will not be suspended, cancelled or will be renewed, or if we fail to obtain a new RCHE licence for any new care and attention home that we operate. If our RCHE licences are suspended, cancelled or not renewed, or if we fail to obtain a new RCHE licence for any new care and attention home that we operate, our operations could be interrupted and our financial condition, results of operations and expansion plans may be materially and adversely affected. If any enforcement action is taken by the relevant authorities and our Controlling Shareholders fail to indemnify us fully under the Deed of Indemnity, we may be required to, among others, pay further penalties. Moreover, there is no assurance that our business and financial position and prospects including but not limited to our reputation in the industry will not be adversely affected by such historical non-compliance incidents.

For further information on RCHE licences, see "Regulatory Overview — Regulations in relation to the Operation of the RCHEs" in this prospectus. For details on non-compliance incidents, see "Business — Legal Compliance and Litigation — Compliance with laws and regulations" in this prospectus.

We depend on the SWD for a significant portion of our revenue.

During the Track Record Period and up to the Latest Practicable Date, seven of our care and attention homes participated in the EBPS pursuant to which the SWD purchased up to 579 of our 1,129 residential care places, representing approximately 51.3% of our total number of residential care places as at the Latest Practicable Date.

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our revenue generated from the payment of the base rate by the SWD under the EBPS and the monthly residential fee paid by the residents who participated under the EBPS amounted to approximately HK$62.6 million, HK$64.2 million, HK$67.1 million and HK$48.8 million, representing approximately 43.9%, 42.7%, 43.0% and 42.5% of our total revenue, respectively. We expect that we will continue to derive a portion of our revenue from the SWD through our participation in the EBPS.

The entry requirements of the EBPS include requirements on spacing standard and staffing as well as service quality requirements. We generally enter into separate EBPS Agreements in respect of each of our care and attention homes with the SWD under the EBPS for a term of two years regarding the purchase of residential care places. We cannot assure you that we will continue to be eligible for participation in the EBPS. Further, we cannot assure you that the SWD will continue to purchase the same number of residential care places from us at an acceptable price, or at all or it will continue to implement the EBPS in the future.

During the Track Record Period, Tsuen Wan Centre received a warning letter in relation to insufficient staffing of the care and attention home required, which constituted a failure to observe the terms under the EPBS agreement between the RCHE and the SWD. For more details, see "Business — Legal Compliance and Litigation — Compliance with laws and regulations — Non-compliance" in this prospectus. Pursuant to the EBPS Agreements, the SWD has the right to reduce the number of residential care places purchased by giving prior notice and adjust the residential fees payable with reference to the average monthly consumer price index once a year. If the SWD exercises its rights mentioned above, we cannot assure you that we will be able to locate individual customers to fill in the vacancy in a timely manner or at all while charging the same rate as that paid by the SWD under the EBPS, and that the adjusted residential fees will be able to cover our cost of services, which could have a material adverse effect on our business, financial position and results of operations.

We depend on our reputation within the RCHE industry and are subject to risks of negative publicity resulting from caretaking incidents or accidents and legal proceedings arising from our operations may harm our reputation.

Our continued success depends on our ability to maintain our reputation in the RCHE industry. Whilst our management strives to maintain adequate experienced staff on our healthcare team and provide induction and continuous training to our new and existing employees to ensure that our services are of high quality, there may be situations which are beyond our staff's or management's control. Our reputation could be damaged when the quality of our services fail to meet our elderly residents' expectation. Any negative publicity in relation to our services or our facilities could seriously damage our reputation which in turn may hamper our marketing efforts and cause a loss of elderly residents which may have a material adverse effect on our business, financial positions and results of operations. In addition, any potential or actual litigations, claims or complaints from our elderly residents or their family members may divert our management's attention and our Group's resources which could materially and adversely affect the results of our operations.

Our nursing and personal caretaking services include the administration or injection of medication according to doctor's prescription. We follow the "three checks five rights" (三核五對) procedures and guidelines published by the relevant government department and our nurses supervise and monitor our medication administration routines. Nevertheless, we are exposed to inherent risks of these procedures. Furthermore, our elderly residents may suffer from outbreaks, illnesses or physical injuries due to our staff's actions or inaction. If there is any failure to ensure the safety of our elderly residents, we will be susceptible to legal claims from our elderly residents. There can be no guarantee or assurance that our elderly residents will never suffer any accidents, incidents, injuries or suffer from any illnesses at our care and attention homes.

Our Group may be subject to additional tax liabilities, which could have adverse impacts on our financial condition.

The IRD initiated tax audits on certain subsidiaries of our Group covering the years of assessment from 2008/09 to 2013/14 and 1993/94 to 1998/99, this resulted in a total penalty of approximately HK$5.5 million and HK$0.7 million, respectively. See "Business — Legal Compliance and Litigation — Non-compliance — Tax incident prior to the Track Record Period" in this prospectus for further details. The years of assessment of our Group from 2013/14 up to 2018/19 are open for review by the IRD. If the final determination of the relevant tax authorities in Hong Kong with respect to the tax payable by our Group is different from our Group's historical income tax provisions and accruals due to a change of the applicable tax rates, or modification or a different interpretation of the relevant provisions, which could have been otherwise favourable to our Group, our Group may face adverse tax consequences. This could have a material effect on our Group's financial statements in the period or periods for which that determination is made.

We are required to comply with staffing requirements and our performance depends on our ability to recruit and retain quality and qualified staff. In addition, the RCHE industry in Hong Kong is faced with manpower shortage which may adversely affect our labour costs.

We are required to comply with staffing requirements in relation to, among others, health workers, registered/enrolled nurses, physiotherapists, care workers, home manager and ancillary workers under the RCH(EP)R, RCHE Code of Practice and EBPS Agreements. We also engage qualified healthcare professionals such as social workers, physiotherapists and occupational therapists from external service providers. Nurses, social workers, physiotherapists and occupational therapists are required to renew their licences whereas health workers are required to maintain registration under the RCH(EP)R and are subject to continuing monitoring by the LORCHE.

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our staff costs amounted to approximately HK$53.8 million, HK$57.9 million, HK$54.8 million, and HK$37.0 million, representing approximately 37.8%, 38.6%, 35.1%, and 32.2% of our revenue, respectively. Our performance as well as success therefore rely, in part, on the number and quality of qualified staff for our care and attention homes. If we do not succeed in attracting and retaining an appropriate level of motivated and qualified staff, our service quality and consistency and our ability to execute our business strategy may be undermined. Further, our eligibility to participate in the EBPS may be adversely affected. A shortage of skilled staff could also lead to an increase in salaries, wages and benefits, which would reduce our profits and have a material and adverse effect on our operating results and financial performance.

As we lease all of the properties for the operation of our care and attention homes, of which, six of our care and attention homes for the elderly were leased from our Controlling Shareholders, there is no assurance that our tenancy agreements will be successfully renewed or renewed on comparable term or will not be early terminated and we are subject to risk of rental price fluctuation in the real estate market in Hong Kong.

As at the Latest Practicable Date, all of our care and attention homes for the elderly operated in leased properties and six out of eight of our care and attention homes for the elderly were leased from our Controlling Shareholders, as a result we are exposed to fluctuations in the rental market. For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our property rentals and related expenses for our care and attention homes and staff quarters, amounted to approximately HK$25.4 million, HK$24.9 million, HK$28.2 million and HK$19.9 million, respectively, representing approximately 17.9%, 16.6%, 18.0% and 17.3% of our total revenue for the respective periods. Accordingly, rental costs account for a significant portion of our operating expenses.

We cannot guarantee that our leases will be successfully renewed or renewed on comparable terms (including, without limitation, on similar tenure and on similar rental charges). We cannot guarantee that our leases will not be terminated by the landlords before the expiry of the relevant terms. Also, our leasing obligations will expose us to the potential risks brought about by an increased rental expenses, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes. Except for Fai To Sino West Home and Pine Villa where the expiry dates of its respective existing tenancy agreements are 31 July 2020 and 31 July 2021, respectively, all our remaining tenancy agreements will expire on 31 March 2022. See "Business — Properties — Leased properties" in this prospectus for further details. If we are not able to move our existing care and attention homes to new locations or satisfy the requirements for new licence application for the new care and attention homes, our operations will be severely and adversely affected or we may incur substantial expenses in relation to renovation costs, compliance costs and/or termination of the relevant agreements with our elderly residents. This may have an adverse impact on our business, financial position and future potential growth.

The application of HKFRS 16 will affect our statement of financial position, profile of profit and loss statement and certain key ratios (including gearing ratio) when it becomes effective due to our operating lease arrangements.

HKFRS 16 was published in January 2016 and will be effective for accounting periods beginning on or after 1 January 2019. It addresses the definition of a lease, recognition and measurement of leases and principles for reporting useful information to users of financial information about the leasing activities of both lessees and lessors. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. During the Track Record Period, our Group acted as lessee in relation to various properties, which are currently classified as operating leases. As at 30 November 2018, our operating lease commitment amounted to approximately HK$52.8 million. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the statements of financial position instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). It is expected therefore that the new standard under HKFRS 16 will result in an increase in right-of-use assets and financial liabilities in the consolidated statements of financial position. Given the non-cancelable operating lease commitments of our Group is significant, the initial adoption of HKFRS 16 is expected to have significant impact on our Group's financial positions. This will affect related ratios, such as an increase in current ratio, quick ratio and gearing ratio and a decrease in return on total assets. As for the impact on our results of operations in the consolidated statements of comprehensive income, it is expected that our operating lease expenses will decrease, while depreciation and interest expense will increase. However, our Directors expect the adoption of HKFRS 16 has no material impact, other than the change of presentation of expenses, on our Group's financial performance for the year ending 2020.

We may not be able to attract and retain our Directors and senior management, which may severely disrupt our business, results of operation and future prospects.

Our success depends heavily on our ability to attract, retain and motivate key personnel, including our Directors and senior management members. Certain of our executive Directors has over 20 years' experience in the RCHE industry. In particular, Ms. Ngai, our executive Director has over 27 years of experience in the RCHE industry, and therefore has an in-depth understanding of the market trends and policy changes in the industry. Further, majority of our senior management team has worked with our Group for over 10 years and possesses an extensive experience and technical knowledge in relation to the RCHE industry. The continuous successful management of our business is, to a considerable extent, dependent on our Directors and senior management members who play vital roles in our operations. If any of our Directors or senior management members is unable to continue to serve in their present positions and we are not able to recruit suitable and qualified personnel to replace them, our business may be severely disrupted and our results of operations and future prospects may be affected.

We have limited or no control over the quality of the pharmaceuticals, medical equipment, consumables and other supplies we use in our operations, and cannot guarantee that none of the products we use are counterfeits free from defects and meet the relevant quality standards.

Pharmaceuticals taken by the residents are procured by themselves whereas medical equipment, consumables and other supplies used by us in our operations are procured by us from our suppliers. We offer for sale some elderly home related goods we procure from our suppliers to our residents, including but not limited to diapers, nutritional milk, wipes and blood glucose test strips. As we do not engage in the direct manufacture of such supplies, we cannot assure you that such supplies are free from defects and meet the relevant quality standards or are not counterfeits. We cannot assure you that we will not encounter incidents relating to defective or counterfeit products used by us going forward, or that such incidents will not materially and adversely affect us. If the products provided by our suppliers are defective, counterfeit, of poor quality or are otherwise unsafe or ineffective, we could be subject to liability claims, complaints or adverse publicity, any of which may adversely affect our results of operations and reputation. We may also need to find suitable replacement suppliers, if any, which may cause supply shortages that could lower our profit margins and result in delays in our operations.

As our expansion plans are expected to be funded by the Net Proceeds from the Share Offer, our operating cash flow and other sources of financing such as banking facilities, we may need additional capital to fund our expansion plans, which we may not be able to obtain on acceptable terms, or at all.

We intend to further expand the number of our care and attention homes for the elderly after the Listing and therefore we may need additional capital to fund our capital expenditure associated with our expansion plans. See "Future Plans and Use of Proceeds" in this prospectus for further details. There is no assurance that we will generate sufficient cash flow from our operating activities for our intended expansion plans. In the event that we do not have sufficient operating cash flow, we will need to obtain alternative financing. There is no assurance that we will be able to obtain adequate financing on acceptable terms, or at all. Our ability to obtain additional capital on acceptable terms will be subject to a variety of uncertainties, including:

- investor perceptions of and appetite for securities of companies engaged in the industry in which we are operating our business;

- conditions in the capital and financial markets in which we may seek to raise funds;
- our future cash flows, financial condition and results of operations; and
- economic, political and other conditions in Hong Kong and the rest of the world.

We may be required to scale down our planned capital expenditures, which may adversely affect our ability to achieve economies of scale and implement our planned growth strategy. If we raise additional funding, our interest and debt repayment obligations will increase. The terms of any future debt facilities may also impose restrictive covenants that may restrict our business and operations or result in dilution of shareholding of the Shareholders in the case of equity financing. Our inability to raise additional funds in a timely manner and on terms favourable to us, or at all, may have a material adverse effect on our financial condition, results of operations and prospects.

Also, the successful implementation of our expansion plans are subject to a number of risks and uncertainties, including but not limited to our ability to:

- locate quality and suitable care and attention homes or property and secure leases on commercially reasonable terms;
- obtain mandatory government operating licence and approvals;
- obtain adequate financing for development and opening costs;
- incurring debts which could reduce our available funds for operation and other purposes as a result of increased debt repayment obligations;
- efficiently manage the time and cost involved in the design, renovation and pre-opening processes for new care and attention homes;
- potential impairment losses relating to goodwill or other intangible assets acquired;
- accurately estimate expected demand in new locations and markets;
- secure adequate suppliers that meet our quality standards;
- hire, train and retain skilled management and other employees on commercially reasonable terms;
- diverting efforts of the management and other resources; and
- successfully promote our new care and attention homes.

We plan to renew and upgrade facilities of our care and attention homes and such may result in increase in depreciation expenses and may affect our financial results and conditions.

We intend to apply approximately 23.3% of the Net Proceeds to renew and upgrade facilities of our care and attention homes. See "Business — Our Strategies — Continue to upgrade the facilities and purchase of new equipment at our network of care and attention homes for the elderly and renovate our care and attention homes for the elderly" in this prospectus for details of our upgrade and renovation strategy. With the intended upgrade of facilities, it is expected that additional depreciation will be reflected in our profit and loss and as a result will adversely affect our financial performance and operating results.

Staffing requirements at our new care and attention homes may affect our business, financial conditions and results of operations.

Opening new care and attention homes will incur additional expenses before commencement of operation, such as staff costs. As we expand the scale of our business operations and our requirement to comply with staffing requirements pursuant to the RCH(EP)R, RCHE Code of Practice and EBPS Agreements, it may become increasingly difficult for us to attract and retain an adequate number of qualified staff for our new care and attention homes. We cannot predict the degree to which we may be affected by the future availability of manpower or cost of attracting and retaining talented staff. Our failure to recruit or retain or the loss of qualified staff to our care and attention homes or the loss of or increased costs in retaining such qualified staff in our new care and attention homes, would have a material adverse effect on our business, financial conditions and results of operations.

We recorded net current liabilities in the past.

As at 31 March 2016, we had net current liabilities of approximately HK$8.6 million mainly due to the repayment of (i) amount due to a director; and (ii) interest-bearing bank borrowings which was primarily used as working capital. There can be no assurance that we will not experience a net current liabilities position in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our planned expansion plan.

Renovation, application process for licences and permits and other unforeseen circumstances may take longer than expected and could delay our expansion which would affect our business and results in operations.

We expect that the schedule of renovation and the initial period of operating any new care and attention homes will affect our financial condition and results of operations, and may lead to fluctuations in financial performance in the future. Our initial operation and ramp-up schedule may also be delayed due to unforeseen circumstances arising during the process in application for approval in obtaining the requisite operational licences from various departments of the HK Government, including the SWD, the Buildings Department, the Planning Department and the Fire Services Department. We cannot assure you that we will be able to obtain all the required approvals or licences for establishing and operating new care and attention homes in a timely manner or at all. In addition, we may be unable to achieve our target occupancy rate at our new care and attention homes for the following reasons, among others: (i) any failure or material delay in obtaining the required permits, operational licences and/or approvals; (ii) any labour shortage in qualified healthcare professionals or supporting staff; (iii) substantial increase in costs in the operations of our new care and attention homes; and (iv) lack of or weak reception from potential customers.

Our past performance is not necessarily indicative of future results.

Our total revenue amounted to approximately HK$142.4 million, HK$150.2 million, HK$156.0 million and HK$114.8 million for the three years ended 31 March 2018 and the eight months ended 30 November 2018, respectively. Although our revenue has increased over the Track Record Period, such financial data only reflects our past performance, which is not necessarily indicative of future results. The effects of the changing regulatory, economic and other unpredictable factors may have a material effect on our business and hence affecting our future financial performance. In addition, our financial and operating results may not meet the expectation of public market analysts or investors, which could cause the future price of the Shares to decline. Our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. You should not rely on our historical results to predict the future performance of our operation or our Shares.

We recorded accumulated losses of approximately HK$2.9 million as at 1 April 2015.

We recorded accumulated losses of approximately HK$2.9 million as at 1 April 2015 (i.e. the beginning of the Track Record Period). Such accumulated losses were mainly attributable to the tax penalty imposed by the IRD of approximately HK$5.5 million recorded in the year ended 31 March 2015. See "Business — Legal Compliance and Litigation — Non-compliance — Tax incident prior to the Track Record Period" for further details.

There is no assurance that our Group will not record accumulated losses in the future. Having accumulated losses could adversely affect our ability to make dividend distributions as the payment and amount of dividends declared by our Board will depend upon our Group's (a) overall results of operation; (b) financial position; (c) capital requirements; (d) shareholders' interests; (e) future prospects; and (f) other factors which our Board deems relevant.

We may not receive further government subsidies and the loss of which may affect our financial position.

During the Track Record Period, we received government subsidies of approximately HK$7.4 million, HK$7.4 million, HK$8.1 million and HK$5.4 million for the three years ended 31 March 2018 and the eight months ended 30 November 2018, respectively, from the HK Government mainly for hiring specialised professionals for our residents with dementia or infirmary in our qualified centres pursuant to Dementia Supplement. See paragraph headed "Financial Information — Description of Selected Items in Consolidated Statements of Comprehensive Income — Subcontracting fees" in this prospectus for further details. However, there is no assurance that the government subsidies will be recurring in the future and that our Group will receive further government subsidy. If no or a smaller amount of government subsidy is received by our Group in the future, our financial position may be adversely affected.

All of our business operations are currently located in Hong Kong, which renders us sensitive to changes in local conditions, such as those with respect to laws and regulations, force majeure events, natural disasters or outbreaks of contagious diseases.

Currently, all of our business operations are based in Hong Kong. Our business operations and the demand for our services are therefore exposed to any deterioration in the economic, social and/or political conditions of Hong Kong, significant changes in laws and regulations governing the RCHE industry, such as those relating to the EBPS and government fundings and resources allocation, as well as any incidence of social unrest, strike, riot, civil disturbances, disobedience, recurrence of past outbreaks or epidemics, occurrence of any future epidemic outbreaks, natural disasters or other catastrophic events in Hong Kong. Since our business operations are only limited to Hong Kong, the aforesaid adverse circumstances may materially and adversely disrupt operations of our care and attention homes and in turn, the revenue and profitability of our Group, and consequently, our results of operations and financial condition.

Our insurance may not cover all potential losses and claims.

We have taken out insurance policies for all of our care and attention homes, which cover business interruption, malicious attack, employee compensation, professional indemnity and other liabilities and other insurance policies as required by Hong Kong law to cover our business operations. However, our insurance policies may not cover all eventualities or payments by our insurers may not fully compensate us for all potential losses, damages or liabilities relating to our business operations, and there may be occasions where we are required to pay the excess in accordance with the insurance policies.

Further, our insurers may otherwise find themselves financially unable to meet claims. In addition, there are certain types of losses for which full insurance coverage is not generally available on commercial terms acceptable to us, or at all. Examples of these include insurance against losses suffered due to business interruption, earthquake, flooding or other natural disasters, war or civil disorder and loss or damage caused by building works not authorised by the Building Authority. Therefore, there may be instances when we will have to bear losses, damages and liabilities because of our lack or insufficiency of insurance coverage. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance cover, we may not have sufficient funds to cover such losses, damages or liabilities or to reinstate any properties which may be damaged or destroyed. In addition, any payment we make to cover any losses, damages or liabilities could have a material adverse effect on our business, results of operations and financial position.

Our business operations are susceptible to risk of disruption of our information system. We may not be able to protect our elderly residents' personal information from leakage or improper use, which could expose us and/or our staff to claims or litigation.

Our information systems and our computer network infrastructure help us to operate and monitor our care and attention homes, such as billing, financial and budgeting data and resident records. We regularly maintain, upgrade and enhance the capabilities of our information systems to meet new and existing operational needs. Any technical failures in our information systems may cause interruptions to the smooth operations of our care and attention homes and our ability to keep accurate records of our business operations. In addition, we may be subject to liability as a result of any theft or misuse of personal information stored on our systems due to wilful misconduct or gross negligence.

RISK RELATING TO THE INDUSTRY IN WHICH WE OPERATE

The elderly residential care home industry in which we operate is highly competitive, and if we do not compete successfully against new or existing competitors, we may be unable to maintain or expand our market share, which would adversely affect our profitability.

We compete with other operators of RCHEs, such as operators of subvented homes, non-governmental organisations and private sector organisations. We will also compete with future market entrants as the potential of the RCHE industry in Hong Kong may attract more players to enter the industry or to expand their existing operations. Some of our existing and potential competitors may have competitive advantages, such as greater financial, marketing or other resources. We compete for the number of purchased places under the EBPS as well as other residents primarily on the basis of the range and the quality of services that we offer, our reputation, quality of our RCHEs, location and price. We cannot assure you that we will be able to successfully compete against new or existing competitors, which could prevent us from increasing or maintaining our market share and result in a material adverse effect on our business, financial position and results of operations.

Our business may be adversely affected by an unfavourable market perception of the whole elderly residential care home industry.

We consider that both existing and potential elderly residents of the elderly residential care home industry are very sensitive to any negative review, comment or allegation in relation to the quality of services provided by the existing operators in the industry. Any allegation or negative news surfacing in the media or in social media forums of any accident, poor living standard of elderly residents, low service quality or abuse of the elderly by any elderly residential care home service providers, regardless of merits may lead to material deterioration in the customer confidence and market perception of the whole elderly residential care home industry and could lead to a lower demand for elderly residential care home services. The entire elderly residential care home industry and its participants including our Group could consequently be exposed to reputational harm and our business, financial performance, results of operations and prospects may in turn, be materially and adversely affected.

In recent years, there have been media exposures of cases of abuse of residents in private RCHEs. This has raised public concern and resulted in a negative perception about the service quality of private RCHEs, which may eventually impact customers' decision making when selecting residential care services. Private RCHEs would need to improve their quality of services and internal monitoring to rebuild confidence among the public. See "Industry Overview — Threats and challenges to the RCHE industry in Hong Kong" in this prospectus for more details on the threats and challenges that our Group face in the RCHE industry in Hong Kong.

Any changes in Hong Kong's regulatory regime for elderly residential care home industry or on importation of labour could have a material adverse effect on our results of operation.

The elderly residential care home industry is heavily regulated. The relevant laws and regulations may change in the future and it is uncertain as to any future development on regulations and introduction of new laws on care standard required for care and attention homes. Also, our business and costs of operation depend to a large extent on our ability to import labour under the Supplementary Labour Scheme. Therefore, any such adverse change in Hong Kong's regulatory regime for the elderly residential care home industry or on importation of labour could become unfavourable to our business and operations and would have a material adverse effect on our results of operations.

Proposed new regulatory requirement and new alternatives by the Hong Kong Government to address the shortage of subsidised RCHE places may affect our financial and operational performance.

In May 2018, the SWD proposed an increase in required activity area per person of RCHEs. The Elderly Commission recommended to increase the required area from 6.5 m^2 to 9.5 m^2 (referenced to the standard of EA1 category RCHEs under the EBPS). According to the Labour and Welfare Bureau, the proposed increase in activity area per person is expected to reduce 15.8% of places provided by non-subsidised private RCHEs and 1.6% for subsidised places.

Further, the Pilot Residential Care Services Scheme in Guangdong (the "**Guangdong Scheme**") introduced in 2014 provides an option for elderly who are on the Central Waiting List to consider choosing to live in RCHEs in mainland China, including Guangdong and Fujian. To provide elderly with the option to reside in RCHEs in Guangdong, the Hong Kong Government has now planned to allow elderly persons not waiting on the Central Waiting List to join the Guangdong Scheme. The Portable Comprehensive Social Security Assistance Scheme enables elderly Comprehensive Social Security Assistance Scheme (the "**CSSA**") recipients to continue to receive cash assistance under the CSSA if they choose to take up permanent residence in Guangdong or Fujian. This has encouraged elderly to move to RCHEs located in those two provinces in the mainland China.

As a result of the proposed new regulatory requirement and the new alternatives by the Hong Kong Government in addressing the shortage of subsidised RCHE places and public concern towards elder abuse cases in private RCHEs, our financial and operational performance may be adversely affected.

Any outbreak of severe communicable diseases in Hong Kong may adversely affect our financial performance.

Our operation of care and attention homes in Hong Kong are prone to, any outbreak of severe communicable disease in Hong Kong which may have an adverse effect on the economic conditions and environment in Hong Kong and our future growth and overall financial position will be adversely affected. Moreover, our elderly residents are of different health conditions and some of them may require frequent visits to hospitals or clinics for health check-up or routine medical treatments. Where there is any outbreak of severe communicable disease, elderly residents who require frequent visits to hospitals or clinics are exposed to higher risk of contracting such communicable disease which could, in turn, result in a local outbreak of such communicable disease in our care and attention homes. In such event, we may have to temporarily shut down our care and attention homes which may result in the suspension of our business operations.

We may not be able to prevent unauthorised use of our intellectual property by others, which could harm our business and reputation.

As at the Latest Practicable Date, we owned one trademark and one domain name. For details of the intellectual property rights of our Group, see "10. Intellectual property rights of our Group" in Appendix V to this prospectus. Although we have registered our trademark within Hong Kong, protection may not be adequate and we are susceptible to third parties' infringement of our intellectual property rights. There is no assurance that third parties will not copy or otherwise obtain and use our intellectual property rights without our prior authorisation. Such infringement could adversely affect the perception that our customers have of us as to our credibility, creditworthiness and abilities. If we were to enforce our intellectual property rights through litigation, such litigation, whether successful or not, could result in substantial costs and diversion of resources. Therefore, in the event that we are unable to adequately protect our intellectual property rights, our reputation, business, financial condition and results of operations and prospects may be materially and adversely affected.

RISKS RELATING TO THE SHARE OFFER

There is no prior public market for our Shares and an active trading market may not develop or be sustained after the Listing.

Prior to the Share Offer, there has not been a public market for our Shares. We have applied for the listing of and dealing in our Shares on the Stock Exchange. However, even if approved, we cannot assure you that an active and liquid public trading market for our Shares will develop following the Share Offer, or, if it does develop, it will be sustained. The financial market in Hong Kong and other countries have in the past experienced significant price and volume fluctuations. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results. Accordingly, we cannot assure you that the liquidity and market price of our Shares will not fluctuate.

The Offer Price for our Shares was the result of, and the Offer Price will be the result of, negotiations among our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) and may not be indicative of prices that will prevail in the trading market after the Share Offer. Therefore, our Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares purchased in the Share Offer.

Trading price and volume of our Shares may fluctuate significantly.

There are a number of factors which may affect the market price of our Shares including, but not limited to, actual or anticipated fluctuations in our operation results, changes in our cash flows and new investments and strategic alliances. Some factors may be beyond our control, such as announcements made by our competitors and regulatory developments affecting us, our customers or our competitors. Any such developments may result in large and sudden changes in the volume and market price at which our Shares will be trading. There is no guarantee that these developments will or will not occur in the future and it is difficult to quantify the impact on our Group and on the trading volume and market price of our Shares.

The trading price of our Shares could be lower than the Offer Price when trading begins.

The Offer Price is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fourth Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, our Shareholders are subject to the risk that the trading price of our Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time when trading begins.

Our Controlling Shareholders may exert substantial influence over our operation and may not act in the best interests of our public Shareholders.

Upon the completion of the Capitalisation Issue and the Share Offer (without taking into account any of the Shares which may be issued and allotted pursuant to the exercise of any option which may be granted under the Share Option Scheme), our Company will be held as to 62.4% by Sheung Fung. See "Relationship with the Controlling Shareholders" in this prospectus for further details. Therefore, our Controlling Shareholders will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors, dividend payments and other distributions, acquisition of or merger with another entity and approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our Shareholders. The interests of our Controlling Shareholders may not always align with our Company or your best interests. If the interests of our Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

Some of our Controlling Shareholders, namely Mr. Kwong, Ms. Ngai and Mr. Ngai are also our Directors. Under their fiduciary duties as directors, our Directors are required, among others, to act in good faith and in the best interest of our Company, to exercise powers for their proper purpose, and not to allow any conflict between their duties as Directors and their personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, each of the interested Directors shall abstain from voting at the relevant meetings of the Board in respect of such transactions and shall not be counted in the quorum. However, our other Controlling Shareholders will have the power to prevent or cause a change in control of our Company. Our Controlling Shareholders will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our other Shareholders.

Without the consent of our Controlling Shareholders, our Group may be prevented from entering into transactions that could be beneficial to it and the other Shareholders. See "Relationship with the Controlling Shareholders" in this prospectus for further details of our Controlling Shareholders.

Future sales by our Controlling Shareholders of substantial amounts of our Shares in the public market after the Share Offer could materially and adversely affect the prevailing market price of our Shares.

Except for the Shares issued in the Share Offer, our Company has agreed with the Joint Bookrunners not to issue any of the Shares or securities convertible into or exchangeable for the Shares during the period beginning from the date of this prospectus and continuing through the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, except with the prior written consent of the Joint Bookrunners. Further, the Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods commencing on the Listing Date and up to 12 months after the Listing Date. See "Underwriting — Underwriting Arrangements and Expenses" in this prospectus for a more detailed discussion of restrictions that may apply to future sale of the Shares. After these restrictions lapse, the market price of the Shares may decline as a result of any sale of substantial amounts of the Shares or other securities relating to the Shares in the public market, the issuance of the new Shares or other securities relating to the Shares, or the perception that such sales or issuances may occur. This may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

You may face difficulties in protecting your interests under Cayman Islands law.

Our corporate affairs are governed by our Memorandum of Association and Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of interests of minority shareholders, in some respects, differ from those established under statutes or judicial precedent in existence in Hong Kong. Such differences may mean that our minority Shareholders have less protection than they would have under the laws of Hong Kong. The rights of our Shareholders to take action against our Directors, the rights of our minority Shareholders to institute actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. A summary of Cayman Islands Company Laws is set out in Appendix IV to this prospectus.

We cannot assure you that we will declare and distribute any amount of dividends in the future.

The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Law, including where required, the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. See "Financial Information — Dividends" in this prospectus for further details.

You should read this prospectus in its entirety and we strongly caution you not to place any reliance on any information contained in the press articles, other media and/or research analyst reports regarding us, our business, our industry and the Share Offer.

There may be subsequent to the date of this prospectus but prior to the completion of the Share Offer, press, media, and/or research analyst coverage regarding us, our business, our industry and the Share Offer. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding our Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the Shares, the Share Offer, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of information contained in this prospectus only and should not rely on any other information.

We cannot guarantee the accuracy of certain facts and statistics contained in this prospectus.

Certain facts and statistics in this prospectus have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us, the Joint Bookrunners, the Sole Sponsor, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Share Offer and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.

For the purpose of the Listing, our Company has sought the following waivers from the Stock Exchange in relation to certain requirements under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

CONTINUING CONNECTED TRANSACTIONS

After the Listing, certain transactions with connected persons are expected to continue and will constitute non-exempt continuing connected transactions of our Company under the Listing Rules. The transactions under the Tenancy Agreements are subject to reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and our Company has applied for a waiver from strict compliance with the applicable requirements under Rule 14A.105 of the Listing Rules and the Stock Exchange has agreed to grant a waiver from strict compliance with the announcement, circular, and independent shareholders' approval requirements set forth in Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. See "Connected Transactions" in this prospectus for more information on such transactions.

RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1)(b) IN RESPECT OF PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Rule 4.04(1) of the Listing Rules requires a listing applicant to include in the prospectus the consolidated results of the listing group in respect of each of the three financial years immediately preceding the issue of the prospectus or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and set out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance ("**Paragraph 27**") requires the listing applicant to include in the prospectus a statement as to, among others, the gross trading income or sales turnover (as may be appropriate) of the listing applicant during each of the three financial years immediately preceding the issue of the prospectus, including an explanation of the method used for the computation of such income or turnover, and a reasonable break-down between the more important trading activities.

Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance ("**Paragraph 31**") requires the listing applicant to include in the prospectus a report by its auditors with respect to, among others, its profits and losses and assets and liabilities of the listing applicant in respect of each of the three financial years immediately preceding the issue of the prospectus.

Pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

We have adopted 31 March as our financial year end date. This prospectus contains the audited financial results of our Group for the three years ended 31 March 2018 and the eight months ended 30 November 2018, but does not include the financial results of our Company in respect of the full year immediately preceding the proposed date of issue of this Prospectus, being the full year ended 31 March 2019, as required under Rule 4.04(1), Paragraph 27 and Paragraph 31 as the strict compliance with the requirements thereunder would be unduly burdensome for our Company and the waiver and exemption thereof would not prejudice the interest of the investing public for the following reasons:

- as the financial statements would otherwise be required to be audited up to 31 March 2019 and our reporting accountant would then have to undertake a substantial volume of additional work to prepare, update and finalise the accountant's report to cover the additional four-month period from 1 December 2018 to 31 March 2019 within a short period of time and there would not have been sufficient time for our reporting accountant to complete and finalise the audit of the consolidated financial statements of our Group for the full financial year ended 31 March 2019 for inclusion in this prospectus according to the Listing timetable; and

- our Directors and the Sole Sponsor consider that the benefits of such additional work to be done by the reporting accountant to the existing and prospective Shareholders would not justify the additional work, costs and expenses that would be involved and a delay of the timetable for the Listing, given that there has been no material adverse change in the financial and trading positions or prospects of our Group since 30 November 2018 (except for the non-recurring listing expenses), being the end of the period reported on by the reporting accountant and there is no event which would materially affect the financial information as contained in the accountant's report (as set out in Appendix I to the Prospectus), the unaudited pro forma financial information (as set out in Appendix II to the Prospectus) and the profit estimate for the year ended 31 March 2019 (as set out in the section headed "Financial Information — Profit Estimate for the Year Ended

31 March 2019" of the Prospectus). Our Directors and the Sole Sponsor have further confirmed that all information that is necessary for the public to make an informed assessment of our Group's financial and trading positions or prospects has been included in this prospectus.

As such, the Sole Sponsor has applied on behalf of our Company to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rule 4.04(1) of the Listing Rules on the following conditions:

- the Listing Date shall not be later than three months after the latest financial year end of our Company, i.e. on or before 30 June 2019;
- the SFC granting a certificate of exemption on strict compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to Paragraph 27 and Paragraph 31 subject to such conditions as the SFC thinks fit in the granting of such certificate of exemption;
- a profit estimate for the year ended 31 March 2019 which complies with Rules 11.17 to 11.19 of the Listing Rules is included in this prospectus;
- a Directors' statement that save as the listing expenses, there had been no material adverse change to our Group's financial and trading positions or prospect with specific reference to the trading results from 1 December 2018 to 31 March 2019 is included in this prospectus; and
- our Company shall publish its annual results announcement and annual report for the financial year ended 31 March 2019 in compliance with Rules 13.46(2) and 13.49(1) of the Listing Rules.

Further, an application has been made to the SFC for a certificate of exemption from strict compliance with Paragraph 27 and Paragraph 31 by permitting the non-inclusion of the consolidated results of our Group for the full year ended 31 March 2019, on the ground that strict compliance with the Paragraph 27 and Paragraph 31 would be unduly burdensome for our Company as there would not be sufficient time for us to prepare the full year financial statements for the year ended 31 March 2019 and for the reporting accountant to complete the audit thereon prior to the issue of this prospectus, and the exemption will not prejudice the interest of the investing public on the conditions that:

- the particulars of the exemption be set forth in this prospectus; and
- this prospectus shall be issued on or before 30 May 2019 and the Shares shall be listed on the Stock Exchange on or before 30 June 2019, that is three months after the latest financial year-end.

Our Directors and the Sole Sponsor confirmed that after performing due diligence work, up to the date of this prospectus, there has been no material adverse change in the financial and trading positions or prospects of our Group (except for the non-recurring listing expenses) since 30 November 2018. Our Company will comply with Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of annual results announcement and annual report for the year ended 31 March 2019.

Our Directors have further confirmed that all information necessary for the public to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Company has been included in this prospectus and that, as the waiver granted by the Stock Exchange and the exemption granted by the SFC from strict compliance with Rule 4.04(1) of the Listing Rules and Paragraph 27 and Paragraph 31, respectively, will not prejudice the interest of the investing public.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. When information is presented in thousands or millions of units, amounts may have been rounded up or down.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

The procedures for applying for the Public Offer Shares are set out in the section headed "How to Apply for the Public Offer Shares and Employee Reserved Shares" in this prospectus and on the relevant Application Forms.

UNDERWRITING

Details of the structure and conditions of the Share Offer are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus. This prospectus is published in connection with the Share Offer and, together with the related Application Forms, set out the terms and conditions of the Share Offer.

The Share Offer is sponsored by the Sole Sponsor, and the Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the Offer Price being agreed on by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. For further information relating to the Underwriters and the underwriting arrangements, see "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on Wednesday, 5 June 2019.

If, for any reason, the Offer Price is not agreed on between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company by Wednesday, 5 June 2019, the Share Offer will not become unconditional and will lapse.

RESTRICTIONS ON THE OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered to the public in Hong Kong and the Eligible Employees, respectively, for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other parties involved in the Share Offer.

Each person acquiring the Offer Shares will be required to, or be deemed by his acquisition of Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

Prospective applicants of the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants of the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer, the Capitalisation Issue and any Shares which fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme. No part of the share or the loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

ELIGIBILITY FOR CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and compliance of the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the Listing Rules) after any trading day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

REGISTER OF MEMBERS

Our Company's principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong Branch Share Registrar, Union Registrars Limited, in Hong Kong. All Shares issued pursuant to applications made in the Public Offer will be registered in our branch register of members maintained by our Hong Kong Branch Share Registrar in Hong Kong.

Unless we determine otherwise, dividends will be paid in Hong Kong dollars to our Shareholders, as recorded in our Company's Hong Kong branch register of members, by ordinary post at our Shareholders' risk, to the registered address of each Shareholder.

STAMP DUTY

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Dealings in the Shares registered on our principal register of members in Cayman Islands will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications in relation to subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attaching to them). It is emphasised that none of us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, agents, advisers, employees, personnel or any other persons or parties involved in the Share Offer accepts responsibility for any tax affairs or liabilities of any person resulting from the subscription for, purchase, holding or disposing of, dealing in our Shares, or the exercise of any rights attaching to our Shares.

DEALINGS IN OUR SHARES

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 13 June 2019, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 13 June 2019, and will be traded in board lots of 4,000 Shares. The stock code of the Shares is 2189.

Dealings in our Shares on the Stock Exchange will be effected by participants of the Stock Exchange whose bid and offer quotations will be available on the Stock Exchange's teletext page information system. Delivery and payment for Shares dealt on the Stock Exchange will be effected two trading days following the transaction date ("**T+2**"). Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Only certificates for shares registered on our Company's Hong Kong branch register of members will be valid for delivery in respect of transactions effected on the Stock Exchange.

If you are unsure about the procedures for dealings and settlement arrangement on the Stock Exchange on which our Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ms. Ngai Ka Yee (魏嘉儀) (formerly known as Ngai Fung (魏峰))	Flat C, 5/F La Salle House 11A–11C La Salle Road Kowloon Tong Kowloon Hong Kong	Chinese
Mr. Ngai Shi Shing, Godfrey (魏仕成) (formerly known as Lam Shing (林晟))	Flat A, 50/F, Tower 2 The Hermitage 1 Hoi Wang Road Kowloon Hong Kong	Chinese
Non-executive Director		
Mr. Kwong Kai To (鄺啟濤)	Flat C, 5/F La Salle House 11A–11C La Salle Road Kowloon Tong Kowloon Hong Kong	Chinese
Independent non-executive Directors		
Ms. Chiu Lai Kuen Susanna (趙麗娟)	Flat B, 22/F Fu Bon Court 32 Fortress Hill Road Fortress Garden North Point Hong Kong	British
Mr. Or Kevin (柯衍峰)	Flat A, 26/F, Tower 8 The Wings No. 9 Tong Yin Street Tseung Kwan O Hong Kong	Australian
Mr. Wong Vinci (王賢誌)	Flat B, 33/F, Tower 2 The Hermitage 1 Hoi Wang Road Tai Kok Tsui, Kowloon Hong Kong	Chinese

For further details of our Directors, see "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	**VMS Securities Limited** 49th Floor One Exchange Square 8 Connaught Place Central Hong Kong *(a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities for the purpose of the SFO)*
Joint Bookrunners and Joint Lead Managers	**VMS Securities Limited** 49th Floor One Exchange Square 8 Connaught Place Central Hong Kong *(a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities for the purpose of the SFO)* **Future Land Resources Securities Limited** Flat B, 20th Floor, Guangdong Investment Tower 148 Connaught Road Central Sheung Wan Hong Kong *(a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) regulated activities for the purpose of the SFO)* **Haitong International Securities Company Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong *(a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities for the purpose of the SFO)*

Co-Managers	**Sun Securities Limited** Room 805–806 8/F, Far East Consortium Building 121 Des Voeux Road Central Hong Kong *(a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) regulated activities for the purpose of the SFO)* **Luk Fook Securities (HK) Limited** Units 502–6, 5/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong *(a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities for the purpose of SFO)*
Legal advisers to our Company	*As to Hong Kong law:* **Loeb & Loeb LLP** 21st Floor CCB Tower 3 Connaught Road Central Hong Kong **Ms. Queenie W.S. Ng** *Barrister-at-law, Hong Kong* Room 2203A & B Fairmont House 8 Cotton Tree Drive Central Hong Kong *As to Cayman Islands law:* **Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman Cayman Islands
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Stephenson Harwood** 18th Floor United Centre 95 Queensway Hong Kong
Reporting accountant and auditor	**PricewaterhouseCoopers** Certified Public Accountants 22/F Prince's Building Central Hong Kong

Industry Consultant	**Ipsos Limited** China Life Centre (CLC) Room 602, 6/F China Life Centre Tower A One Harbour Gate 18 Hung Luen Road Kowloon Hong Kong
Property valuer	**Prudential Surveyors (Hong Kong) Limited** 3/F & 2/F Tung Hip Commercial Building 244 Des Voeux Road Central Hong Kong
Tax adviser	**PricewaterhouseCoopers Limited** 21/F Edinburgh Tower Central Hong Kong
Receiving banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong **Industrial and Commercial Bank of China (Asia) Limited** 3 Garden Road ICBC Tower Hong Kong

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong (as registered under the Companies Ordinance)	1st Floor Tung Wai Court No. 3 Tsing Ling Path Tuen Mun New Territories Hong Kong
Company's website	**www.elderlyhk.com** *(Note: contents in this website do not form part of this prospectus)*
Company secretary	Mr. Kwok Chi Kan (郭志勤) *(Member of HKICPA)* Flat F, 35/F, Block 1 Hampton Place Tai Kok Tsui Kowloon Hong Kong
Audit Committee	Ms. Chiu Lai Kuen Susanna (趙麗娟) *(Chairman)* Mr. Or Kevin (柯衍峰) Mr. Wong Vinci (王賢誌)
Remuneration Committee	Mr. Wong Vinci (王賢誌) *(Chairman)* Mr. Or Kevin (柯衍峰) Mr. Ngai Shi Shing, Godfrey (魏仕成)
Nomination Committee	Mr. Ngai Shi Shing, Godfrey (魏仕成) *(Chairman)* Mr. Wong Vinci (王賢誌) Mr. Or Kevin (柯衍峰)
Authorised representatives	Mr. Ngai Shi Shing, Godfrey (魏仕成) Flat A, 50/F, Tower 2 The Hermitage 1 Hoi Wang Road Kowloon Hong Kong

	Mr. Kwok Chi Kan (郭志勤) Flat F, 35/F, Block 1 Hampton Place Tai Kok Tsui Kowloon Hong Kong
Compliance adviser	**VMS Securities Limited** 49th Floor One Exchange Square 8 Connaught Place Central Hong Kong
Principal bankers	**The Hongkong and Shanghai Banking Corporation Limited** 1 Queen's Road Central Hong Kong
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
Hong Kong Branch Share Registrar	**Union Registrars Limited** Suites 3301–04, 33/F. Two Chinachem Exchange Square 338 King's Road North Point Hong Kong

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the Industry Report prepared by Ipsos Limited, which was commissioned by us. We believe that the sources of the information and statistics in this section are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We have no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information in this section has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective affiliates, directors or advisers or any other persons or parties involved in the Share Offer (except for Ipsos Limited), and no representation is given as to its completeness, accuracy or fairness. Accordingly, you should not place undue reliance on the information in this section.

SOURCE AND RELIABILITY OF INFORMATION

We commissioned Ipsos Limited, an independent market research consulting firm, to conduct an analysis of, and to report on the residential care home for elderly industry in Hong Kong. A total fee of HK$330,000 was charged by Ipsos Limited for the preparation of the Industry Report. The payment of such fee was not conditional on our Group's successful listing or on the results of the Industry Report. Except as otherwise specified, the information and statistics set forth in this section have been extracted from the Industry Report.

Ipsos Limited is an independent market research company wholly-owned by Ipsos Group S.A.. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,000 personnel worldwide across 89 countries. Ipsos Limited conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

The Industry Report includes information on the residential care home for elderly industry in Hong Kong. The information contained in the Industry Report is derived by means of data and intelligence gathering which include: (i) conducting desk research covering official government and regulatory statistics, industry reports and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (ii) performing client consultation to obtain background information of our Group; and (iii) conducting primary research by interviewing key stakeholders and industry experts.

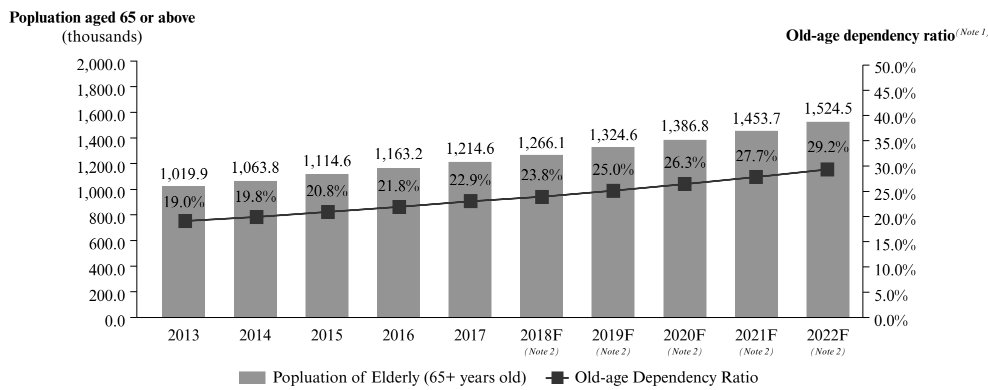
Information gathered by Ipsos Limited has been analysed, assessed and validated using Ipsos Limited in-house analysis models and techniques. According to the Industry Consultant, this methodology ensures a full circle and multilevel information sourcing process, where information gathered can be cross-referenced to ensure accuracy. All statistics are based on information available as at the date of the Industry Report. Other sources of information, including government, trade associations or marketplace participants, may have provided some of the information on which the analysis or data is based.

Ipsos Limited developed its estimates or forecasts on the following principal bases and assumptions: (i) it is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the RCHE industry in Hong Kong over the forecast period; and (ii) the demand of RCHE places is expected to grow with an ageing population in Hong Kong and the supply is expected to be stable over the forecast period.

MACROECONOMIC OVERVIEW HONG KONG

Ageing population problem

Population of the elderly and the old-age dependency ratio in Hong Kong from 2013 to 2022



Notes:

(1) Old-age dependency ratio refers to the number of persons aged 65 and over per 1,000 persons aged between 15 and 64.

(2) "F" denotes forecast figures.

Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

In Hong Kong, the population of the elderly (65+ years old) grew from approximately 1,019,900 in 2013 to approximately 1,214,600 in 2017 at a CAGR of approximately 4.5%. The growth of the ageing population in Hong Kong was mainly attributed to the continuous improvement in the health level. From 2013 to 2017, males and females' life expectancy in Hong Kong increased from 81.1 years and 86.7 years to 81.7 years and 87.7 years, respectively. Conversely, the crude birth rate per 1,000 population in Hong Kong has dropped from 8.0 in 2013 to 7.7 in 2017. Combined with an ageing population in Hong Kong, this led the old-age dependency ratio to increase from 19.0% in 2013 to 22.9% in 2017. Over the period between 2018 and 2022, the population of the elderly is forecasted to grow by a CAGR of about 4.8% from about 1,266,100 in 2018 to about 1,524,500 in 2022. Concurrently, the old-age dependency ratio in Hong Kong will rise from about 23.8% to about 29.2% throughout the same period.

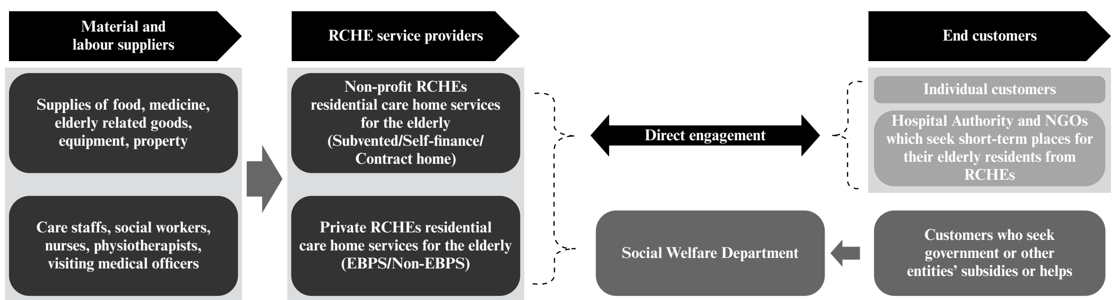
Per capita expenditure of health in Hong Kong

Per capita expenditure of health in Hong Kong increased from approximately HK$17,017.0 in 2013 to HK$22,397.8 in 2017 at a CAGR of approximately 7.1%. The increase in expenditure on health was largely owing to the increasing public expenditure on health care system and raising disposable income per capita in Hong Kong to cope with the growing ageing population issue.

OVERVIEW OF THE RCHE INDUSTRY IN HONG KONG

Historical and recent development of the RCHE industry in Hong Kong

The Residential Care Services (RCS) industry in Hong Kong consists of a mix of non-private and private RCHEs. The Hong Kong Government encourages non-governmental organisations (NGOs) to operate self-financing or subvented RCHEs to cater to the needs from the elderly population. However, there is a long waiting time of around 24 months on average for a place in subsidised RCHEs as at 31 March 2019. To shorten the waiting time, the Hong Kong Government has introduced the Enhanced Bought Place Scheme since 1998 which aims to increase the supply of subsidised places for the elderly by buying places from private RCHEs. At the same time, the EBPS requires participating private RCHEs to enhance service quality such as staffing ratio and per capita space standards. Other than the EBPS, the places provided in Hong Kong are largely from private RCHEs, which accounted for approximately 67.3% of places provided in Hong Kong as at 30 June 2018.



Non-private RCHEs mainly provide services to (i) customers who have applied for subsidised places through "Standardised care need assessment mechanism for elderly service" implemented and operated by the SWD, or (ii) individual customers who acquire non-subsidised places directly. Private RCHEs mainly provide services to (i) individual customers who directly acquire non-EBPS places. They also directly engage with (ii) SWD through EBPS which subsidised RCHE places and services for elderly persons, and (iii) other entities including Hospital Authority and NGOs which intend to rent places and services from RCHEs when they are facing a short-term shortage of places for their elderly residents.

Government policies affecting the RCHE industry in Hong Kong

Infirmary Care Supplement (ICS)

Introduced in February 1996 to help subvented RCHEs to take care of frail residents who have been medically assessed to be chronically ill or disabled requiring medical infirmary placement, ICS has been extended to private homes participating in the EBPS since April 2003. ICS allows RCHEs to employ professional staff (e.g. physiotherapists, occupational therapists, and nurses). In 2016–2017, a total of HK$108.6 million will be provided through ICS for 130 eligible RCHEs in respect of about 1,570 beneficiaries.

Dementia Supplement (DS)

Introduced in 1999 to help subvented RCHEs provide better care and training to demented residents who have been medically assessed to be suffering from dementia. DS has been extended to private homes participating in the EBPS since April 2009. This has enhanced the quality of care for RCHE residents with dementia. In 2016–17, a total of HK$228.9 million will be provided through DS for 262 eligible RCHEs in respect of about 5,700 beneficiaries.

Enhanced Bought Place Scheme ("EBPS")

Since 1998, the Hong Kong Government introduced EBPS to increase the supply of subsidised places and reduce the waiting time of an elderly applicant applying for a subsidised place by purchasing places from private RCHEs. Nevertheless, private RCHEs participating in EBPS are required to improve their service standards through enhanced service requirements in terms of staffing and space standard. EBPS has become increasingly important in increasing the number of subsidised places in RCHEs to meet the increasing demand. As of July 2018, according to SWD, 7,987 places were subsidised by the Hong Kong Government under EBPS, represented about 16% of all places available in private RCHEs. In terms of number of RCHEs, 25% of the private RCHEs were participating in EBPS as of July 2018.

The Pilot Scheme on Residential Care Service Voucher for the Elderly (the "Pilot Scheme")

The Hong Kong Government introduced the Pilot Scheme with a total of 3,000 scheme vouchers in March 2017 to provide an additional choice for elderly persons who are in need of residential care service. The Pilot Scheme allows voucher holder to be subsidised up to HK$13,287, starting from 1 October 2018, for the services provided by eligible RCHEs operated by NGOs or the private sector. The Pilot Scheme has become increasingly important in providing flexibility of subsidy choices for elderly. As of December 2018, according to the Labour and Welfare Bureau, a total of 1,750 vouchers have been introduced and 975 elderly persons were subsidised under the Pilot Scheme. The remaining 1,250 vouchers is expected to be introduced in March 2019 as the third phase of the Pilot Scheme. On the other hand, RCHEs have to provide non-subsidised places and meet minimum requirements of EA1 homes under EBPS on space standard and staffing requirements. As of February 2019, there were 104 RCHEs participating in the Pilot Scheme.

Budget 2019–2020

According to Budget 2019–2020, to meet the demand for elderly care facilities, the Hong Kong Government proposed to increase 500 additional residential care places and 300 subsidised day care places for the elderlies in Hong Kong. In addition, the Hong Kong Government has launched a pilot scheme to provide professional outreach services from physiotherapists and social workers for 4,500 residents in private residential care homes for the elderly. The additional recurrent expenditure on elderly care is expected to be approximately HK$1.4 billion in 2019 to 2020. Moreover, there will be additional HK$1,000 worth of Elderly Health Vouchers on a one-off basis for elderly persons. The aforesaid is expected to benefit operators of RCHEs in the private sector, among others.

Policy Address 2018

According to Policy Address 2018, the Hong Kong Government has planned to purchase 5,000 EA1 places under the EBPS in the coming 5 years to increase supply of subsidised residential care places for the elderly.

The Hong Kong Government has planned to implement second phase of Special Scheme on Privately Owned Sites for Welfare Uses, of which has carried out in 2019. The special scheme provides appropriate assistance to facilitate planning and development process of participating NGOs for expansion, redevelopment or new development of facilities on the sites they own, including RCHEs.

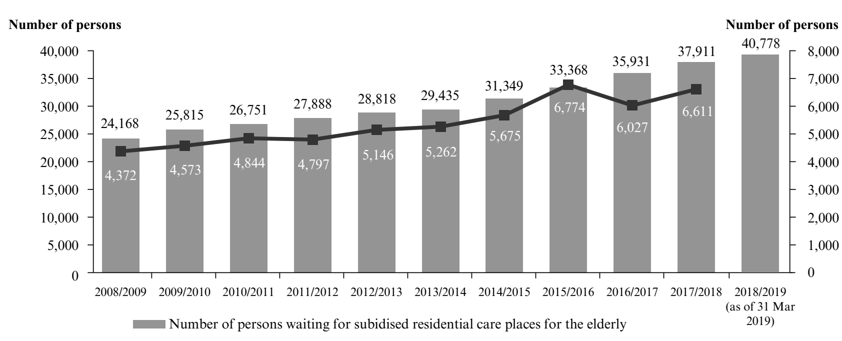
Scheme to Encourage Provision of Residential Care Home for the Elderly Premises (the "Scheme")

The Hong Kong Government introduced the Scheme in July 2003 to encourage private developers to provide quality RCHE premises in their new developments by offering exemptions in relation to lease modifications, land premium, land exchange and private treaty grants; in return for premium exemption, private developers bear the costs for constructing the RCHE premises. The Scheme encourages the provision of RCHE premises for private RCHE operators with higher quality and increase the supply of places. According to the Social Welfare Department, as of April 2019, there was one on-going RCHE construction project located in Tuen Mun under this Scheme, which provides approximately 290 RCHE places for the elderly.

Demand and supply of the RCHE industry in Hong Kong

Demand

Central waiting list for subsidised residential care places for elderly from 2008/2009 to 2017/2018



Sources: Social Welfare Department, HKSAR; Legislative Council, HKSAR; Ipsos research and analysis

The figures reflected the constantly increased demand of RCHE in Hong Kong in the past 10 years from 2008/2009 to 2017/2018. Number of persons waiting for subsidised RCHE and number of persons who passed away while waiting for service increased at CAGRs of approximately 5.1% and 4.7% in last 10 years, respectively. It reflected that subsidised residential care places for elderly has a growing concern of shortage and the demand remains strong on all types of RCHE in Hong Kong. As at 31 March 2019, the average waiting time for places in subvented homes and contract homes reached 40 months, and the average waiting time for EBPS places reached 10 months.

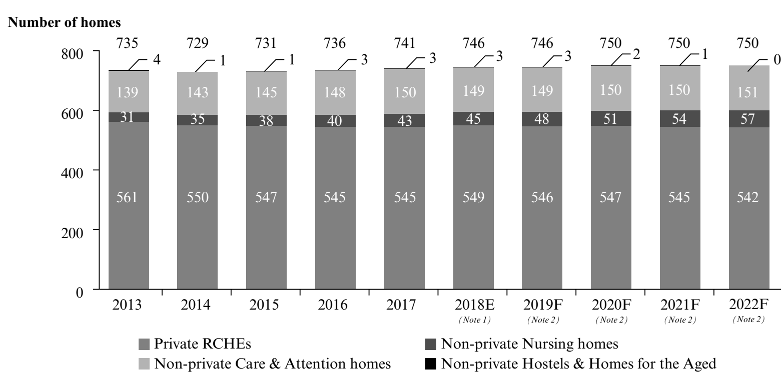
Government projected demand in 2026

According to the Labour and Welfare Bureau, the Hong Kong Government's target on new RCHE places supply until 2026 is 46,200. However, it is expected that in 2026/2027 fiscal year, there will still be a shortage of places of around 6,247 to 7,007 in the industry even if all upcoming new places development plans can be completed. It reflected a solid demand for RCHE places supported by the Hong Kong Government's projection. Moreover, there is particularly a strong need of new private RCHEs establishment in the coming years given the Hong Kong Government's target of providing 5,000 EA1 EBPS places in the coming five years, according to Policy Address 2018.

Supply

RCHEs in Hong Kong are categorised according to (i) their financing nature (private and non-private (comprising subvented, self-financing and contract)); and (ii) their service nature (comprising nursing homes, care and attention homes, aged homes and hostels for the elderly).

Number of RCHEs by Types of Homes in Hong Kong from 2013 to 2022



Notes:

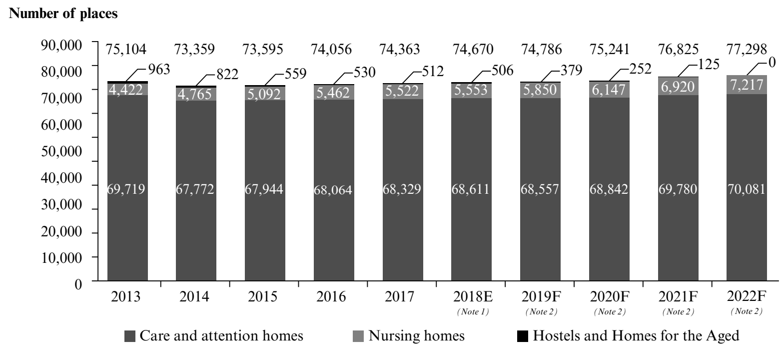
(1) "E" denotes provisional figures.

(2) "F" denotes forecast figures.

Sources: Social Welfare Department, HKSAR; Ipsos research and analysis

The total number of RCHEs in Hong Kong increased from around 735 in 2013 to around 741 in 2017 at a CAGR of approximately 0.2%. In 2017, the number of private RCHEs dropped to 545 from 561 in 2013, while that of non-private RHCEs grew to 196 from 174 in 2013. Between the forecast period of 2018 and 2022, it is expected that the number of non-private RCHEs will increase from 197 to 208 due to the HK Government's continuous effort to identify suitable locations for new RCHE establishment; while the number of private RCHEs is projected to decrease from 549 to 542 due to concern over manpower gap and expected consolidation. As a result, total number of RCHEs in Hong Kong is expected to increase marginally by 4 from 746 in 2018 to 750 in 2022.

Number of places in RCHEs by types of home in Hong Kong in 2013 to 2022



Note:

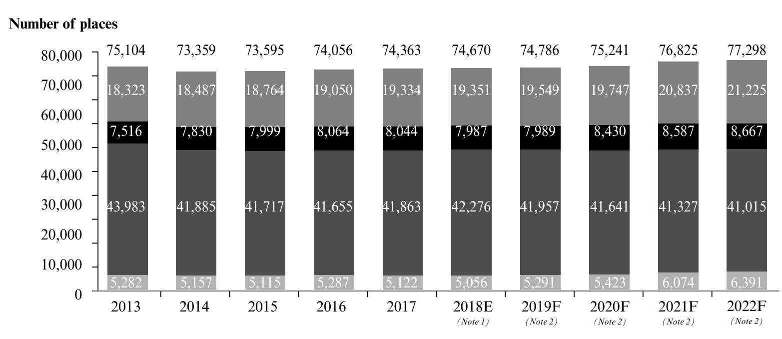
(1) "E" denotes provisional figures.

(2) "F" denotes forecast figures.

Sources: Social Welfare Department, HKSAR; Ipsos research and analysis

The total number of places provided by RCHEs in Hong Kong was around 74,363 in 2017, recorded a CAGR of approximately -0.3% when compare to that of around 75,104 in 2013. A rebound in terms of number of places is expected between 2018 and 2022, of which the number of places is projected to increase from around 74,670 to around 77,298 at a CAGR of approximately 0.9%. The decrease from 2013 to 2017 was mainly owing to reducing size of care and attention homes and hostel and homes for the aged. Since the SWD has ceased accepting new applicants for placement in hostels and homes for the aged in 2003, hostel and homes for the aged have started to phase out in 2015 and is expected to continue reducing its size until they are all closed in 2022. On the other hand, during the forecast period from 2018 to 2022, the number of care and attention homes is expected to pick up from around 68,611 to around 70,081, while that of nursing homes is projected to increase from around 5,553 to 7,217. It is because the Hong Kong Government has planned and encouraged with initiatives for new RCHE establishments, such as the Pok Oi Hospital Tuen Mun Lam Tei Nursing and Residential Care Home for the Elderly which is expected to be completed in 2021 and to provide a total of 1,406 places, comprised 930 care places and 476 nursing home places.

Number of places in RCHEs by types of subsidies in Hong Kong from 2013 to 2022



Note:

(1) "E" denotes provisional figures.

(2) "F" denotes forecast figures.

Sources: Social Welfare Department, HKSAR; Ipsos research and analysis

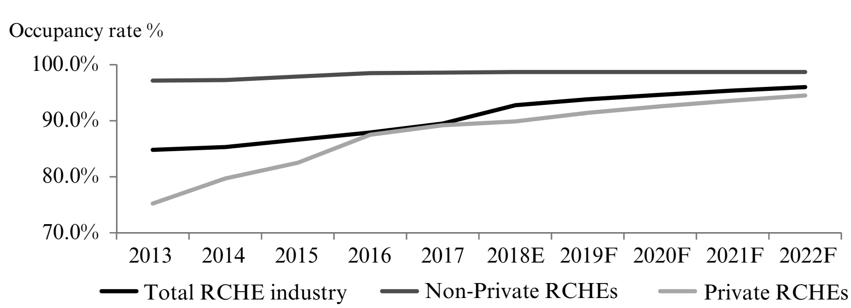
From 2013 to 2017, the number of subsidised RCHEs places, including subsidised places in non-private RCHEs and EBPS places in private RCHEs, increased from 25,839 to 27,378 at a CAGR of approximately 1.5%. Due to a growing demand for government backed places under the concern over ageing population, the Hong Kong Government has provided more subsidised places in non-private RCHEs and increased the number of EBPS places in private RCHEs since 2013.

With the continuous effort from the Hong Kong Government to increase subsidies provided to EBPS places to ease the shortage of subsidised RCHE places, the number of EBPS places increased from 7,516 in 2013 to 8,044 in 2017, and is projected to increase from around 7,987 in 2018 to 8,667 in 2022. Number of subsidised places from non-private RCHEs is expected to increase from 19,351 in 2018 to 21,225 in 2022. However, the potential increase in supply of non-private RCHEs is not likely to have significant impact in fulfilling total demand for places in RCHEs. According to the Hong Kong Government projected demand of RCHE places in 2026, it is expected that there will still be a shortage of places of around 6,247 to 7,007 in the industry even if all upcoming new places development plans can be completed. In other words, new places supply from private RCHEs is still very important to fulfil the solid demand of residential care services for elderly in Hong Kong. Particularly, the number of EBPS places enrolled by private RCHEs is expected to decrease from 2017 to 2018 since some EA2 RCHEs aimed to upgrade their EBPS places to EA1 category of the EBPS, through meeting the staffing requirement and enhancing the net floor area per person, indirectly resulting in the decrease of the EBPS places.

The number of private non-EBPS places declined from 43,983 in 2013 to 41,863 in 2017 and is expected to decline from around 42,276 in 2018 to around 41,015 in 2022. The decline throughout the period is mainly attributable to a lack of floor space for new private RCHE establishments, places reduction caused by constantly upgrading and expanding per person living floor area, and the competition and consolidation in the market.

In order to tackle the issue of lack of floor area for new private RCHE, the Hong Kong Government has promoted “Scheme to Encourage Provision of Residential Care Home for the Elderly Premises” to encourage new private RCHE establishments from private developers. Also, according to Budget 2019–2020, the Hong Kong Government has planned to increase supply of floor area for welfare facilities including RCHE facilities. A HK$20 billion of budget has been reserved to buy 60 properties to set up more than 130 welfare facilities, including child-care and neighbourhood elderly centres and other facilities to increase available floor area for welfare service, which may include RCHE service.

Average occupancy rate of RCHEs in Hong Kong from 2013 to 2022



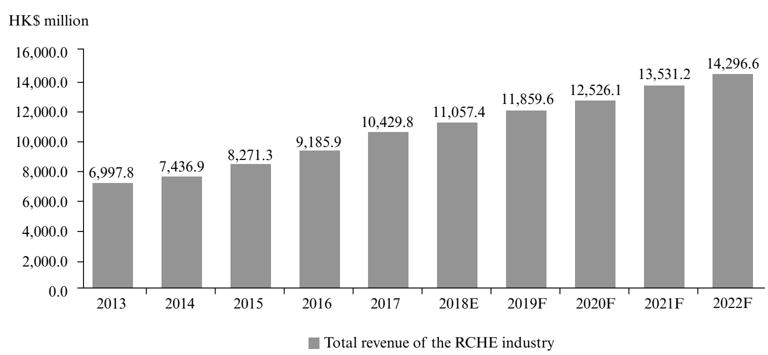
Sources: Social Welfare Department, HKSAR; Ipsos research and analysis

The occupancy rate in the RCHE industry in Hong Kong has grown consistently from 2013 to 2017 and it is expected to grow from 2018 to 2022. In 2018 and 2019, average occupancy rate among all types of RCHEs are expected to reach around 93.8% and 94.6%, respectively.

Non-private RCHEs remain a high occupancy rate of about 97% to 99% throughout 10 years since 2013 due to high demand in the industry because of guaranteed staffing and caring quality which are mostly monitored or funded by the Hong Kong Government. On the other hand, private RCHEs in the industry experienced growth in occupancy rate in the past 5 years and it is expected to be much occupied in the coming 5 years.

Due to high occupancy rate, growth rate of number of residents in private RCHEs under EBPS is close to the growth of EBPS places, which increased at a CAGR of approximately 1.7% from 2013 to 2017, and projected to increase at a CAGR of approximately 2.1% from 2018 to 2022. EBPS places under private RCHEs is also expected to maintain high occupancy rate of about 97% to 99% in the forecast period which is similar to non-private RCHEs, given that EBPS places and non-private RCHEs places are both subsidised places which have average waiting time of 10 months and 40 months, respectively. All vacant places in private RCHEs under EBPS and non-private RCHEs will both be filled shortly.

Total revenue of the RCHE industry in Hong Kong from 2013 to 2022



CAGR	2013–2017	2018–2022
Total revenue	10.5%	6.6%

Notes:

(1) "E" denotes provisional figures.

(2) "F" denotes forecast figures.

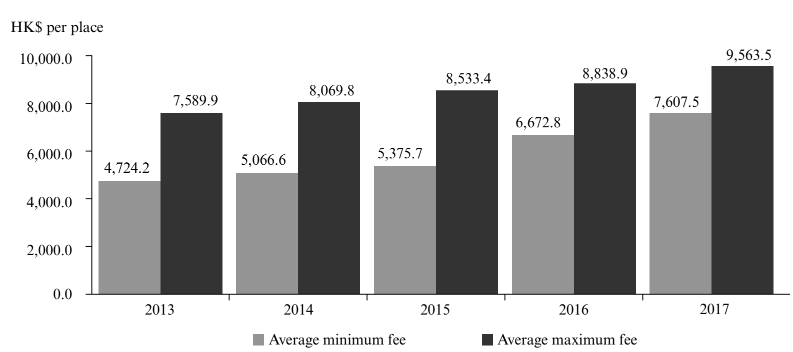
(3) It only includes the revenue generated from rendering elderly home care services including the provision of residence, professional nursing and care taking services, nutritional management, medical services, psychological and social care, and individual care plans; but does not include the revenue generated from sales of elderly home related goods.

Sources: Social Welfare Department, HKSAR; Ipsos research and analysis

The estimated total revenue of the RCHE industry increased from HK$6,997.8 million in 2013 to HK$10,429.8 million in 2017 at a CAGR of approximately 10.5%. A constant growth has been recognised in the RCHE industry in Hong Kong which was and will be primarily driven by the increasing value of residential care home services for the elderly, along with the steady increase in volume of residential care home services for the elderly which was driven by the Hong Kong Government. In recent years, the industry has faced a shortage of residential care home services for elderly persons that was funded and monitored by the Hong Kong Government, which has encouraged private RCHE operators to enter and expand in the industry. In order to improve the service quality in private RCHEs, the Hong Kong Government has on one side subsidised and upgraded the service for elderly persons in terms of staffing and space standard through the EBPS; on the other side, the Hong Kong Government has also reinforced licensing requirements of the private RCHE to ensure the quality of residential care home services for the elderly provided, especially when the public concern over service quality in private RCHEs has been raised in recent years. Consequently, the operation costs, rental costs and government expenditure were all increased to ensure that elderly persons have been well taken care of in RCHEs. Along with solid future demand of service from RCHEs in Hong Kong, the revenue of RCHE industry grew at a CAGR of approximately 10.5% from 2013 to 2017.

The projected total revenue in Hong Kong's RCHE industry is forecasted to grow continuously from HK$11,057.4 million in 2018 to HK$14,296.6 million in 2022 at a CAGR of approximately 6.6%. Some of the constraints in the industry are expected to remain in the coming years, such as the limited locations and floor areas for new RCHE to be commenced. Whereas, it is expected that both private RCHEs and non-private RCHEs will constantly improve staffing and living standard provided to elderly persons, which may increase the operation costs and simultaneously the fees charged. Such raise is anticipated to be covered by (i) increasing government subsidies and (ii) increasing consumption power and willingness in the market to seek and consume quality residential care home services for the elderly provided to elderly persons and their family. Along with a solid future demand of residential care home services for the elderly in the industry, also the increasing number of subsidised and EBPS places in residential care home services which is backed by the Hong Kong Government, total revenue of the RCHE industry in Hong Kong is expected to grow at a CAGR of approximately 6.6% between 2018 and 2022.

General fee range of private RCHE places in Hong Kong



Note: Price range only includes fees for a place in a RCHE and does not include fees for additional care services.

Sources: Social Welfare Department, HKSAR; Ipsos research and analysis

General per place fee range of private RCHE climbed from 2013 to 2017, with estimated average minimum fee and average maximum fee increased at CAGRs of approximately 12.6% and 5.9%, respectively. An increase in operation costs among private RCHEs and a strong demand for RCHE places were the major reasons of constantly growing fee in the past 5 years.

Historical trends of rental price and median monthly wages of workers in RCHE Industry in Hong Kong

Key operation costs of RCHE comprised rental and labour costs. From 2013 to 2017, the rental price indices of private retail premises in Hong Kong increased at a CAGR of approximately 2.5%, while median month wages of workers in RCHE industry increased at a CAGR of approximately 5.4%. The increasing costs has increased operation costs of RCHEs, raised financial entry barrier of the industry and pressured some underperformed RCHE operators to reduce their size, merge with other operators or stop operating.

COMPETITIVE LANDSCAPE OF THE RCHE INDUSTRY IN HONG KONG

The private RCHE sector of the industry is considered to be semi-matured where more consolidations among operators are expected in the industry. The constantly growing rental cost and labour cost have made it increasingly challenging for small and medium RCHE operators to stay in the industry; while the industry becomes more competitive, some of the small and medium RCHE operators is expected to merge together or be acquired by larger operators with a stronger financial capability to maintain the operational efficiency. Some of the RCHEs with a smaller business scale have also started to phase out due to strong industry competition, consolidation and increasing operation costs.

The non-private not-for-profit RCHE industry is relatively combined and matured with several large operators in Hong Kong. Tung Wah Group of Hospitals, Po Leung Kok, and Caritas Hong Kong. Tung Wah Group of Hospitals, Po Leung Kuk, Yan Chai Hospital, Hong Kong Sheng Kung Hui Welfare Council Limited, Caritas Hong Kong and Hong Kong Society of the Aged are the major players in the non-private not-for-profit RCHEs industry. Each of these operators provide more than 1,000 subsidised and non-subsidised places for the elderly.

Below sets forth the company background of the key players presented in the following ranking tables “Top 5 Private RCHE operators in Hong Kong in 2017”, and “Top 5 Private RCHE operators participating in EBPS in Hong Kong in 2017”.

Hong Kong Key Private RCHE Operators Company Profiles in 2017

Company	Company background
Company A	Company A is a private RCHE service provider established in 1983. The Company owns seven branches and five jointly operated Residential Care Homes, providing a variety of residential care services such as nutritional management, personal care, regular medical and caretaking services and social support.
Company B	Company B is a private family foundation that actively supports charitable causes by collaborating with or grant-making to other non-profit making organisations. In addition, the company also provides funding for a wide variety of projects which includes education and training, mental wellness, innovative ageing, healthcare and community services.
Company C	Company C is a privately owned elderly care services provider that mainly focuses on residential care home for the Elderly (RCHEs). It is a recognised service provider of pilot scheme on residential care service voucher (RCSV) for elderly. The company has five branches in Hong Kong with three RCHEs in Yuen Long, one RCHE in Sham Shui Po and one RCHE in Kwai Chung.
Company D	Company D is a privately owned elderly care services provider established in 1998. Company D operates three elderly care homes in Tai Kok Tsui, Prince Edward and Ho Man Tin, each operated by a team of healthcare professionals and nurses. It is also a Recognised Service Provider of Pilot Scheme on Residential Care Service Voucher (RCSV) for the elderly.
Pine Care Group Limited	Pine Care Group Limited was established in 1989 and became the first RCHE service provider in Hong Kong to be listed on the Main Board in 2017 under stock code 1989. The company operates nine care and attention homes and provides a range of residential care services including residence, professional nursing and caretaking services, nutritional management, medical services, social support and tailor-made personal care services.
Our Company	Our Company is a private RCHE service provider established in 1991, operating two branches and six Residential Care Homes. Our group provides comprehensive residential care services such as the provision of accommodation, nutritional management, medical services, professional nursing and care-taking services, individual care plans, etc. Our company also provides add-on healthcare services and the sale of healthcare and medical goods.

Top 5 private RCHE operators in Hong Kong in 2017

Rank	Company	Estimated revenue in 2017 *(HK$ million)*	Market share	Number of homes	Number of places	Average occupancy rate across RCHEs	Estimated monthly revenue contributed per resident
1	Company A	148.6	1.4%	7	1,101	96.5%	11,581.2
2	Pine Care Group Limited	142.1	1.4%	8	1,036	93.2%	12,264.1
3	Our Company	132.5	1.3%	8	1,129	93.4%	10,471.1
4	Company B	115.3	1.1%	9	1,050	91.9%	9,950.2
5	Company C	99.5	1.0%	5	656	98.0%	12,893.9
	Others	9,791.8	93.9%	704	69,391		
	Total	10,429.8	100%	741	74,363		

Notes:

(1) In respect of Pine Care Group Limited and our Company, the revenue in 2017 refers to the revenue generated for the fiscal year ended 31 March 2018. The revenue of Company A, B and C in 2017 refers to the revenue generated from January to December 2017. Revenue estimated for 2017 is based on expert interviews, fieldworks, as well as publicly available data where available. The exact revenue of the companies may be higher or lower than this estimation in real terms.

(2) The audited or estimated revenue of the companies only includes the revenue generated from rendering elderly home care services including the provision of residence, professional nursing and care taking services, nutritional management, medical services, psychological and social care, and individual care plans; but does not include the revenue generated from sales of elderly home related goods.

(3) The audited or estimated figures of the companies, including revenue, number of private RCHEs and places, occupancy rate, monthly revenue contributed by per resident, only include the relevant figures of their self-owned and self-operated RCHEs.

(4) Total revenue of the RCHE industry in Hong Kong may not be equal to the summation of the revenue of companies due to the rounding-off issues.

Source: Ipsos research and analysis

Top 5 private RCHE operators in participating in EBPS in Hong Kong in 2017

Rank	Company	Number of private RCHEs participating in EBPS (As of 31 December 2017)	Number of EBPS places (As of 31 December 2017)	Share of total number of EBPS places *(%)*
1	Pine Care Group Limited	8	633	7.9%
2	Our Company	7	589	7.3%
3	Company A	4	428	5.3%
4	Company D	3	350	4.4%
5	Company C	4	304	3.8%
	Others	114	5,740	71.3%
	Total	140	8,044	100%

Note: The figures of the companies, including number of private RCHEs and places participating in EBPS, only include the relevant figures of their self-owned and self-operated RCHEs.

Sources: Social Welfare Department, HKSAR; Ipsos research and analysis

Market drivers and opportunities to the RCHE industry in Hong Kong

Aging population and age-related health issues has increased the demand for RCHEs in Hong Kong

The ageing population in Hong Kong is expected to grow faster, along with the continuous improvement in the healthcare and a decreasing crude birth rate in Hong Kong. Besides the growing population of the elderly, there is also an increased incidence rate of chronic disease and a higher occurrence of physiological deterioration of the elderly. The RCHEs in Hong Kong are established to provide long term residential care services to the elderly, especially those with disabilities and/or chronic diseases, filling into the demand gap of the elderly. Along with continued ageing population in Hong Kong, the number of the elderly with disabilities and/or chronic diseases in Hong Kong is expected to grow, resulting in a rising demand for long term residential care services for the elderly in Hong Kong.

Continuous support from the Hong Kong Government benefits the development of Hong Kong's RCHE industry

Considered the aging population in Hong Kong and its aged-related health issues, the Hong Kong Government has allocated resources to support healthcare and services required, including increase of subsidised RCHE places, which has driven the growth of the RCHE industry in Hong Kong. According to the Budget 2017-2018, the Hong Kong Government increased the recurrent expenditure of HK$31 million for increasing about 149 subsidised residential care places for elderly. The Hong Kong Government has also implemented various initiatives to enhance service quality and address the labour shortage issue in the RCHE industry, such as earmarking HK$1 billion for setting up "Innovation and Technology Fund" for Application in Elderly and Rehabilitation Care to subsidise elderly service units to introduce gerontechnology products. The objective is to improve the quality of life of elderly and enhancing the quality of elderly services by reducing the burden and pressure of caregivers. Aiming to enhance work prospects and attract new labour, the Hong Kong Government has launched a five-year scheme to provide full subsidies for home managers, health workers and care workers of all RCHEs to enrol in qualifications framework-based training courses.

RCHE operators would seek the growth opportunity from meeting the demand of quality-seeking customers

Along with the increase in the annual disposable income per capita in Hong Kong, the demand on the quality residential care home services for the elderly is emerging, as elderly persons and their family are becoming less price sensitive when selecting RCHEs. According to the report "Elderly Services Programme Plan" published by Elderly Commission in 2017, the future generations of the elderly in Hong Kong are expected to live longer, will be more health conscious, more financially capable, and have higher expectation on the quality of elderly services. Therefore, there are increasing willingness for elderly persons and their family to acquire higher quality residential care home services with lower price sensitivity, providing a growth opportunity of the quality residential care home services in Hong Kong.

Entry barriers of the RCHE industry in Hong Kong

Shortage of land and labour in Hong Kong

RCHEs have struggled with recruiting and retaining non-professional or general frontline workers such as cleaning workers and personal care workers. This is due to many experienced frontline workers leaving the industry because of long working hours in recent years, according to a survey conducted by Community Care and Nursing Home Workers General Union in November 2017. On the other hand, private RCHEs are often leased from residential or commercial buildings which may provide convenient space but more expensive in rental cost as compared to subvented/contract RCHEs located in purpose-built complexes. As a result, locating new residential care homes and recruiting new crew of staffs are two initial and vital entry barriers in the RCHE industry.

High capital requirements due to increasing operating costs

Due to increasing wages and rental costs, private RCHEs often face difficulties sustaining a profitable operation. The rise in Statutory Minimum Wage in 2017 from HK$32.5 per hour to HK$34.5 per hour would have a direct impact on the operating costs of RCHEs. The RCHE industry is a relatively labour intensive and staff costs contribute a large component of total operating expenditure. From 2013 to 2017, the median monthly wage of workers engaged in the RCHEs sector increased from HK$10,600 to HK$13,100 in 2017, at a CAGR of approximately 5.4%. The rise in the wages was due to manpower shortages in the RCHEs, where operators have been forced to increase the wage of workers to attract new staffs and retain staffs.

Strict licensing requirement for RCHEs, especially for RCHEs which intend to participate in the EBPS Scheme

According to the SWD, RCHE operators need to fully satisfy the requirements in the RCH(EP)O and RCH(EP)R. For RCHEs that intend to participate in the EBPS, operators need to fulfil a set of requirements beyond basic licensing requirements. For example, the per capita net floor area is 9.5 m^2 for EA1 RCHEs and 8 m^2 for EA2 RCHEs comparing to the 6.5m^2 basic licensing requirement. It is challenging for RCHE operators to fulfil strict licensing requirements on net floor area and manpower to be eligible in participating in the EBPS.

Threats and challenges to the RCHE industry in Hong Kong

Proposed new regulatory requirement might reduce the number of places provided by RCHEs

The SWD proposed an increase in required activity area per person of RCHEs in May 2018. The Elderly Commission recommended to increase the required area from 6.5 m^2 to 9.5 m^2 (referenced to the standard of EA1 category RCHEs under the EBPS). According to the Labour and Welfare Bureau, the proposed increase in activity area per person is expected to reduce 15.8% of places provided by non-subsidised private RCHEs and 1.6% for subsidised places.

New alternatives by the Hong Kong Government to address the shortage of subsidised RCHE places might see more elderly persons choosing to retire in the mainland China (though on a limited scale in the foreseeable future)

The Pilot Residential Care Services Scheme in Guangdong ("**Guangdong Scheme**") introduced in 2014 provides an option for elderly who are on the Central Waiting List to consider choosing to live in RCHEs in the mainland China. To provide more elderly with the option to reside in RCHEs in Guangdong, the Hong Kong Government has planned to allow elderly persons not on the Central Waiting List to join the Guangdong Scheme. The Portable Comprehensive Social Security Assistance ("**PCSSA**") Scheme enables elderly PCSSA recipients to continue to receive cash assistance under the PCSSA Scheme if they choose to take up permanent residence in Guangdong or Fujian. This has encouraged elderly to move to RCHEs located in those two provinces in mainland China.

Public concern towards elder abuse cases in private RCHEs

In recent years, there have been media exposures of cases of abuse of residents in private RCHEs. This has raised public concern and resulted in a negative perception about the service quality of private RCHEs, which may eventually impact customer's decisions making when selecting residential care services. Private RCHEs would need to improve their quality of services and internal monitoring to rebuild confidence among the public and overcome the concern.

INTRODUCTION

This section provides a summary of the Hong Kong laws and regulations which are relevant to our Group's operations and business.

The principal business of our Group is the operation of RCHEs, which are mainly governed by the Residential Care Home (Elderly Persons) Ordinance (Chapter 459 of the Laws of Hong Kong) and its subsidiary legislation, the Residential Care Home (Elderly Persons) Regulation (Chapter 459A of the Laws of Hong Kong). In addition, the operation and business of the RCHEs are also subject to the legislations, general rules and regulations concerning the following areas:

1. building safety and fire safety;
2. dealing in and storage of pharmaceutical products and dangerous drugs;
3. disposal of chemical and clinical wastes;
4. labour;
5. nurses; and
6. physiotherapists.

REGULATIONS IN RELATION TO THE OPERATION OF THE RCHEs

The main legislation, regulations, byelaws, office, scheme and subsidy in this area include the following:

1. Residential Care Homes (Elderly Persons) Ordinance;
2. Residential Care Homes (Elderly Persons) Regulation;
3. Code of Practice for Residential Care Homes (Elderly Persons);
4. Licensing Office of Residential Care Homes for the Elderly;
5. Enhance Bought Place Scheme; and
6. Other government subsidies — Dementia Supplement.

1. Residential Care Homes (Elderly Persons) Ordinance (Chapter 459 of the Laws of Hong Kong) ("RCH(EP)O")

The RCH(EP)O is the major legislation governing the RCHEs in Hong Kong. Under Section 2 of the RCH(EP)O, RCHE means "any premises at which more than 5 persons who have attained the age of 60 years are habitually received for the purposes of care while resident therein".

Section 6 of the RCH(EP)O requires that any person who on any occasion operates, keeps, manages or otherwise has control of a RCHE must possess a valid (a) licence for the time being in force, which is issued by the Director of Social Welfare under Section 8(2)(a) or renewed under Section 9 of the RCH(EP)O; or (b) certificate of exemption issued by the Director of Social Welfare under Section 7(2) or renewed under Section 7(5) of the RCH(EP)O.

All of our care and attention homes fall within the definition of RCHEs. Therefore, they are subject to the RCH(EP)O. As at the Latest Practicable Date, all of the members of our Group which operate RCHEs had been issued licences under RCH(EP)O.

In addition, pursuant to paragraph 1.3.4 of the Code of Practice for Residential Care Homes (Elderly Persons), if there is any change in, among others, home name, licensing capacity and/or licence holder, application for a new licence to operate the RCHE is required. Further, pursuant to Section 8(3)(d) of the RCH(EP)O, the Director of Social Welfare may refuse to issue a licence to the applicant to operate the RCHE if the proposed name of the residential care home is unsuitable or is the same as or similar to the name of a residential care home in respect of which a licence is for the time being in force.

Save as disclosed in the section headed “Business — Legal Compliance and Litigation” in this prospectus, as at the Latest Practicable Date, our Directors were not aware of any non-compliance of the RCH(EP)O or the RCHE Code of Practice with respect to the use or change of name by all of our elderly residential care homes.

2. Residential Care Homes (Elderly Persons) Regulation (Chapter 459A of the Laws of Hong Kong) (“RCH(EP)R”)

The RCH(EP)R sets out the general requirements and conditions for the operation, management and supervision of RCHEs in Hong Kong, including staff employment, and location and design of RCHEs.

According to Section 3 of the RCH(EP)R, RCHEs are classified into three types depending on the level of care and assistance being provided to the residents, namely:

(a) a “RCHE (高度照顧安老院)” — an establishment providing residential care, supervision and guidance for persons who have attained the age of 60 years and who are generally weak in health and are suffering from a functional disability to the extent that they require personal elderly residential care in the course of daily living activities but do not require a high degree of professional medical or nursing care;

(b) an “aged home (中度照顧安老院)” — an establishment providing residential care, supervision and guidance for persons who have attained the age of 60 years and who are capable of observing personal hygiene but have a degree of difficulty in performing household duties related to cleaning, cooking, laundering, shopping and other domestic tasks; or

(c) a "self-care hostel (低度照顧安老院)" — an establishment providing residential care, supervision and guidance for persons who have attained the age of 60 years and who are capable of observing personal hygiene and performing household duties related to cleaning, cooking, laundering, shopping and other domestic tasks.

The requirements under the RCH(EP)R for the number of ancillary workers, care workers, health workers and nurses to be employed vary for different types of RCHEs.

In addition, according to Sections 4 and 6 of the RCH(EP)R, any person who satisfies the following criteria shall be qualified to be registered as a "health worker" for the purposes of employment at RCHEs:

(a) have completed a course of training approved by the SWD; or

(b) by reason of his/her education, training, professional experience and skill in health work, satisfy the SWD that he/she is a suitable person to be registered as a health worker; and

(c) be qualified, competent, fit and proper.

As at the Latest Practicable Date, 59 qualified and registered health workers were employed by our Group in our care and attention homes, and all of them were qualified under the RCH(EP)R and registered in the register of health workers maintained by the SWD.

The RCH(EP)R also regulates the following aspects of RCHEs:

(a) location;

(b) height;

(c) design;

(d) area of floor space per resident;

(e) accessibility;

(f) heating, lighting and ventilation;

(g) toilet facilities;

(h) water supply and ablutions;

(i) repair;

(j) precautions for health and safety;

(k) fire service installations; and

(l) storage of medicine.

A person who fails to comply with the provisions under RCH(EP)R may commit an offence and is liable to a fine ranging from HK$10,000 to HK$25,000.

3. Code of Practice for Residential Care Homes (Elderly Persons) ("RCHE Code of Practice")

All RCHEs have to comply with the RCHE Code of Practice issued by the SWD under Section 22(1) of the RCH(EP)O. The RCHE Code of Practice supplements the regulations and provisions under the RCH(EP)R and governs, among other things, the following aspects:

(a) requirements for issue and renewal of licence to RCHEs;

(b) regulations in relation to management of RCHEs, including procedures for admission of residents, schedule of daily activities, charges and handling of residents' properties, staff record, staff meeting, record keeping; insurance, and handling of personal data;

(c) regulations in relation to building and accommodation, including compliance with the relevant legislations, land lease conditions, statutory plans, deed of mutual covenant and tenancy conditions, restrictions to premises of RCHEs, design, accessibility, basic facilities, means of escape, heating, construction, lighting and ventilation, fire resisting, toilet facilities, water supply and ablutions, repair, and renovation;

(d) requirements in relation to furniture and equipment used in RCHEs, including items (and minimum quantities thereof) required for dormitory, toilet/bathroom, sitting and dining room, kitchen/pantry, office, laundry, medical equipment and supplies and other equipment;

(e) requirements in relation to fire safety and fire precautions, including height, location, fire services installations and equipment, and fire precautions;

(f) regulations in relation to number of residents and area of floor space;

(g) requirements in relation to staffing of RCHEs, staff training, including conditions of service, relief staff and importation of workers;

(h) requirements of infection control, including designation of a designated infection control officer and his duties, appropriate precautionary measures for infectious diseases, and management of cases of infectious diseases;

(i) requirements in relation to health and care services, including drug storage and management, personal care, use of restraints, annual medical examination, and measures to be taken for specialised nursing procedures;

(j) requirements in relation to health workers and the qualifications and registration;

(k) standards of cleanliness and sanitation;

(l) guidelines on provision of sufficient and nutritional diet, and monitoring of nutritional condition of residents; and

(m) development of social care.

Non-compliance of the RCHE Code of Practice coupling with the failure of timely rectification may lead to the SWD initiating prosecution, cancelling, suspending or refusing to renew the licence in respect of the RCHE, or amend or vary any condition of the licence issued.

4. Licensing Office of Residential Care Homes for the Elderly ("LORCHE")

LORCHE is established by the SWD for the administration of the licensing scheme for the RCHEs under the RCH(EP)O, the RCH(EP)R and the RCHE Code of Practice. The duties of LORCHE include renewal of licences for the RCHEs and handling applications granted. Depending on the situation, LORCHE may impose conditions in relation to the operation, management or other controls of the RCHE upon its application for issuance or renewal of an applicable licence. The validity period of a licence varies depending on different factors, including the degree of compliance of the RCHE with various statutory requirements as provided in the RCH(EP)O, the RCH(EP)R and the RCHE Code of Practice, and the licensing requirements on staffing, design, space, safety precautions, structure and quality of care to the residents of RCHE.

One of the duties of LORCHE is to oversee the operation of RCHEs regularly and provide advice and guidance to the operators of RCHEs to ensure that all RCHEs continuously comply with the licensing requirements stipulated under the RCH(EP)O, RCH(EP)R and the RCHE Code of Practice.

LORCHE comprises four professional inspectorate teams, responsible for conducting inspection in fire safety, building safety, health and care and social work. The inspectorate teams conduct surprise inspections at the RCHEs, covering aspects such as personal care services, drug management, infection control, environmental hygiene, handling of accidents, staffing and meals. The LORCHE's inspectors conduct interviews with the residents in the RCHEs and their relatives to collect reviews and comments on the services provided by RCHEs. In addition, officers of the LORCHE conduct audit checks through surprise inspections at RCHEs randomly assigned to them to ensure the quality and fairness of inspections.

To ensure timely rectification of non-compliance, LORCHE adopts a risk-based approach in conducting inspections and prioritise complaints handling tasks. After conducting an inspection at a RCHE, the LORCHE will change the frequency of re-inspections having regard to the number and nature of non-compliance incidents identified during the inspection. RCHEs are required by LORCHE to rectify non-compliances and irregularities detected during inspections. Depending on the severity of the non-compliances and irregularities, advisory or warning letters may be issued to the subject RCHEs. Under the RCH(EP)O, the SWD may issue directions on remedial measures which the RCHE in question shall adopt. Failure to comply with the directions given may lead to prosecution.

Save as disclosed under the paragraphs headed "Business — Legal Compliance and Litigation — Compliance with laws and regulations" in this prospectus, our Directors are not aware of (a) any warning letters issued by the LORCHE with respect to the operations and management of our care and attention homes; (b) any material non-compliance with the RCH(EP)O, RCH(EP)R and the RCHE Code of Practice by our care and attention homes; or (c) any prosecution being taken or threatened to be taken by or pending from the LORCHE against the operations of our elderly residential care homes, during the Track Record Period and up to the Latest Practicable Date.

5. Enhanced Bought Place Scheme ("EBPS")

The SWD has purchased residential care places for the elderly from private RCHEs under the EBPS since 1998, with a view to upgrading the service standard of RCHEs through enhanced service requirements in terms of staffing and space standards. The EBPS is sub-divided into two categories, namely, EA1 and EA2. RCHEs that can meet the requirements under either EA1 or EA2 can participate in the EBPS and offer their residential care places for the HK Government to buy.

A major feature of the EBPS is that if a private RCHE participates in the scheme, the same enhanced standards (such as bed spacing and staffing requirements) will apply to the entire residential care home (including non-subsidised residential care places), hence making the EBPS an effective means to encourage private RCHEs to enhance their service quality.

Under the EBPS, the minimum net floor area per resident for EA1 RCHEs and EA2 RCHEs are 9.5 m^2 and 8 m^2 respectively, whereas the minimum net floor area per resident for the elderly residential care homes under the RCH(EP)R is 6.5 m^2.

The SWD would enter into a fixed term EBPS Agreement with the RCHEs that can meet the requirements under EA1 or EA2 and have offered residential care places for purchase by the SWD. The EBPS Agreement stipulates clearly the staffing requirements applicable to the RCHE, which are more stringent than the staffing requirements under the RCH(EP)R and the RCHE Code of Practice.

By way of example, below is a guideline on the staffing requirements under the EBPS (with reference to a 40-place RCHE on the basis of eight working hours per one staff member per day) for EA1 RCHEs and EA2 RCHEs, which is also subject to the staffing requirements provided specifically under the EBPS Agreement.

	Number of staff member for	
Member of staff	**EA1 RCHE**	**EA2 RCHE**
Home manager	1	1
Registered/Enrolled nurse	2	—
Physiotherapist *(Note)*	0.5	—
Health worker	2	4
Care worker	8	8
Ancillary worker	8	6
Total	21.5	19

Note: Applicable only to EBPS RCHEs receiving government subsidy for provision of physiotherapy service.

The EBPS Agreement contains other terms governing the operation of a RCHE participating in the EBPS. A summary of the principal terms of the EBPS Agreements is set out in the paragraphs headed "Business — Our Customers — Principal terms of the EBPS Agreements with the SWD" in this prospectus.

Under the EBPS, the SWD determines the prices for the various types of residential care places in RCHEs participating in the EBPS. Such prices are made up of two components: (i) the government subsidy; and (ii) the fee payable by the resident. The amount of the government subsidies (per residential care place each month) for EBPS is subject to annual review and adjustment according to established mechanism and policy. The table below sets forth the monthly residential fees payable by the SWD and by the resident for a residential care place under the EBPS (applicable as at the Latest Practicable Date):

	Monthly fees payable by	
Classification	**SWD**	**Resident**
	HK$	*HK$*
EA1 (Urban)	11,524	1,763
EA1 (New Territories)	10,940	1,763
EA2 (Urban)	8,976	1,656
EA2 (New Territories)	8,486	1,656

As at the Latest Practicable Date, seven of our care and attention homes for the elderly participated in the EBPS. Details of the classification of residential care places in our care and attention homes under the EBPS are set out in the paragraphs headed "Business — Our Care and Attention Homes for the Elderly" in this prospectus.

Since 2003, the SWD has begun to only purchase up to 50% of the EBPS places from private RCHEs (the "**50% Cap Requirement**"). Such requirement was set for new or existing participants of the EBPS that had not reached the 50% threshold of purchased residential care places. According to the SWD, the 50% Cap Requirement aimed to allow participating private RCHEs to run their non-subsidised part of business in the same RCHE, and to enable more private RCHEs to participate in EBPS so as to provide competition, and enhance the service standard across the industry.

Breach of the terms and/or conditions of the EBPS Agreement coupling with failure to timely rectify may lead to amendment or termination of the EBPS Agreement by the SWD. In addition, if during the term of the EBPS Agreement, the RCHE has accumulated a total of five warnings or more, the SWD has the right to reduce the number of residential care places purchased at the RCHE under the EPBS immediately after giving notice to the operator of the RCHE.

6. Other government subsidies — Dementia Supplement

The HK Government subsidises private RCHEs which participate in the EBPS to provide additional support to residents who are diagnosed to be suffering from dementia.

Dementia supplement (the "**DS**") has been provided as an additional support for elderly residents with dementia in private RCHEs participating in the EBPS. With the DS, RCHEs may employ additional professional staff, including occupational therapists, nurses and social workers, or purchase relevant professional services in order to provide better care and support to the residents.

As at the Latest Practicable Date, seven of our care and attention homes for the elderly were receiving DS from the HK Government.

REGULATIONS IN RELATION TO BUILDING SAFETY AND FIRE SAFETY

The regulations under this area concern the following two aspects:

(a) building safety and fire safety in buildings; and

(b) fire service installations and equipment.

1. Building safety and fire safety in buildings

The Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (the "**BO**") and its subsidiary legislations provide for, among other things, the planning, design and construction of buildings and associated works and to make provision for regular inspections of buildings and the associated repairs to prevent the buildings from becoming unsafe.

In particular, the following subsidiary legislations of the BO are applicable to the design, construction and maintenance of RCHEs:

(a) Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong);

(b) Building (Planning) Regulations (Chapter 123F of the Laws of Hong Kong);

(c) Building (Standards of Sanitary Fitments, Plumbing, Drainage Works and Latrines) Regulations (Chapter 123I of the Laws of Hong Kong); and

(d) Building (Ventilating Systems) Regulations (Chapter 123J of the Laws of Hong Kong).

RCHEs shall comply with the Code of Practice for Fire Safety in Buildings issued by the Buildings Department as well, which stipulates the prescriptive as well as the performance requirements so that the building fire safety of RCHEs can be maintained at an adequate and prescribed level.

In addition, RCHEs are subject to the scrutiny by the Independent Checking Unit (the "**ICU**"). Since the Housing Authority's (the "**HA**") construction projects are exempt from the BO, they are subject to neither the statutory third party checking by the Buildings Department nor the statutory sanctions against those responsible for the design, supervision and construction of building works. Considering the community's expectation for an objective scrutiny of the HA projects and to ensure that such projects reach the applicable standards and comply with the applicable laws and regulations, the ICU was established to strengthen the scrutiny of building proposals and the execution of construction works of HA's construction projects.

The ICU, comprising different teams and units, would inspect the RCHEs from time to time to ensure compliance with the applicable regulations and schemes by the relevant parties. The teams and units of ICU and their respective responsibilities are set out below:

(a) Minor Works Team — implementation of minor works control system;

(b) New Building Team, Structural Vetting Team, Geotechnical Vetting Team and Site Monitoring Team — checking of HA's new projects and alteration and addition works of existing buildings against the BO, approval of plans, issue of consent to the commencement of works, site monitoring, final inspections and the issue of occupation permits for building projects;

(c) Existing Building Team — carrying out building control under the delegation of authority by the Building Authority on those HA buildings and former HA buildings that come under the jurisdiction of the BO;

(d) Lift Inspection Focus Team — monitoring the use and operation of HA's lifts and escalators to ensure compliance with the Lifts and Escalators Ordinance (Chapter 618 of the Laws of Hong Kong);

(e) Mandatory Building Inspection Scheme Team — implementation of mandatory window inspection scheme and mandatory building inspection scheme;

(f) Internal Audit Unit — independent evaluation of the internal control systems and procedures of the Buildings Department, ad hoc reviews, value for money audits, computer system audits and outstation offices inspections; and

(g) Technical Audit Unit — performing system audits and reviews on operations and practices relating to HA's construction, maintenance and improvement works, and carrying out ad hoc studies and investigations.

Our Directors were not aware of (a) any of our care and attention homes being involved in any material non-compliance with the BO, its subsidiary legislations and/or the Code of Practice for Fire Safety in Buildings; (b) any of our care and attention homes having received any warning letter or non-compliance notice from the ICU; or (b) any prosecution being taken or threatened to be taken by or pending from the Buildings Department against any of our care and attention homes, during the Track Record Period and up to the Latest Practicable Date.

2. Fire service installations and equipment

The Codes of Practice for Minimum Fire Service Installations and Equipment and Inspection, Testing and Maintenance of Installations and Equipment issued by the Fire Services Department stipulate the requirements and specifications on fire service installations and equipment to be provided for RCHEs from time to time.

Pursuant to the Fire Service (Installations and Equipment) Regulation (Chapter 95B of the Laws of Hong Kong), all fire service installations and equipment installed in RCHEs shall be maintained in efficient working order at all times and inspected by a registered fire service installation contractor at least once every 12 months.

Our Directors were not aware of (a) any of our care and attention homes being involved in any material non-compliance with the Codes of Practice for Minimum Fire Service Installations and Equipment and Inspection, Testing and Maintenance of Installations and Equipment and/or the Fire Service (Installations and Equipment) Regulation; and (b) with respect to the fire service installations and equipment in our care and attention homes, any prosecution being taken or threatened to be taken by or pending from the Fire Services Department during the Track Record Period and up to the Latest Practicable Date.

REGULATIONS ON DANGEROUS DRUGS

Dangerous Drugs Ordinance (Chapter 134 of the Laws of Hong Kong) (the "DDO")

The DDO regulates the control of import, export, procuring, supply, dealing in or with, manufacture and possession of drugs or substances which are classified as dangerous drugs under the DDO.

Dangerous drugs are not allowed to be supplied to any person except to a person authorised or licensed to be in possession of such drugs in accordance with the DDO. The DDO also provides that a person to whom a dangerous drug is lawfully prescribed by a registered medical practitioner is authorised to be in possession of such dangerous drugs.

As part of the effective operation and management of our care and attention homes, we store medicines (which may include dangerous drugs) prescribed by registered medical practitioners for our residents for the purpose of centralised storage and distribution. We are therefore in possession of the prescribed dangerous drugs and thus subject to the DDO.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, none of the members of our Group had been subject to any real or threatened proceedings brought under, or received any written complaints or warnings in relation to the DDO.

REGULATIONS ON CHEMICAL AND CLINICAL WASTE DISPOSAL

The major legislation and regulations governing chemical and clinical waste disposal are:

(a) Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong);

(b) Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong) (the "**Chemical Waste Regulation**"); and

(c) Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong) (the "**Clinical Waste Regulation**").

Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) (the "WDO") and its subsidiary legislations

The WDO, the Chemical Waste Regulation and the Clinical Waste Regulation stipulate, among other things, the control and regulation of the production, storage, collection and disposal of chemical waste and clinical waste.

(a) Chemical waste

Chemical waste is defined under the WDO and the Chemical Waste Regulation as any substance or thing being:

(a) scrap material;

(b) effluent; or

(c) an unwanted substance or by-product arising from the application of or in the course of any process or trade activity,

which is or contains any substance or chemical specified in Schedule 1 to the Chemical Waste Regulation, including dangerous drugs (as defined in the DDO) anti-biotics, and poison (as defined in the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong)), if such substance or chemical occurs in such form, quantity and concentration so as to cause pollution or constitute a danger to health or risk of pollution to the environment.

The Chemical Waste Regulation stipulates that all chemical waste producers shall register with the Director of Environmental Protection. Accordingly, a waste producer can discharge his duty to arrange for the proper disposal of his waste by consigning his waste to a waste collector licensed by a relevant authority. Generally speaking, arrangements shall be made for disposal of the waste at a licensed facility. Licensed facilities can be either a reception point or an on-site or in-house treatment facility. In the event there is no suitable disposal facility in Hong Kong, the waste producer will need to make other applicable arrangements for disposal after obtaining the approval of Environmental Protection Department.

The Chemical Waste Regulation requires that chemical waste producers shall properly store their chemical waste in containers that are (i) suitable, having regard to the nature of the material of the container; (ii) resistant to corrosion or any other damage that can be caused by the chemical waste to be stored therein; and (iii) maintained in good condition and repair and free from corrosion, contamination or any other defects which may impair its performance, until such chemical waste is properly disposed of. The containers of chemical waste must been properly stored, labelled in accordance with the Chemical Waste Regulation.

Chemical waste producers are also required under the Chemical Waste Regulation to record the particulars of the chemical waste on a trip-ticket before their chemical waste are accepted and collected by the licenced chemical waste collectors for delivery to the reception point. The receipt of a properly completed trip-ticket is a condition for acceptance of the chemical waste. Chemical waste producers shall keep copies of the trip-tickets as records of the consignment for at least 12 months following the consignment of that chemical waste.

As we may dispose of unused or expired drugs of our residents from time to time, the operation of our care and attention homes is subject to WDO and the Chemical Waste Regulation in respect of the production, storage, collection and disposal of chemical wastes.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, none of the members of our Group had received any written complaints or warnings in relation to the production, storage, collection and disposal of chemical wastes under the WDO and the Chemical Waste Regulation.

(b) Clinical waste

Pursuant to Section 2 of the WDO, clinical waste means waste consisting of any substance, matter or thing generated in connection with:

(a) a dental, medical, nursing or veterinary practice;

(b) any other practice, or establishment (howsoever described), that provides medical care and services for the sick, injured, infirm or those who require medical treatment;

(c) dental, medical, nursing, veterinary, pathological or pharmaceutical research; or

(d) a dental, medical, veterinary or pathological laboratory practice,

which consists wholly or partly of any of the materials specified in one or more of the groups listed below:

(a) used or contaminated sharps;

(b) laboratory waste;

(c) human and animal tissues;

(d) infectious materials;

(e) dressings; and

(f) such other wastes as specified by the Director of Environmental Protection.

The Clinical Waste Regulation stipulates that all clinical waste producers shall arrange for their clinical waste to be properly disposed of. A waste producer can fulfil the duty of proper disposal of clinical waste by:

(a) arranging a healthcare professional to deliver clinical waste not exceeding 5kg on any occasion to a licensed disposal facility or clinical waste collection point following the requirements as prescribed in the Clinical Waste Regulation;

(b) engaging the service of a licensed clinical waste collector to remove the clinical waste from the waste producing premises; or

(c) disposing of the clinical waste at an on-site licensed clinical waste disposal facility.

A clinical waste producer shall keep all waste consignment and delivery records for not less than 12 months and, upon request, make them available for inspection by the staff of the Environmental Protection Department.

The Secretary for the Environment issued the Code of Practice for the Management of Clinical Waste — Small Clinical Waste Producers (the "**Clinical Waste Code of Practice**") under the WDO to provide guidance to small clinical waste producers and to assist them in complying with the legal requirements under the WDO and the Clinical Waste Regulation. Pursuant to the Clinical Waste Code of Practice, RCHEs are classified as small clinical waste producers.

As the services provided by our centres may produce used or contaminated sharps such as syringes, needles, dressings as well as the medicine and drugs left by the elderly residents, our 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.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, none of the members of our Group had been 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.

REGULATIONS IN RELATION TO LABOUR

In addition to the labour laws and regulations which all employers in Hong Kong shall comply with, including the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) and their respective subsidiary legislations, our Group is also subject to the applicable laws and regulations in relation to employment of imported workers, in particular the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong) and the Supplementary Labour Scheme.

1. Immigration Ordinance (Chapter 115 of the Laws of Hong Kong) (the "IO")

Generally speaking, under the IO, a person is required to hold a visa/entry permit to work in Hong Kong unless he has the right of abode or right to land in Hong Kong. Section 17I of the IO stipulates that any person who is the employer of an employee who is not lawfully employable commits an offence and is liable to a fine of HK$350,000 and to imprisonment for three years.

2. Supplementary Labour Scheme (the "SLS")

SLS is a scheme administered by the Labour Department and its main purpose is to allow employers with genuine difficulties in finding suitable staff in Hong Kong to import workers at technician level or below. However, applications for importation of labour under the SLS will not normally be accepted if the vacancies fall within the job categories specified by the Labour Department from time to time such as sales representative, driver and clerical worker. The SLS operates on the following two cardinal principles:

(a) local workers must be given priority in filling job vacancies available in the job market; and

(b) employers who are genuinely unable to recruit local workers to fill their job vacancies can be allowed to import workers.

As such, employers must give priority to local workers for filling available job vacancies. Sanctions may be imposed by the HK Government on unscrupulous employers who are found to have breached the conditions of the SLS.

Under the SLS, imported workers shall be paid at least the median monthly wages of local workers in comparable positions and be accorded no less favourable treatments as that enjoyed by local workers the applicable labour laws. The wages offered must be in compliance with the statutory minimum wage requirements. The imported workers shall strictly comply with the terms and conditions in their employment contracts. For example, imported workers are only allowed to work for that particular employers, in the specified positions, and for the term stipulated thereunder. In addition, they must return to their place of origin upon expiry of their contracts.

The approval granted to an employer to import workers would not be automatically renewed under the SLS. An employer who would like to continue to employ the imported workers upon expiry of their contracts is required to submit a new application to the Labour Department, and such application will be considered on its own merits and on a case-by-case basis.

There are no industry-specific quotas under the SLS. All applications are considered individually. To ensure priority of employment for local workers, each application has to go through the newspaper advertising procedure, a mandatory local recruitment period at the Labour Department, and the arrangement of tailor-made retraining courses by the Employees Retraining Board if appropriate.

The employer's request will be first considered by the Application Office of the Labour Department. The Application Office would then make a recommendation to the Labour Advisory Board, which is responsible for monitoring the operation of the SLS. The application recommended has to be further approved by the Labour Advisory Board before its submission to the HK Government for final approval or otherwise.

Upon the advice of the Labour Advisory Board, the HK Government will consider the application on its own merits, including the genuine need for importation of labour, the activeness in business and financial situation of the employer.

Successful employers shall pay a levy that goes to the Employees Retraining Board to provide suitable training for the local workers. The levy payable in a lump sum in respect of each imported worker is fixed at HK$400 multiplied by the number of months covered by the employment contract up to a maximum of 24 months. After the approval for importing workers and before the issue of visa/entry permit as directed by the Director of Immigration, the levy will be collected. The levy is not refundable under any circumstances.

As at the Latest Practicable Date, our Group employed 69 imported workers through the SLS. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, all of the imported workers employed by our Group had valid visa/entry permits to work in Hong Kong and none of the conditions imposed (if any) by the Labour Department under the SLS had been breached.

REGULATIONS OF REGISTERED NURSES AND ENROLLED NURSES

The main legislation and regulation of Hong Kong in relation to registered and enrolled nurses are:

(a) Nurses Registration Ordinance; and

(b) Code of Ethics and Professional Conduct for Nurses in Hong Kong.

1. Nurses Registration Ordinance (Chapter 164 of the Laws of Hong Kong) (the "NRO")

All practising nurses in Hong Kong are required to be registered or enrolled with the Nursing Council of Hong Kong, which is established under Section 3 of the NRO.

Under the RCH(EP)R, nurses employed by operators of RCHEs shall be registered nurses or enrolled nurses within the meaning of the NRO.

A person may register with the Nursing Council of Hong Kong as a "registered nurse" under the NRO, if he/she, among other things:

(a) has completed such training as may be prescribed and have passed such examinations as may be required by the Nursing Council of Hong Kong, or possess a valid certificate to practise nursing issued by such certifying body as may be recognised by the Nursing Council of Hong Kong from time to time as constituting sufficient evidence of his/her competency to practise nursing;

(b) has not been convicted of an offence punishable with imprisonment;

(c) has attained the minimum age of 21 years;

(d) is of good character; and

(e) has not been guilty of unprofessional conduct.

A person may enroll with the Nursing Council of Hong Kong as an "enrolled nurse" under the NRO if he/she, among other things:

(a) is of good character;

(b) has attained the minimum age of 20 years;

(c) has not been guilty of unprofessional conduct;

(d) has not been convicted of an offence punishable with imprisonment; and

(e) has completed such training as may be prescribed and have passed such examinations as may be required by the Nursing Council of Hong Kong, or possess a valid certificate to practise nursing issued by such certifying body as may be recognised by the Nursing Council of Hong Kong from time to time as constituting sufficient evidence of his/her competency to practise nursing.

A person shall not practise as a registered nurse or enrolled nurse in Hong Kong unless he/she is the holder of a valid practising certificate issued by the Nursing Council of Hong Kong. The practising certificate will be in force for a period of three years commencing on 1 January and will need to be renewed every three years.

2. Code of Ethics and Professional Conduct for Nurses in Hong Kong (the "Nurse Code of Ethics")

All registered nurses and enrolled nurses in Hong Kong shall comply with the Nurse Code of Ethics issued by the Nursing Council of Hong Kong (as may be amended from time to time), which identifies four domains that form a conceptual framework for the ethical standards of the profession. The four domains are (a) nurses and practice; (b) nurses and people; (c) nurses and society; and (d) nurses and the profession. They cover, among other things, the following aspects:

(a) nurses and practice:

   (i) provide competence and safe practice;

(ii) maintain the standard of professional practice; and

(iii) collaborate with colleagues/co-workers/stakeholders to achieve the goal of quality care;

(b) nurse and people:

(i) respect the dignity, values, uniqueness, beliefs and culture of individuals and their families;

(ii) safeguard individual's right to self-determination; and

(iii) hold in confidence the personal information obtained under the professional capacity;

(c) nurses and society:

(i) promote community health and wellbeing through partnership; and

(ii) ensure that healthcare resources are allocated in a fair and equitable manner.

(d) nurses and the profession:

(i) uphold the image of nurses and the profession;

(ii) foster the trust that is inherent in the privileged relationship between nurses and their clients; and

(iii) commit to promote professional advancement and growth.

A registered nurse or an enrolled nurse who fails to comply with the Nurse Code of Ethics may face disciplinary actions taken by the Nursing Council of Hong Kong.

RCH(EP)R regulates the employment of staff according to the particular type of residential care home, including registered nurses or enrolled nurses. As at the Latest Practicable Date, we employed 23 registered nurses and 33 enrolled nurses. The registered nurses and enrolled nurses employed are mainly responsible for providing custodial care and assistance to our residents, such as following up on the body conditions and the daily health assessment of the residents, coordinating with the external doctors, community nurses and stationed doctors when providing consultation to the residents in our care and attention homes, making arrangements for follow-up consultation of the residents, following up and verifying the medication record of the residents and executing the medical advice prescribed by the doctors for the residents and providing corresponding medical service.

During the Track Record Period, all of our registered nurses and enrolled nurses were duly registered or enrolled with the Nursing Council of Hong Kong and were holding valid practising certificates. Our Directors also confirmed that the Nurse Code of Ethics were complied with by the registered nurses and enrolled nurses of our Group during the Track Record Period. Furthermore, our Directors were not aware of our registered nurses or enrolled nurses being involved in any offences, disciplinary actions, non-compliance incidents, medical negligence incidents, litigation, claims or investigations or other forms of dispute which arised from their duty as registered or enrolled nurses in our Group during the Track Record Period.

REGULATIONS OF PHYSIOTHERAPISTS

The primary legislation, regulations and byelaws with respect to physiotherapists include the following:

(a) Supplementary Medical Professions Ordinance (Chapter 359 of the Laws of Hong Kong);

(b) Physiotherapists (Registration and Disciplinary Procedure) Regulation (Chapter 359J of the Laws of Hong Kong); and

(c) Code of Practice of the Physiotherapists Board of Hong Kong for the Guidance of Registered Physiotherapists.

1. Supplementary Medical Professions Ordinance (Chapter 359 of the Laws of Hong Kong) (the "SMPO")

Section 2 of the SMPO and its Schedule define a physiotherapist as "a person trained to assess and treat physical disabilities by means of remedial exercises, manual therapy and mechanical, thermal or electrical energy".

The Physiotherapists Board is established under the SMPO, whose major responsibilities include issuing practising certificate, maintaining a register of eligible physiotherapists, promoting adequate standards of professional conduct and professional practice among registered physiotherapists, exercising regulatory and disciplinary powers for the profession and issuing guidance of professional code and conduct.

Pursuant to Section 16(1) of the SMPO, all practising physiotherapists in Hong Kong shall register with the Physiotherapists Board and holds a practising certificate.

Under Section 20 of the SMPO, a company may carry on the business of practising a profession if certain requirements are satisfied.

2. Physiotherapists (Registration and Disciplinary Procedure) Regulation (Chapter 359J of the Laws of Hong Kong) (the "P(RDP)R")

The register of physiotherapists is divided into Part Ia, Part Ib and Part II with reference to the recognised experience (as defined in the P(RDP)R) of the physiotherapist. Applicant holding not less than one year of post-qualification recognised experience may apply for registration in Part Ia Register. Applicant who does not possess that experience may apply for registration in Part Ib of the Register. Physiotherapists registered under Part Ia and Part Ib are not required to practise under supervision while those under Part II shall only practice under the supervision of a Part Ia physiotherapist. Provisional registration in the Part II register of physiotherapists under Section 15 of the SMPO had concluded on 30 September 1997.

To register with the Physiotherapists Board as a "physiotherapist" under the P(RDP)R, a person shall, among other things, hold:

(a) a Professional Diploma in Physiotherapy issued by the Hong Kong Polytechnic on or before 1 January 1995;

(b) a Bachelor of Science degree in Physiotherapy awarded by the Hong Kong Polytechnic or The Hong Kong Polytechnic University;

(c) a certificate from the Physiotherapists Board after he/she has passed an examination relating to physiotherapy conducted under the SMPO; or

(d) a certificate issued by the HK Government School of Physiotherapy of the Medical and Health Department on or before 1 January 1981.

In order to provide better service to our residents, our Group has employed certain registered physiotherapists (including physiotherapists we engaged from an external physiotherapy service provider) to provide physiotherapy services at our care and attention homes. As at the Latest Practicable Date, we employed and engaged a total of 3 registered physiotherapists. All of them are Part Ia and/or Part Ib physiotherapists and are holders of practising certificates issued by the Physiotherapists Board.

3. Code of Practice of the Physiotherapists Board of Hong Kong for the Guidance of Registered Physiotherapists (the "Physiotherapists Code of Practice")

All registered physiotherapists in Hong Kong shall comply with the Physiotherapists Code of Practice issued by the Physiotherapists Board (as may be amended from time to time) which governs, among other things, the following aspects:

(a) professional communication and information dissemination;

(b) regulations in relation to disregard of professional responsibilities towards patients, abuse of professional position for improper association or commit adultery and abuse of professional confidence;

(c) prohibitions on depreciation of other physiotherapists, canvassing, misleading and unapproved descriptions and announcements, improper financial transactions and covering improper delegation of therapeutic duties to unregistered persons;

(d) maintenance of professional competence;

(e) criminal conviction punishable with imprisonment and disciplinary proceedings of physiotherapists; and

(f) regulations in relation to relationships with the medical and other health professions.

The registered physiotherapist who fails to comply with Physiotherapists Code of Practice may face disciplinary actions taken by the Physiotherapists Board.

During the Track Record Period and up to the Latest Practicable Date, all of the physiotherapists that we employed and engaged from external physiotherapy service providers were registered physiotherapists and were therefore required to comply with the Physiotherapists Code of Practice.

Our Directors were not aware of our physiotherapists being involved in (a) any disciplinary actions, investigations or other similar actions by the Physiotherapists Board or other professional and regulatory bodies in Hong Kong in relation to their practice with our Group during the Track Record Period and up to the Latest Practicable Date; or (b) any actual, pending or threatened litigation or claims against or associated with their physiotherapy practices during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirmed that our physiotherapists had been complying with the Physiotherapists Code of Practice during the Track Record Period and up to the Latest Practicable Date.

INLAND REVENUE ORDINANCE

Section 51(1) of the Inland Revenue Ordinance requires every person, upon receipt of a written notice from the Inland Revenue Department of Hong Kong, to submit a return within a reasonable time as stated in such notice. In relation to (i) any tax computation containing incorrect information (the "**Incorrect Information**"); and (ii) the filing of tax return containing the Incorrect Information, a person may be subject to prosecution under section 80(2) or 82(1) of the Inland Revenue Ordinance pursuant to which:

(a) Any person who without reasonable excuse files an incorrect return commits an offence under section 80(2) of the Inland Revenue Ordinance and is liable on conviction to a fine at level 3 (i.e. HK$10,000) and a further fine of treble the amount of tax which has been undercharged as a result of the incorrect return, statement or information or omission, or would have been so undercharged if the return, statement or information had been accepted as correct or the omission had not been detected.

(b) Any person who wilfully with intent to evade or to assist any other person to evade tax omits from a return any sum which should be included commits an offence under section 82(1) of the Inland Revenue Ordinance is liable:

(i) on summary conviction to a fine at level 3 (i.e. HK$10,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence has not been detected and imprisonment for 6 months; and

(ii) on indictment to a fine at level 5 (i.e. HK$50,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence has not been detected and imprisonment for 3 years.

(c) Under sections 80(5) and 82(2) of the Inland Revenue Ordinance, the Commissioner of Inland Revenue may compound any offence in lieu of prosecution.

(d) Under section 82A of the Inland Revenue Ordinance, any person who without reasonable excuse makes an incorrect return by omitting or understating anything in respect of which he is required to make a return, shall, if no prosecution under section 80(2) or 82(1) has been instituted in respect of the same facts, be liable to be assessed to additional tax of an amount not exceeding treble the amount of tax undercharged as a result of the filing of the incorrect tax return.

Penalty policy

The Inland Revenue Department's website sets out the following penalty policy under section 82A of the Inland Revenue Ordinance for cases involving field audit and investigation:

	Category of Disclosure and Work Involved							
Nature of omission/ understatement (see Note 1 below)	**Full voluntary disclosure**		**Disclosure with full information promptly on challenge**		**Incomplete or belated disclosure**		**Disclosure denied**	
	Normal loading	**Max. incl. C.R.**	**Normal loading**	**Max. incl. C.R.**	**Normal loading**	**Max. incl. C.R.**	**Normal loading**	**Max. incl. C.R.**
Group (a)	15	60	75	100	140	180	210	260
Group (b)	10	45	50	75	110	150	150	200
Group (c)	5	30	35	60	60	100	100	150

(see Notes 2 and 3 below)

Notes:

1. Group (a) — cases where the taxpayers show intentional disregard to the law and adopt deliberate cover-up tactics involving the preparation of a false set of books, padded wage rolls and fictitious entries or multiple omissions over a long period of time.

Group (b) — cases with slightly less serious acts of omission resulting from recklessness including the "hand in the till" type of evasion, failure to bring to account sales of scrap, and sheer gross negligence.

Group (c) — cases where the taxpayers fail to exercise reasonable care and omit profits/income such as lease premium, one-off commission, etc.

2. The penalty loading is expressed as a percentage of the tax undercharged.

3. For cases completed after 30 November 2003, the CR (commercial restitution) is at 7% per annum monthly compounded for periods up to and including 30 November 2003 and at the best lending rate monthly compounded for periods after 30 November 2003.

Additionally, section 51C of the Inland Revenue Ordinance provides that any person carrying on a trade, profession or business in Hong Kong shall keep sufficient records in the English or Chinese language of his income and expenditure to enable the assessable profits of such trade, profession or business to be readily ascertained and shall retain such records for a period of not less than seven years after the completion of the transactions, acts or operations to which they relate. The section sets out general requirement of records that should be kept. Any person who without reasonable excuse fails to comply with section 51C is liable on conviction to a maximum fine of HK$100,000.

DEVELOPMENT OF OUR GROUP

Our history can be traced back to 1991 when Fai-To Home for the Aged (輝濤安老院) was established in New Territories, Hong Kong. Fai-To Home for the Aged started as a family business founded by Ms. Ngai as the first care and attention home for the elderly of our Group.

In 1995, we established our second care and attention home for the elderly, Fai To Home (Tuen Mun) in Tuen Mun. We established two other care and attention homes for the elderly, Fai To Home (On Lai) and Kato Home for the Aged, in Tuen Mun in 1997 and 1998, respectively.

Leveraging on her extensive experience in the establishment and management of care and attention homes, Ms. Ngai further established the "Kato 嘉濤" and "Fai To 輝濤" branded care and attention homes as a recognised care and attention home operator in the New Territories and Kowloon, Hong Kong.

In 1998, capitalising on the Hong Kong Government's initiative to shorten the waiting time for a place in a subsidised RCHE and to upgrade the quality of private RCHEs, our Group began to participate in the Enhanced Bought Place Scheme initially through Fai To Home (Tuen Mun).

In 2000, we established Fai To Sino West Home in To Kwa Wan, which is our first care and attention home for the elderly in Kowloon district and a significant step in the strategic expansion by our Group.

Under the leadership of Ms. Ngai and Mr. Ngai, our Group has expanded to a network of eight care and attention homes for the elderly in Hong Kong with a capacity of 1,129 residential care places, seven of which participated in the EBPS.

BUSINESS MILESTONES

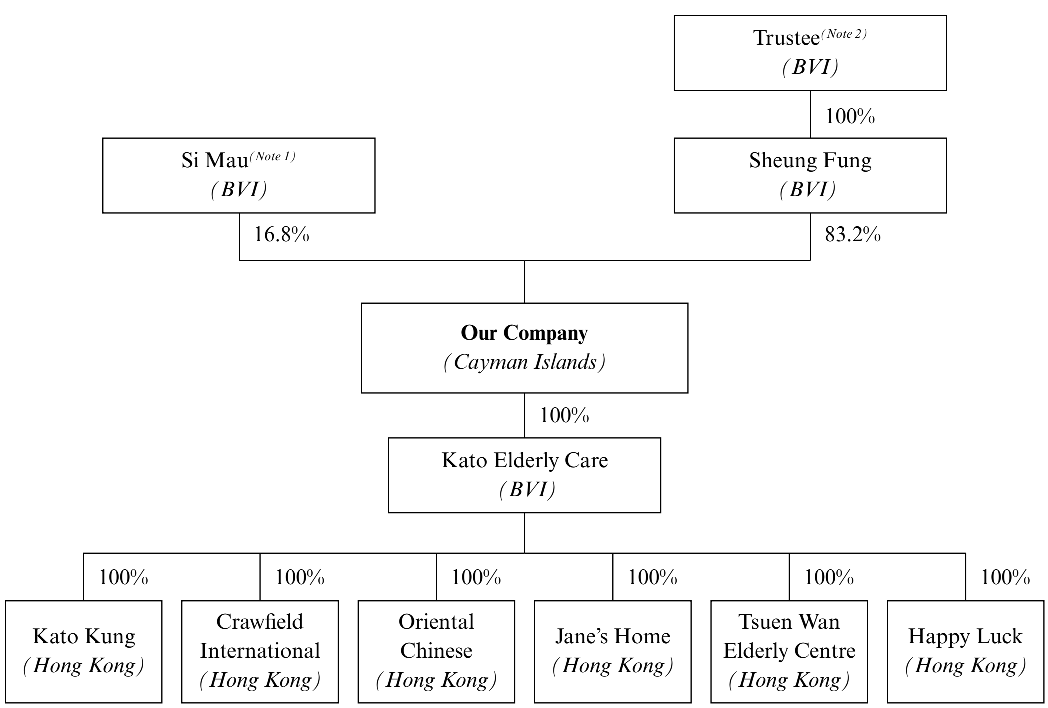
The following table summarises the major milestones of our business development:

Year	Event
1991	Established Fai-To Home for the Aged (輝濤安老院), being the first care and attention home of our Group
1994	Closure of Fai-To Home for the Aged (輝濤安老院)
1995	Established Fai To Home (Tuen Mun)
1996	Established Fai-To Centre for the Aged
1997	Established Fai To Home (On Lai)
1998	Established Kato Home for the Aged
	First participated in the Enhanced Bought Place Scheme

Year	**Event**
1999	Established Kato Elderly Home
2000	Established Fai To Sino West Home
	Established Ka-To Home for The Aged
2008	Established Tsuen Wan Centre
2013	Established Pine Villa, our first high end and luxurious care and attention home
2015	Established Happy Luck Home
	Closure of Ka-To Home for The Aged
2017	Merged Fai-To Centre for the Aged into Kato Elderly Home

OUR CORPORATE HISTORY

Our Group comprises our Company, as the holding company of our subsidiaries, and seven subsidiaries. The following chart sets out our shareholding and corporate structure immediately before the Capitalisation Issue and the Share Offer (without taking into account any Share which will be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).



Notes:

1. Si Mau is held as to 62.7% by Mr. Lam Kong, 7.9% by Mr. Kwong Thomas Wai Ping, 7.8% by Mr. Ngai Yiu Pan, Louis, 14.5% by Ms. Kwong Mei Ping and 7.1% by Mr. Ngai Chi Hang, respectively.

2. On 19 March 2018, a trust deed (as amended and supplemented by a deed of variation and removal of beneficiaries dated 17 July 2018) was executed by the Trustee and Mr. Kwong and Ms. Ngai as settlors to establish the Family Trust.

Details of our Company and our subsidiaries are set out below.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 April 2018.

After the Reorganisation, our Company has become the holding company of our subsidiaries.

Set out below is a brief summary of certain corporate information in respect of our subsidiaries.

Name of company	Place of incorporation	Date of incorporation	Elderly home for which our company held the RCHE licence	Percentage of beneficial shareholding attributable to our Group
Kato Elderly Care	BVI	20 April 2018	—	100%
Kato Kung	Hong Kong	25 May 1995	Kato Home for the Aged and Kato Elderly Home	100%
Crawfield International	Hong Kong	23 May 1991	Fai To Home (On Lai) and Fai To Home (Tuen Mun)	100%
Oriental Chinese	Hong Kong	1 March 2000	Fai To Sino West Home	100%
Jane's Home	Hong Kong	25 May 2012	Pine Villa	100%
Tsuen Wan Elderly Centre	Hong Kong	28 June 2002	Tsuen Wan Centre	100%
Happy Luck	Hong Kong	8 April 2014	Happy Luck Home	100%

Kato Elderly Care

Kato Elderly Care was incorporated in the BVI on 20 April 2018 to act as the intermediate holding company of our Group. Kato Elderly Care is authorised to issue a maximum of 50,000 shares of a single class without par value. Upon its incorporation, Kato Elderly Care allotted and issued one share to our Company. As such, Kato Elderly Care has become our wholly owned subsidiary.

Since its incorporation, Kato Elderly Care has been acting an investment holding company.

Kato Kung

Kato Kung was incorporated with limited liability in Hong Kong on 25 May 1995. Upon its incorporation, Kato Kung allotted and issued 499 and 501 shares to Mr. Kwong and Ms. Ngai, respectively, fully paid at par.

Subsequent to various transfers of shares of Kato Kung between 1996 and September 2014, the shareholding structure of Kato Kung as at 29 September 2014 is set out below:

Name of shareholders	No. of issued shares	Shareholding
		(%)
Mr. Ngai Ha Sang	1,000	20
Mr. Lam Kong	1,000	20
Kato Elderly Group	3,000	60
Total	5,000	100

On 1 February 2018, Mr. Ngai Ha Sang transferred 1,000 shares in Kato Kung to Kato Elderly Group at a consideration of HK$5,000,000, which was determined by reference to the price-to-earnings ratio of approximately 3.8 times of Kato Kung for the year ended 31 March 2017. Such transfer was properly and legally completed. The table below shows the shareholding structure of Kato Kung as at 1 February 2018.

Name of shareholders	No. of issued shares	Shareholding
		(%)
Mr. Lam Kong	1,000	20
Kato Elderly Group	4,000	80
Total	5,000	100

On 7 September 2018, Kato Elderly Group transferred 4,000 shares in Kato Kung to Kato Elderly Care in consideration of, at the direction of Kato Elderly Group, the allotment and issue of 8,319 Shares in aggregate to Sheung Fung. Such transfer was properly and legally completed.

Pursuant to the Deed of Reorganisation, Mr. Lam Kong transferred 1,000 shares in Kato Kung to Kato Elderly Care in consideration of, at Mr. Lam Kong's direction, the allotment and issue of 1,680 Shares in aggregate to Si Mau and the allotment and issue of 626 shares in Si Mau to Mr. Lam Kong. Following this transfer, Kato Kung has become wholly owned by Kato Elderly Care upon completion of the Reorganisation.

Kato Kung engages in the operation of Kato Home for the Aged and Kato Elderly Home.

Crawfield International

Crawfield International was incorporated with limited liability in Hong Kong on 23 May 1991. Upon its incorporation, Crawfield International allotted and issued one subscriber share to each of Project Management Limited and Pioneer Secretaries Limited (both Independent Third Parties), respectively, fully paid at par.

On 2 October 1992, 5,099 shares and 4,899 shares were allotted and issued to Mr. Kwong and Ms. Ngai, respectively, fully paid at par. The table below shows the shareholding structure of Crawfield International as at 2 October 1992.

Name of shareholders	No. of issued shares	Shareholding
		(%)
Project Management Limited	1	0.01
Pioneer Secretaries Limited	1	0.01
Mr. Kwong	5,099	50.99
Ms. Ngai	4,899	48.99
Total	10,000	100

On 16 October 1992, Project Management Limited and Pioneer Secretaries Limited transferred their respective share in Crawfield International to Mr. Kwong and Ms. Ngai, respectively at nominal consideration. Such transfers were properly and legally completed. The table below shows the shareholding structure of Crawfield International as at 16 October 1992.

Name of shareholders	No. of issued shares	Shareholding
		(%)
Mr. Kwong	5,100	51
Ms. Ngai	4,900	49
Total	10,000	100

Subsequent to various transfers and allotment of shares of Crawfield International between 1993 and 29 September 2014, Crawfield International became a wholly owned subsidiary of Kato Elderly Group.

On 7 September 2018, Kato Elderly Group transferred all the shares in Crawfield International to Kato Elderly Care in consideration of, at the direction of Kato Elderly Group, the allotment and issue of 8,319 Shares in aggregate to Sheung Fung. Such transfer was properly and legally completed. Following this transfer, Crawfield International has become a wholly owned subsidiary of Kato Elderly Care.

Crawfield International engages in the operation of Fai To Home (On Lai) and Fai To Home (Tuen Mun).

Oriental Chinese

Oriental Chinese was incorporated with limited liability in Hong Kong on 1 March 2000. Upon its incorporation, Oriental Chinese allotted and issued 5,001 shares, 3,000 shares and 1,999 shares to Crawfield International, Paleo Pacific Inc. (an Independent Third Party) and Mr. Ngai Ha Sang, respectively, fully paid at par.

Subsequent to various transfers and allotment of shares of Oriental Chinese between March 2000 and April 2017, the shareholding structure of Oriental Chinese as at 28 April 2017 is set out below:

Name of shareholders	**No. of issued shares**	**Shareholding**
		(%)
Mr. Ngai Ha Sang	2,500	22.73
Mr. Kwong Thomas Wai Ping	1,000	9.10
Mr. Ngai Yiu Pan Louis	500	4.54
Mr. Au Wai Kwan	600	5.45
Ms. So Wai Ha	200	1.82
Kato Elderly Group	6,200	56.36
Total	11,000	100

On 1 February 2018, Mr. Ngai Ha Sang transferred 2,500 shares in Oriental Chinese to Kato Elderly Group at a consideration of HK$5,000,000, which was determined by reference to price-to-earnings ratio of approximately 3.8 times of Oriental Chinese as at 31 March 2017. On 15 March 2018, Mr. Au Wai Kwan and Ms. So Wai Ha transferred all their shares in Oriental Chinese to Kato Elderly Group at a consideration of HK$2,200,000 and HK$730,000, respectively, which were determined by reference to price-to-earnings ratio of approximately 3.8 times of Oriental Chinese as at 31 March 2017. These transfers were properly and legally completed. The table below shows the shareholding structure of Oriental Chinese as at 15 March 2018.

Name of shareholders	**No. of issued shares**	**Shareholding**
		(%)
Mr. Kwong Thomas Wai Ping	1,000	9.10
Mr. Ngai Yiu Pan Louis	500	4.54
Kato Elderly Group	9,500	86.36
Total	11,000	100

On 7 September 2018, Kato Elderly Group transferred 9,500 shares in Oriental Chinese to Kato Elderly Care in consideration of, at the direction of Kato Elderly Group, the allotment and issue of 8,319 Shares in aggregate to Sheung Fung. Such transfer was properly and legally completed.

Pursuant to the Deed of Reorganisation, Mr. Kwong Thomas Wai Ping and Mr. Ngai Yiu Pan Louis transferred all their shares in Oriental Chinese to Kato Elderly Care in consideration of, at the direction of Mr. Kwong Thomas Wai Ping and Mr. Ngai Yiu Pan Louis, the allotment and issue of 1,680 Shares in aggregate to Si Mau and the allotment and issue of 79 shares and 78 shares in Si Mau to Mr. Kwong Thomas Wai Ping and Mr. Ngai Yiu Pan Louis, respectively. Oriental Chinese has become wholly owned by Kato Elderly Care following completion of the Reorganisation.

Oriental Chinese engages in the operation of Fai To Sino West Home.

Jane's Home

Jane's Home was incorporated with limited liability in Hong Kong on 25 May 2012. Upon its incorporation, Jane's Home allotted and issued one share to Mr. Ngai, fully paid at par.

On 10 December 2013, 90 shares, 5 shares and 5 shares in Jane's Home were allotted and issued to Mr. Ngai, Mr. Cheung Sai Wai and Ms. Cheung Wai Ling, respectively, fully paid at par. The table below shows the shareholding structure of Jane's Home as at 10 December 2013.

Name of shareholders	**No. of issued shares**	**Shareholding**
		(%)
Mr. Ngai	90	90
Mr. Cheung Sai Wai	5	5
Ms. Cheung Wai Ling	5	5
Total	100	100

On 17 October 2014, Mr. Ngai transferred 90 shares in Jane's Home to Kato Elderly Group.

On 2 March 2018, Mr. Cheung Sai Wai and Ms. Cheung Wai Ling transferred all of their shares in Jane's Home to Kato Elderly Group at a consideration of HK$400,000 and HK$400,000, respectively, which were determined by reference to price-to-earnings ratio of approximately 3.8 times of Oriental Chinese as at 31 March 2017. These transfers were properly and legally completed.

On 7 September 2018, Kato Elderly Group transferred 100 shares in Jane's Home to Kato Elderly Care in consideration of, at the direction of Kato Elderly Group, the allotment and issue of 8,319 Shares in aggregate to Sheung Fung. Such transfer was properly and legally completed. Following this transfer, Jane's Home has become a wholly owned subsidiary of Kato Elderly Care.

Jane's Home engages in the operation of Pine Villa.

Tsuen Wan Elderly Centre

Tsuen Wan Elderly Centre was incorporated with limited liability in Hong Kong on 28 June 2002. Upon its incorporation, Tsuen Wan Elderly Centre allotted and issued one share to each of GNL Limited and GSL Limited (both Independent Third Parties), respectively, fully paid at par.

Subsequent to various transfers and allotment of shares of Tsuen Wan Elderly Centre between June 2002 and September 2014, the shareholding structure of Tsuen Wan Elderly Centre as at 29 September 2014 is set out below:

Name of shareholders	No. of issued shares	Shareholding
		(%)
Kato Elderly Group	75	68.18
Mr. Lam Kong	20	18.18
Ms. Kwong Mei Ping	10	9.09
Mr. Ngai Chi Hang	5	4.55
Total	110	100

On 7 September 2018, Kato Elderly Group transferred 75 shares in Tsuen Wan Elderly Centre to Kato Elderly Care in consideration of, at the direction of Kato Elderly Group, the allotment and issue of 8,319 Shares in aggregate to Sheung Fung. Such transfer was properly and legally completed.

Pursuant to the Deed of Reorganisation, Mr. Lam Kong, Ms. Kwong Mei Ping and Mr. Ngai Chi Hang transferred all their shares in Tsuen Wan Elderly Centre to Kato Elderly Care in consideration of, at the direction of Mr. Lam Kong, Ms. Kwong Mei Ping and Mr. Ngai Chi Hang, the allotment and issue of 1,680 Shares in aggregate to Si Mau and the allotment and issue of 626 shares, 145 shares and 71 shares in Si Mau to Mr. Lam Kong, Ms. Kwong Mei Ping and Mr. Ngai Chi Hang, respectively. Tsuen Wan Elderly Centre has become wholly owned by Kato Elderly Care following completion of the Reorganisation.

Tsuen Wan Elderly Centre engages in the operation of Tsuen Wan Centre.

Happy Luck

Happy Luck was incorporated with limited liability in Hong Kong on 8 April 2014. Upon its incorporation, Happy Luck allotted and issued 60 shares and 40 shares of Happy Luck to Mr. Ngai and Mr. Lam Kong, respectively, fully paid at par.

On 4 September 2014, Mr. Ngai and Mr. Lam Kong transferred all their shares in Happy Luck to Kato Elderly Group. These transfers were properly and legally completed. As such, Happy Luck was wholly owned by Kato Elderly Group.

On 17 February 2016, 10 shares of Happy Luck were allotted and issued to Ms. Kwong Mei Ping, fully paid at par. On the same day, Kato Elderly Group transferred 20 shares and 5 shares in Happy Luck to Mr. Lam Kong and Mr. Ngai Chi Hang, respectively. These transfers were properly and legally completed. The table below shows the shareholding structure of Happy Luck as at 17 February 2016.

Name of shareholders	**No. of issued shares**	**Shareholding**
		(%)
Kato Elderly Group	75	68.18
Mr. Lam Kong	20	18.18
Ms. Kwong Mei Ping	10	9.09
Mr. Ngai Chi Hang	5	4.55
Total	110	100

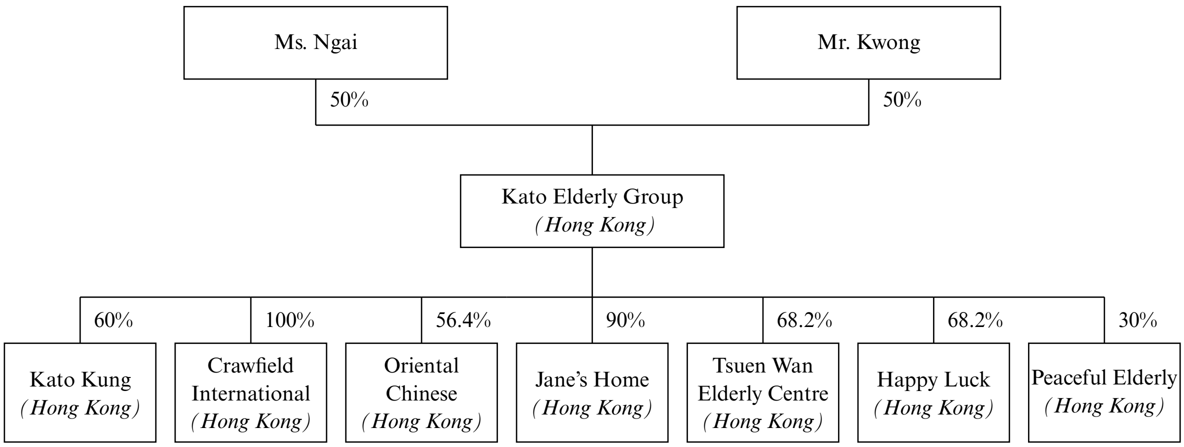
On 7 September 2018, Kato Elderly Group transferred 75 shares in Happy Luck to Kato Elderly Care in consideration of, at the direction of Kato Elderly Group, the allotment and issue of 8,319 Shares to Sheung Fung. Such transfer was properly and legally completed.

Pursuant to the Deed of Reorganisation, Mr. Lam Kong, Ms. Kwong Mei Ping and Mr. Ngai Chi Hang transferred all their shares in Happy Luck to Kato Elderly Care in consideration of, at the direction of Mr. Lam Kong, Ms. Kwong Mei Ping and Mr. Ngai Chi Hang, the allotment and issue of 1,680 Shares in aggregate to Si Mau and the allotment and issue of 626 shares, 145 shares and 71 shares in Si Mau to Mr. Lam Kong, Ms. Kwong Mei Ping and Mr. Ngai Chi Hang, respectively. Happy Luck has become wholly owned by Kato Elderly Care following completion of the Reorganisation.

Happy Luck engages in the operation of Happy Luck Home.

REORGANISATION

In preparation for the Listing, our Group has undergone the Reorganisation. Set out below is the corporate structure of our Group immediately prior to the Reorganisation:



The Reorganisation involves the following steps:

(1) Acquisitions of minority interest in Kato Kung, Oriental Chinese and Jane's Home by Kato Elderly Group

On 1 February 2018, Kato Elderly Group acquired 1,000 shares in Kato Kung from Mr. Ngai Ha Sang representing 20% of Kato Kung's total issued share capital, at a consideration of HK$5,000,000 which was determined after arm's length negotiation and by reference to the price-to-earnings ratio of approximately 3.8 times of Oriental Chinese for the year ended 31 March 2017. Upon completion of such acquisition, Kato Kung became owned as to 80% by Kato Elderly Group.

On 1 February 2018, 15 March 2018 and 15 March 2018, Kato Elderly Group acquired 2,500 shares, 600 shares and 200 shares in Oriental Chinese from Mr. Ngai Ha Sang, Mr. Au Wai Kwan and Ms. So Wai Ha, respectively, representing in aggregate 30% of Oriental Chinese's total issued share capital, at a consideration of HK$5,000,000, HK$2,200,000 and HK$730,000, respectively, which were determined after arm's length negotiation and by reference to the price-to-earnings ratio of approximately 3.8 times of Oriental Chinese for the year ended 31 March 2017. Upon completion of such acquisitions, Oriental Chinese became owned as to 86.4% by Kato Elderly Group.

On 2 March 2018, Kato Elderly Group acquired five shares and five shares in Jane's Home from Ms. Cheung Wai Ling and Mr. Cheung Sai Wai, respectively, representing in aggregate 10% of Jane's Home's total issued share capital, at a consideration of HK$400,000 and HK$400,000, respectively, which were determined after arm's length negotiation and by reference to the price-to-earnings ratio of approximately 3.6 times of Jane's Home for the year ended 31 March 2017. Upon completion of such acquisitions, Jane's Home became wholly owned by Kato Elderly Group.

(2) Disposal of Peaceful Elderly by Kato Elderly Group

On 21 March 2018, Kato Elderly Group transferred 30 shares in Peaceful Elderly to one of the existing shareholders of Peaceful Elderly who is an Independent Third Party at the nominal consideration.

Prior to the disposal of Peaceful Elderly, Peaceful Elderly was held as to 30% by Kato Elderly Group and 70% by two Independent Third Parties. Peaceful Elderly engages in the provision of elderly care services. Mr. Ngai, our executive Director, had initially invested in the 30% interest in Peaceful Elderly as purely his personal investment. Over time this investment was transferred to Kato Elderly Group. The intention of the investment was to help Peaceful Elderly to establish an RCHE with experienced advice and consultation but without any involvement in the day to day operation of the care and attention home from Kato Elderly Group. In return for this advice and consultation Kato Elderly Group received dividends from Peaceful Elderly as the latter had managed to generate profits. As our Directors believe that focus should be placed on our Group's operation and future plans when our Group has initiated the plan for the Listing, we decided to dispose of the interests in Peaceful Elderly with a view to aligning with our Group's business strategy of operating care and attention homes rather than purely providing consultation and advice. Prior to the disposal, Peaceful Elderly was profitable throughout the Track Record Period.

(3) Incorporation of our Company

Our Company was incorporated as a limited liability company under the laws of the Cayman Islands on 19 April 2018 and acts as the ultimate holding company of our Group. Upon its incorporation, the authorised share capital of our Company was HK$380,000 divided into 38,000,000 Shares of a nominal value of HK$0.01 each. On 19 April 2018, one Share of a par value of HK$0.01, being the then entire issued share capital of our Company, was initially allotted and issued to Sharon Pierson, which was subsequently transferred to Sheung Fung on the same date.

(4) Incorporation of Kato Elderly Care

On 20 April 2018, Kato Elderly Care was incorporated in the BVI. Upon its incorporation, one share, being the only issued share of Kato Elderly Care, was allotted and issued to our Company.

(5) Transfer of shares in the Operating Subsidiaries from Kato Elderly Group to Kato Elderly Care

Pursuant to the Deed of Reorganisation, on 7 September 2018, Kato Elderly Group transferred all of its interests in the Operating Subsidiaries to Kato Elderly Care, in consideration of and exchange for which our Company allotted and issued an aggregate of 8,319 Shares, at Kato Elderly Group's direction, to Sheung Fung which were credited as fully paid at par. Such consideration of 8,319 Shares was determined based on Kato Elderly Group's original interests in the Operating Subsidiaries, taking into account the subsequent allotment and issue of Shares to Si Mau which reflect the respective original interests of the Individual Shareholders in the Operating Subsidiaries as detailed below.

Operating Subsidiaries	Kato Kung	Crawfield International	Oriental Chinese	Jane's Home	Tsuen Wan Elderly Centre	Happy Luck
Number of shares in each of the Operating Subsidiaries transferred to our Company	4,000	20,000	9,500	100	75	75
Percentage of shareholdings transferred	80%	100%	86.4%	100%	68.2%	68.2%

(6) Transfer of shares in the Operating Subsidiaries from the Individual Shareholders to Kato Elderly Care

Pursuant to the Deed of Reorganisation, on 7 September 2018, the Individual Shareholders transferred all of their respective interests in the Operating Subsidiaries to Kato Elderly Care, in consideration of and exchange for which our Company allotted and issued an aggregate of 1,680 Shares, at the Individual Shareholders' direction, to Si Mau which were credited as fully paid at par. Such consideration of 1,680 Shares was determined based on the Individual Shareholders' aggregate original interests in the Operating Subsidiaries, taking into account Kato Elderly Group's interests as detailed above, such that our Company became owned as to 16.8% by Si Mau and 83.2% by Sheung Fung.

The details of such transfers of shares of the Operating Subsidiaries are set out below:

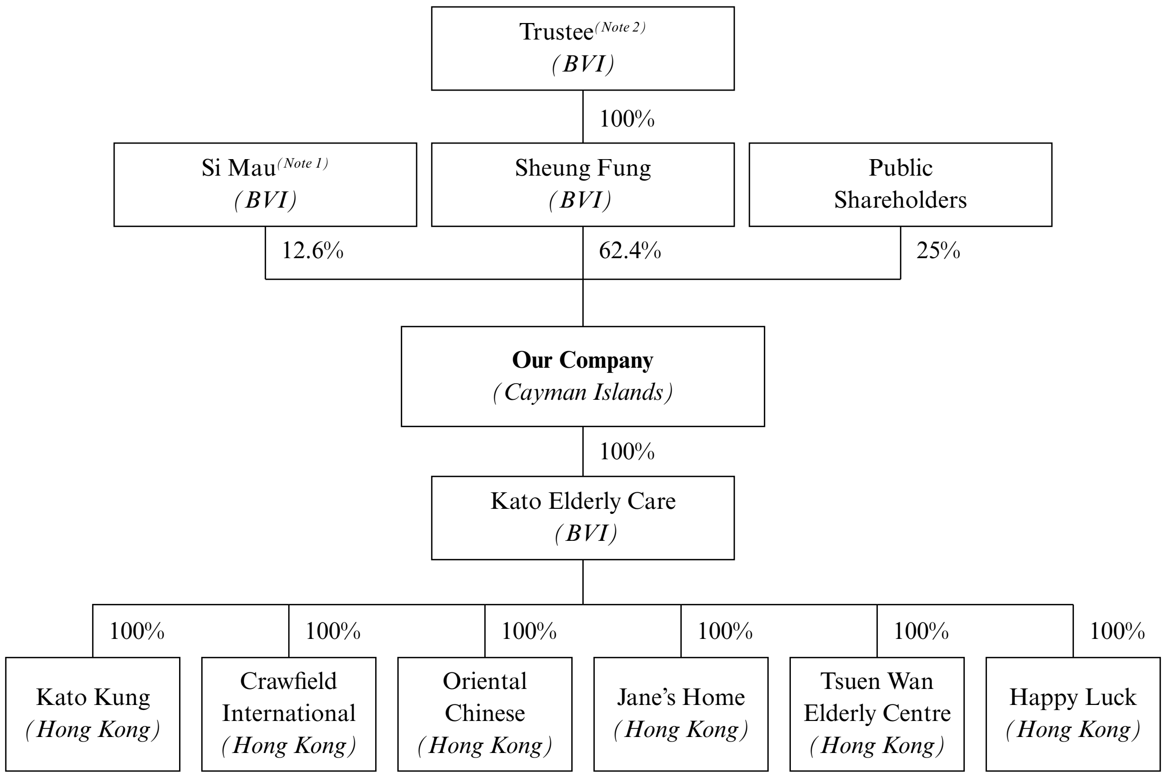
Operating Subsidiaries	Kato Kung	Oriental Chinese	Tsuen Wan Elderly Centre	Happy Luck
Number of shares in each of the relevant Operating Subsidiaries transferred to Kato Elderly Care	Mr. Lam Kong (1,000)	Mr. Kwong Thomas Wai Ping (1,000)	Mr. Lam Kong (20)	Mr. Lam Kong (20)
		Mr. Ngai Yiu Pan Louis (500)	Ms. Kwong Mei Ping (10)	Ms. Kwong Mei Ping (10)
			Mr. Ngai Chi Hang (5)	Mr. Ngai Chi Hang (5)
Total percentage of shareholdings transferred to Kato Elderly Care	20%	13.6%	31.8%	31.8%

Following the above share transfers, each of the Operating Subsidiaries has become indirect wholly-owned subsidiaries of our Company through Kato Elderly Care.

INCREASE IN AUTHORISED SHARE CAPITAL OF OUR COMPANY AND THE CAPITALISATION ISSUE

Pursuant to a resolution in writing of all Shareholders passed on 20 May 2019, the authorised share capital of our Company was increased from HK$380,000 to HK$30,000,000 by the creation of 2,962,000,000 new Shares. Our Company will also issue 749,990,000 Shares upon capitalisation of certain sums standing to the credit of the share premium account of our Company. Details of the Shareholders' written resolutions are referred to in "Further Information About Our Group — 3. Resolutions in writing of all Shareholders passed on 20 May 2019" in Appendix V to this prospectus.

The following chart sets out our shareholding and corporate structure immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which will be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme):



Notes:

1. Si Mau is held as to 62.7% by Mr. Lam Kong, 7.9% by Mr. Kwong Thomas Wai Ping, 7.8% by Mr. Ngai Yiu Pan Louis, 14.5% by Ms. Kwong Mei Ping and 7.1% by Mr. Ngai Chi Hang, respectively.

2. On 19 March 2018, a trust deed (as amended and supplemented by a deed of variation and removal of beneficiaries dated 17 July 2018) was executed by the Trustee and Mr. Kwong and Ms. Ngai as settlors to establish the Family Trust.

OVERVIEW OF OUR BUSINESS

We are an established operator of residential care homes for the elderly in Hong Kong offering a wide range of residential care services for the elderly including (i) the provision of accommodation, professional nursing and care-taking services, nutritional management, medical services, physiotherapy and occupational therapy services, psychological and social care services, individual care plans and recreational services; and (ii) the sale of healthcare and medical goods and the provision of add-on healthcare services to our residents. According to the Industry Report, in 2017, we were the third largest private RCHE operator in Hong Kong and the second largest RCHE operator participating in the Enhance Bought Place Scheme (in terms of number of subsidised places purchased by the SWD).

Our history can be traced back to 1991 when Fai-To Home for the Aged was established in Hong Kong. Fai-To Home for the Aged started as a family business founded by Ms. Ngai with Fai-To Home for the Aged being the first care and attention home of our Group. Since then, our Group has experienced substantial business growth. As at the Latest Practicable Date, we operated a total of eight care and attention homes for the elderly, among which three branded "Fai To 輝濤", two are branded "Kato 嘉濤", one branded Happy Luck Home, one branded Tsuen Wan Centre and one branded Pine Villa, with a total of 1,129 residential care places (excluding isolation beds for the purposes of preventing transmittable diseases). Our care and attention homes are strategically situated in the vicinity of residential areas, public transportation hubs and shopping malls. See "Our Care and Attention Homes for the elderly" in this section for further details.

During the Track Record Period, we generated our revenue in a growing market with strong demand for elderly residential care services. According to the Industry Report, there is a surging demand for residential care home services for the elderly in Hong Kong due to a sizeable and aging population, an increased prevalence of chronic diseases among the elderly and a high institutionalisation rate. Our management expects that this trend will continue in the next few decades and will contribute further to the growing market in the elderly residential care home industry. See "Industry Overview" in this prospectus for further details.

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

Building on the strength of our established reputation, the size of our Group and our financial resources, as well as our proven track record in operating a network of care and attention homes, we believe that we are poised to reproduce the success of our care and attention homes to further capture new market opportunities driven by the strong demand for residential care home services in Hong Kong. See "Our Strategies" in this section for further details.

Our total revenue amounted to approximately HK$142.4 million, HK$150.2 million, HK$156.0 million and HK$114.8 million for the three years ended 31 March 2018 and the eight months ended 30 November 2018, respectively. The following table sets forth a summary of the basic information of our eight care and attention homes as at the Latest Practicable Date:

	Kato Elderly Home	Kato Home for the Aged	Fai To Home (On Lai)	Fai To Home (Tuen Mun)	Fai To Sino West Home	Happy Luck Home	Tsuen Wan Centre	Pine Villa
Address	Shops 8–12, G/F and 1/F, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong	1/F, Tung Wai Court, 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong	1/F, On Lai Building, 3 Tsing To Path, Tuen Mun, New Territories, Hong Kong	1/F, Florence Mansion, 6 Tsing Ling Path, Area 4B, Tuen Mun, New Territories, Hong Kong	Part of Shop 1, G/F, and 2/F, 3A–3C Ma Hang Chung Road, Tokwawan, Kowloon, Hong Kong	2/F, Block C, Allway Gardens Phase 1, 187–195 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong	Shop C1 1/F, Tsuen Wan Centre Shopping Arcade, 87–105 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong	Portion of Level 5, The Capitol, Lohas Park Road, Tseung Kwan O, New Territories, Hong Kong
Year of commencement of operations by our Group	1999	1998	1997	1995	2000	2015	2008	2013
Approximate saleable floor area *('000 sq. ft)*	18.7	12.3	5.3	8.7	30.8	15.7	16.0	24.3
Number of residential care places (excluding isolated beds)								
Under the EBPS	126	86	28	47	140	73	79	N/A
For individual customers not under the EBPS	54	37	28	43	154	73	71	90
Total	180	123	56	90	294	146	150	90
Classification under the EBPS	EA1	EA2	EA2	EA2	EA1	EA1	EA1	N/A
Approximate range of monthly residential fee *(HK$)*	8,500–13,000	7,500–13,000	6,500–9,500	7,800–12,000	8,000–9,500	6,500–14,000	7,200–10,500	13,000–38,000
Average monthly residential fee *(HK$'000)*								
FY2016	8.7	8.8	8.0	8.6	10.4	9.0 (Note 1)	10.6	12.8
FY2017	9.3	9.1	8.2	8.7	10.5	10.1	10.2	13.6
FY2018	11.7	9.5	8.5	9.0	10.7	10.6	11.0	13.7
For the eight months ended 30 November 2018	12.4	10.4	9.1	9.7	11.1	10.9	11.5	14.9
Occupancy rate *(%)* of residential care places as at								
31 March 2016	97.3	92.7	92.9	98.9	87.4	87.7 (Note 1)	90.7	93.3
31 March 2017	97.9	98.4	96.4	93.3	92.5	93.8	94.7	97.8
31 March 2018	94.2	95.1	92.9	94.4	91.2	100.0	96.7	95.6
30 November 2018	98.3	96.7	96.4	97.8	95.9	98.6	96.7	98.9

Note 1: Happy Luck Home started enrolling residents in September 2015.

OUR COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths which differentiate us from our competitors.

We have been in the market for over 27 years with a recognised brand and established network of care and attention homes for the elderly participating in the EBPS

Established in the 1990s, we are one of the leading operator of residential care services for the elderly in Hong Kong and we have an established network of eight care and attention homes, seven of which participates in the EBPS.

Our Directors believe that we have fruitfully built up our reputation under the "Kato 嘉濤" and "Fai To 輝濤" brands, providing not only quality services to our residents but also allowing them to receive comfort and professional care in a safe and home-like environment. Further, our Directors believe that we have a strong customer recognition driven by word-of-mouth from our existing customers and residents in local neighbourhood which has enabled us to continuously achieve high occupancy rates in our care and attention homes. For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our average monthly occupancy rates were approximately 89.4%, 92.9%, 92.7% and 96.0%, respectively.

Throughout the history of the implementation of the EBPS, our Group has been a long-term participant of the scheme which exemplifies that our care and attention homes for the elderly (comprising both of EA1s and EA2s) have higher standards in relation to staffing and spacing than those set out under the RCHE Code of Practice issued by the SWD. Our Directors believe that our participation in the EBPS is a recognition towards our high standard of quality offering to our customers and our reputation as a whole. Also, such enhanced standards apply to all of our care and attention homes (including Pine Villa which does not participate in the EBPS), regardless of the number of residential care places purchased by the SWD pursuant to the EBPS. In recognition of our ability in adopting and adhering to an open set of assessment of criteria covering aspects such as the facilities, services quality, environment, staffing, management of our care and attention homes for the elderly and our records, in 2017, our Group was the third largest private RCHE operator in Hong Kong and was the second largest private RCHE operator participating in the EBPS in Hong Kong (in terms of number of subsidised places), amounting to approximately 7.3% of the total number of residential places purchased by the SWD under the EBPS. For the three years ended 31 March 2018 and the eight months ended 30 November 2018, seven of our care and attention homes for the elderly had participated in the EBPS pursuant to which the SWD had purchased up to 579 of our 1,129 residential care places during the Track Record Period. For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our revenue generated from the SWD under the EBPS, accounted for approximately 43.9%, 42.7%, 43.0% and 42.5% of our revenue, respectively.

Over half of our residential care places are purchased by the HK Government and we possess a recognised brand of care and attention homes, of which seven participating in the EBPS and one non-EBPS participating

As Hong Kong's second largest RCHE operator participating in the EBPS, our Group operates seven care and attention homes for the elderly participating in the EBPS, providing a total of 589 EBPS places as of 31 December 2017, with a market share of approximately 7.3% in terms of a total number of EBPS places in Hong Kong. In addition, as at 31 December 2017, the HK Government purchased approximately 52.2% of our residential care places classified as EA1 or EA2 on a continuous basis, providing a steady stream of revenue to our Group. Further, the quality of services of our seven care and attention homes for the elderly participating in the EBPS, including environment, facilities and management, have been recognised by the HK Government, which enhances our reputation and in turn attracts elderly residents to our care and attention homes for the elderly. The HK Government's recognition of the quality of these seven care and attention homes enhances our reputation in the elderly residential care home industry, which in turn attracts elderly residents to our care and attention homes.

Leveraging on Ms. Ngai's extensive experience in the establishment and management of care and attention homes, we have established the "Kato 嘉濤" and "Fai To 輝濤" branded care and attention homes for the elderly as a recognised RCHE operator in Hong Kong. As at the Latest Practicable Date, we operated eight care and attention homes for the elderly in Hong Kong with a capacity of 1,129 residential care places. Our Directors believe that we have accumulated extensive experience in operating care and attention homes over the years and we have demonstrated our management capability in the operations of our care and attention homes. Due to our effort, our "Kato 嘉濤" and "Fai To 輝濤" brands are recognised as a quality residential elderly care service provider in Hong Kong.

Furthermore, our average monthly occupancy rate remained at a high level at one of our care and attention homes for the elderly namely, Pine Villa, not participating in the EBPS during the Track Record Period. Pine Villa enjoys relatively higher profit margins and the flexibility of private elderly residential care home in offering more luxurious residential care places that are not subject to the terms and requirements of the EBPS. As such we receive a steady stream of income from Pine Villa which does not participate in the EBPS and is not subject to the terms and requirements of the EBPS.

We are well-positioned to capture opportunities in the growing elderly home market in Hong Kong

As mentioned in the Industry Report, there is a surging demand for residential care services in residential care homes for the elderly in Hong Kong. From 2018 to 2022, the population of the elderly aged 65 and above is forecasted to grow at a CAGR of approximately 4.8% from approximately 1.3 million people in 2018 to approximately 1.5 million people in 2022. Concurrently, the old-age dependency ratio in Hong Kong is also expected to rise from approximately 23.8% to approximately 29.2% throughout the said period. Another factor contributing to the growth in demand for residential care services in RCHEs in Hong Kong is the increase in incidence of chronic diseases and physiological deterioration among the elderly. Moreover, the demand for a place in RCHEs is also high as a result of the relatively high institutionalisation rate of the elderly in Hong Kong due to the inability of some of the families to take care of frail elderly family members at homes. The strong demand for a subsidised place can be evident by the number of applicants waiting for a place in the Central Waiting List.

According to the Industry Report, at the end of March 2019, there were a total of 40,778 applicants on the Central Waiting List for subsidised RCHE places, of which there were 33,716 applicants for care and attention homes for the elderly, and the average waiting time for a place in a subvented homes and contract homes was 40 months while that for a private RCHE under the EBPS was ten months. See "Industry Overview" in this prospectus for further details.

Our Directors believe that given the size of our Group with a network of eight care and attention homes as at the Latest Practicable Date, our Directors' extensive experience in establishing care and attention homes as well as our senior management team's experience in operating and managing care and attention homes, we are well positioned to capture the market opportunities brought about by the strong demand for residential care home services in Hong Kong. Furthermore, we possess well-recognised brand names, financial resources, professional expertise and customer base and a proven track record, which will provide a strong foundation for our expansion plans.

We provide quality elderly home care services to our customers at our care and attention homes that are strategically located near residential areas of affordable private and public estates

We strive to provide comprehensive elderly home care services including residential, nursing, caretaking, health, nutritional, rehabilitation and social care services in a caring way that our elderly customers and their family members would appreciate. We also strive to provide a comfortable environment that promotes communal and social interactions of our elderly residents. The quality of living conditions and adequate facilities at our care and attention homes are some of the key features that provide us with competitive advantage over other market players. All of our care and attention homes for the elderly are accredited under the SQMCS — ES by HKQAA. SQMCS — ES strives to promote high quality RCHEs and serves as a benchmark for customers when selecting a home. As of January 2018, there were only 27 RCHEs accredited under SQMCS — ES. Being part of the 27 RCHEs accredited under SQMCS — ES is a strong indicator of our Company's consistency of service quality, customer satisfaction and hygiene standards, giving the confidence of customers in providing quality care for the elderly. We also provide a diverse range of entertainment facilities including movie theatre and mah-jong as well as medical facilities such as various recovery and physical therapy equipment. To repeat the success of our care and attention homes and to ensure that quality services are offered at all of our care and attention homes, we follow a set of standardised quality standard at all of our care and attention homes. We also implemented (i) internal control and risk management policies which require strict observance by our management, healthcare professionals and supporting staff; (ii) a performance based evaluation system enforced by our management; and (iii) a customer complaint mechanism that ensures accountability by all of our staff members.

All of our care and attention homes for the elderly are strategically located in the vicinity of affordable private and public residential areas and densely populated locations where our elderly residents are able to enjoy the facilities of the nearby buildings developed and owned by the Housing Department. Furthermore, the surrounding infrastructure of these residential areas provide accessibility to the family members who visit our elderly residents and facilitates capturing customers residing in neighbouring areas. As we typically entered into long-term tenancy agreements with our landlord for a term of three years or more, we are less susceptible to the risk of short-term fluctuations in rental prices of the real estate market.

Our Group is supported by a management team with extensive experience in the RCHE industry and a team of nurses, physiotherapists, social workers, health workers and care workers who strive to provide quality and caring services to our elderly residents

We attribute much of our success in the RCHE industry to the members of our management team who have played significant roles in laying the foundation of our business. The members of our management team have extensive industry and management experience. On average, our management has more than 10 years of experience in the RCHE industry and has an in-depth understanding of the trends and policies of the RCHE industry.

For instance, our management team, which includes Ms. Ngai our executive Director and Mr. Kwong our Chairman and non-executive Director, has accumulated more than 27 years of experience in the operation and management of care and attention homes. Mr. Kwong, Ms. Ngai and Mr. Ngai has performed leadership roles for our Group in making major decisions on the development of our care and attention homes and strategically positioned our Group in the market. Mr. Ngai our executive Director has also accumulated more than 20 years of experience in the operation and management of care and attention homes. On average, our senior management team possess over 10 years of experience in the RCHE industry in Hong Kong. See "Directors and Senior Management" in this prospectus for further details about the background and experiences of our Directors and senior management team. Leveraging our Directors and senior management team's extensive experience in the RCHE industry, our Company is able to address different issues that may arise during licensing, operation and management, more importantly, seize market opportunities to maintain our leading position in the RCHE industry.

As at 30 November 2018, we employed a team of healthcare professionals comprising 16 registered nurses and 31 enrolled nurses, 5 physiotherapists, 1 occupational therapist assistant, 11 social workers, 53 health workers and 173 care workers who provided residential and healthcare services to our elderly residents. Our Directors believe that our team of professionals and supporting staff are able to provide continuous and all-rounded services to our elderly residents. Many of our employees have specialised backgrounds and extensive experience in caring for the elderly.

OUR STRATEGIES

Expand our network of care and attention homes for the elderly in Hong Kong

According to the Industry Report, the surging demand for residential care services in RCHEs in Hong Kong was mainly driven by an aging population and its age-related illness issues. The proportion of elderly population (i.e. those aged 65 and above) is expected to increase from approximately 23.8% in 2018 to approximately 29.2% in 2022, as such and according to the Industry Report, the demand for elderly services will continue to rise significantly with the upward rise in the elderly population. Further, the number of subsidised RCHE places did not increase proportionally over the last decade, resulting in long waiting list and waiting time for places on the Central Waiting List for those in need. This has undoubtedly resulted in an increasingly important role played by RCHEs in meeting the demand of residential care home services.

Base on the current outlook and situation of the RCHE industry, we aim to leverage our successful track record and extensive experience in the RCHE industry while enhancing our market presence by expanding our network of care and attention homes in Hong Kong. We intend to replicate our success in the management of our care and attention homes for the elderly and establish six new care and attention homes for the elderly which will provide residential care home services similar to those offered at our existing care and attention homes for the elderly, with a goal to obtain EA1 status. From our experience, locating and converting suitable premises for a care and attention home and obtaining the requisite operating licence will require time and effort by the management, this expansion plan is expected to take approximately 24 months after the Listing. As such, our Directors expect that all our new care and attention homes will commence operation by 2021. As our existing locations of our care and attention homes for the elderly are proximal to the New Territories, our Directors are considering expanding our Group's footprint in Hong Kong Island and Kowloon. We plan to expand into certain densely populated areas in Hong Kong such as Shau Kei Wan, Western District, Tai Wai, Kwun Tong, Sham Shui Po and Kwai Chung, however we have no intention to acquire premises for our care and attention homes, as such, our cost structure and risk profile will remain the same and we have not entered into any lease agreements with any landlord. We are more inclined to select premises with a saleable floor area of approximately 15,000 to 20,000 sq. ft. and a capacity of 146 residential care places based on the spacing requirements for each residential care place.

We estimate that the total cost for establishment of six new care and attention homes for the elderly will amount to approximately HK$90.9 million based on the size of the premises to be converted into six care and attention home for the elderly with an estimated number of residential care places to be 146 for each care and attention home. We expect that such total cost will include an initial capital expenditure of approximately HK$71.8 million, a majority of which will be spent on renovation and purchase of furniture and equipment for the new residential care home. The total estimated cost for establishing a new care and attention home was determined after taking into account the features of our existing care and attention homes and the prevailing market price of renovation, appliances and devices, property rent and wages which are essential to bringing the six new care and attention homes for the elderly into operation. We expect to finance such total cost of approximately HK$90.9 million, or approximately 73.8% of the Net Proceeds from the Share Offer. We will take into account a number of factors when confirming the location to establish each of our care and attention homes for the elderly, such as (i) the ability to accommodate 146 residential care places; (ii) its location, accessibility and term of tenancy; (iii) availability of any market with potential demand for residential care home services; (iv) whether there is potential customer base in that area; and (v) the amount of compliance work required to satisfy the licensing requirements of the LORCHE.

Based on our experience, it will take longer for newly established care and attention homes for the elderly to breakeven as it will take time to accumulate new residents. Based on the historical records of new elderly residents admitted to our care and attention homes for the elderly during the Track Record Period, we expect that it will take around 24 months after commencement of its operation to ramp up its occupancy rate to about 30% to 50% (based on a total of 146 residential care places available) at which time, based on our expected operational performance, our operation may approach breakeven.

Based on our Director's experience, we estimate that the investment payback period of establishing six new care and attention homes for the elderly will take considerable time and our Group will incur substantial costs in carrying out renovation works for the new care and attention homes for the elderly, during which no revenue would be generated and pre-operating expenses such as rental expenses may be incurred during the renovation period for leased property. As such, we estimate that the investment payback period for establishment of a new care and attention home with 146 residential care places covering initial setup costs (such as renovation cost and acquisition cost of relevant property, plant and equipment) to be approximately 36 months. See "Future Plans and Use of Proceeds" in this prospectus for details relating to the timetable and capital commitment of our expansion plans.

Our Directors believe that the establishment strategy is advantageous to our Group, and we estimate that the premises for the new care and attention home may not have the necessary renovation and fixtures readily available for the operations of a care and attention home, a larger amount of renovation cost per residential care place of approximately HK$51,000 (calculated by having the estimated total renovation cost of approximately HK$45.0 million divided by a total of 876 residential places for six new care and attention home for the elderly). As mentioned above, we estimate a ramp-up period of 24 months after commencement of its operations to accumulate sufficient occupancy rate to achieve breakeven.

Despite the aforesaid, our Directors consider that the establishment of six new care and attention homes has its comparative advantages in (i) giving us a greater flexibility in setting our market position through targeting a suitable location with potential demand and/or less intense competition and designing a new layout and service scope; (ii) allowing us to start up the new business without being negatively affected by the past record of and reputation on the previous operator; and (iii) allowing us to better select and train our new employees given that we plan to transfer our existing experienced staff to the newly established care and attention homes to continue to adopt our existing management style and internal control system and train new staff.

Based on the above, our Directors are of the view that our strategies to establish six new care and attention homes for the elderly offers our Group the opportunity to expand and supply to the growing demand for residential care services in RCHEs in Hong Kong.

On the basis that (i) our executive Directors and senior management has extensive experience in the RCHE industry, specifically in operating care and attention homes for the elderly with in-depth industry knowledge since 1991, for details see "History, Development and Reorganisation" in this prospectus; (ii) our Group has gained experience in the operation and management of care and attention homes for the elderly, and has achieved profitability and recognition of the SWD as evidenced by having seven of our care and attention homes for the elderly participating in the EBPS as class EA1 or EA2; and (iii) as of 30 November 2018, our Group provided a maximum of 1,129 residential care places to our customers with an overall average monthly occupancy rate of above 95%, our Directors are of the view that we possess the relevant expertise and experience to establish and operate six new care and attention homes for the elderly.

Hire additional staff and continue to retain skilled workforce through systematic training and professional development

Part of our success over the years has been attributed to our dedicated management and workforce. As such, our Directors believe that our commitment to employee excellence will lead to the continued growth of our business and improve the quality of services provided to our residents. Accordingly, we will continue to increase efforts in retention and human resources management. We believe that such efforts will enhance our reputation and appeal as an employer of choice in the RCHE industry.

We will continue to implement the following retention initiatives:

- develop a career advancement program to establish a clear identifiable long-term career path to motivate our employees; and
- devise rewards programmes which would encourage our staff to attend training courses offered by external institutions.

In addition, as we plan to expand our care and attention home network, we expect to hire additional staff to cater for our expansion needs. For more details regarding our expansion, see the section headed “Expand our network of care and attention homes for the elderly in Hong Kong” above. We intend to fund this by our Net Proceeds. For further details, see “Future Plans and Use of Proceeds” in this prospectus.

Continue to upgrade the facilities and purchase of new equipment at our network of care and attention homes for the elderly and renovate our care and attention homes for the elderly

According to the Industry Report, the varying service quality among different private RCHEs, in terms of spacing and staffing provisions, will cause concern for elderly and their families when considering RCHEs. Based on the demand for quality services and to uphold our Group’s service quality which can be recognised by our Group’s ranking as Hong Kong’s second largest operator in terms of number of EBPS places provided in 2017, we intend to renovate and refurbish five of our care and attention homes for the elderly. Five of our care and attention homes for the elderly has been operated on average for over 15 years and are due for renovation. In addition, we intend to renew our facilities at our existing care and attention homes for the elderly, which will improve our care and attention homes for the elderly and brand image and enable us to be more competitive. We plan to purchase new electric nursing beds, undergo renovation for certain parts of care and attention homes for the elderly and purchase rehabilitation equipment such as devices for standing exercises for the elderly residents who require assistance in standing and ultrasound machines which help them to alleviate pain and increase mobility. The amount allocated to each care and attention homes for the elderly will depend upon the size and number of equipment and facilities required to be upgraded or purchased.

We intend to allocate approximately 23.3% of the Net Proceeds from the Share Offer, or approximately HK$28.7 million, for the renewal of our facilities and purchase of new equipment. For details relating to the timetable and capital commitment of our expansion plan, see “Future Plans and Use of Proceeds” in this prospectus.

Continue to strengthen our information systems

We plan to continue to strengthen our information systems and improve our operation processes in order to enhance the service capability of our network of care and attention homes. We will continue to (i) implement financial applications to facilitate the money management of our operations; (ii) develop a database to allow residents or their families to access, among others, profiles of our residents, medical records, progress reports and bill payments; and (iii) develop staffing and rostering software to facilitate human resources management. We intend to fund this strategy through Net Proceeds from the Share Offer. See "Future Plans and Use of Proceeds" in this prospectus for further details.

OUR BUSINESS MODEL

We are an operator of care and attention homes which provide residential care services for the elderly. We focus on providing quality, all-inclusive residential care services tailored to the needs of the elderly residents at our care and attention homes, including the provision of residence, professional nursing and caretaking services, nutritional management, medical services, physiotherapy services, occupational therapy services, psychological and social care and individual care plans. During the Track Record Period, our Group's customers primarily consisted of two groups, namely (i) the SWD; and (ii) individual customers who settled their own residential fee entirely by themselves.

The table below sets forth certain information on our care and attention homes for the elderly as at the Latest Practicable Date:

	District	Total number of residential care places	Total number of staff *(Note 1)*	Approximate saleable area *('000 sq. ft.)*	Classification under EBPS	Monthly residential fee (under the EBPS) *(Note 2)*	Approximate range of monthly residential fee *(Note 3)*
						(HK$)	*(HK$)*
Kato Elderly Home	New Territories	180	60	18.7	EA1	12,703	8,500–13,000
Kato Home for the Aged	New Territories	123	52	12.3	EA2	10,142	7,500–13,000
Fai To Home (On Lai)	New Territories	56	23	5.3	EA2	10,142	6,500–9,500
Fai To Home (Tuen Mun)	New Territories	90	30	8.7	EA2	10,142	7,800–12,000
Fai To Sino West Home	Kowloon	294	102	30.8	EA1	13,287	8,000–9,500
Happy Luck Home	New Territories	146	51	15.7	EA1	12,703	6,500–14,000
Tsuen Wan Centre	New Territories	150	57	16.0	EA1	12,703	7,200–10,500
Pine Villa *(Note 4)*	New Territories	90	34	24.3	N/A	N/A	13,000–38,000
Total		1,129	409	131.8			

Notes:

(1) Type and number of employees include only full-time or part-time employees for each of our care and attention home and do not include personnel such as care workers, health workers, physiotherapists and occupational therapists sourced from employment agencies. As at the Latest Practicable Date, all of our care and attention homes had complied with the staffing requirements pursuant to the RCH(EP)R, RCHE Code of Practice and EBPS Agreements.

(2) As at the Latest Practicable Date, the monthly residential fee payable for a EA1 residential place of a private RCHE located in New Territories purchased by the SWD under the EBPS was HK$12,703 comprising (i) the monthly base rate of HK$10,940 payable by the SWD; and (ii) the monthly fee of HK$1,763 payable by the resident. As at the Latest Practicable Date, the monthly residential fee payable for a EA2 residential place of a private RCHE located in New Territories purchased by the SWD under the EBPS was HK$10,142 comprising (i) the monthly base rate of HK$8,486 payable by the SWD; and (ii) the monthly fee of HK$1,656 payable by the resident. As at the Latest Practicable Date, the monthly residential fee payable for a EA1 residential place of a private RCHE located in Kowloon purchased by the SWD under the EBPS was HK$13,287 comprising (i) the monthly base rate of HK$11,524 payable by the SWD; and (ii) the monthly fee of HK$1,763 payable by the resident.

(3) The range of monthly residential fee is based on the fee schedule of each of our care and attention homes as at the Latest Practicable Date.

(4) Compared with our other care and attention homes, Pine Villa is one of our care and attention homes that focuses on high-end customers and does not participate in the EBPS.

Each of our care and attention homes for the elderly consist of (i) a nursing division comprising nurses, health workers and care workers who assist residents in their daily activities; (ii) a physiotherapy and occupational therapy division comprising physiotherapists and occupational therapists and their assistants providing treatments to residents; (iii) a social worker division comprising social workers conducting assessment on residents, providing supportive advice and conducting group therapy; and (iv) an infrastructure and facilities management division comprising mainly ancillary workers and chefs providing supportive services. They are all under the supervision of our home managers of our care and attention homes for the elderly.

Our revenue is generated from (i) the rendering of elderly home care services (such as, residence, professional nursing and caretaking services, nutritional management, medical services, psychological and social care and individual care plans); and (ii) sales of elderly home related goods which include the sale of diapers, nutritional milk, wipes, and blood glucose test strips to our residents on an as-needed basis. The table below sets forth the revenue generated by each of the service categories provided by our Group and their respective percentage of our total revenue:

	Revenue									
	For the year ended 31 March						**For the eight months ended 30 November**			
	2016		**2017**		**2018**		**2017**		**2018**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Rendering of elderly home care services	121,324	85.2	126,518	84.2	132,515	84.9	86,483	84.9	98,274	85.6
Sales of elderly home related goods	21,055	14.8	23,677	15.8	23,498	15.1	15,397	15.1	16,530	14.4
Total	142,379	100.0	150,195	100.0	156,013	100.0	101,880	100.0	114,804	100.0

The table below sets forth the recent performance of our care and attention homes:

	For the year ended 31 March			For the eight months ended 30 November	
	2016	2017	2018	2017	2018
Average monthly occupancy rate *(Note 1)*					
— overall residential care places *(%)*	89	93	93	92	96
— in respect of residential care places purchased by the SWD under the EBPS *(%)*	97	98	96	96	99
— in respect of the residential care places purchased by individual customers *(%)*	82	88	89	88	93
Residential care places purchased by the SWD under the EBPS as a percentage of the total number of our residential care places *(%)*	51	52	53	53	51
Average monthly residential fee in respect of residential care places purchased by the SWD under the EBPS *(HK$'000)* *(Note 2)*	8.2	9.1	9.6	9.6	10.4
Average monthly residential fee *(HK$'000)* *(Note 3)*	10.8	10.5	11.4	10.9	12.3

Notes:

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

(2) The monthly residential fee in respect of residential care places purchased by the SWD under the EBPS is calculated as follows: the sum of (i) the total monthly revenue generated from the payment of the base rate by the SWD under the EBPS on a committed basis during the relevant month; and (ii) the total monthly revenue generated from the payment of the monthly residential fee by the residents under the EBPS during the relevant month, and such sum to be divided by the actual number of residential care places purchased by the EBPS during the relevant month. The average monthly residential fee in respect of residential care places purchased by the SWD under the EBPS for the year/period is calculated by dividing the sum of the monthly residential fee in respect of the residential care places purchased by the SWD under the EBPS by the total number of months in that year/period.

(3) The average monthly residential fee in respect of the residential care places purchased by individual customers is equal to the total revenue during the relevant month divided by the number of residential care places purchased by our individual residents during the relevant month. The average monthly residential fee in respect of residential care places purchased by individual customers for the year/period is calculated by dividing the sum of the monthly residential fee in respect of residential care places purchased by our residents by the total number of months in that year/period.

The table below sets out details of the average monthly occupancy rate of each respective care and attention homes during the Track Record Period:

	Overall (Note 1)					Under the EBPS (Note 2)					Individual customers (Note 3)				
	Year ended 31 March			Eight months ended 30 November		Year ended 31 March			Eight months ended 30 November		Year ended 31 March			Eight months ended 30 November	
	2016	2017	2018	2017	2018	2016	2017	2018	2017	2018	2016	2017	2018	2017	2018
								%							
Kato Elderly Home (Note 4)	96	98	82	78	97	96	99	98	99	98	94	97	40	24	93
Kato Home for the Aged	94	97	97	98	97	99	99	99	99	100	82	92	92	94	90
Fai-To Centre for the Aged (Note 4)	82	86	89	89	—	89	97	89	89	—	70	56	—	—	—
Fai To Home (On Lai)	97	97	96	96	94	100	99	95	93	97	95	95	97	100	91
Fai To Home (Tuen Mun)	97	97	97	97	95	99	98	98	99	95	95	95	96	96	94
Fai To Sino West Home	89	90	91	91	94	99	99	99	99	100	80	82	83	84	88
Happy Luck Home	82	95	95	94	99	99	94	92	90	98	66	95	98	99	99
Tsuen Wan Centre	87	93	93	92	97	94	97	94	95	99	79	88	92	90	96
Pine Villa	88	96	95	94	96	—	—	—	—	—	88	96	95	94	96

Notes:

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

(2) The monthly occupancy rates under the EBPS is calculated by dividing the number of EBPS beds occupied as at the month end by the total number of EBPS beds available at each care and attention home that participates in the EBPS at the relevant month end. The average monthly occupancy rate for the year/period is calculated by dividing the sum of monthly occupancy rates by the total number of months in that year/period.

(3) The monthly occupancy rates for individual customers is calculated by dividing the number of beds not participating under the EBPS occupied as at the month end by the total number of individual customers beds not participating under the EBPS available at each care and attention home at the relevant month end. The average monthly occupancy rate for the year/period is calculated by dividing the sum of monthly occupancy rates by the total number of months in that year/period.

(4) Kato Elderly Home underwent renovation, rebranded and merged with Fai-To Centre for the Aged during 2017.

Business process

1. Enrollment

A. Residents not participating in the EBPS

We mainly have four types of residents who are not residents participating in the EBPS:

(i) Private individual residents

Generally, family members of potential resident or potential residents would contact our care and attention home directly or through word-of-mouth to enquire about the availability of residential care place.

(ii) Residents referred by medical social workers

Medical social workers who station at hospitals would recommend our centres to elderly patients who have just been discharged from the hospital.

(iii) Residents from the Haven of Hope Christian Service

Throughout the Track Record Period, The Haven of Hope Home Support Team under the Integrated Discharge Support Program for Elderly Patients of the Haven of Hope Hospital has bought three to four residential care places at Pine Villa at the monthly rate of HK$12,000 per head. These residential care places are for the purposes of discharging elderly patients from the Haven of Hope Hospital to Pine Villa as a "halfway" point before the elderly patient finds a long-term residential care home or before he/she returns home.

(iv) Residents referred by the Home of Elderly Consultancy Limited

In 2013, we have entered into an agreement with the Home of Elderly Consultancy Limited (the "**Home of Elderly**"), an organisation engaging in the provision of residential care homes referral services for the elderly. According to the agreement between the Home of Elderly and our Group, the Home of Elderly would refer suitable elderly residents to any of our eight care and attention homes for a commission payable by us which equals to 60 days' residential fee of that particular resident referred.

B. Residents participating in the EBPS

We would receive notification from the SWD informing us of the appointment of a potential new resident to our residential care home under the EBPS.

C. Process of enrollment

After having preliminarily confirmed his/her residential care place at our home, every potential resident would go through the following procedures, which usually take one to two weeks:

(1) Tour of residential care home

For private individual resident or a resident participating in the EPBS, we would fix a date and arrange a tour of the centre chosen for the potential resident and his/her family who made telephone enquiry to us, during which our staff members would introduce our services and explain the fee structure.

(2) Consultation

A consultation session would be conducted whereby our staff members would consult the potential resident and his/her family about his/her health conditions and any special needs that he/she may have, e.g. diet preference, medical needs, daily habits.

(3) Medical check-up

Except for a potential resident who has already obtained a medical checkup report from a doctor, a potential resident is required to undergo a self-funded medical checkup by a doctor arranged by us to assess his/her health conditions. Usually, for a potential resident participating in the EBPS, a medical checkup would have been arranged for him/her by the SWD. Therefore such potential resident is not required to undergo a medical checkup again.

(4) Registration and payment of deposit

The secretarial staff members at our care and attention home would assist the potential resident and/or his/her family members to register by filling in a registration form and pay an initial deposit, generally representing one month of the annual residential fee for the year, plus the residential fee for the first month, to reserve a residential care place until he/she officially moves in.

(5) Confirmation of move in date

The potential resident confirms with our staff members the date on which he/she will move into our care and attention home.

(6) Payment of fees and other miscellaneous matters

Once the potential resident and/or his/her family members agree(s) to enroll into our care and attention home, the potential resident signs a consent letter, pays monthly residential fee (on a pro rata basis depending on move in date), initial fees for bedding and amenities, and other miscellaneous fees as agreed.

Our staff members will then assist the potential resident to sign a checklist, which lists out certain personal information of the potential resident, and require the potential resident to hand over all personal items.

(7) Move in

Potential resident officially moves in and becomes resident of our care and attention home.

2. Residence

Our services provided to our residents mainly comprises two main areas. See "Our Services and Sales" in this section for further details.

3. Discharge

A. Voluntary discharge

Resident who wants to be discharged from our care and attention home is required to provide at least 30 days' notice to us. After receiving notice of intention to be discharged, our staff members at the care and attention home would enquire about the reasons of discharge and address any concerns the resident may have about our care and attention home.

B. Compulsory discharge

In the exceptional and rare case that a particular resident is found to be unsuitable to stay in our care and attention home (e.g. due to his/her violent tendency), we would report the case to social worker and recommend to the social worker the resident be discharged.

The social worker would then notify the resident and/or his/her family. We would request the resident to leave upon confirmation that he/she has secured a residential place at another care and attention home or that he/she will return home.

C. Process of discharge

After having preliminarily confirmed that he/she will be discharged from our care and attention home, every resident would go through the following procedures before he/she gets officially discharged, which usually occurs within 30 days:

(1) Confirmation of discharge. Our staff members would confirm the date of discharge and the subsequent arrangements with the resident and/or his/her family.

(2) Return of personal items. Personal items will be returned to the residents in accordance with the checklist.

(3) Payment. We will issue invoice to residents for any outstanding balance of payment for settlement.

(4) Exit survey. Residents will fill in an exit survey to provide us with views about their experience at our care and attention homes.

(5) Move out. Upon packing all personal belongings, residents can be discharged from our care and attention homes.

D. When resident passed away

In the unfortunate case that a resident passed away at hospital without having been officially discharged from our care and attention home, the family members of that resident would normally notify us of such event. Upon such notification, we would arrange to return the personal items of the resident to his/her family.

Management and operation of our care and attention homes for the elderly

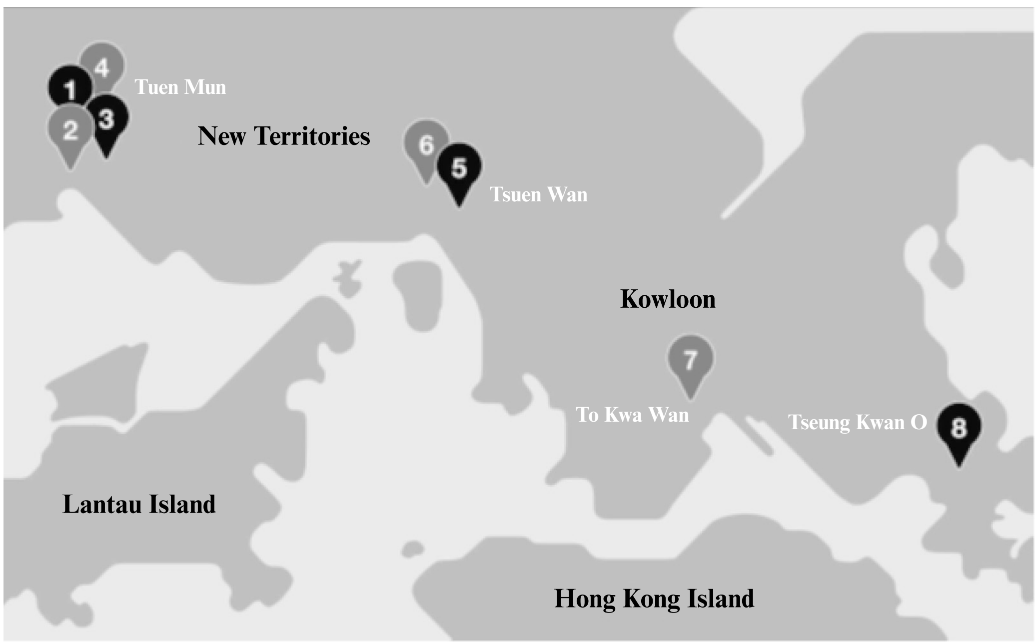
We have implemented standardised management and operational procedures across our network of care and attention homes for the elderly to ensure consistency of service and enhance resident's experience. These management and operational procedures cover areas which are required under (i) the RCHE Code of Practice, (ii) the Service Quality Standard issued by the SWD, and (iii) HKQAA, including the following aspects:

- handling of medical and chemical waste;
- licensing requirements and record keeping;
- compliance with labour laws;
- trainings;
- occupational health and safety;
- infection control;
- residents' data privacy management;
- accidents handling; and
- complaints handling.

OUR CARE AND ATTENTION HOMES FOR THE ELDERLY

At the Latest Practicable Date, we had a network of eight care and attention homes for the elderly with 1,129 residential care places strategically located across four districts in Hong Kong. Majority of our care and attention homes are located near MTR stations, shopping malls or residential areas. Our care and attention homes operate under the brand names of "Fai To 輝濤", "Kato 嘉濤", "Happy Luck Home", "Tsuen Wan Centre" and "Pine Villa" all bearing the same logo.

Set out below is map showing the locations of our eight care and attention homes for the elderly in Hong Kong as at the Latest Practicable Date.



1. Fai To Home (Tuen Mun)
2. Fai To Home (On Lai)
3. Kato Home for the Aged
4. Kato Elderly Home
5. Tsuen Wan Centre
6. Happy Luck Home
7. Fai To Sino West Home
8. Pine Villa

Set out below are pictures of our care and attention homes:

Happy Luck Home

Fai To Home (On Lai)

Pine Villa

Kato Elderly Home

Fai To Home (Tuen Mun)

Kato Home for the Aged

Tsuen Wan Centre

Fai To Sino West Home

The table below sets out details of each of our care and attention homes as at the Latest Practicable Date:

	Kato Elderly Home	Kato Home for the Aged	Fai To Home (On Lai)	Fai To Home (Tuen Mun)	Fai To Sino West Home	Happy Luck Home	Tsuen Wan Centre	Pine Villa
Location	Tuen Mun	Tuen Mun	Tuen Mun	Tuen Mun	To Kwa Wan	Tsuen Wan	Tsuen Wan	Tseung Kwan O
Year of commencement of operations	1999	1998	1997	1995	2000	2015	2008	2013
Approximate saleable area *('000 sq. ft.)*	18.7	12.3	5.3	8.7	30.8	15.7	16.0	24.3
Number of residential care places under EBPS	126	86	28	47	140	73	79	N/A
Total number of residential care places	180	123	56	90	294	146	150	90
Classifications under the EBPS *(Note 2)*	EA1	EA2	EA2	EA2	EA1	EA1	EA1	N/A *(Note 1)*
Type and number of employees *(Note 3)*								
Home manager	1	1	1	1	1	1	1	1
Registered/enrolled nurses	12	—	1	1	21	6	8	7
Social worker(s)	—	—	—	—	1	2	1	—
Physiotherapists	—	—	—	—	1	1	1	—
Physiotherapist assistant(s)	—	—	1	—	2	1	—	—
Occupational therapist	—	—	—	—	—	—	—	—
Occupational therapist assistant(s)	—	—	1	—	—	—	—	—
Health workers	7	10	4	8	10	5	10	5
Care workers	27	26	10	14	47	23	23	13
Ancillary workers	13	6	5	6	19	12	13	8
Services and amenities								
Haircut service	√	√	√	√	√	√	√	√
Centralised dispensary	√	√	√	√	√	√	√	√
Physiotherapy area	√	√	√	√	√	√	√	√
Occupational therapy area	—	—	√	—	—	—	—	—
Movie corner	√	√	√	√	√	√	√	√
Elevator/disabled lift	√	√	√	√	√	√	√	√
Computer corner	—	—	—	—	—	—	—	√
Nursing station	√	√	√	√	√	√	√	√
Medical room	√	√	√	√	√	√	√	√

Notes:

(1) Pine Villa is one of our care and attention homes that focuses on high-end customers and does not participate in the EBPS.

(2) Enhanced A1 homes have higher requirements in terms of staffing and per capita net floor space as compared to Enhanced A2 homes. As required under the Enhanced Bought Place Scheme, the staffing requirement for an Enhanced A1 homes with 40 places is 21.5, calculated on the basis of eight working hours per staff per day including relief staff and its per capita net floor area is 9.5 m^2, whereas the staffing requirement for Enhanced A2 homes with 40 places is 19, calculated on the basis of eight working hours per staff per day, including relief staff, and its per capita floor net area is 8 m^2.

(3) Type and number of employees include only full-time or part-time employees for each of our care and attention homes for the elderly and do not include personnel such as care workers, health workers, physiotherapists and occupational therapists sourced from employment agencies and our administrative and management staff. As at the Latest Practicable Date, all of our care and attention homes for the elderly had complied with the staffing requirements pursuant to the RCH(EP)R, RCHE Code of Practice and EBPS Agreements (where applicable).

Fai-To Centre for the Aged and Kato Elderly Home

During the Track Record Period, one of our care and attention homes for the elderly, Fai-To Centre for the Aged, underwent renovation and merged with Kato Elderly Home which completed in November 2017. Prior to the merger of Fai-To Centre for the Aged with Kato Elderly Home, Fai-To Centre for the Aged participated in the EBPS under EA2 and had a total of 139 residential care places of which 88 were residential care places purchased by the SWD under the EBPS and Kato Elderly Home participated in the EBPS under EA2 and had a total of 73 residential care places of which 48 were residential care places purchased by the SWD under the EBPS. As at the Latest Practicable Date, Kato Elderly Home was participating in the EBPS under EA1 and had a total of 180 residential care places of which 126 were residential care places purchased by the SWD under the EBPS. See the above table for further details of Kato Elderly Home as at the Latest Practicable Date.

Ka-To Home for The Aged and Happy Luck Home

During the Track Record Period, one of our care and attention homes for the elderly, Ka-To Home for The Aged, ceased operation in September 2015, as our Group did not reach an agreement with the landlord to extend the tenancy agreement. Ka-To Home for The Aged had a total of 134 residential care places. Our Directors confirm that upon cessation of the operation of Ka-To Home for The Aged in September 2015, certain residents at Ka-To Home for The Aged were relocated to Happy Luck Home which commenced operation in September 2015 and had a total of 146 residential care places as at the Latest Practicable Date. Our Directors confirm that during the Track Record Period, Ka-To Home for The Aged had complied with all relevant laws and regulations in all material respects and there were no material breaches or violations of the laws or regulations applicable that would have a material adverse effect on our business or financial condition taken as a whole. See the above table for further details of Happy Luck Home as at the Latest Practicable Date.

OUR SERVICES AND SALES

Our network of eight care and attention homes for the elderly provides a total of 1,129 residential care places in a range of classes, sizes and configurations. We generate revenue primarily from (i) the rendering of elderly home care services; and (ii) sales of elderly home related goods.

(1) Elderly home care services

The following table sets out certain information in relation to the rooms of our care and attention homes for the elderly (excluding isolation beds for the purposes of preventing transmittable diseases) as at the Latest Practicable Date:

Type of rooms	**Number of rooms**	**Number of beds**
Kato Elderly Home		
Double rooms	19	38
Single rooms	142	142
Kato Home for the Aged		
Double rooms	22	44
Single rooms	73	73
6-bed rooms	1	6
Fai To Home (On Lai)		
Single rooms	14	14
Double rooms	2	4
7-bed rooms	2	14
8-bed rooms	3	24
Fai To Home (Tuen Mun)		
Double rooms	19	38
Single rooms	37	37
Triple rooms	2	6
Special careward	1	9
Fai To Sino West Home		
Double rooms	54	108
Single rooms	172	172
Special careward	1	14
Happy Luck Home		
Double rooms	27	54
Single rooms	89	89
Triple rooms	1	3
Tsuen Wan Centre		
Double rooms	14	28
Single rooms	101	101
Special careward	2	21
Pine Villa		
Double rooms	5	10
Single rooms	1	1
Triple rooms	5	15
4-bed rooms	5	20
6-bed rooms	4	24
10-bed rooms	2	20

Single room

Double room

The table below sets out the average monthly residential fee of a residential care place under the EBPS and the range of a residential care place for individual customers in respect of each of our care and attention homes for the elderly during the Track Record Period:

	District	Class of residential care places	Average monthly residential fee paid by SWD (Note 3) (HK$'000)					Average monthly residential fee (HK$'000) (Note 4)				
			Year ended 31 March			Eight months ended 30 November		Year ended 31 March			Eight months ended 30 November	
			2016	2017	2018	2017	2018	2016	2017	2018	2017	2018
Kato Elderly Home (Note 1 and 6)	New Territories	EA1	7.9	7.9	9.8	8.7	11.2	8.7	9.3	11.7	11.0	12.4
Kato Home for the Aged (Note 1)	New Territories	EA2	7.7	7.9	8.0	8.0	8.6	8.8	9.1	9.5	9.4	10.4
Fai-To Centre for the Aged (Note 6)	New Territories	EA2	8.5	8.0	8.9	8.9	—	9.0	8.9	11.1	11.1	—
Fai To Home (On Lai) (Note 1)	New Territories	EA2	7.6	7.9	8.6	8.7	9.3	8.0	8.2	8.5	8.5	9.1
Fai To Home (Tuen Mun) (Note 1)	New Territories	EA2	7.6	8.0	8.2	8.0	9.2	8.6	8.7	9.0	9.0	9.7
Fai To Sino West Home (Note 2)	Kowloon	EA1	10.5	10.8	11.0	11.0	11.6	10.4	10.5	10.7	10.7	11.1
Happy Luck Home (Note 1)	New Territories	EA1	8.9	10.7	11.3	11.6	11.3	9.0	10.1	10.6	10.6	10.9
Tsuen Wan Centre (Note 1)	New Territories	EA1	10.5	10.4	11.0	10.9	11.3	10.6	10.2	11.0	11.1	11.5
Pine Villa (Note 5)	New Territories	—	—	—	—	—	—	12.8	13.6	13.7	13.2	14.9

Notes:

(1) The monthly residential fee paid for a EA1 and EA2 residential care place for a private RCHE purchased by the SWD in the New Territories under the EBPS during the Track Record Period was as follows:

	As at 31 March			As at 30 November	
Class	**2016**	**2017**	**2018**	**2017**	**2018**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
EA1					
Base rate paid by the SWD	8,047	9,879	9,879	9,879	10,940
Monthly fee paid by resident	1,707	1,707	1,707	1,707	1,763
Total	9,754	11,586	11,586	11,586	12,703
EA2					
Base rate paid by the SWD	5,968	7,579	7,579	7,579	8,486
Monthly fee paid by resident	1,603	1,603	1,603	1,603	1,656
Total	7,571	9,182	9,182	9,182	10,142

(2) The monthly residential fee paid for a EA1 residential care place for a private care and attention home purchased by the SWD in Kowloon under the EBPS during the Track Record Period was as follows:

	As at 31 March			As at 30 November	
Class	**2016**	**2017**	**2018**	**2017**	**2018**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
EA1					
Base rate paid by the SWD	8,770	10,427	10,427	10,427	11,524
Monthly fee paid by resident	1,707	1,707	1,707	1,707	1,763
Total	10,477	12,134	12,134	12,134	13,287

(3) The monthly residential fee in respect of residential care places purchased by the SWD under the EBPS is calculated as follows: the sum of (i) the total monthly revenue generated from the payment of the base rate by the SWD under the EBPS on a committed basis during the relevant month; and (ii) the total monthly revenue generated from the payment of the monthly residential fee by the residents under the EBPS during the relevant month, and such sum to be divided by the actual number of residential care places purchased by the SWD under the EBPS as at the end of the relevant month. The average monthly residential fee in respect of residential care places purchased by the SWD under the EBPS for the year/period is calculated by dividing the sum of the monthly residential fee in respect of the residential care places purchased by the SWD under the EBPS by the total number of months in that year/period.

(4) The monthly residential fee is equal to the total revenue during the relevant month divided by the number of residential care places purchased by our residents during the relevant month. The average monthly residential fee in respect of residential care places for the year/period is calculated by dividing the sum of the monthly residential fee in respect of residential care places purchased by our residents by the total number of months in that year/period.

(5) Compared with our other care and attention homes, Pine Villa is one of our care and attention homes that focuses on high-end customers and does not participate in the EBPS.

(6) Kato Elderly underwent renovation, rebranded and merged with Fai-To Centre for the Aged during 2017.

Pricing of the residential places purchased by the SWD under the EBPS is on an agreed fixed rate with an adjustment clause allowing for price fluctuation based on inflation pursuant to the relevant contracts with the SWD. The fees in respect of the residential care places for our individual customers are determined with reference to a number of factors such as cost of operations, cost of leasing of the premises, staff cost, market price range charged by our competitors and inflation. See "Our Customers — Pricing of our services and payment terms" in this section for further details.

Our elderly home care services provided to our residents mainly comprises seven areas:

Provision of residence

We provide accommodation to our residents for a fixed amount of monthly residential fees, which are charged with reference to, among other things, the size of bedrooms and the number of elderly residents residing in the bedroom. Our care and attention homes generally offer various types of residential rooms, including, single, twin, triple, quad and special careward. We also provide en-suite bedrooms for elderly residents who prefer having more private space. Basic amenities such as beds, chairs, air conditioners, closets and call bells are installed in each of the bedrooms. Depending on the individual design, some bedrooms may also have toilet seats, shower stalls, sinks, etc. For details of the types and numbers of bedrooms of each of our care and attention homes, see "Our Services and Sales — (1) Elderly home care services" in this section. To make our elderly residents feel at home in our care and attention homes, apart from necessary facilities such as occupational and physiotherapy rooms, we also have other facilities installed for recreational purposes. For example, we have multi-sensory function rooms and television rooms and provide mah-jong for our elderly residents to spend their spare time.

We provide meals four times a day, which are cooked to meet specific dietary requirements of individual residents. Special meals provided include vegetarian meal, diabetic meal, low-salt meal, low purine meal, and liquid meal.

Professional nursing and caretaking services

We provide professional nursing and caretaking services, the costs of most of which are included in the basic monthly residential fees:

(a) *Personal hygiene*. Our care workers are responsible for assisting the elderly residents in showering and cleaning, as well as using bathrooms.

(b) *Medication administration*. The tasks of keeping medical records and managing medication of our residents (including storing, preparing, distributing and checking medicines) are performed by our nurses. We require our staff to strictly follow the general guideline of "three checks five rights" (三核五對) regarding medicines distributions promoted by the Hospital Authority to ensure that the right amount of the right medicines are given to our residents correctly. "Three checks five rights" depicting three checks being: (i) check before the medication is taking out from the container, (ii) check after removing the medication from the container and (iii) final check of the medication against the container before disposal; and "five rights" being the right drug in the right dose given to the right patient by the right route at the right time.

(c) *Food feeding*. If necessary, our care workers and/or ancillary workers would help feed our residents.

(d) *Daily care*. Other daily care services, provided on an as-needed basis, include helping with resting posture, doing laundry, cleaning etc.

(e) *Add-on services*. As add-on services for which we would charge additional fees, we also help our residents in dressing wounds, changing diapers, giving injections etc.

Nutritional management

Most of our elderly residents have dietary requirements. Therefore, we would implement and monitor closely their individualised meal plans with a view to ensuring that they are provided with healthy and balanced meals with all the essential nutrients. Generally, we offer normal meal, vegetarian meal, diabetic meal, low-salt meal and low purine meal. Our kitchen in each care and attention homes are responsible for cooking the meals according to the prescribed menu and our nurses and health workers would distribute meals to our residents according to their respective dietary requirements. For residents who are unable to swallow, we would arrange nasogastric intubation for the purpose of feeding and administering medicines.

Medical services

Our nurses would maintain the medical records of our residents and if necessary, arrange individual medical appointments or hospital admission for them. We would accompany the residents to attend the medical appointment and charge them for the transportation fees.

Physiotherapy services

We provide physiotherapy treatments for our residents who are injured, suffer from disabilities or otherwise unable to exercise full range of physical movements. Such treatments are performed at our care and attention homes for the elderly by registered physiotherapists we engaged through an agency company engaging in the provision of rehabilitation services.

Psychological and social care

To improve the cognitive function and emotional wellbeing of our elderly residents, we organise recreational activities for them regularly. Such activities include birthday parties, gatherings to celebrate traditional festivals, concert watching, picnics, daytrips to vegetarian restaurants, yum cha etc. Our residents can also watch television, read newspaper, listen to radio, play mah-jong and chess daily, all the equipment of which are provided in our care and attention homes. We believe by promoting our elderly residents' participation in these activities, their physical and social health can be improved and their interpersonal relationships promoted.

Individual care plans

Our care and attention homes design care plans for every resident which includes (i) health condition assessments, (ii) completion of assessment and evaluation, (iii) design of individual care plan, and (iv) interim evaluation of effectiveness.

(2) Sale of elderly care related goods

Our care and attention homes for the elderly also offer the sales of elderly home related goods to our residents, including but not limited to diapers, nutritional milk, wipes and blood glucose test strips. Such goods are sold to our residents on an as-needed basis.

OUR FACILITIES AND EQUIPMENT

It is our aim to provide quality residential elderly care services to our residents in a comfortable environment. Our care and attention homes for the elderly are equipped with adequate equipment and facilities which enable our residents to receive basic medical and nursing care and support at our care and attention homes for the elderly.

Our medical equipment includes hoists, sensory stimulators, blood pressure monitors, blood glucose monitors, infra-red thermometres, oximetres, oxygen tanks, bladder scanners, lifting machines, treatment tables and electric hot packs. Certain of our care and attention homes for the elderly also have dedicated physiotherapy rooms with physiotherapy equipment such as tilt beds, electrocardiogram machines, and shoulder and upper limb training kits.

Apart from providing adequate medical support and care, we have installed other general amenities and facilities at each of our care and attention homes for the elderly to furnish a convenient and enjoyable environment suited to the needs of our elderly residents. To ensure the safety of our residents, we have installed sensory security systems to prevent residents from leaving our premises without notice. We also offer amenities such as air-conditioning and heating system, personal televisions, mah-jong, dispensaries, private elevators, movie corners, party rooms, computer corner and disabled escalator at our care and attention homes for the elderly.

Exercise room

OUR CUSTOMERS

Resident statistics

As at 30 November 2018, our care and attention homes for the elderly had 1,091 residents of whom 3.1% were aged under 60, 12.2% were aged 60 to 69, 18.4% were aged 70 to 79, 42.1% were aged 80 to 89, 23.2% were aged 90 to 99, and 1.0% were aged 100 or above. As at 30 November 2018, each of our residents had resided in our care and attention homes for the elderly for an average period of 3.2 years. For the three years ended 31 March 2018 and the eight months ended 30 November 2018, the number of residents passed away (including those who passed away in the hospital but were not discharged as our resident) as a percentage of the total number of residents as at the end of the respective year/period were approximately 3.3%, 2.9%, 3.6%, and 6.5%, respectively. In terms of the level of care required, our residents are generally categorised into three health profiles (i) able to self-care; (ii) need assistance, such as dressing, grooming, showering, shaving, assistance in eating, etc.; and (iii) totally dependent, for residents who are unable to leave the beds who require our full care and attention. Common illnesses that affect our residents generally include high blood pressure, diabetes, heart failure, Alzheimer's disease, Parkinson's disease, gout, etc.

During the Track Record Period, our Group's customers primarily consisted of (i) the SWD; and (ii) individual customers who settled their own residential fee entirely by themselves and those who were subsidised by the SWD under the EBPS but settled the unsubsidised portion by themselves. For the three years ended 31 March 2018 and the eight months ended 30 November 2018, revenue generated from the SWD, our largest customer, amounted to approximately HK$62.6 million, HK$64.2 million, HK$67.1 million, and HK$48.8 million, respectively, representing approximately 43.9%, 42.7%, 43.0%, and

42.5% of our total revenue, respectively. Revenue generated from individual customers who settled their own residential fee entirely by themselves and those who were subsidised by the SWD under the EBPS but settled the unsubsidised portion by themselves amounted to approximately HK$58.8 million, HK$62.4 million, HK$65.4 million, and HK$49.5 million for the three years ended 31 March 2018 and the eight months ended 30 November 2018, respectively, representing approximately 41.3%, 41.5%, 41.9%, and 43.1% of our total revenue, respectively.

To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who owns more than 5% of the issued share capital of our Company, had any interest in any of our five largest customers during the Track Record Period.

The SWD

We have participated in the EBPS for approximately 20 years and we derived a major portion of our revenue from the SWD, which was our largest customer during the Track Record Period. Participants of the EBPS are partially subsidised by the SWD.

As at the Latest Practicable Date, the monthly base rate for our residents enrolled under the EBPS payable by the SWD was (i) HK$10,940 in respect of EA1 RCHEs and HK$8,486 in respect of EA2 RCHEs located in New Territories; and (ii) HK$11,524 in respect of EA1 RCHE located in Kowloon. Our residents enrolled under the EBPS were required to pay a monthly residential fee, which mounted to HK$1,763 for EA1 RCHEs and HK$1,656 for EA2 RCHEs, as at the Latest Practicable Date.

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, revenue generated from the payment of base rate by the SWD amounted to approximately HK$62.6 million, HK$64.2 million, HK$67.1 million and HK$48.8 million, respectively, representing approximately 43.9%, 42.7%, 43.0% and 42.5% of our total revenue, respectively.

Through our participation in the EBPS, we have maintained a stable business relationship with the SWD for approximately 20 years. Seven of our care and attention homes for the elderly have entered into the EBPS Agreements with a fixed term, typically of two years, with the SWD in respect of the provision of residential accommodation and care to their nominated elderly persons in our care and attention homes for the elderly. The term of all of our subsisting EBPS Agreements with the SWD will expire on 31 March 2020. Such EBPS Agreements are signed on the basis of committed payment to our Group whereby we commit to provide a specified number of residential care places to the SWD and the SWD commits to purchase a specified number of residential care places, and fees are payable based upon the number of elderly persons committed to enrol into our care and attention homes for the elderly.

Our long-term cooperative relationship with the SWD under the EBPS

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, we generated revenue from the payment of the base rate by the SWD under the EBPS of approximately HK$62.6 million, HK$64.2 million, HK$67.1 million, and HK$48.8 million, respectively, representing approximately 43.9%, 42.7%, 43.0%, and 42.5% of our total revenue, respectively. Although we derived a substantial portion of our revenue from the SWD under the EBPS, our Directors are of the view that our business is sustainable based on the following factors and reasons:

(a) Our participation in the EBPS is in line with the HK Government's policy in supporting the elderly care sector in Hong Kong and it is expected that EBPS will be continuously supported by the HK Government given that there is a genuine demand for residential care places from the Hong Kong society.

As mentioned in the Industry Report, there is a surging demand for residential care services in residential care homes for the elderly in Hong Kong. From 2018 to 2022, the population of the elderly aged 65 and above is forecasted to grow at a CAGR of approximately 4.8% from approximately 1.3 million people in 2018 to approximately 1.5 million people in 2022. Moreover, the demand for a residential care place in RCHEs is also high as a result of the relatively high institutionalisation rate of the elderly in Hong Kong due to the inability of some of the families to take care of their frail elderly family members at their residence. See "Industry Overview" in this prospectus for further details.

Over the past few years, the HK Government has provided additional resources to purchase more residential care places under the EBPS from private RCHEs. The number of EBPS places increased from 7,516 places in 2013 to 8,044 places in 2017. According to the Budget 2019-2020 of the HK Government, the HK Government has pledged to increase the number of residential care places and subsidised places. According to the Policy Address 2018, the HK Government has planned to purchase 5,000 EA1 places under the EBPS in the coming 5 years to increase supply of subsidised residential care places for the elderly.

Our Directors believe that only a small portion of RCHEs are eligible to participate in the EBPS and our participation in the EBPS is able to signify to the market that we are one of these RCHEs which have been able to fulfil the requirements under the EBPS. The number of applicants in the Central Waiting List had increased over the years, but efforts by the HK Government had ensured that the average waiting time has decreased. Average waiting time is the average number of months taken between the waitlist date and the admission date of normal cases admitted to service, which is affected by the demand for subsidised places as well as the supply of new and existing subsidised places.

As at the end of March 2019, there were a total of 40,778 applicants on the Central Waiting List for subsidised RCHEs places, according to the Industry Report, which consists of 33,716 applications for care and attention homes and 7,062 applications for nursing homes. As at the end of March 2019, the average waiting time for a residential care place in subvented homes and contract homes and a private RCHE under the EBPS was approximately 40 months and 10 months, respectively.

Given the genuine demand for residential care places from the society in Hong Kong, the long waiting time for a place in a private RCHE under the EBPS, the long history of implementation of the EBPS by the HK Government for 20 years under which the SWD has purchased residential care places from private homes for the elderly since 1998 and that one of its objectives is to increase the supply of subsidised places so as to reduce elderly's waiting time for subsidised RCHE places, our Directors believe that the HK Government will continue to be supportive of the EBPS going forward.

(b) We believe that we will continue to be eligible for participation in the EBPS if we are able to continue to meet the eligibility criteria under the EBPS and given our long history of participation in the scheme

We have developed a long-term cooperative relationship with the SWD for approximately 20 years since we first participated in the EBPS. Our Group was the second largest operator in terms of number of EBPS places provided in Hong Kong in 2017 with a market share of approximately 7.3% in terms of the total number of EBPS places in Hong Kong.

Our Directors confirmed that none of our care and attention home that participated in the EBPS Scheme had experienced difficulty in renewing their agreements with SWD upon their expiry. Our Group has successfully renewed our agreements with the SWD for the EBPS with an existing term until 31 March 2020. Our Directors are confident that our care and attention homes will continue to be eligible to participate in the EBPS in the future if they continue to comply with the relevant requirements under the EBPS as (i) all of them are either EA1s or EA2s which have complied with the relevant staffing and spacing requirements under the EBPS; (ii) during the Track Record Period and up to the Latest Practicable Date, we had not experienced any reduction in the EBPS number or percentage of residential care places purchased by SWD during the term of the EBPS Agreements entered into by us and the SWD under the EBPS, and (iii) the SWD had purchased close to the capped percentage of our residential care places in respect of most of our care and attention homes for the elderly which our Directors believe was an indication that it was satisfactory towards the quality of our services.

(c) We believe that our long operating history of care and attention homes for the elderly in Hong Kong is able to enhance the confidence of both our customers and the SWD in our Group

We have been operating care and attention homes for the elderly in Hong Kong for over 27 years. In 2017, we were the third largest private RCHE operator in Hong Kong in terms of revenue with a market share of approximately 1.3%, according to the Industry Report. Our Directors believe that our established operating history and leading market position allows us to consolidate our reputation and secure revenue both from the SWD and individual customers.

(d) Our relationship with the SWD under the EBPS is one that is mutually beneficial

Apart from recognition of our brand in the industry through our participation under the EBPS and providing a stable source of customers to our Group, our Directors consider that our participation under the EBPS provides our Group with a favourable platform to fulfil social responsibility towards the growing elderly market in Hong Kong. It is our Directors' intention to continue to maintain our long-term cooperative relationship with the SWD through entering into the EBPS Agreements. Further, the terms of the EBPS Agreements provide flexibility to both parties to terminate the said agreements by giving the other party not less than three months' prior written notice.

(e) The underlying demand for our places purchased by the SWD under the EBPS was genuine given the consistently high occupancy rate achieved by us during the Track Record Period and up to the Latest Practicable Date

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, we recorded an average monthly occupancy rate in respect of residential care places purchased by the SWD under the EBPS of approximately 97%, 98%, 96% and 99%, for each respective periods and an average monthly occupancy rate in respect of residential care places purchased by individual customers of approximately 82%, 88%, 89% and 93%, for each respective periods. Our Directors believe that such consistently high occupancy rate was supported by the genuine underlying demand for our residential care places purchased by the SWD under the EBPS as the end-user customers of our residential care places purchased by the SWD under the EBPS were the elderly people in Hong Kong who were subsidised by the HK Government under the scheme.

Principal terms of the EBPS Agreements with the SWD

The EBPS Agreements entered into by us and the SWD typically contain the following principal terms:

- Contract term usually last for a period of 24 months.

- We are obligated to provide residential accommodation and care to the specified number ("**Specified Number**") of elderly persons nominated by the SWD.

- We are obligated to comply with certain service requirements, including but not limited to, requirements for living space, minimum number and types of personnel to operate our care and attention homes for the elderly, minimum number of beds and minimum training requirements of our staff.

- The HK Government will generally make payment on the 28th day of each month and such monthly residential fees are calculated based on the Specified Number committed by the SWD multiplied by the applicable base monthly rate of charge. Such monthly residential fee is payable to our Group irrespective of whether the committed residential care spaces are occupied or not.

- The HK Government has the right to reduce the Specified Number by giving 14 days prior notice and adjust the residential fees payable with reference to the average monthly consumer price index once a year.

- Residential care place rates payable by the SWD pursuant to the EBPS are fixed at an initial monthly rate at the time of contract execution, but subject to inflation adjustments on an annual basis on the 1st of April of each year.

- We are obligated to indemnify the HK Government against any and all losses, claims, damages, costs, charges, expenses, liabilities, proceedings and actions which the HK Government may sustain or incur in respect of (i) negligence, recklessness, or wilful conduct of our Group, our employees or agents; (ii) breach of non-performance or non-observance of certain provisions, warranties and undertakings in the agreements; (iii) any unauthorised acts of our Group or our employees; and (iv) non-compliance with any applicable laws or requirements.

- The EBPS Agreements entered into between our Group and the SWD are terminable if (i) we fail to perform our obligations in accordance with the agreement and fail to remedy any performance failures; (ii) we or our employees or agents have done anything which in the opinion of the director of the SWD may endanger our residents; (iii) we are persistently in breach of any provision of the agreements; (iv) we become bankrupt or go into liquidation; or (v) we assign or transfer any part of the agreements without written consent of the HK Government. Alternatively, either the SWD or us can give the other party three months' prior written notice to terminate the agreements.

Other key characteristics of the EBPS

The LORCHE is responsible for conducting inspection in respect of building safety, fire safety, health care and social work at our care and attention homes for the elderly prior to the end of the term of our existing EBPS Agreements with the SWD. Based on the understanding of our Directors and in light of the fact we have successful renewed the EBPS Agreements of all our care and attention homes for the elderly during the Track Record Period, in the absence of material adverse findings of the inspections, the SWD will renew the term of the relevant agreements with us. In case of irregularities detected during the inspections, depending on their severity, warning letters are issued to non-compliant or unsatisfactory RCHEs. Under the RCH(EP)O, the SWD may issue a direction to the RCHE to direct remedial measures. If the RCHE fails to comply with the direction(s) given, prosecution action(s) may be taken.

During the Track Record Period and up to the Latest Practicable Date, we had received a total of seven warning letters, the subjects of which (a) six warning letters relate to (i) failing to provide enough private space in bathroom for residents; (ii) insulin injections administered by our staff members to a resident was different from doctor's prescriptions; (iii) inconsistency between actual use of certain building area and the designated use under the licensed building plan submitted to the SWD; and (iv) use of physical restraints on two residents without having obtained the requisite consents; and (b) one warning letter, the subject which relate to failure to observe the terms under the EBPS Agreement due to insufficient staffing. The subject matters as referred to above have been resolved, and we have taken necessary remedial actions and informed the SWD and no further action had been taken by the SWD against us in respect of these warning letters.

Based on the understanding of our Directors and warnings letters received, depending on the seriousness of the incident, if the relevant RCHE fails to remedy the non-compliance as soon as possible, the SWD may initiate prosecution, cancel or suspend the licence of the relevant RCHE, refuse to renew the licence or change any condition attached to the licence. In addition, according to some of the warning letters received by us, if the relevant RCHE receives five or more warning items within a two-year period, the number of places bought by the SWD from the relevant RCHE will be reduced by 5 or 5% of the total number of bought places (whichever is lower). During the Track Record Period and up to the Latest Practicable Date, we had not experienced any reduction in the number of places purchased by the SWD nor had the SWD initiated any prosecution, cancellation, suspension, refusal to renew, or change of conditions attached to the licences.

To reduce the re-occurrence of the above incidents, see "Legal Compliance and Litigation — Non-compliance — Non-compliance with RCH(EP)O, RCH(EP)R and the RCHE Code of Practice" in this section for measures adopted by our Group.

Committed residential care places to the SWD

Prior to 2003, the SWD would purchase up to 70% of the EBPS places from any one care and attention homes. In 2003, a 50% Cap Requirement was introduced and according to the SWD, the reduction of the capped percentage of places purchased from 70% to 50% was primarily aimed to allow participating care and attention homes to run their non-subsidised part of business in the same care and attention homes, and enable more RCHEs to participate in EBPS so as to enhance the service standard of private RCHEs as far as possible. Some of our care and attention homes which had established relationship with the SWD under the EBPS prior to the introduction of the "50% Cap Requirement" in 2003 were able to enjoy the same capping percentage of 70% on subsequent renewal of the relevant EBPS Agreements with the SWD ("**70% Cap Advantage**"), while some of our care and attention homes which commenced relationship with the SWD under the EBPS after the introduction of the 50% Cap Requirement (i.e. after 2003) were subject to the lower capping percentage of 50%. During the Track Record Period and up to the Latest Practicable Date, all of our care and attention homes participating under the EBPS has either complied with the 50% Cap Requirement or 70% Cap Advantage under the EBPS Agreements (as the case maybe). See "Regulatory Overview — Regulations in relation to the Operation of the RCHEs — 5. Enhanced Bought Place Scheme ("**EBPS**")" for further details. The table below sets forth details of number of our residential care places committed to the SWD, the number of residential care places available and the percentage of residential care places under the EBPS as a total of available residential care places of each respective care and attention homes for the elderly:

	Kato Elderly Home	**Kato Home for the Aged**	**Fai To Home (On Lai)**	**Fai To Home (Tuen Mun)**	**Fai To Sino West Home**	**Happy Luck Home**	**Tsuen Wan Centre**	**Pine Villa**
Year of commencement of participation in the EBPS by our Group	2000	1998	2001	2002	2010	2015	2013	N/A
70% Cap Advantage	Yes	Yes	Yes	Yes	No	No	No *(Note 1)*	N/A
As at the Latest Practicable Date								
Number of committed residential care places	126	86	28	47	140	73	79	N/A
Number of residential care places available	180	123	56	90	294	146	150	90
Number of residential care places purchased by the SWD under EBPS as a percentage of our total number of places *(%)*	70.0%	69.9%	50.0%	52.2%	47.6%	50.0%	52.7%	N/A

Note:

(1) Tsuen Wan Centre has only utilised 150 spaces for residents. In determining the 50% Cap Requirement, the actual number of residential care places based on the floor area will be taken into consideration. As such, Tsuen Wan Centre's number of residential care places purchased by the SWD under the EBPS as a percentage of our total number of places based on the floor plan is lower than 50%.

As at the Latest Practicable Date, there were a total of 579 out of 1,129 residential care places at our eight care and attention homes for the elderly committed to the SWD, representing approximately 51.3% of such total number of our residential care places.

Individual customers and principal terms of our agreements with individual customers

Generally, our agreements with individual customers contain the following key terms:

- one month residential fee as deposit and first month residential fee payable upon registration by the resident;

- residence fee and miscellaneous fee shall be paid monthly in advance, other fees (such as prescription fee and check-up fees) would be payable monthly in arrears; and

- all sums shall be settled monthly by the date on which the agreement is signed. A late payment interest at the rate of 5% shall be charged on the outstanding sum if such sum is not paid within seven days of the monthly deadline. If the overdue amount lasts longer than one month, it will be deemed as termination of residential care place without further notice.

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our revenue derived from individual customers who settled their own residential fee entirely by themselves and those who were subsidised by the SWD under the EBPS but settled the unsubsidised portion by themselves amounted to approximately HK$58.8 million, HK$62.4 million, HK$65.4 million and HK$49.5 million, respectively, representing approximately 41.3%, 41.5%, 41.9% and 43.1% of our total revenue, respectively.

Pricing of our services and payment terms

Our management considers various factors such as rental, cost of operations (i.e. staff cost), prevailing market price range charged by our competitors and inflation when determining our rates chargeable to our residents. We review the pricing of our services in respect of our individual customers on an annual basis. In general, our customers settle payment by cash, cheque or bank transfer. For pricing of our services and payment terms under the EBPS, see "The SWD — Principal terms of the EBPS Agreements with the SWD" in this section.

OUR SUPPLIERS

We primarily rely on our suppliers for food, medical care products, nutritional milk, other general goods and groceries and professional and qualified staff. All of our purchases were made in Hong Kong throughout the Track Record Period. During the Track Record Period, we had not experienced any material shortage or delay in the supply of goods or services.

Major suppliers

Our major suppliers primarily include traders of groceries, intermediaries referring professional and qualified staff and medical care product companies. We adopt an internal quality evaluation system for supplier selections and it is our policy to maintain a list of approved suppliers for the supply of regular and recurrent goods and services. In selecting suppliers, we perform assessment on the potential suppliers, including past history of the suppliers' quality, timing of delivery, source of the products, price and suppliers' reputation in the industry. Upon approval by our chief executive officer, such suppliers can be admitted to our list of approved suppliers. We periodically evaluate the performance of our approved suppliers. We generally do not enter into long-term agreements with our suppliers. In respect of the referral of professional and qualified staff, we arrange interviews with the candidates referred and verify their qualifications by requesting the referral intermediaries to provide the certifications of such candidates.

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, the aggregate purchases from our five largest suppliers amounted to approximately HK$14.3 million, HK$15.3 million, HK$18.0 million and HK$11.5 million, respectively, representing approximately 75.0%, 78.1%, 83.8% and 82.3% of our total purchases (including expenses of hiring professional and qualified staff through employment agencies), respectively. During the same periods, the purchases from our largest supplier amounted to approximately HK$5.6 million, HK$6.4 million, HK$8.3 million and HK$4.6 million, respectively, representing approximately 29.5%, 32.8%, 38.7% and 32.9% of our total purchases (including expenses of hiring professional and qualified staff through employment agencies) during the same periods, respectively.

The table below sets out information on our top five suppliers during the Track Record Period:

For the year ended 31 March 2016

Supplier	Amount of purchases *(HK$'000)*	Percentage of our total purchases *(%)*	Principal business activities	Types of goods/ services procured by us	Year in which our business relationship commenced	Credit term and payment method
Rica Rehabilitation and Consultancy Service Limited (利加復康資源及顧問服務有限公司)	5,628	29.5	Provision of physiotherapy and occupational therapy service	Occupational therapy service/ Professional and qualified staff	2012	14 days; by cheque
Yu Fat Hong (Hong Kong) Limited	5,240	27.5	Sale of medical product and grocery	Diapers and general groceries (e.g. oil, and eggs)	2007	30 days; by cheque
Stand Harvest Limited 罡成實業有限公司	1,608	8.4	Provision of laundry services	Laundry services	2009	30 days; by cheque
Supplier A	949	5.0	Sale of vegetables	Vegetables	2015	30 days; by cheque
Kerry Pharma (Hong Kong) Limited (嘉里醫藥(香港)有限公司)	885	4.6	Sale of health care products	Nutritional milk	2014	30 days; by cheque
Total	14,310	75.0				

For the year ended 31 March 2017

Supplier	Amount of purchases (HK$'000)	Percentage of our total purchases (%)	Principal business activities	Types of goods/ services procured by us	Year in which our business relationship commenced	Credit term and payment method
Rica Rehabilitation and Consultancy Service Limited (利加復康資源及顧問服務有限公司)	6,405	32.8	Provision of physiotherapy and occupational therapy service	Occupational therapy service/ Professional and qualified staff	2012	14 days; by cheque
Yu Fat Hong (Hong Kong) Limited	5,508	28.2	Sale of medical product and grocery	Diapers and general groceries (e.g. oil, and eggs)	2007	30 days; by cheque
Stand Harvest Limited 罡成實業有限公司	1,710	8.7	Provision of laundry services	Laundry services	2009	30 days; by cheque
Kerry Pharma (Hong Kong) Limited (嘉里醫藥(香港)有限公司)	908	4.6	Sale of health care products	Nutritional milk	2014	30 days; by cheque
Supplier B	744	3.8	Sale of fish products	Fish products	2016	30 days; by cheque
Total	15,275	78.1				

For the year ended 31 March 2018

Supplier	Amount of purchases *(HK$'000)*	Percentage of our total purchases *(%)*	Principal business activities	Types of goods/ services procured by us	Year in which our business relationship commenced	Credit term and payment method
Rica Rehabilitation and Consultancy Service Limited (利加復康資源及顧問服務有限公司)	8,288	38.7	Provision of physiotherapy and occupational therapy service	Occupational therapy service/ Professional and qualified staff	2012	14 days; by cheque
Yu Fat Hong (Hong Kong) Limited	6,476	30.2	Sale of medical product and grocery	Diapers and general groceries (e.g. oil, and eggs)	2007	30 days; by cheque
Stand Harvest Limited 罡成實業有限公司	1,806	8.4	Provision of laundry services	Laundry services	2009	30 days; by cheque
Kerry Pharma (Hong Kong) Limited (嘉里醫藥(香港)有限公司)	726	3.4	Sale of health care products	Nutritional milk	2014	30 days; by cheque
長者家專業顧問有限公司	661	3.1	Providing referral and consultancy services regarding elderly residential care homes	Referral services	2013	30 days; by cheque
Total	17,957	83.8				

For the eight months ended 30 November 2018

Supplier	Amount of purchases (HK$'000)	Percentage of our total purchases (%)	Principal business activities	Types of goods/ services procured by us	Year in which our business relationship commenced	Credit term and payment method
Rica Rehabilitation and Consultancy Service Limited (利加復康資源及顧問務有限公司)	4,581	32.9	Provision of physiotherapy/ occupational therapy service	Occupational therapy service/ Professional and qualified staff	2012	14 days; by cheque
Yu Fat Hong (Hong Kong) Limited	4,444	31.9	Sale of medical products and grocery	Diapers and general groceries (e.g. oil, and eggs)	2007	15 to 30 days; by cheque
Stand Harvest Limited 罡成實業有限公司	1,208	8.7	Provision of laundry services	Laundry services	2009	30 days; by cheque
ExcelCare Medical Group Limited 匯萃醫療集團有限公司	634	4.5	Provision of physiotherapy services	Physiotherapy service/ Professional and qualified staff	2018	30 days; by cheque
Kerry Pharma (Hong Kong) Limited (嘉里醫藥(香港)有限公司)	606	4.3	Sale of health care services	Nutritional milk	2014	30 days; by cheque
Total	11,473	82.3				

Mr. Ngai, our executive Director was beneficially interested in 6.8% of the entire issued share capital of issued shares in Yu Fat Hong (Hong Kong) Limited as at the Latest Practicable Date. In addition, Mr. Lam was beneficially interested in the entire issued share capital of Stand Harvest Limited (罡成實業有限公司) throughout the Track Record Period. See "Connected Transactions" in this prospectus for further details in respect of laundry services by Stand Harvest Limited (罡成實業有限公司) to our care and attention homes for the elderly. We did not enter into any contractual arrangements with either Yu Fat Hong (Hong Kong) Limited or Stand Harvest Limited (罡成實業有限公司) for our procurement of goods and laundry services as they were made on an as needed basis. Our Group will enter into the Laundry Service Agreement upon Listing. See "Connected Transactions — Fully Exempt Continuing Connected Transactions — Laundry service agreement between our Company and Stand Harvest" in this prospectus for further details.

Save as disclosed above, to the best of knowledge of our Directors, none of our Directors, their respective close associates or any Shareholders who owns more than 5% of the issued share capital of our Company had any interest in any of our five largest suppliers during the Track Record Period.

OUR EMPLOYEES AND CONTRACTORS

Our employees

As at the Latest Practicable Date, the total number of full-time and part-time employees, consisting both local and imported worker is set out below:

Function	Number of employees
Home managers	8
Registered nurses	23
Enrolled nurses	33
Social workers	4
Physiotherapists	3
Physiotherapists assistants	4
Occupational therapists assistants	1
Health workers	59
Care workers	183
Ancillary workers	82
Administrative and management staff	9
Total	409

The turnover rate of our employees during the Track Record Period is set out below:

	Employee turnover rate (%) (Note)			
	For the year ended 31 March			For the eight months ended 30 November
Function	2016	2017	2018	2018
Home manager	0	0	17	0
Registered Nurses	39	30	30	9
Enrolled Nurses	22	33	30	10
Social Workers	40	33	0	29
Physiotherapists	0	0	0	0
Physiotherapists Assistant	50	0	29	38
Health Workers	15	23	23	9
Care Workers	15	22	16	10
Ancillary Workers	22	23	20	7
Technicians	100	—	—	—
Administrative and management staff	8	8	15	0
Overall turnover rate	19	23	20	9

Note: Employee turnover rate is calculated based on the number of full-time employees who left as at the relevant year/period end date divided by the total number of employees as at the relevant year/period end date.

Our employee turnover rate was approximately 19%, 23%, 20% and 9% for each of the three years ended 31 March 2018 and the eight months ended 30 November 2018, respectively. As mentioned in the Industry Report, a high employee turnover in respect of general frontline workers is the nature of the RCHE industry in Hong Kong. As such, we have engaged employment agencies to source required manpower in order to solve temporary labour shortages, further details of which are disclosed in the paragraph headed "Employment agencies" below.

Our care and attention homes for the elderly are service-oriented. Therefore our success, to a considerable extent, depends on our ability to attract, motivate and retain a sufficient number of qualified employees. Our employees are selected through an established recruitment process. The remuneration package of our employees includes salaries, bonuses, allowances and overtime payments. We periodically appraise the performance of our employees for the review of their salary and promotion. With a view to upgrading the skills and knowledge of our employees, our Group provides an on-going training for our employees. Our qualified staff receive regular technical training on the operation of medical devices, treatment procedures and caretaking skills. See "Qualified staff" in this section for further details of our professional staff. Our administrative and management staff also receive training on management skills and business operation. We collaborated with external training institutions to provide management training courses to the senior management of our Group to enhance their management capabilities and skills.

During the Track Record Period, we had not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we had not experienced any difficulties in the recruitment and retention of experienced or qualified staff.

Qualified staff

Our qualified staff comprises of nurses, physiotherapists, social workers and health workers. The following table sets forth a breakdown of the number of our full-time and part-time qualified staff during the Track Record Period:

		As at 31 March		**As at 30 November**
Function	**2016**	**2017**	**2018**	**2018**
Registered/enrolled nurses	46	43	49	47
Social workers	2	3	3	11
Physiotherapists	5	4	7	5
Health workers	59	59	56	53
Total	112	109	115	116

Qualifications of our qualified staff

We believe that the qualifications and experience of our qualified staff are crucial to the competitiveness of our Group. Therefore, we place significant emphasis on recruitment, training and retention of our qualified staff. We recruit our qualified staff based on their qualifications, experience, reputation and previous compliance records. Suitability and credentials are assessed through interviews conducted by the head of our relevant care and attention home. Our human resources department will review the relevant certifications and conduct background checking procedures. We believe that we maintain high standards in the recruitment of quality members of our qualified team and we provide them with competitive compensation packages and a cohesive working environment.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any significant complaints nor penalties on our qualified team that would have a material effect on our business, financial condition or results of operations. During the Track Record Period, (i) all our health workers were registered under the RCH(EP)R; (ii) all our registered nurses were duly registered with the Nursing Council of Hong Kong and all our registered and enrolled nurses were holders of valid practising certificates; (iii) all our physiotherapists were registered with the Board of Physiotherapists and holders of valid practising certificates; and (iv) all our social workers were registered under the Social Workers Registration Ordinance (Chapter 505 of the Laws of Hong Kong).

Employment agencies

To optimise our administrative costs in human resources by obtaining additional workforce to solve temporary labour shortage, during the Track Record Period, we used employment agencies to source our required manpower, including care workers and health workers. We take into account a number of factors when selecting an employment agency to source manpower, including (i) their reputation; (ii) whether their workers possess the necessary qualifications and experience to carry out the required duties; (iii) the availability of their workers; (iv) past working experience of their workers; and (v) their pricing. Our Group will strive to source the same part-time staff from the employment agency and it is regularly monitored and assessed by our Group. Interviews will be conducted with our home manager or an employee assigned by our home manager to assess their work experience and to validate their qualifications. In addition, to ensure satisfactory performance of workers sourced from employment agencies, all part-time staff are also required to attend on-going trainings provided by our Group. The employment agencies are Independent Third Parties. We do not enter into any framework agreements with any employment agency. As and when needed, we place orders with these employment agencies in respect of the number and type of personnel we require. At the end of each month, the employment agencies produce an invoice showing the number of hours attended by the personnel referred by them with the relevant fees computed. Upon checking against our records, we arrange payment to the relevant employment agency. Employee compensation insurance and MPF in respect of the personnel sourced are contributed by the relevant employment agency.

Our Directors believe that the use of employment agencies is a normal practice in the industry and such arrangement could ease our administrative burden.

Subcontractors

During the Track Record Period, we engaged subcontractors such as service providers to provide occupational therapists, occupational therapist assistants, physiotherapists and physiotherapist assistants to our care and attention homes. See "Our Suppliers" in this section for further details.

Our subcontracting fees mainly represents fees paid to (i) occupational therapists, occupational therapist assistants, physiotherapists and physiotherapist assistants, offset by government subsidies. For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our subcontracting fees (excluding government subsidies amounted to approximately HK$6.8 million, HK$7.4 million, HK$9.1 million and HK$5.5 million, respectively, representing approximately 4.8%, 4.9%, 5.8% and 4.8% of our total revenue for the respective periods) amounted to approximately HK$1.3 million, HK$1.4 million, HK$2.0 million and HK$1.1 million, respectively, representing approximately 0.9%, 0.9%, 1.3% and 1.0% of our total revenue for the respective periods.

QUALITY CONTROL

We endeavour to provide adequate and quality care services for the elderly. Therefore, we have voluntarily joined the Service Quality Management Certification Scheme — Elderly Services (SQMCS — ES) administered by the Hong Kong Quality Assurance Agency. Each of our eight care and attention homes has been certified to have complied with all the requirements under the scheme. To maintain such a high standard of quality services, our management have implemented stringent quality control systems.

Quality control policy

Providing quality residential care services for the elderly is one of our Group's management priorities. As such we have adopted a stringent control and assurance system to monitor and ensure standard operation procedures are adopted at our care and attention homes.

Quality management system

Our employees are required to be familiar with our manuals, operation procedures and guidelines which regulate various aspects, for example, training, elderly safety, event management, hygiene, food safety, medicine dispensation, accident management, purchases and medical consultation arrangements. Each of our home managers at their respective care and attention homes are responsible for the overall monitoring of service quality and ensuring that quality residential care services are provided to our residents in accordance with our established standardised operation procedures and guidelines.

Service Quality Management Certification Scheme — Elderly Services (SQMCS — ES) by the Hong Kong Quality Assurance Agency

All of our care and attention homes is accredited with SQMCS — ES. Such accreditation program provides a comprehensive and objective set of standards which the public can use to identify quality elderly care providers. Accreditation and recognition under such scheme seeks to (i) provide assurance to the public and stakeholders that organisations have the ability to provide quality services in a sustainable way; (ii) demonstrate the organisation's consistency of service quality, customer satisfaction and hygiene standards; (iii) enhance corporate image and competitive advantage over non-certified organisation; (iv) drive continuous improvement in the organisation by helping to identify its strengths and correct its weaknesses; and (v) complement other assessment methods and initiatives in RCHE elderly care services. In addition, the scheme assesses service providers from various perspectives such as management system assessment, stakeholder's opinions and microbiological testing. The scheme focuses on the implementation of a quality management system that conforms to the actual operation of RCHE elderly care services.

As of January 2018, there were only 27 RCHEs accredited under SQMCS — ES. Being part of 27 RCHEs accredited under SQMCS — ES is a strong indicator of our Company's consistency of service quality, customer satisfaction and hygiene standards, giving the confidence of customers in providing quality care for the elderly.

Other quality assurance measures

All of our care and attention homes have joined the Service Quality Group (SQG) Scheme administered by the SWD. Under the SQG Scheme, personnel from the SWD would pay regular visits to our care and attention homes to make observations and suggestions about our facilities and services.

Handling complaints

There are two ways through which we would receive complaints from our residents and/or their family: direct complaint or complaint through the SWD.

Upon receiving a complaint from our resident and/or his/her family, or a notification from the SWD notifying us that there has been a complaint lodged, our staff members would immediately report the case to the home manager of the respective care and attention home to carry out follow up actions, such as interviewing the resident(s) and/or staff member(s) involved. For verbal complaints received, our staff members would immediately record down the complaint in a prescribed complaint notice, and report to the home manager. If the concerns cannot be addressed by our frontline staff members, and depending on the seriousness of the complaint, the case would be further reported to our management team.

During the Track Record Period, six of our care and attention homes received 23 complaints through the SWD. Details of which are listed below:

Complaint	Status as at the Latest Practicable Date
Tsuen Wan Centre	
Improper feeding leading to choking of a resident; negligence leading to a resident being sent to hospital; and elder abuse by staff member.	The SWD concluded the relevant investigations and was of the view that there were insufficient evidence and refuted the allegations, but nonetheless suggested to Tsuen Wan Centre several remedial actions by a letter dated 3 December 2015 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.
Pine Villa	
Insufficient staff; poor handling of and inadequate response to a complaint regarding a wound of a resident; failure to timely change the diaper of a resident; delay in sending a resident for medical treatment after she fell; and failure to give a resident proper medical treatment.	The SWD suggested to Pine Villa several remedial actions by a letter dated 11 July 2017 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.
Fai To (On Lai)	
Failure to monitor the health condition of an elderly resident on 20 July 2015 which led to delayed consultation.	The SWD has concluded the relevant investigation and was of the view that there was insufficient evidence for the relevant complaint. As at the Latest Practicable Date, no further action has been taken by the SWD.
Elderly abuse incident in or around November 2015.	The SWD had concluded the relevant investigation and was of the view that there was no such abuse incident. As at the Latest Practicable Date, no further action has been taken by the SWD.

Complaint	Status as at the Latest Practicable Date
Fai To (Tuen Mun)	
Improper location of calling bells; failure to arrange bed in proper size for a resident; notifying the SWD about the withdrawal of a bought place by a resident without prior written notice from family; opening a letter of a resident without prior consent from his family; insufficient staff; improper handling of sore of a resident; failure to arrange medical consultation for a resident; failure to notify a resident the appointment details of occupational therapy session; failure to notify a resident his medical consultation results; and failure to arrange medical assessment session for a resident.	The SWD suggested to the Fai To (Tuen Mun) several remedial actions by a letter dated 29 October 2015 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.
A staff member of Fai To (Tuen Mun) was rude to a resident.	The SWD had conducted investigations and suggested to the Fai To (Tuen Mun) several remedial actions by a letter dated 5 May 2016 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.
Improper location of calling bells; failure to arrange bed in proper size for a resident; and improper handling of sore of a resident.	The SWD suggested to the Care Home several remedial actions by a letter dated 15 August 2016 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.
Preparing and distributing medicines in a slightly improper manner; incomplete records on use of physical restraints on elderly; and failure to update records on wounds of residents.	The SWD suggested to Fai To (Tuen Mun) several remedial actions by a letter dated 13 June 2017 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.
Staff member at Fai To (Tuen Mun) gave solidifying powder which belonged to one elderly resident to others without that resident's knowledge and consent.	The SWD concluded the relevant investigations and discovered certain deficiencies in the administering of and fee collection process in relation to solidifying powder, and accordingly has suggested to the Fai To (Tuen Mun) several remedial actions by a letter dated 12 July 2017 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.

Complaint	Status as at the Latest Practicable Date
Failure to provide sufficient drinking water to a resident; failure to bathe a resident and change bed sheets regularly; insufficient care leading to repeated falls of a resident; improper handling of falling accidents; and insufficient falling prevention measures.	The SWD concluded the relevant investigations and discovered certain deficiencies in record keeping by staff members and the falling prevention measures taken by Fai To (Tuen Mun). Accordingly, the SWD has suggested to Fai To (Tuen Mun) several remedial actions by a letter dated 12 July 2017 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.
Distributing medicines to a resident without following instructions from doctors; using physical restraints on a resident without following the instruction from doctors; failure to change diaper for a resident properly; failure to help cover a resident in blanket; and staff member was rude and rejected to help a resident to change diaper and bed sheet when requested.	The SWD concluded the relevant investigations and suggested to Fai To (Tuen Mun) several remedial actions by a letter dated 27 April 2018 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.
Happy Luck Home	
Insufficient manpower in the Care Home; delayed response by staff members to calling bells rung by residents; poor hygiene of potty chair inside the room of a resident; and failure to arrange for body check for a resident before moving in.	The SWD concluded the relevant investigations and was of the view that there was no sufficient evidence to ground the relevant complaint but nonetheless suggested to Happy Luck Home several remedial actions by a letter dated 9 May 2016 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.
Failure to provide air-conditioning to residents according to schedule.	The SWD concluded the relevant investigation and was of the view that the complaint was not valid.
Collected fee from a resident improperly for the cleaning of wounds (omitted to collect the service fee for cleaning wounds).	The SWD concluded the relevant investigations and suggested several remedial actions by a letter dated 30 November 2016 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.

Complaint	Status as at the Latest Practicable Date
Failure to bath a resident regularly; feeding a resident in an overly fast speed; poor ventilation system in the room of a resident; and failure to help change the clothes and bed sheets of a resident regularly.	The SWD concluded the relevant investigations and discovered that the staff members may have fed the resident in a speed that is faster than usual and that the ventilation system in the resident's room was not satisfactory. Accordingly, the SWD suggested to the Happy Luck Home several remedial actions by a letter dated 11 May 2017 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.
Fai To Sino West Home	
Improper handling of a suspected elderly abuse incident.	The SWD concluded the relevant investigations and was of the view that Fai To Sino West Home had implemented sufficient guidelines and measures for handling elderly abuse cases, but still suggested to Fai To Sino West Home several remedial actions by a letter dated 10 June 2015 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.
Fai To Sino West Home intentionally conceal the fact that there was bugs problem in the Fai To Sino West Home.	The SWD concluded the relevant investigations and was of the view that Fai To Sino West Home failed to notify residents and their family of the bugs problem, and suggested remedial actions by a letter dated 31 December 2015 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.
Poor hygiene; the isolation rooms in the Fai To Sino West Home were occupied by unnecessary objects or non-elderly resident; failure to provide drying utilities in toilets; the hand soap provided could not sterilise; failure to wash dishes timely; failure to follow proper procedures when washing dishes; and there was bugs problem.	The SWD concluded the relevant investigations and suggested remedial actions by a letter dated 24 May 2016 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.

Complaint	Status as at the Latest Practicable Date
Insufficient staff; failure to respond to calling bells; loud quarrels among staff members; staff member used foul language at residents; turning off air-conditioners too early; disallowing residents to watch TV at night in their rooms; and spitting by staff members.	The SWD discovered that there was insufficient staffing of the Fai To Sino West Home, which constituted a failure to observe the terms under the EBPS Agreement between the Fai To Sino West Home and the SWD. As at the Latest Practicable Date, no further action has been taken by the SWD.
Insufficient staff; and forging staff attendance record.	The SWD concluded the relevant investigations and was of the view that there was no evidence to ground such allegations. The Department suggested remedial actions by a letter dated 15 July 2016 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.
Suspected abuse of a resident by another resident; failure of Fai To Sino West Home to send the resident for medical treatment timely and follow up properly after the suspected abuse.	The SWD concluded the relevant investigations and suggested remedial actions by a letter dated 19 August 2016 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.
A staff member was rude to residents; a staff member stole diapers from residents; a staff member fell asleep when being on duty.	The SWD concluded the relevant investigations and suggested remedial actions by a letter dated 21 July 2017 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.
There was no health workers after 5 p.m. and the imported staff members stayed in office only without providing services as care workers.	The SWD concluded the relevant investigations and found no evidence to support such allegations. The Department suggested remedial actions by a letter dated 25 August 2017 which our care and attention home has adopted. As at the Latest Practicable Date, no further action has been taken by the SWD.

Food quality

We have implemented detailed procedures in relation to the selection, inspection and handling of food supply. Generally, the chef in each of the care and attention homes is responsible for inspecting the food supplied by our suppliers. If it is found out that the food is not fresh or is of bad quality, we would return them to our suppliers immediately.

Collection, storage and dispensation of medicine

Our registered nurses and enrolled nurses are responsible for keeping medical records of our residents, as well as collecting, storing, checking and distributing medicines to our residents.

We strictly follow the general guideline of "three checks five rights" (三核五對) promoted by the Hospital Authority in relation to medicines distributing, so as to ensure that the right amount of the right medicines are distributed to our residents correctly. Other than nurses, our health workers would also help cross-checking the work of nurses regarding medicines administration to make sure there are no mistakes.

Cash management

Our accounting staff and home manager in each of our care and attention homes are responsible for collecting and storing cash at their care and attention homes. Our management arranges the collection of cash from each of our care and attention homes on a regular basis.

During the Track Record Period, we did not experience any cash misappropriation by our employees, residents or other relevant third parties that had any material adverse impact on our business and results of operations.

SALES AND MARKETING

Since 2017, we have been renting advertising spaces on public mini buses for the promotion of our Tsuen Wan Centre, Kato Elderly Home and Fai To Sino West Home. We also publish brochures introducing the services we provide for each of our eight care and attention homes.

ENVIRONMENTAL MATTERS

Since we handle pharmaceutical products at our care and attention homes on a day-to-day basis and need to dispose chemical and clinical waste, we have registered for the disposal of pharmaceutical products in accordance with the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong) and Waste Disposal (Clinical Waste) (General) Regulation (Chapter 345O of the Laws of Hong Kong) and engaged chemical and clinical waste collection service provider to dispose of our chemical and clinical waste. During the Track Record Period, we had implemented a set of internal policies and guidelines to ensure the disposal of chemical and clinical waste and pharmaceutical substances in a safe manner. We had engaged a qualified waste disposal and recycling company licenced by the Environmental Protection Department to handle the disposal of hazardous waste, including expired and unwanted pharmaceutical products.

Our Group had not received any material fines or penalties associated with the breach of any environmental laws or regulations since the commencement of our Group's operations and up to the Latest Practicable Date.

INFORMATION TECHNOLOGY

Our information technology system mainly comprises video surveillance systems, broadcasting systems, alarming systems and the accounting system used at our care and attention homes. As part of our development strategy, we are in the process of developing a mobile application which offers a smart system for convenient residential fee collecting and bookkeeping. We will also upgrade the system for accounting, human resources, visual alert and management of the care and attention homes. We believe that these measures will streamline our administrative and operational processes. Apart from these enhancements, our planned system upgrades will also allow us to improve information exchange and resource sharing between our care and attention homes. As such, our management will be able to manage our care and attention homes more efficiently.

In view of securing our residents' information and ensuring data integrity of our system, the confidential information and medical records of our residents are protected by regular back-ups. Furthermore, we implement appropriate levels of access control rights for our professional staff as security shields for computer systems to safeguard our residents' privacy. During the Track Record Period, we had not received any complaint or warning from relevant authority in relation to the privacy of personal data of our residents.

We plan to further upgrade and improve our information technology systems to support the growth and expansion of our business and operations. We aim to develop in-house (i) mobile applications to allow residents or their families to access, among others, profiles of residents, medical records, progress reports and bill payments; and (ii) staffing and rostering software to facilitate human resources management.

INTELLECTUAL PROPERTY

We rely on our trademark and other intellectual property rights, including trade names, website, domain names which are either owned or registered by us. As at the Latest Practicable Date, we were registered owner of one trademark and one domain name elderlyhk.com which is relevant to the ordinary course of our business operations. See "10. Intellectual property rights of our Group" in Appendix V to this prospectus for further details of our intellectual property rights which are material to our business and operations.

As at the Latest Practicable Date, we were not engaged in or threatened with any claim for infringement of any intellectual property rights, whether as a claimant or as a defendant. We believe that we have taken reasonable measures to prevent infringement of our own intellectual property rights.

INSURANCE

As at the Latest Practicable Date, we had purchased and maintained insurance policies for all of our care and attention homes, which covered business interruption, malicious attack, professional indemnity, employment compensation and other liabilities in line with the industry practice.

Our Directors consider our insurance coverage to be customary for businesses of our size and type and in line with the standard commercial practice in Hong Kong.

PROPERTIES

We occupy certain properties in Hong Kong in connection with our business operations.

Leased properties

As at the Latest Practicable Date, we leased 13 properties in Hong Kong with aggregate saleable area of 135,830 sq. ft. which were used as sites for our care and attention homes for the elderly and staff quarters.

The following table sets forth a summary of the properties leased by us at the Latest Practicable Date:

	Address of the leased property	Approximate saleable area	Use	Lease expiry date	Notice period for early termination	Year we started business relationship with the relevant landlord
1.	1/F, including Entrance on G/F, Florence Mansion, 6 Tsing Ling Path, Area 4B, Tuen Mun, New Territories, Hong Kong	8,645 s.f.	Operation of Fai To Home (Tuen Mun)	31 March 2022	N/A	2005
2.	Shops 1–17 on 1/F, including Entrance on G/F, On Lai Building, 3 Tsing To Path, Tuen Mun, New Territories, Hong Kong	5,271 s.f.	Operation of Fai To Home (On Lai)	31 March 2022	N/A	1996
3.	1/F, Tung Wai Court, 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong	12,277 s.f.	Operation of Kato Home for the Aged	31 March 2022	N/A	1997
4.	Shops 8–12 on G/F and 1/F, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong	18,680 s.f.	Operation of Kato Elderly Home	31 March 2022	N/A	1998
5.	Shop C1, 1/F, Tsuen Wan Centre Shopping Arcade, 87–105 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong	15,950 s.f.	Operation of Tsuen Wan Centre	31 March 2022	N/A	2008
6.	2nd Floor of Phase 1 of Commercial Development of Allway Gardens, Nos. 187–195 Tsuen King Circuit, Nos 2–22 On Yat Street, Tsuen Wan, New Territories, Hong Kong	15,729 s.f.	Operation of Happy Luck Home	31 March 2022	N/A	2014
7.	Shop 1 G/F, 1/F–2/F, Podium (3A–3C), Units 301, 302 & 307 of Chung Hwa Building, 5, 5A–5F Ma Hang Chung Road & 55–65 Pau Chung Street, Kowloon	29,236 s.f.	Operation of Fai To Sino West Home	31 July 2020	6 months	2000
8.	Shop 1 2/F., Chung Hwa Plaza, 3A–3C, 5, 5A–5F Ma Hang Chung Road & 55–65 Pau Chung Street, Kowloon	3,412 s.f.	Operation of Fai To Sino West Home	31 July 2020	6 months	2000
9.	Portion of Level 5, The Capitol, Lohas Park Road, Tseung Kwan O, New Territories, Hong Kong	24,310 s.f.	Operation of Pine Villa	31 July 2021	None[(Note)]	2013
10.	Flat C, 24/F, Block 9 (Nanking House), Tsuen Wan Centre, 89 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong	425 s.f.	Staff quarters	31 March 2022	N/A	1997
11.	Rooms C and D on 2/F and Flat Roof, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong	830 s.f.	Staff quarters	31 March 2022	N/A	2008
12.	3/F, Four Sea Mansion, 11 Fa Yuen Street, Mongkok, Hong Kong	799 s.f.	Staff quarters	31 March 2022	N/A	2016
13.	Room 10, 3/F, Tung Shun Hing Building, 22 Chi Kiang Street, Kowloon, Hong Kong	266 s.f.	Staff quarters	31 March 2022	N/A	2008

Note:

The tenancy agreement does not contain early termination provision.

During the Track Record Period, we did not experience any material difficulty in renewing our lease agreements or exploring new premises for our care and attention homes for the elderly.

WORKPLACE HEALTH AND SAFETY

We are subject to the occupational health and safety requirements under Hong Kong law. We have instituted internal safety policies and systems with a view to implement and ensure strict compliance with such requirements.

During the Track Record Period, we did not experience any material claims or accidents in relation to safety issues or were not involved in any accident causing death or serious injury in the course of our Group's business.

Safety management

Due to the nature of our industry, incidents at our care and attention homes may have detrimental effects on the health and safety of our employees and residents. We have established standardised workplace safety and health procedures that all our employees are required to comply with in the operation of our care and attention homes. We have established and maintained a customised safety management system which emphasises participation of all of our employees. Such system is formulated with the objective of:

- prevention of accidents, incidents, ill health, occupational diseases and related risks in respect of our employees and residents;

- compliance with applicable laws, regulations and standards governing the management of our care and attention homes;

- continual improvement and prevention of accidents/incidents; and

- promotion of safety awareness among employees and residents through education and training.

We endeavour to comply with all relevant laws and regulations on labour, health and safety by routine evaluation of the hazards and safety of our care and attention homes and work out feasible working procedures which are reviewed and updated periodically to maintain effectiveness. Our safety and management system is monitored by Mr. Ngai, our executive Director, who oversees the compliance of workplace safety and health procedures.

LEGAL COMPLIANCE AND LITIGATION

Certain licence are required to be obtained and maintained by our Group for the operations of our care and attention homes for the elderly. See "Regulatory Overview" in this prospectus for further details.

Licences

The following table sets out the existing material requisite licences obtained in relation to our operations and their respective expiry dates:

Licence		Granting authority	Licence holding subsidiary	Scope	Expiration date
1.	Licence of Residential Care Home for the Elderly	SWD	Crawfield International Limited	Operation of Fai To Home (Tuen Mun)	30 April 2020
2.	Licence of Residential Care Home for the Elderly	SWD	Crawfield International Limited	Operation of Fai To Home (On Lai)	31 August 2019
3.	Licence of Residential Care Home for the Elderly	SWD	Kato Kung Limited	Operation of Kato Home for the Aged	31 October 2019
4.	Licence of Residential Care Home for the Elderly	SWD	Kato Kung Limited	Operation of Kato Elderly Home	30 April 2020
5.	Licence of Residential Care Home for the Elderly	SWD	Tsuen Wan Elderly Centre Limited	Operation of Tsuen Wan Centre	31 May 2020
6.	Licence of Residential Care Home for the Elderly	SWD	Happy Luck Elderly Home Limited	Operation of Happy Luck Home	31 August 2019
7.	Licence of Residential Care Home for the Elderly	SWD	Oriental Chinese Medicine Limited	Operation of Fai To Sino West Home	31 March 2021
8.	Licence of Residential Care Home for the Elderly	SWD	Jane's Home Limited	Operation of Pine Villa	31 October 2019

Compliance with laws and regulations

A summary of the key laws and regulations which are applicable to our Group's operation is set out in the section headed "Regulatory Overview" in this prospectus. Save as disclosed below, during the Track Record Period and up to the Latest Practicable Date, our Group had complied with the relevant laws and regulations in relation to our business in all material respects and there were no material breaches or violations of the laws or regulations applicable to our Group that would have a material adverse effect on our business or financial condition taken as a whole.

Non-compliance

During the Track Record Period, our Group failed to comply with certain applicable laws and regulations, a summary of which is set out below.

Non-compliance with RCH(EP)O, RCH(EP)R and RCHE Code of Practice

The SWD established the LORCHE for the administration of the licencing scheme under the RCH(EP)O, the RCH(EP)R and the RCHE Code of Practice, as well as for monitoring the operation of RCHEs on an ongoing basis and providing guidance and advice to the operators of RCHEs to ensure that all RCHEs continuously comply with the licencing requirements stipulated under the RCH(EP)O, RCH(EP)R and the RCHE Code of Practice.

To ensure timely rectification of non-compliance, LORCHE adopts a risk-based approach in conducting inspections and prioritise complaints handling tasks. After conducting an inspection at a RCHE, the LORCHE will change the frequency of re-inspections having regard to the number and nature of non-compliance incidents identified during the inspection. RCHEs are required by LORCHE to rectify non-compliances and irregularities detected during inspections. Depending on the severity of the non-compliances and irregularities, advisory or warning letters may be issued to the subject RCHE. Under the RCH(EP)O, the SWD may issue directions on remedial measures which the RCHE in question shall adopt. Failure to comply with the directions given may lead to prosecution.

For more details of the duties and work of the LORCHE, see "Regulatory Overview" in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, each of Happy Luck Home, Kato Elderly Home, Kato Home for the Aged, Fai To Sino West Home and Tsuen Wan Centre had received one warning letter and Pine Villa had received two warning letters from the LORCHE.

Set out below are the details of the warning letters issued to our Group by the LORCHE during the Track Record Period and up to the Latest Practicable Date:

RCHE involved	Particulars of the non-compliance	Underlying reason(s) for the non-compliance and personnel involved in the non-compliance	Remedial actions taken	Potential maximum penalty/fine	Measures to prevent any future breaches and ensure on-going compliance
Happy Luck Home	The staff members of Happy Luck Home failed to put a curtain between two residents who were in the same bathroom at the same time, thereby failed to provide enough private space for residents, contravening paragraph 11.5.2 of the RCHE Code of Practice which stipulates that the dignity and privacy of the residents must be respected. In respect of this incident, the SWD issued a warning letter dated 12 December 2016 to Happy Luck, requiring it to rectify the situation.	The underlying reason of the non-compliance was an inadvertent oversight on the responsible care worker as the residents rushed to the bathroom at the same time.	On 5 December 2016, Happy Luck Home has submitted to the SWD an improvement plan and follow-up report in respect of the non-compliance incident. The SWD has acknowledged receipt of such plan and report in its warning letter.	As set out in the relevant warning letter, if the relevant RCHE fails to remedy the non-compliance as soon as possible, the SWD may initiate prosecution, cancel or temporarily suspend the licence of the relevant RCHE, refuse to renew the licence, or change any condition attached to the licence. As at the Latest Practicable Date, no further action had been taken by the SWD against us in respect of the relevant warning.	Our Group has reviewed its guideline on helping residents to use the bathrooms. All staff members of our Group were reminded to respect and ensure the privacy of our residents. They were also required to follow strictly the improvement plan that we have submitted to the SWD.

RCHE involved	Particulars of the non-compliance	Underlying reason(s) for the non-compliance and personnel involved in the non-compliance	Remedial actions taken	Potential maximum penalty/fine	Measures to prevent any future breaches and ensure on-going compliance
Pine Villa	In around August 2015, a resident fainted and was sent to the hospital for diagnosis, the resident was diagnosed with low blood sugar. As such the hospital prescribed diabetic medication which is given by way of insulin injection for the resident and was sent back to Pine Villa. After three days of taking the prescribed medication, given by a care worker, the resident showed signs of unstable blood sugar levels and was sent back to the hospital for diagnosis. The incident only involved one resident at Pine Villa. The insulin injections administered by the staff members of Pine Villa to one resident was different from doctor's prescriptions, contravening paragraph 11.3.2 of the RCHE Code of Practice. In respect of this incident, the SWD issued a warning letter dated 24 November 2015 to Pine Villa, requiring it to rectify the situation.	The care worker responsible misread the prescription as such caused an inadvertent mistake in administering the insulin injecting.	On 4 and 19 November 2015, Pine Villa has submitted a drug risk management report containing improvement measures and follow-up actions to the SWD, and accordingly, the SWD has suggested certain remedial actions for Pine Villa to follow in its warning letter.	As set out in the relevant warning letter, if the relevant RCHE fails to remedy the non-compliance as soon as possible, the SWD may initiate prosecution, cancel or temporarily suspend the licence of the relevant RCHE, refuse to renew the licence, or change any condition attached to the licence. As at the Latest Practicable Date, no further action had been taken by the SWD against us in respect of the relevant warning.	Our Group has reviewed its guideline on the distribution and administration of drugs. Our registered nurses and enrolled nurses who are responsible for keeping medical records of our residents, as well as collecting, storing, checking and distributing medicines to our residents, are reminded and required to strictly follow the general guideline of "three checks five rights" promoted by the Hospital Authority in relation to medicines distributing. Further elaborated the "three checks five rights" being (i) check before the medication is taken out from the container, (ii) check after removing the medication from the container and (iii) final check of the medication against the container before disposal and "five rights" being the right drug in the right dose given to the right patient by the right route at the right time. The home manager at Pine Villa held an internal meeting with their staff to discuss the incident and made suggestions as to preventive measures for similar incidents.

RCHE involved	Particulars of the non-compliance	Underlying reason(s) for the non-compliance and personnel involved in the non-compliance	Remedial actions taken	Potential maximum penalty/fine	Measures to prevent any future breaches and ensure on-going compliance
Pine Villa	The reconstruction of part of Pine Villa led to inconsistency between the actual use of certain building area and the designated use under the licensed building plan submitted to the SWD, thereby contravening paragraph 4.9.2 of and item 12 of appendix 3.3 to the RCHE Code of Practice. In respect of this incident, the SWD issued a warning letter dated 19 May 2016 to Pine Villa, requiring it to rectify the situation.	Our Directors confirm that during an inspection in Pine Villa, a toilet was used as a store room and unused beds was stored in the toilet. The care worker on duty involved misused the toilet as a storeroom.	Our home manager arranged a meeting with all staff at Pine Villa and threw away all the unused beds.	As set out in the relevant warning letter, if the relevant RCHE fails to remedy the non-compliance as soon as possible, the SWD may cancel or temporarily suspend the licence of the relevant RCHE, refuse to renew the licence, change any condition attached to the licence or initiate prosecution. If such prosecution is initiated, Pine Villa may on conviction be subject to a fine at level 6 and in addition a fine of HK$10,000 for each day during which the offence in continuing. As at the Latest Practicable Date, no further action had been taken by the SWD against us in respect of the relevant warning.	Our Group reminded and required all of its staff to dispose of unused beds immediately and not to put aside in rooms without the home manager's knowledge or consent.
Kato Elderly Home	The staff members of Kato Elderly Home were found to have used physical restraints on two residents without having obtained the requisite consents from doctors and relevant parties, contravening paragraph 11.6.2(g) and 11.6.3(c) of the RCHE Code of Practice. In respect of this incident, the SWD issued a warning letter dated 20 May 2016 to Kato Elderly Home, requiring it to rectify the situation.	Our care workers used restraints to ensure the safety of our residents when taking a shower. As the resident was transported to the showers on a wheelchair, the care worker used the seat belt as restraint to ensure the safety of the resident. On this occasion, the care worker did not obtain prior consent from the residents' family.	We contacted the relevant resident's family to obtain consent in using restraints to help assist residents and to ensure their safety when bathing. In addition, we purchased beds that are specifically designed for showering and without the need to use restraint to provide a safe showering facility for residents with difficulties.	As set out in the relevant warning letter, if the relevant RCHE fails to remedy the non-compliance as soon as possible, the SWD may cancel or temporarily suspend the licence of the relevant RCHE, refuse to renew the licence, change any condition attached to the licence or initiate prosecution. As at the Latest Practicable Date, no further action had been taken by the SWD against us in respect of the relevant warning.	Our Group reminded and required all of its staff to closely monitor the health conditions of residents when they notice that the physical or psychological conditions of the residents are unstable, and make record of the same immediately. In addition, we reminded our staff that seatbelt restraint requires prior consent. We have also implemented guidelines which set out every procedure to follow when there is incident of injuries of our residents, which shall also be reported to medical personnel if necessary.

RCHE involved	Particulars of the non-compliance	Underlying reason(s) for the non-compliance and personnel involved in the non-compliance	Remedial actions taken	Potential maximum penalty/fine	Measures to prevent any future breaches and ensure on-going compliance
Kato Home for the Aged	On 31 March 2017, the staff members of Kato Home for the Aged were found to have failed to put a curtain to separate three residents who were in the same bathroom at the same time, thereby failed to provide enough private space for residents, contravening paragraph 11.5.2 of the RCHE Code of Practice which stipulates that the dignity and privacy of the residents must be respected. In respect of this incident, the SWD issued a warning letter dated 18 April 2017 to Kato Home for the Aged, requiring it to rectify the situation.	The underlying reason of the non-compliance was an inadvertent oversight on the responsible staff as the residents rushed to the bathroom at the same time.	On 3 April 2017, Kato Home for the Aged submitted an improvement plan and follow-up report to the SWD and the SWD has acknowledged receipt of such plan and report in its warning letter.	As set out in the relevant warning letter, if the relevant RCHE fails to remedy the non-compliance as soon as possible, the SWD may initiate prosecution, cancel or temporarily suspend the licence of the relevant RCHE, refuse to renew the licence, or change any condition attached to the licence. As at the Latest Practicable Date, no further action had been taken by the SWD against us in respect of the relevant warning.	Our Group has reviewed its guideline on helping residents to use the bathrooms. All staff members of our Group were reminded to respect and ensure the privacy of our residents. They were also required to follow strictly the improvement plan that we have submitted to the SWD.
Fai To Sino West Home	It was suspected that a resident was abused by the staff members of Fai To Sino West Home on 26 April 2017. Investigations were conducted and it was eventually confirmed that it was an incident of negligence, thereby the care home contravened paragraph 8.8 of the RCHE Code of Practice which stipulates that care home should be responsible for protecting the elderly from abuse by following the guidelines set out in annex 8.9. By a warning letter dated 8 September 2017, the SWD required Fai To Sino West Home to rectify the situation.	The care worker was a night shift care worker and was intending to move the resident to the showers without following our procedures when the resident was still asleep, as such the resident fell on the floor and was injured.	The relevant care worker is no longer employed by our Group.	As set out in the relevant warning letter, if the relevant RCHE fails to remedy the non-compliance as soon as possible, the SWD may initiate prosecution, cancel or temporarily suspend the licence of the relevant RCHE, refuse to renew the licence, or change any condition attached to the licence. As at the Latest Practicable Date, no further action had been taken by the SWD against us in respect of the relevant warning.	We have provided training that includes explaining to our staff the definition of abuse to each staff member. Our care and attention home also held meetings immediately to discuss the matter and we recommended all staff to follow procedures in place and if in doubt seek advice from the home manager.

RCHE involved	Particulars of the non-compliance	Underlying reason(s) for the non-compliance and personnel involved in the non-compliance	Remedial actions taken	Potential maximum penalty/fine	Measures to prevent any future breaches and ensure on-going compliance
Tsuen Wan Centre	During the period from 4 April 2017 to 10 April 2017, the staffing requirement for physiotherapists under the EPBS agreement was not met by Tsuen Wan Centre, which constituted a failure to observe the obligations of the care home under clause 7.1 of the agreement, contravening clause 7.1 and paragraph 2 of annex 1 to the EBPS agreement signed between Tsuen Wan Centre and the SWD (agreement no. 3825). By a warning letter dated 5 May 2017, the SWD required Tsuen Wan Centre to rectify the situation.	The relevant physiotherapist was sick and as such we were unable to locate a replacement immediately. Our home manager did not check the staffing requirement and as such failed to observe the obligations of the care home under clause 7.1 of the EBPS agreement.	An internal memorandum on the minimum staffing requirement was circulated to home managers of all of our Group's care and attention homes whereby the home managers were required to pay particular attention to the staffing requirement under the EPBS and under the RCHE Code of Practice.	As set out in the relevant warning letter, if the relevant RCHE received more than five warnings within the prescribed period (i.e. 1 April 2016 to 31 March 2018), the SWD may, pursuant to clause 9.2 of the relevant EPBS agreement and upon written notice, immediately deduct five bought places or 5% of the total bought places, whichever is the lesser. As at the Latest Practicable Date, no further action had been taken by the SWD against us in respect of the relevant warning.	Our Group implemented measures and policy to ensure that when sudden sick leave occurs, the home manager will immediately check the staffing requirements under the EBPS agreement and arrange for replacement immediately.

Non-compliance with the MPFS Ordinance and Mandatory Provident Fund Schemes (General) Regulation (Chapter 485A of the Laws of Hong Kong)

During the Track Record Period, our subsidiaries failed to make Mandatory Provident Fund ("**MPF**") contribution for some of its employees (the "**Employees**") who shall be enrolled into the MPF scheme under the MPFS Ordinance. The omission was not wilful and was due to ignorance of laws of our human resource staff and absence of timely and professional advice at the material time.

Commencing from 1 April 2015 until 31 March 2018, some of our subsidiaries failed to make MPF contributions to 91 employees, representing a total understated MPF contribution of approximately HK$0.2 million, HK$0.2 million and HK$0.03 million for the year ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively. In September 2018, all of our subsidiaries have set up accounts in the MPF trustees that operate industry schemes and made MPF contributions for the Employees with relevant surcharges in the sum of approximately HK$0.4 million.

We have adopted rectification measures, including holding of meetings among our home managers to discuss the adoption of systematic internal procedures for MPF contributions, distributing MPF handbooks to our management staff to provide them with guidelines on MPF, and provided various trainings conducted by a MPF consultant to our staff, which will also be conducted regularly in the future, to avoid any future mistakes. Our human resources and administrative team will regularly contact the trustee banks to ensure that the human resources and administrative team is kept up to date on MPF compliance. In addition, our subsidiaries have set aside a fund for any valid claim from our past or current employees in the future in respect of inadvertent and, omission of the MPF contribution from our Group, such valid claim can be immediately settled by making payments out of our set aside fund.

Our Group has informed the Mandatory Provident Fund Schemes Authority (the "**MPFA**") of the non-compliance incidents and the rectification actions taken. As advised by our Legal Counsel, there is a possibility that either criminal proceedings, if any, would be instituted against our subsidiaries within six months of us informing the MPFA of such incidents, or notices of financial penalty pursuant to sections 45A, 45B and 45C of the MPFS Ordinance may be served on us. Under section 45C(2)(b) of the MPFS Ordinance, the maximum penalty for failure to pay mandatory contributions is financial penalty of HK$5,000 or 10% of the amount due, whichever is greater. However, our Legal Counsel is of the view that given the fact that we have repaid all outstanding MPF contributions and such omission of MPF contributions were not intentional, it is more likely than not that the MPFA would opt for financial penalty under section 45C of the MPFS Ordinance against our Group in lieu of prosecution. Our Legal Council is of the view that the estimated total financial penalty under section 45C of the MPFS Ordinance be not more than HK$50,000.

As at the Latest Practicable Date, there has been no such further non-compliance and there has been no action, claim or proceeding against our Group.

Save as mentioned in the paragraph headed "Non-compliance with the MPFS Ordinance and Mandatory Provident Fund Schemes (General) Regulation (Chapter 485A of the Laws of Hong Kong)" above, no provision has been made in our financial statements in respect of the potential liabilities of the non-compliance incidents. Nevertheless, to further protect the interests of our Company and our Shareholders as a whole, our Controlling Shareholders have executed the Deed of Indemnity in favour of our Group pursuant to which our Controlling Shareholders have agreed that they will fully indemnify our Group on demand against any damages, losses, liabilities, claims, fines, penalties, orders, expenses and costs, or loss of profits, benefits which are or become payable or suffered by any member of our Group directly or indirectly as a result of and in connection with these incidents. For further details of the indemnities given by our Controlling Shareholders, see "Other Information — 16. Estate duty, tax and other indemnities" in Appendix V to this prospectus.

Tax incident prior to the Track Record Period

In March 2015, the Inland Revenue Department of Hong Kong (the "**IRD**") initiated a tax audit (the "**2015 Tax Audit**") on certain subsidiaries of our Group, namely Kato Kung, Oriental Chinese, Crawfield International and Fai-To Elderly Affairs covering the years of assessment from 2008/09 to 2013/14 and Tsuen Wan Elderly Centre (together with Kato Kung, Oriental Chinese, Crawfield International and Fai-To Elderly Affairs, the "**Subsidiaries Concerned**") covering the years of assessment from 2009/10 to 2013/14 (together with 2008/09, the "**Period Under Review**").

The table below illustrates the total amount of tax undercharged and related tax penalty by the Subsidiaries Concerned for the Period Under Review as determined by the IRD:

	Kato Kung	**Oriental Chinese**	**Crawfield International**	**Tsuen Wan Elderly Centre**	**Fai-To Elderly Affairs**	**Total**
	approximately HK$ million	*approximately HK$ million*	*approximately HK$ million*	*approximately HK$ million*	*approximately HK$ million*	*approximately HK$ million*
Tax undercharged	2.6	3.5	1.2	0.2	0.1	7.6
Tax penalty imposed	1.9	2.5	1.0	0.1	nil	5.5

The above amounts were determined by the IRD based on the understated assessable profits (the "**Understated Profits**") in respect of the (i) income credited against the directors' current accounts (the "**Omitted Income**"); (ii) meal-related expenses for the elderly which were not supported by relevant invoices (the "**Disallowable Elderly Expenses**"); and (iii) welfare and meal-related expenses for the staff which were not supported by relevant invoices (the "**Disallowable Staff Expenses and Welfare**").

Nature and calculation basis of Understated Profits

The Understated Profits were calculated by the IRD based on the combination of actual amounts (the "**Actual Amounts**") and projected amounts of the Omitted Income, Disallowable Elderly Expenses and Disallowable Staff Expenses and Welfare.

(i) Actual Amounts of the Omitted Income

During the Period Under Review, the duties of depositing the income from our customers and issuing of invoices to our customers were handled by different staff of our Group, as a result, some of the invoices that supported our income were not maintained properly due to miscommunication between our staff. Given that the local accounting firm engaged by our Group for the provision of bookkeeping services (the "**Local Accounting Firm A**") could not reconcile between the amounts in the bank records in relation to our income and the amounts of the invoices that supported our income, the Local Accounting Firm A classified certain income that were not supported by invoices to the directors' current account. The IRD considered such income to be the Omitted Income. Our Directors confirmed that there was no actual cash remitted to our Directors due to such accounting errors.

The Actual Amounts of the Omitted Income were derived by the differences between (i) the amounts of income that should be taxable based on the IRD's review of certain records, including bank statements, management accounts and ledgers, of the Subsidiaries Concerned for the selected audit year(s) during the 2015 Tax Audit; and (ii) the total income that has been reported in the profits tax returns of the Subsidiaries Concerned submitted to the IRD for the selected audit year(s). As the amount of Omitted Income and its percentage of the total revenue are immaterial, our Directors are of the view that this is consistent with the argument that these are unintentional mistakes due to insufficient knowledge in accounting and bookkeeping at the material time and our dependence on our previous tax advisers as opposed to any fraudulent or wilful intent to evade tax. See "Tax incident prior to the Track Record Period — Views of the Tax Adviser in relation to the 2015 Tax Audit" below for details of the Tax Adviser's views in relation to the 2015 Tax Audit.

(ii) Actual Amounts of the Disallowable Elderly Expenses

The Actual Amounts of the Disallowable Elderly Expenses was derived by the differences between (i) the total amounts of meal-related expenses for the elderly that were submitted to the IRD by our Group for tax assessment for the respective financial years under the Period Under Review, which were calculated with reference to a fixed amount per elderly, see "Business — Legal Compliance and Litigation — Non-compliance — Tax incident prior to the Track Record Period — 2000 Tax Audit and the calculation of meal-related expenses" below for further details; and (ii) the total amount of meal-related expenses for the elderly for the respective financial years under the Period Under Review of relevant supporting documents, such as invoices and/or receipts, were made available to the IRD during the 2015 Tax Audit.

(iii) Actual Amounts of the Disallowable Staff Expenses and Welfare

The Actual Amounts of the Disallowable Staff Expenses and Welfare included (i) the differences between (a) the total amounts of meal-related expenses for the staff that were submitted to the IRD by our Group for tax assessment for the respective financial years under the Period Under Review, which were calculated with reference to a fixed amount per staff, see "Business — Legal Compliance and Litigation — Non-compliance — Tax incident prior to the Track Record Period — 2000 Tax Audit and the calculation of meal-related expenses" below for further details; and (b) the total amount of meal-related expenses for the staff for the respective financial years under the Period Under Review of relevant supporting documents, such as invoices and/or receipts, were made available to the IRD during the 2015 Tax Audit; and (ii) the expenses relating to the amount of certain staff welfare determined by the IRD to be tax non-deductible in the tax computation, such as red packets money and the benefits for Chinese festivals, for the respective financial years under the Period Under Review.

(iv) Projected amounts

The IRD was of the view that the Subsidiaries Concerned failed to comply with the requirements to keep sufficient records of income and expenditure to enable the assessable profits to be readily ascertained under section 51C of the Inland Revenue Ordinance. Therefore, the IRD made adjustments to our Company's assessable profits in respect of the (i) Omitted Income; and (ii) Disallowable Expenses based on its review of the available accounting records within the Period Under Review and made corresponding adjustments for certain years in the Period Under Review by projection method (the "**Projection Method**").

As advised by the Tax Adviser, depending on the availability and quantum of supporting documents involved, the IRD may adopt the Projection Method to compute the amount of omitted profits and/or over-claimed expenses by reviewing the supporting documents for a selected period and extrapolating to other years. This is commonly used by the IRD as a useful means of expediting the settlement of a field audit or investigation. The projected amounts of the Omitted Income, Disallowable Elderly Expenses and Disallowable Staff Expenses and Welfare (if any) were projected by the Projected Method based on the Actual Amounts of the Omitted Income, Disallowable Elderly Expenses and Disallowable Staff Expenses and Welfare determined by the IRD for the selected audit year(s).

According to the Departmental Interpretation and Practice Notes No. 11 ("**DIPN 11**"), the Projection Method adopted by the IRD for settlement of tax audit case is one of the common methodologies. Therefore, the Tax Adviser is of the view that such settlement basis in relation to the 2015 Tax Audit is appropriate and according to the IRD's assessing practice.

Adjustments required in the profit tax computations

The IRD concluded that adjustments were required in the profit tax computations for the following three matters:

(i) Omitted Income

The table below illustrates the accumulated amounts of the Omitted Income as determined by the IRD for the Period Under Review:

	Kato Kung	**Oriental Chinese**	**Crawfield International**	**Tsuen Wan Elderly Centre**	**Fai-To Elderly Affairs**
	approximately HK$ million	*approximately HK$ million*	*approximately HK$ million*	*approximately HK$ million*	*approximately HK$ million*
Based on the Actual Amounts	0.3	0.5	0.1	1.9	0.2
Based on projected amounts	1.1	1.8	0.3	0.1	0.7
Total Omitted Income	1.4	2.3	0.4	2.0	0.9

(ii) Disallowable Elderly Expenses

The table below illustrates the accumulated amount of the Disallowable Elderly Expenses as determined by the IRD for the Period Under Review:

	Kato Kung	**Oriental Chinese**	**Crawfield International**	**Tsuen Wan Elderly Centre**	**Fai-To Elderly Affairs**
	approximately HK$ million	*approximately HK$ million*	*approximately HK$ million*	*approximately HK$ million*	*approximately HK$ million*
Based on the Actual Amounts	6.5	9.0	3.0	3.2	3.5
Based on projected amounts *(Note)*	4.2	nil	1.7	nil	nil
Total Disallowable Elderly Expenses	10.7	9.0	4.7	3.2	3.5

Note: Our Directors believe that the Projection Method of Disallowable Elderly Expenses for Oriental Chinese, Tsuen Wan Elderly Centre and Fai-To Elderly Affairs was not adopted by the IRD as all adjustments have been made by the IRD based on the Actual Amounts, which may be due to the quantum of supporting documents for assessment and review by the IRD was sufficient for the IRD to arrive at its conclusion.

(iii) Disallowable Staff Expenses and Welfare

The table below illustrates the accumulated amount of the Disallowable Staff Expenses and Welfare as determined by the IRD for the Period Under Review:

	Kato Kung	Oriental Chinese	Crawfield International	Tsuen Wan Elderly Centre	Fai-To Elderly Affairs
	approximately HK$ million	*approximately HK$ million*	*approximately HK$ million*	*approximately HK$ million*	*approximately HK$ million*
Based on the Actual Amounts	0.8	1.0	0.4	0.4	0.4
Based on projected amounts	2.9	1.3	1.5	0.4	1.2
Total Disallowable Staff Expenses and Welfare	3.7	2.3	1.9	0.8	1.6

Penalty

Section 80(1A) of the Inland Revenue Ordinance provides for penalty for "any person who without reasonable excuse fails to comply with the requirements of section 51C of the Inland Revenue Ordinance which is in relation to keeping of records of revenue and expenses". Section 80(2) of the Inland Revenue Ordinance provides for penalty for "any person who without reasonable excuse: (i) makes an incorrect return; (ii) makes an incorrect statement; (iii) gives an incorrect information; (iv) fails to furnish a return in time; or (v) fails to inform chargeability to tax". Section 82 of the Inland Revenue Ordinance provides for penalty for "any person who wilfully with intent to evade or to assist any other person to evade tax".

In light of the above, the IRD imposed a total penalty of HK$5.5 million to the Subsidiaries Concerned (approximately 72% of the tax undercharged) in accordance with sections 80(1A) and 80(2) of the Inland Revenue Ordinance and the Subsidiaries Concerned settled the tax payable under the 2015 Tax Audit with the IRD in January 2016. Upon settlement of the tax payable and payment of the penalties to the IRD, the Commissioner of Inland Revenue agreed not to commence any proceedings against the Subsidiaries Concerned. Based on the fact that (i) during the Period Under Review our Directors did not have any knowledge or expertise in handling accounting matters; and (ii) our Group's accounting and bookkeeping were handled by external service provider, our Directors were not aware of the Omitted Income, Disallowable Elderly Expenses and Disallowable Staff Expenses and Welfare which led to an understatement of assessable profits and additional tax assessment at the material time.

Having considered the amount of the penalty imposed by the IRD, the penalty policy under the penalty loading table adopted by the IRD categorises our Company's failure as either: (i) "incomplete or belated disclosure" for cases where the taxpayer fails to exercise reasonable care and omit profits or income (i.e. group (c) under the IRD's penalty loading table); or (ii) "disclosure with full information promptly on challenge" for cases with slightly less serious acts of omission from recklessness (i.e. group (b) under the IRD's penalty loading table). See "Regulatory Overview — Inland Revenue Ordinance — Penalty policy" in this prospectus for further details. Although the penalty shown in the penalty policy adopted by the IRD is for general guidance only and may be adjusted upwards or downwards depending on the circumstances of each case, the range of penalty loading under groups (b) and (c) cases as categorised in the IRD's penalty loading table (including commercial restitution) is between 5% and 200% of the tax undercharged. As the penalty loading of the Subsidiaries Concerned is approximately 72% of the tax undercharged and generally groups (b) and (c) cases are less serious than group (a) cases, accordingly, the Tax Adviser is of the view that the incident in relation to the 2015 Tax Audit is of a less serious nature. Having considered the above and the nature of the tax incident, the Sole Sponsor concurs with the Tax Adviser's view.

In addition, the IRD has not imposed any penalty on the Subsidiaries Concerned under section 82 of the Inland Revenue Ordinance which penalises false statement and tax evasion. This indicates that the IRD has not identified any fraud or wilful intent to evade tax after its tax audit. Up to the Latest Practicable Date, our Directors confirm that there has never been any prosecution against the Subsidiaries Concerned for breach of the Inland Revenue Ordinance.

Accounting treatment

Since the Omitted Income, Disallowable Elderly Expenses, Disallowable Staff Expenses and Welfare and the corresponding tax undercharged amounted to HK$7.6 million were arising from transactions that occurred prior to the commencement of the Track Record Period, our Directors considered it was necessary to reflect these transactions by adjusting the relevant amounts in the underlying group consolidated financial statements in the respective years. Accordingly, these additional tax charges were recorded within the retained earnings of our Group as at 1 April 2015. The tax penalty amounting to approximately HK$5.5 million was recorded in the year ended 31 March 2015 as our Directors considered that it was a present obligation at the time the IRD had raised enquiry letters and issued notices of estimated assessment in March 2015. The accounting treatment is in accordance with Hong Kong Accounting Standard 37, *Provisions, Contingent Liabilities and Contingent Asset*.

Other subsidiaries

As Happy Luck and Jane's Home commenced operations in 2015 and 2013 respectively, they were not involved in the 2015 Tax Audit. At the time of preparing the financial statements, tax computations and tax returns for Jane's Home for the years ended 31 March 2013 and 2014, Jane's Home had recorded mainly expenses (such as renovation, plant and equipment) incurred for the initial setup of Pine Villa, being the only RCHE owned by Jane's Home and boarding income and meal-related expenses were not incurred, thus the said financial statements were prepared based on actual amount of expenditure incurred which were supported with invoices as opposed to the fixed amount calculation basis adopted by the Subsidiaries Concerned. As the Subsidiaries Concerned has been undergoing the 2015 Tax Audit, our management was aware that the previous practice was not agreeable with the IRD. As a result of the aforesaid, for the year ended 31 March 2015, Jane's Home and Happy Luck did not adopt similar practice to that adopted by the

Subsidiaries Concerned at the time of preparing the financial statements, tax computations and tax returns prior to the 2015 Tax Audit. Although the financial statements, tax computations and tax returns of all our Group's operating subsidiaries (including Jane's Home and Happy Luck) were primarily handled by Mr. Ngai, with assistance of an independent accounting firm, based on aforesaid reasons, our Directors, having made all reasonable enquiries, confirmed that to the best of their knowledge and belief, the financial statements of Happy Luck and Jane's Home were prepared in accordance with the applicable accounting standards and have prepared their tax computations and tax returns in compliance with the Inland Revenue Ordinance at the material time. Based on the above, our Directors expect that the tax position of Happy Luck and Jane's Home would not be similarly subject to challenge by the IRD in the future.

The Tax Adviser has performed an exercise to review the Hong Kong tax positions of Jane's Home and Happy Luck during the period from 1 April 2013 to 30 November 2018 by reviewing the relevant books and records and supporting documents on a sampling basis. Based on the review of the information and documents available, the Tax Adviser is not aware of any material tax issues in Jane's Home and Happy Luck that would be challenged by the IRD in the future and carry material tax exposure.

2000 Tax Audit and the calculation of meal-related expenses

In around 1998, the IRD initiated a tax audit on one of our subsidiaries, namely Crawfield International, covering the years of assessment from 1993/1994 to 1998/1999 (the "**Previous Period Under Review**") which was completed in year 2000 (the "**2000 Tax Audit**"). Based solely on our Directors' recollection of the 2000 Tax Audit which happened approximately 20 years ago, the IRD concluded that adjustments were required for certain meal-related expenses for the elderly which were presented with relevant invoices that were disqualified by the IRD. Our Directors believe that such relevant invoices were disqualified by the IRD due to various possible reasons relating to the quality of the invoices such as (i) invoices without company names; (ii) invoices without company chops; (iii) invoices being rough; or (iv) invoices being damaged. As a result, the IRD disqualified the aforesaid invoices, which our Directors genuinely believed that such invoices could support such meal-related expenses.

During the Previous Period Under Review, Ms. Ngai was primarily responsible for the day-to-day operation of our care and attention homes and during which our scale of business was comparatively small, as such our Group took responsibility of our bookkeeping matters in-house. Our Group purchased fresh foods from wet markets, however, as confirmed by our Directors, the IRD conducted an industry-wide review and disallowed part of the deduction claim for the Disallowed Elderly Expenses.

As the result of the 2000 Tax Audit, the IRD imposed a fixed amount per month per elderly and staff for meal-related expenses of HK$600 and HK$300, respectively, as the calculation of the deductible amount of a relevant meal-related expenses for purposes of the settlement of the 2000 Tax Audit. The total amount of tax undercharged for Crawfield International for the Previous Period Under Review was approximately HK$0.8 million and the penalty imposed by the IRD was approximately HK$0.7 million.

During the course of business, our Group would from time to time buy fruits and fresh food from the market and wet markets for the elderly and/or staff but often no receipts have been issued or retained. As such, our Group, as a matter of convenience, calculated the total meal-related expenses for the elderly and/or staff by estimation by multiplying the number of elderly and/or staff by a fixed amount of meal-related expense for each elderly and/or staff following the settlement basis established during the 2000 Tax Audit. Our Group continued to use a fixed amount of meal-related expense per month for each elderly of HK$600 per elderly and HK$300 per staff following the settlement basis established during the 2000 Tax Audit. Subsequently and according to the recollection of our Directors, the Local Accounting Firm A who was responsible for a number of RCHE's accounting and taxation services recommended an increase per month to HK$1,200 per elderly and HK$600 per staff. Solely based on the expertise of the Local Accounting Firm A, our Directors agreed with the recommendation and increased the fixed amounts of meal-related expenses per month to HK$1,200 per elderly and HK$600 per staff, which our Group adopted from 2011/2012 to 2013/2014. After deducting the actual amount of expenditure from the total meal-related expenses calculated (which were supported with invoices), the remaining balance would be booked as one-off meal-related expenses in the profit and loss account. Both the actual amount of meal-related expenses paid or incurred and the one-off meal-related expenses calculated have been claimed as fully deductible in our Group's tax computations during the Previous Period Under Review.

Given that the above calculation basis for deductible meal-related expenses was established during the settlement of the 2000 Tax Audit, our Group genuinely believed that such calculation basis has been accepted by the IRD and therefore continued to adopt such basis in calculating and booking the meal-related expenses subsequent to the settlement of the 2000 Tax Audit. However, during the 2015 Tax Audit, the management of our Group realised such calculation basis for deductible meal-related expenses was not allowed by the IRD, and according to the relevant law, the one-off meal-related expenses (which were not supported with invoices) should not be considered as "incurred" on the basis that the amount was calculated based on estimation and our Group did not have any obligation to pay such expenses. As such, the one-off meal-related expenses should not be deductible under section 16(1) of the Inland Revenue Ordinance. In addition, it is also required under section 51C of the Inland Revenue Ordinance that all financial records must be retained and properly supported by documents for the IRD's review upon request to be eligible for deduction. Pursuant to the settlement proposal for the 2015 Tax Audit, the IRD has disallowed the meal-related expenses for the elderly and/or staff which were not supported by invoices. For the years where the accounting vouchers or the relevant supporting documents were not made available to the IRD, the disallowable meal-related expenses were calculated by projection based on the percentage of total disallowable meal-related expenses of relevant subsidiaries over their respective total turnover.

During the Track Record Period and up to the Latest Practicable Date, our Group procured fresh fruits, food and grocery primarily from several major suppliers that issue invoices which were of good quality and at times electronically provided with relevant supporting information such as company name, company chop and other details.

2000 Tax Audit and 2015 Tax Audit

Our Directors confirmed that they were not notified by the IRD that there was any specific reasons to initiate the 2000 Tax Audit and the 2015 Tax Audit and that they are not aware as to the reasons why the IRD initiated the 2000 Tax Audit and 2015 Tax Audit.

Maintenance of books and records, auditing and taxation matters

Prior to the 2015 Tax Audit, our Group engaged Local Accounting Firm A for the provision of auditing and bookkeeping services and a local accounting firm as the tax representative (the "**Local Accounting Firm B**"). Subsequent to the 2015 Tax Audit, our Group engaged C C Kwong & Company ("**CCK**") and KCLG Tax Consulting Limited ("**KCLG**") to replace the Local Accounting Firm A and the Local Accounting Firm B to provide auditing and taxation services, respectively, but continued our engagement with the Local Accounting Firm A in providing bookkeeping services until April 2018. In 2017, our Group engaged an independent international accounting firm to replace CCK in relation to the provision of auditing services. In 2018, our Group engaged the Tax Adviser to replace KCLG as the tax representative. Prior to the internal control review conducted in March 2018, our Group engaged the Local Accounting Firm A to provide bookkeeping services as our Group did not have any staff with relevant knowledge or expertise to handle the accounting matters. Our Group relied on the independent accounting firm's expertise to handle its accounting matters prior to the internal control review. Subsequently, our Group employed Mr. Kwok Chi Kan as our chief financial officer to handle accounting and bookkeeping matters. See "Directors and Senior Management — Senior Management — Mr. Kwok Chi Kan" in this prospectus for further details.

During the internal control review conducted in March 2018, the internal control reviewer we engaged (the "**Internal Control Reviewer**") has identified the following internal control deficiencies in our Group in respect to the maintenance of books and records and our Company's subsequent responses are summarised as follow:

Internal control deficiencies	Our Company's responses and subsequent follow-up actions
1. the management had not yet performed a formal assessment on the adequacy of outsourced financial reporting resources in order to ensure the outsourced function is adequate and qualified to satisfy the future financial reporting obligation of a listed company in Hong Kong	Mr. Kwok Chi Kan, who possess relevant qualifications, accounting and financial reporting experience was appointed as the chief financial officer of our Group (the "**CFO**") to oversee the accounting and financial reporting function of our Group, see "Directors and Senior Management — Senior Management — Mr. Kwok Chi Kan" in this prospectus for further details

Internal control deficiencies	Our Company's responses and subsequent follow-up actions
2. strengthening of the financial reporting function of our Group 2.1 the financial reporting function of our Group is not overseen by an appropriate personnel holding relevant professional qualification 2.2 our Group did not exercise any controls on the quality of works done by the external accounting service provider 2.3 no soft copy of the management reports deliverables were provided by the external accounting service provider or stored in the hard disk	• We have established our own in-house financial reporting function which consists of four members working under the supervision of our CFO • Our management will conduct assessment annually to ensure we have sufficient resources devoted to the financial reporting function

Following the above responses, recommendations and actions taken by the management of our Group to prevent reoccurrence of similar incident, the Internal Control Reviewer has concluded in their follow-up review conducted in October 2018 that the aforesaid deficiencies had been fully remediated.

Having considered the findings and results from the Internal Control Reviewer, our Directors are of the view that the above measures will be sufficient to prevent future occurrence of similar incidents and the Sole Sponsor concur with our view that our Group's financial reporting procedures and internal control systems are sufficient to meet the obligations under the Listing Rules.

Remedial actions taken by our Group subsequent to the 2015 Tax Audit

- Our Group hired two staff in 2016 to support our operations and to handle various revenue and expenses streams, to ensure that all revenue and expenses are supported by supporting documents such as receipts and invoices before handing over the supporting documents to the Local Accounting Firm A. At the same time, subsequent to the 2015 Tax Audit, our Group decided to engage an alternative qualified accounting firm or staff to replace the Local Accounting Firm A to provide bookkeeping service. Due to the large quantity of and the complexity to hand over the records that had been bookkept by the Local Accounting Firm A, our Group took a longer period of time to identify a suitable accounting firm or staff for the responsibility of bookkeeping of our Group. Subsequently, our Group employed Mr. Kwok Chi Kan as our chief financial officer to handle accounting matters. See "Directors and Senior Management — Senior Management — Mr. Kwok Chi Kan" in this prospectus for further details.

- Our Group reminded our staff to keep the supporting documents of our revenue and expenses properly, in order to maintain complete accounting records.

- Our Group engaged CCK and KCLG as the auditor and tax representative, respectively, to replace the Local Accounting Firm A and Local Accounting Firm B.

- Our Group ceased to apply the practice of estimating the meal-related expenses for our staff and elderly based on a fixed amount and adopted the calculation method based on the actual expenses according to the invoices and/or receipts for completeness and accuracy.

- Our Group reminded our staff to purchase food from stalls in the market and/or supermarkets that issue receipts with company names and purchase details and keep all receipts properly before handing over the receipts to our accounting staff.

- Our Group procured fresh fruits, food and grocery primarily from several major suppliers that issue invoices which were of good quality and at times electronically provided with relevant supporting information such as company name, company chop and other details, in order to ensure the meal-related expenses for our staff and elderly are supported by invoices and/or receipts.

Competence and integrity

After having considered the available records, the background of the tax incident and the reasons below, our Company and the Sole Sponsor are of the view that the tax incident would not reflect negatively on the competence and integrity of Mr. Ngai, Ms. Ngai and Mr. Kwong (who were the directors of the Subsidiaries Concerned at the relevant time) to act as Directors under Rules 3.08 and 3.09 of the Listing Rules based on the following reasons: (i) there were no court proceedings and no actual findings by an independent body to prove the directors of the Subsidiaries Concerned had the intention to wilfully evade tax; (ii) that tax incident was due to insufficient knowledge of the relevant requirement on tax matters at the material times and no dishonesty or fraudulent act was involved; (iii) the IRD only imposed penalty to the Subsidiaries Concerned under sections 80(1A) and 80(2) of the Inland Revenue Ordinance and did not prosecute or impose any penalty to the Subsidiaries Concerned under section 82 of the Inland Revenue Ordinance, implying that the tax incident did not constitute a fraudulent or wilful intent to evade tax; (iv) the background search reports relating to the Subsidiaries Concerned, Mr. Ngai, Ms. Ngai and Mr. Kwong prepared by an independent security and risk management company contains no records of unsettled disputes nor any derogatory information identified; (v) Mr. Ngai, Ms. Ngai and Mr. Kwong and other Directors attended the directors' training of listed issuer given by the legal advisers of our Company in October 2018 and April 2019.

In addition, our Group is in the process of implementing the following measures to avoid reoccurrence of similar incident and will ensure such measures will be fully implemented prior to the Listing: (a) appointed Mr. Kwok Chi Kan who possess relevant qualifications, accounting and financial reporting experience as the chief financial officer of our Group to oversee the accounting and financial reporting function of our Group, see "Directors and Senior Management — Senior Management — Mr. Kwok Chi Kan" in this Prospectus for further details; (b) established the in-house financial reporting function which is led by the chief financial officer of our Group in order to ensure the resources devoted to financial reporting is adequate; (c) to adopt the corporate governance manual which sets out the requirements of assessing the quality and adequacy of resources devoted to financial reporting function and to perform the said assessment; (d) established the formal financial and operational policies and procedures which sets out, among which, the procedures of preparation and review of consolidated financial statements for the accounting staff to follow; and (e) that our Group will continue to engage an independent international accounting firm to provide professional advice and assistance as to the compliance with tax laws.

Our Directors confirm that (i) all the tax filings for the Track Record Period had been properly made; and (ii) our Group has complied with all material tax laws in Hong Kong and has settled all tax payables within the prescribed time frames during the Track Record Period and up to the Latest Practicable Date. The IRD has issued tax assessment for the years of assessment 2014/2015 to 2017/2018 to our subsidiaries and to the best knowledge and belief of our Directors, up to the Latest Practicable Date, there were no disputes with the IRD for the respective years of tax assessment.

The Tax Adviser has performed an exercise to review the Hong Kong tax positions of Operating Subsidiaries during the Track Record Period by reviewing the relevant books and records and supporting documents on a sampling basis. Based on the review of the information and documents available, the Tax Adviser is not aware of any material tax issues in the Operating Subsidiaries during the Track Record Period that would be challenged by the IRD in the future and carry material tax exposure. In addition, the Tax Adviser is of the view that all the tax filings of the Operating Subsidiaries have been completed during the Track Record Period and all the tax payables have been settled within the prescribed time frames during the Track Record Period.

As a result of the foregoing measures, our Directors are familiar and aware of the roles and responsibilities of directors in our Company's corporate governance and financial matters. Having considered the above and taking into consideration that the tax incident relates to matters that happened prior to the Track Record Period, which did not have significant impact to the financial performance and financial position of our Group during the Track Record Period, our Company is of the view, and the Sole Sponsor concurs, that our Directors are able to manage our Company's business in a law abiding manner and the tax incident does not affect the suitability and competence of Ms. Ngai, Mr. Ngai and Mr. Kwong to act as Directors under Rules 3.08 and 3.09 of the Listing Rules.

Views of the Tax Adviser in relation to 2015 Tax Audit

Our Group engaged the Tax Adviser to assess the 2015 Tax Audit. According to the Tax Adviser, it considers that based on the information provided during the review there is no evidence available which supports that our Group has wilful intent to evade tax provided that:

(i) our Group has been engaging third parties to provide accounting and bookkeeping services in order to meet our tax reporting, accounting and company secretarial requirements for our Group. Mr. Ngai has limited accounting and tax knowledge and our Group did not have any qualified accountant in-house. Our Group relied on third parties' professional knowledge to handle the tax and accounting matters;

(ii) for the deduction claim on meal-related expenses for the elderly and staff, our Group has followed the calculation basis established during the settlement of 2000 Tax Audit. This is not an uncommon practice adopted by a family-run private company group as this would often be a quicker and simpler approach to adopt after tax investigation in order to minimise the risk of being challenged by the IRD in future years. The fact that our Group, without seeking a formal professional advice, adopted this approach with a genuine belief that the calculation basis established during the settlement of 2000 Tax Audit would be acceptable by the IRD for future year filing would to some extent reflect our Group's willingness to comply with the IRD's practice;

(iii) in the nature of sanatorium operation, it is not uncommon to see some errors in accounting treatments especially in a small family-run private company group with no/limited number of accounting and finance staff. In these cases, the number of receipts and payments is often substantial but the amount of each transaction is relatively small. Mr. Ngai, who is with limited knowledge in accounting and tax, simply passed on all receipts and invoices to the independent accounting firm for bookkeeping and preparation of accounts with the genuine belief that it has the professional knowledge and expertise to handle our Group's accounting matters. Such arrangement is not ideal but is often a common arrangement adopted by a family-run private company group;

(iv) as the penalty loading of the Subsidiaries Concerned is approximately 72% of the tax undercharged and generally groups (b) and (c) cases are less serious than group (a) cases, see "Tax incident prior to the Track Record Period — Penalty" above for further details, the Tax Adviser is of the view that the incident in relation to the 2015 Tax Audit is of a less serious nature; and

(v) there is no evidence available to the Tax Adviser that our management has any history of committing tax evasion offence.

In addition, based on the settlement basis concluded by the IRD, the level of penalty imposed and the fact that the IRD did not impose any penalty on the Subsidiaries Concerned for the 2015 Tax Audit under section 82 of the IRO which penalises false statement and tax evasion, the Tax Adviser considers that the IRD had taken the view that our Directors did not have wilful intent to evade tax in respect of the 2015 Tax Audit. With reference to some of the recent prosecution cases where the directors of the companies were sentenced to imprisonment for tax evasion, the Tax Adviser notes that they usually made false claims by omitting some income on purpose, such as fabricated invoices (which were supported by strong evidence) and thus had wilful intent to evade tax. However, the Tax Adviser considers that this should not be the case for our Group based on the evidence available, in particular based on the outcome of the 2015 Tax Audit, and the chance for our Directors to be prosecuted under section 82 of the IRO is remote. Furthermore, based on the IRD's general practice, the IRD should have considered whether they should prosecute or impose penalty on our Directors during the settlement of the 2015 Tax Audit. Based on the fact that the IRD ceased to take any action against our Directors upon settlement of the 2015 Tax Audit, it is reasonable to assume that the IRD considers that no penalty or prosecution was necessary on our Directors in respect of the 2015 Tax Audit. Based on the above, the Sole Sponsor concurs with the view of the Tax Adviser and does not consider our Directors to have wilful intent to evade tax in respect of the 2015 Tax Audit.

In addition, the Tax Adviser is of the view that the likelihood for the IRD to revisit the Omitted Income, Disallowable Elderly Expenses and Disallowable Staff Expenses and Welfare for years of assessment prior to 2013/2014 is remote on the understanding that: (i) all material facts have been disclosed to the IRD during the 2015 Tax Audit; and (ii) the settlement basis for the 2015 Tax Audit was reviewed and agreed by the IRD, and additional tax and penalties have been settled by the Subsidiaries Concerned accordingly.

Legal proceedings

From time to time we have been, and may in the future be occasionally, involved in routine legal proceedings or disputes in the ordinary course of business common to this industry in which we operate. In carrying out our ordinary course of business, our Group is subject to the risk of being named as a party in legal actions, claims and disputes in respect of (i) claims for employees' compensation by our Group's employees; and (ii) claims for personal injury caused by the negligence of our Group.

During the Track Record Period and up to the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance pending or, to our knowledge and information, threatened by or against us or any of our Directors that could have a material adverse effect on the business, results of operations or financial condition of our Group.

INTERNAL CONTROL

In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining internal control systems. In general, our internal control systems will cover areas such as corporate governance, operations, management, legal matters, financial and auditing as our Board may see appropriate for our Group. Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness. We cannot guarantee that our systems are duly implemented as devised, and our employees will not, in their personal capacity, act in such a way that contravenes our internal control procedures. We engaged the Internal Control Reviewer in March 2018 to assist our Group in reviewing our internal control system and provide recommendations for improving our internal control systems.

We have implemented rectification actions after considering the recommendations from the Internal Control Reviewer. Set out below are the major deficiencies identified, the corresponding recommendations from the Internal Control Reviewer and our rectification actions implemented as at the Latest Practicable Date:

Deficiency identified	Internal Control Reviewer's recommendations	Rectification actions taken
Cases where pricing lists and discount approvals were not documented.	It is recommended that reference number should be properly stated on the pricing lists and marked in the relevant meeting minutes, and that other key supporting documents such as discount approvals should be properly documented and retained.	Our Group had implemented the recommendation as at the Latest Practicable Date.
Cases where the reasons for not returning deposits when residents changed from private place to bought place are not documented.	It is recommended that if deposit is not returned to the resident (or his/her family) due to special reasons, such reasons should be formally documented to ensure proper actions have been taken by the staff.	Our Group had implemented the recommendation as at the Latest Practicable Date.
Failure to fulfil obligation of employers to furnish employee information to the IRD.	It is recommended that our Group should develop a formal control mechanism by recording the specific information of employees in the employee register.	Our Group had implemented the recommendation as at the Latest Practicable Date.
Failure to make contributions to the MPF system for all eligible employees.	It is recommended that our Group should take proper advice from its legal advisers and make MPF contributions in a timely manner.	For further details, see "Legal Compliance and Litigation — Non-compliance with the MPFS Ordinance and Mandatory Provident Fund Schemes (General) Regulation (Chapter 485A of the Laws of Hong Kong)" above.

Deficiency identified	Internal Control Reviewer's recommendations	Rectification actions taken
Cases where foreign workers work more than 12 hours in a continuous period of 24 hours and their overtime remuneration were paid by cheque instead of through bank transfer which are required under the standard employment contract between our Group and the foreign workers.	It is recommended that effective control mechanism over the overtime hours of staff should be in place and overtime request should be sent to the accounting clerks in advance for monitoring the monthly accumulated overtime hours for every foreign worker. The remunerations of foreign workers should be paid by way of automatic payment into their bank accounts.	Our Group had implemented the recommendation as at the Latest Practicable Date.
Our Group had not established a formal anti-fraud framework, whistle-blower programme and other misconduct detective measures to prevent, detect and handle frauds or concerns over unethical conduct as well as to manage fraud risks.	It is recommended that the management should establish fraud prevention, detection and reporting channels, including establishing a formal whistle-blower programme and an exception reporting mechanism.	Our Group had implemented the recommendation as at the Latest Practicable Date.
Our Group did not establish a formal risk management framework and policy.	It is recommended that our Group establish a risk management policy to ensure that the current risk management framework aligns with the Board's expectation.	Our Group had implemented the recommendation as at the Latest Practicable Date.
Our Group did not have formal management reporting framework, defining the monthly information to be reported to the Board.	It is recommended that our Group should formalise the management reporting framework.	Our Group had implemented the recommendation as at the Latest Practicable Date.
Our Group has not yet performed a formal assessment on the adequacy of outsourced financial reporting resources in order to ensure the outsourced financial function is adequate and qualified to satisfy the future financial reporting obligations when our Company becomes a listed company in Hong Kong.	It is recommended that such assessment should be performed by the Board on an annual basis and formally documented.	Our Group had implemented the recommendation as at the Latest Practicable Date.

Deficiency identified	Internal Control Reviewer's recommendations	Rectification actions taken
Our Group did not have dual signatory controls on cheque in place and dual approver control mechanism for payments made via internet banking platform.	It is recommended that the management should consider implementing dual signatory controls on all cheques and internet banking in order to minimise the risk of unauthorised transactions.	As at the Latest Practicable Date, our Company had submitted application forms to the banks for applying for dual signatory arrangement and was awaiting approvals from the banks.
The rosters and attendance records for each care and attention home were presented in various ways and review evidence on roster and attendance record was not documented to ensure that the controls over compliance of the minimum working hour or headcount requirements under the RCHE Code of Practice and the EBPS are properly complied with.	It is recommended that guidelines or lists with details of the requirements (i.e. calculation basis) under the RCHE Code of Practice and the EBPS should be properly established to facilitate the review process by the home managers. Periodic review on the roster and attendance record should be conducted by a designated personnel with review evidence retained. Roster and attendance record of all the care and attention homes should be standardised and presented in a clear way to facilitate an effective review by the designated personnel.	Our Group had implemented the recommendation as at the Latest Practicable Date.
No register was maintained to record the details of the working visa for all the foreign workers.	It is recommended that our Group should develop a foreign worker register to record information of foreign workers.	Our Group had implemented the recommendation as at the Latest Practicable Date.
Our Group had inadequate control policy over the current accounting function of Our Group.	It is recommended that our Group should assess the sufficiency of the existing financial reporting resources, establish formal policies and procedures over periodic performance evaluation of service provider, and quest electronic copy of management reports and financial statements from the external service provider, etc.	Our Group had implemented the recommendation as at the Latest Practicable Date.

The Internal Control Reviewer has conducted a follow-up review in October 2018 for the follow-up actions carried out by our Group in relation to the first review conducted in March 2018. Our Group has implemented those internal measures as recommended by the Internal Control Reviewer to help prevent re-occurrence of deficiencies. Having considered the report prepared by our Internal Control Reviewer, save and except for obligations when our Company becomes a listed company and the release of corporate guarantees which effects to be implemented and released upon Listing, our Director confirmed that all of the major recommendations provided by the Internal Control Reviewer have been followed and corrective and rectification actions were taken accordingly to address our internal control deficiencies and weaknesses. Accordingly, the Internal Control Reviewer did not have further recommendation in the follow-up review conducted in October 2018. We intend to continue to enhance our internal control systems to respond to the changes in requirements and business conditions. We will continue to review our internal control systems to ensure compliance with regulatory requirements.

To prevent re-occurrence of non-compliance incidents as set out in the paragraph headed "Legal Compliance and Litigation — Compliance with laws and regulations" in this section, we have adopted the following measures:

(i) our Directors and senior management attended training sessions on applicable laws and regulations, including the Listing Rules, provided by our legal adviser prior to Listing. We will continue to arrange various trainings to be provided by the legal adviser engaged by us from time to time and/or any appropriate accredited institution to update the knowledge of our Directors, senior management and relevant employees on the relevant laws and regulations;

(ii) we have appointed Mr. Kwok Chi Kan as our company secretary. See "Directors and Senior Management" in this prospectus for further details of the biographical information of Mr. Kwok Chi Kan. Our Directors believe that our Company will be able to draw on his expertise and experience with respect to compliance with applicable legal and financial reporting requirements;

(iii) we have retained and appointed a legal adviser for the purpose of assisting in overseeing compliance with laws and regulations relevant to our operations as well as adequacy and effectiveness of regulatory compliance procedures and system and to review our Group's legal issues from time to time;

(iv) we have engaged the Internal Control Reviewer in March 2018 to assist our Group in reviewing, and provide recommendations for improving, our internal control system;

(v) we have appointed VMS Securities as our compliance adviser with effect from the date of Listing to advise on ongoing compliance with the Listing Rules issues and other applicable securities laws and regulations in Hong Kong;

(vi) we will provide our senior management and employees with policies, training and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group from time to time; and

(vii) we have also established the Audit Committee comprising three independent non-executive Directors as part of our measures to improve corporate governance. The primary duties of the Audit Committee are to provide our Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by our Directors.

Our Directors confirmed that (i) as at the Latest Practicable Date, our Group had implemented all the above mentioned enhanced internal control measures to ensure compliance with requirements under the RCHE Licences and the EBPS Agreements; and (ii) since the implementation of the above mentioned enhanced internal control measures and up to the Latest Practicable Date, our Group had not been involved in any breach of the requirements under the RCHE Licences and the EBPS Agreements.

VIEWS OF OUR DIRECTORS AND THE SOLE SPONSOR

Our Directors are of the view that the non-compliance incidents (including the warning letters received by our Group) disclosed above were due to inadvertent oversight, did not involve any element of fraud or dishonesty and are not of a serious nature, and we have taken all reasonable steps to establish a proper internal control system to prevent future non-compliance with relevant laws and regulations, and that such non-compliance incidents have not resulted in any material impact on our financial conditions and results of operations, based on the following:

(i) throughout the Track Record Period and up to the Latest Practicable Date, the SWD has not cancelled, nor suspended any of the RCHE licences held by our care and attention homes, nor has the SWD refused to renew any of the RCHE licences, nor changed any conditions attached to the operating licences despite issuing the warning letters;

(ii) according to the EBPS Agreements, if any of our seven EBPS participating care and attention homes accumulates a total of five warning letters or more during the term of their respective EBPS Agreement, the SWD has the right to reduce the number of residential care places. As at the Latest Practicable Date, none of our EBPS participating care and attention homes has experienced a reduction in number of residential care places under their respective EBPS Agreements arising from any non-compliance and none of our EBPS participating care and attention homes has received more than five warning letters from the SWD;

(iii) the warning letters issued by the SWD related to non-compliances and irregularities observed during the SWD's inspection at the particular care and attention homes (namely, Pine Villa, Kato Elderly Home, Kato Home for the Aged, Fai To Sino West Home and Tsuen Wan Centre) and did not relate to our other care and attention homes which did not receive any warning letters during the Track Record Period and up to the Latest Practicable Date (namely, Fai To Home (On Lai) and Fai To Home (Tuen Mun)). As such the warning letters relates only to the respective care and attention home and will not have any impact on our other care and attention homes which did not receive any warning letters;

(iv) since the occurrence of these incidents, our Directors and senior management have remained vigilant to any issues that may result in any non-compliance; and

(v) since the implementation of the enhanced internal control measures including specific policies and procedures adopted to prevent the recurrence of non-compliance incident raised in the warning letters disclosed above and up the Latest Practicable Date, our Directors confirmed that our Group has not been involved in any breach of applicable rules and regulations other than the non-compliance incidents as disclosed above.

During the Track Record Period and up to the Latest Practicable Date, based on the fact that (i) our Group had not experienced any prosecution, cancellation or suspension of our RCHE licences, refusal to renew our RCHE licences, nor change in any conditions attached to the RCHE licences; (ii) our Group had not experience any reduction in the total number of residential care places purchased by the SWD pursuant to the EBPS in respect of our EBPS participating care and attention homes arising from any non-compliances; (iii) our Group had not experienced any difficulty in renewing the EBPS Agreements; (iv) our Group had addressed and rectified all matters in the warning letters disclosed above; (v) all our care and attention homes received less than five warning letters; (vi) no action has been initiated by the SWD against the respective care and attention homes regarding the warning letters received by the respective care and attention homes; (vii) our Group has successfully implemented and adopted the rectification measures to prevent future breaches and ensure on-going compliance with applicable rules and regulations; and (viii) our long-term cooperative relationship with the SWD for approximately 20 years since we first participated in the EBPS (see "Business — Our Customers — The SWD — Our long-term cooperative relationship with the SWD under the EBPS" above for further details), our Directors consider that the risk that the SWD would reduce the number of our EBPS places available at our EBPS participating care and attention homes is remote.

Our Directors consider that the non-compliance incidents (including the warning letters received by our Group) disclosed above would not affect the suitability of listing of our Company pursuant to Rule 8.04 of the Listing Rules having considered the fact that (i) we have taken various internal control measures to avoid recurrence of the non-compliance incident, as set out above in the paragraph headed "Internal Control" in this section; (ii) no recurrence of similar material non-compliance incident has taken place since these measures are implemented; and (iii) the above non-compliance incidents was unintentional, did not involve any fraudulent act on the part of our executive Directors and did not raise any question as to the integrity of our executive Directors.

Taking into account the above and the fact that (i) none of the above non-compliances were committed wilfully; (ii) such non-compliances have all been rectified to the extent practicable; and (iii) any loss, fee, expense and penalty of our Group in relation to such non-compliance matters will be fully indemnified by our Controlling Shareholders, our Directors consider, and the Sole Sponsor concurs, that the impact of such non-compliance matters would be immaterial to our Group's operation and financial positions.

The Sole Sponsor, after considering the above and having reviewed the internal control measures adopted by our Group, concurs with the view of our Directors, that the abovementioned non-compliance incident would not affect the suitability of listing of our Company under Rule 8.04 of the Listing Rules. The Sole Sponsor considers that the non-compliance incidents would not give rise to the concerns on the ability of our executive Directors to oversee our Company's operation and the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, our Company will be owned as to approximately 62.4% by Sheung Fung, which is wholly owned by the Trustee. Mr. Kwong and Ms. Ngai are the settlors of the Family Trust, and Mr. Ngai is the sole beneficiary of the Family Trust. Accordingly, Sheung Fung, Mr. Kwong, Ms. Ngai and Mr. Ngai will be regarded as a group of Controlling Shareholders under the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, none of the Controlling Shareholders was engaged, or interested, in any business which, directly or indirectly, competed or might compete with our business which was discloseable under Rule 8.10 of the Listing Rules. Our Directors believe that we are capable of carrying on our business independently from, and does not place reliance on, our Controlling Shareholders and their respective close associates, taking into consideration the factors set out below.

Operational independence

Our Directors consider that our operations do not depend on our Controlling Shareholders or their close associates after Listing for the following reasons:

(i) we hold all relevant licences necessary to carry on our business and we have sufficient resources, equipment, employees, intellectual properties and access to customers and suppliers to operate our businesses independently;

(ii) we have established our own organisational structure comprising individual departments, each with specific areas of responsibilities. We do not share our operational resources with our Controlling Shareholders and/or their close associates;

(iii) all of the premises which we leased from our Controlling Shareholders and/or their close associates for our care and attention homes as set out in the section headed "Connected Transactions" in this prospectus can be replaced by leases with Independent Third Parties if needed without difficulty as there are similar premises available in the vicinity;

(iv) save for the continuing connected transactions mentioned above and set out in the section headed "Connected Transactions" in this prospectus, there is no other connected transaction between our Controlling Shareholders or their associates and any member of our Group; and

(v) we have established and implemented various internal control procedures to ensure that our business operations are being run effectively and efficiently.

During the Track Record Period, we rented the premises of ten of our residential care and attention homes and staff quarters (the "**Relevant Premises**") from Mr. Ngai, Ms. Ngai and companies indirectly wholly owned by Ms. Ngai (the "**Landlords**") pursuant to the Tenancy Agreements. For the three years ended 31 March 2018 and the eight months ended 30 November 2018, we incurred rental expenses for these ten premises for a total sum of approximately HK$10,719,600, HK$11,503,600, HK$13,545,200 and HK$10,473,800, respectively. We were still renting these premises as at the Latest Practicable Date and will continue to rent these premises after the Listing. For details of the Tenancy Agreements, see "Connected Transactions" in this prospectus.

For the purpose of minimising the effect of our reliance on the Controlling Shareholders and/or their respective close associates with respect to the Tenancy Agreements (excluding the Tsuen Wan Staff Quarters Tenancy Agreement, Kato Staff Quarters Tenancy Agreement, Fai To Sino West Staff Quarters Tenancy Agreement and Staff Quarters Tenancy Agreement) (the "**RCHE Tenancy Agreements**"), the following terms were incorporated:

- The term of each of the RCHE Tenancy Agreements shall expire on 31 March 2022, with an automatic renewal of another three years until 31 March 2025 (the "**First Automatic Renewal**"), and a further automatic renewal until 31 March 2028 (the "**Second Automatic Renewal**").

- The First Automatic Renewal and the Second Automatic Renewal shall be subject to the relevant requirements of the Listing Rules.

- Save for the downward adjustment of the monthly rental fee where the prevailing market price of the Relevant Premises has been lowered as at the date of the First Automatic Renewal and the Second Automatic Renewal, the terms and conditions of the RCHE Tenancy Agreements shall remain the same notwithstanding the First Automatic Renewal and the Second Automatic Renewal.

- During the term of the RCHE Tenancy Agreements, we are entitled to terminate the lease by giving three months' advance notice in writing to the relevant Landlords. However, the Landlords are not entitled to early terminate the RCHE Tenancy Agreements during the term of the RCHE Tenancy Agreements.

- Should the relevant RCHE Tenancy Agreement not be renewed upon its expiry after the Second Automatic Renewal, the relevant Landlord shall notify us at least one year prior to the expiry of the relevant RCHE Tenancy Agreement.

- After the Second Automatic Renewal, if any of the Landlords decide to dispose of the Relevant Premises, he/she/it shall give us at least one year advance notice. We shall have the first right of refusal to purchase the relevant property.

In addition to the above, we have sought the following irrevocable and unconditional undertakings from the Landlords:

- The Landlords for the RCHE Tenancy Agreements undertook that they will not dispose of the Relevant Premises within nine years from the Listing Date.

- In the event that we are required to relocate our care and attention homes for whatever reasons other than early termination of the RCHE Tenancy Agreements by us, the relevant Landlord shall; (i) compensate us for all losses and expenses in relation to our relocation; (ii) assist us in locating an alternative site which is comparable to the respective care and attention homes and provide us with all reasonable assistance required for our relocation; and (iii) allow us to occupy and use the relevant care and attention homes until our relocation is completed and our operation in the new premises has commenced.

- Insofar Ms. Ngai remains as a shareholder of each of the Landlords (where applicable), she shall procure each of the Landlords to fulfil its obligations under their respective undertakings.

Our Directors believe that the aforesaid irrevocable and unconditional undertakings from the Landlords will allow us to have sufficient time to relocate our care and attention homes without material disruption to our operations. Taking into account such undertakings and the terms of the RCHE Tenancy Agreements which our Directors are of the opinion to be fair and reasonable and in the interest of our Group and our Shareholders as a whole, our Directors do not consider any material reliance by our Group on the Controlling Shareholders and/or their respective close associates.

Save for the Tenancy Agreements, our Directors confirm that our Group will not enter into any transaction with our connected persons and their close associates after the Listing that will affect our operation independence.

Based on the aforementioned, our Directors are of the view that our Group is capable of operating our business independently from our Controlling Shareholders and their close associates after Listing.

Financial viability and independence

Our Group has our own accounting systems, accounting and finance personnel, independent treasury function for cash receipts and payment and we make financial decisions according to our own business needs. Our accounting and finance personnel is responsible for financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns. Our Group's bank borrowings of HK$14,474,000, HK$8,538,000, HK$26,718,000 and HK$23,854,000 as at 31 March 2016, 2017 and 2018 and 30 November 2018, respectively, are partly secured by the personal guarantees of Mr. Ngai. The relevant bank will release the existing personal guarantees of Mr. Ngai, and replace them with corporate guarantees given by our Company prior to the Listing. Accordingly, we will not rely on any guarantees provided by our Controlling Shareholders or their respective close associates upon the Listing. Our

Directors confirmed that, as at the Latest Practicable Date, our Group did not provide any loans, guarantees or pledges to our Controlling Shareholders or their respective close associates.

Our Directors further believe that, upon the Listing, our Group will be capable of obtaining financing from external sources independently without the support of our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the possible competing business of the Controlling Shareholders and to safeguard the interests of our Shareholders:

(i) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by the Controlling Shareholders, and the decisions on matters reviewed will be disclosed in our annual reports;

(ii) an annual declaration as to full compliance with the terms of the Deed of Non-competition will be made by the Controlling Shareholders, and will be disclosed in our annual reports;

(iii) our Directors will operate in accordance with our Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested; and

(iv) pursuant to the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost.

We will follow the measures in the CG Code which sets out the principles of good corporate governance in relation to, among others, Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviations from it in the corporate governance report which will be included in our annual report.

CONNECTED PERSONS

Ms. Ngai, Mr. Ngai, Mr. Lam Kong and the following entities (i) had entered into transactions with our Group during the Track Record Period; (ii) are conducting and are expected to continue to conduct transactions with our Group following the Listing; and (iii) will become connected persons of our Company under the Listing Rules following the Listing:

1. Stand Harvest Limited ("**Stand Harvest**"), a company incorporated in Hong Kong with limited liability which is wholly owned by Mr. Lam Kong, brother of Mr. Ngai and hence an associate of Mr. Ngai, and one of our senior management. Stand Harvest engages in the provision of laundry services in Hong Kong. As a wholly owned company of Mr. Lam Kong, an associate of Mr. Ngai, Stand Harvest will become our connected person under Chapter 14A of the Listing Rules upon the Listing.

2. Kato Elderly Affairs Limited ("**Kato Elderly Affairs**"), a company incorporated in Hong Kong with limited liability which is 60% owned by Four Rings Property Agency Limited, a company indirectly wholly owned by Ms. Ngai. Kato Elderly Affairs is an investment holding company. As an associate of Ms. Ngai, one of our Directors and Controlling Shareholders, Kato Elderly Affairs will become our connected person under Chapter 14A of the Listing Rules upon the Listing.

3. Kato Property Limited ("**Kato Property**"), a company incorporated in Hong Kong with limited liability which is 60% owned by Four Rings Property Agency Limited, a company indirectly wholly owned by Ms. Ngai. Kato Property is an investment holding company. As an associate of Ms. Ngai, one of our Directors and Controlling Shareholders, Kato Property will become our connected person under Chapter 14A of the Listing Rules upon the Listing.

4. Classic Mate Limited ("**Classic Mate**"), a company incorporated in Hong Kong with limited liability which is wholly owned by Four Rings Property Agency Limited, a company indirectly wholly owned by Ms. Ngai. Classic Mate is an investment holding company. As an associate of Ms. Ngai, one of our Directors and Controlling Shareholders, Classic Mate will become our connected person under Chapter 14A of the Listing Rules upon the Listing.

5. Perfect Cheer Investment Limited ("**Perfect Cheer**"), a company incorporated in Hong Kong with limited liability which is wholly owned by Four Rings Property Agency Limited, a company indirectly wholly owned by Ms. Ngai. Perfect Cheer is an investment holding company. As an associate of Ms. Ngai, one of our Directors and Controlling Shareholders, Perfect Cheer will become our connected person under Chapter 14A of the Listing Rules upon the Listing.

6. Shing Kong Limited ("**Shing Kong**"), a company incorporated in Hong Kong with limited liability which is wholly owned by Four Rings Property Agency Limited, a company indirectly wholly owned by Ms. Ngai. Shing Kong is an investment holding company. As an associate of Ms. Ngai, one of our Directors and Controlling Shareholders, Shing Kong will become our connected person under Chapter 14A of the Listing Rules upon the Listing.

7. Smarts Corporation Limited ("**Smarts Corporation**"), a company incorporated in Hong Kong with limited liability which is wholly owned by Four Rings Property Agency Limited, a company indirectly wholly owned by Ms. Ngai. Smarts Corporation is an investment holding company. As an associate of Ms. Ngai, one of our Directors and Controlling Shareholders, Smarts Corporation will become our connected person under Chapter 14A of the Listing Rules upon the Listing.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Laundry service agreement between our Company and Stand Harvest

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

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

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, the service fees paid by our Group to Stand Harvest in relation to the Laundry Services were HK$1,608,000, HK$1,710,000, HK$1,806,000 and HK$1,208,211, respectively.

Having considered other comparable service providers, our Directors consider that is it desirable and in the interests of our Company and the Shareholders as a whole to continue engaging Stand Harvest for the Laundry Services.

The proposed annual caps for the Laundry Services for each year ending 31 March 2020, 2021 and 2022 are HK$2,150,000, HK$2,300,000 and HK$2,400,000, respectively.

The proposed annual caps set out above for the three years ending 31 March 2020, 2021 and 2022 in respect of the Laundry Services are determined after arm's length negotiations between the parties thereto with reference to (i) the historical transaction amounts between our Group and Stand Harvest, and (ii) the prevailing market rates of similar services provided by other service providers.

Our Directors (including the independent non-executive Directors) consider that the terms of the Laundry Service Agreement are conducted on an arm's length basis and on normal commercial terms that are fair and reasonable, and in the best interests of our Group.

The applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the Laundry Service Agreement are less than 5% and the total consideration on an annual basis is less than HK$3,000,000. Therefore, by virtue of Rule 14A.76(1) of the Listing Rules, the transactions contemplated under the Laundry Service Agreement constitute fully exempt continuing connected transactions which are exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Tenancy agreement between Kato Elderly Affairs and Kato Kung

Kato Kung, our indirect wholly owned subsidiary, as tenant, has entered into the Kato Elderly Home Tenancy Agreement with Kato Elderly Affairs as landlord in relation to the leasing of the premises of our Kato Elderly Home, which will continue after the Listing:

Date:	20 May 2019
Tenant:	Kato Kung
Landlord:	Kato Elderly Affairs
Location of property:	Shops 8–12 on G/F and 1/F, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong
Size of property (saleable floor area):	Approximately 18,680 sq. ft.
Term:	Listing Date to 31 March 2022 (subject to renewal)

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our rental expenses in relation to the Kato Elderly Home Tenancy Agreement were HK$3,600,000, HK$3,600,000, HK$4,600,000 and HK$3,200,000, respectively.

Having considered the rentals of comparable properties in the same location and the associated costs which our Group may incur if the premises of our Kato Elderly Home is replaced by another property let from an Independent Third Party, our Directors consider that it is desirable and in the interests of our Company and the Shareholders as a whole to continue renting the premises of our Kato Elderly Home from Kato Elderly Affairs.

The proposed annual caps for the tenancy under the Kato Elderly Home Tenancy Agreement, for each of the years ending 31 March 2020, 2021 and 2022, are HK$4,860,000, HK$4,860,000 and HK$4,860,000, respectively.

The proposed annual caps set out above for the three years ending 31 March 2020, 2021 and 2022 in respect of the property to be leased from Kato Elderly Affairs are determined after arms' length negotiations between the parties thereto with reference to: (i) the historical transaction amounts between our Group and Kato Elderly Affairs; (ii) the prevailing market rates of the same or similar properties in the same locality; and (iii) the valuation report in respect of the property issued by an independent valuer.

Our Directors (including the independent non-executive Directors) consider that the terms of the Kato Elderly Home Tenancy Agreement are conducted on an arms' length basis and on normal commercial terms that are fair and reasonable, and in the best interests of our Group.

2. Tenancy agreement between Kato Property and Kato Kung

Kato Kung, our indirect wholly owned subsidiary, as tenant, has entered into the Kato Home for the Aged Tenancy Agreement with Kato Property as landlord in relation to the leasing of the premises of our Kato Home for the Aged, which will continue after the Listing:

Date:	20 May 2019
Tenant:	Kato Kung
Landlord:	Kato Property
Location of property:	1/F, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong
Size of property (saleable floor area):	Approximately 12,277 sq. ft.
Term:	Listing Date to 31 March 2022 (subject to renewal)

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our rental expenses in relation to the Kato Home for the Aged Tenancy Agreement were HK$1,960,000, HK$1,920,000, HK$2,320,000 and HK$1,600,000, respectively.

Having considered the rentals of comparable properties in the same location and the associated costs which our Group may incur if the premises of our Kato Home for the Aged is replaced by another property let from an Independent Third Party, our Directors consider that it is desirable and in the interests of our Company and the Shareholders as a whole to continue renting the premises of our Kato Home for the Aged from Kato Property.

The proposed annual caps for the tenancy under the Kato Home for the Aged Tenancy Agreement, for each of the years ending 31 March 2020, 2021 and 2022, are HK$2,376,000, HK$2,376,000 and HK$2,376,000, respectively.

The proposed annual caps set out above for the three years ending 31 March 2020, 2021 and 2022 in respect of the property to be leased from Kato Property are determined after arms' length negotiations between the parties thereto with reference to: (i) the historical transaction amounts between our Group and Kato Property; (ii) the prevailing market rates of the same or similar properties in the same locality; and (iii) the valuation report in respect of the property issued by an independent valuer.

Our Directors (including the independent non-executive Directors) consider that the terms of the Kato Home for the Aged Tenancy Agreement are conducted on an arms' length basis and on normal commercial terms that are fair and reasonable, and in the best interests of our Group.

3. Tenancy agreement between Classic Mate and Crawfield International

Crawfield International, our indirect wholly owned subsidiary, as tenant, has entered into the Fai To Home (On Lai) Tenancy Agreement with Classic Mate as landlord in relation to the leasing of the premises of our Fai To Home (On Lai), which will continue after the Listing:

Date:	20 May 2019
Tenant:	Crawfield International
Landlord:	Classic Mate
Location of property:	Shops 1–17 on 1/F, On Lai Building, 3 Tsing To Path, Tuen Mun, New Territories, Hong Kong
Size of property (saleable floor area):	Approximately 5,271 sq. ft.
Term:	Listing Date to 31 March 2022 (subject to renewal)

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our rental expenses in relation to the Fai To Home (On Lai) Tenancy Agreement were HK$960,000, HK$960,000, HK$1,140,000 and HK$800,000, respectively.

Having considered the rentals of comparable properties in the same location and the associated costs which our Group may incur if the premises of our Fai To Home (On Lai) is replaced by another property let from an Independent Third Party, our Directors consider that it is desirable and in the interests of our Company and the Shareholders as a whole to continue renting the premises of our Fai To Home (On Lai) from Classic Mate.

The proposed annual caps for the tenancy under the Fai To Home (On Lai) Tenancy Agreement, for each of the years ending 31 March 2020, 2021 and 2022, are HK$1,236,000, HK$1,236,000 and HK$1,236,000, respectively.

The proposed annual caps set out above for the three years ending 31 March 2020, 2021 and 2022 in respect of the property to be leased from Classic Mate are determined after arms' length negotiations between the parties thereto with reference to: (i) the historical transaction amounts between our Group and Classic Mate; (ii) the prevailing market rates of the same or similar properties in the same locality; and (iii) the valuation report in respect of the property issued by an independent valuer.

Our Directors (including the independent non-executive Directors) consider that the terms of the Fai To Home (On Lai) Tenancy Agreement are conducted on an arms' length basis and on normal commercial terms that are fair and reasonable, and in the best interests of our Group.

4. Tenancy agreement between Perfect Cheer and Crawfield International

Crawfield International, our indirect wholly owned subsidiary, as tenant, has entered into the Fai To Home (Tuen Mun) Tenancy Agreement with Perfect Cheer as landlord in relation to the leasing of the premises of our Fai To Home (Tuen Mun), which will continue after the Listing:

Date:	20 May 2019
Tenant:	Crawfield International
Landlord:	Perfect Cheer
Location of property:	1/F, including Entrance on G/F, Florence Mansion, 6 Tsing Ling Path, Area 4B, Tuen Mun, New Territories, Hong Kong
Size of property (saleable floor area):	Approximately 8,645 sq. ft.
Term:	Listing Date to 31 March 2022 (subject to renewal)

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our rental expenses in relation to the Fai To Home (Tuen Mun) Tenancy Agreement were HK$1,560,000, HK$1,560,000, HK$1,860,000 and HK$1,280,000, respectively.

Having considered the rentals of comparable properties in the same location and the associated costs which our Group may incur if the premises of our Fai To Home (Tuen Mun) is replaced by another property let from an Independent Third Party, our Directors consider that it is desirable and in the interests of our Company and the Shareholders as a whole to continue renting the premises of our Fai To Home (Tuen Mun) from Perfect Cheer.

The proposed annual caps for the tenancy under the Fai To Home (Tuen Mun) Tenancy Agreement, for each of the years ending 31 March 2020, 2021 and 2022, are HK$2,004,000, HK$2,004,000 and HK$2,004,000, respectively.

The proposed annual caps set out above for the three years ending 31 March 2020, 2021 and 2022 in respect of the property to be leased from Perfect Cheer are determined after arms' length negotiations between the parties thereto with reference to: (i) the historical transaction amounts between our Group and Perfect Cheer; (ii) the prevailing market rates of the same or similar properties in the same locality; and (iii) the valuation report in respect of the property issued by an independent valuer.

Our Directors (including the independent non-executive Directors) consider that the terms of the Fai To Home (Tuen Mun) Tenancy Agreement are conducted on an arms' length basis and on normal commercial terms that are fair and reasonable, and in the best interests of our Group.

5. Tenancy agreement between Shing Kong and Tsuen Wan Elderly Centre

Tsuen Wan Elderly Centre, our indirect wholly owned subsidiary, as tenant, has entered into the Tsuen Wan Centre Tenancy Agreement with Shing Kong as landlord in relation to the leasing of the premises of our Tsuen Wan Centre, which will continue after the Listing:

Date:	20 May 2019
Tenant:	Tsuen Wan Elderly Centre
Landlord:	Shing Kong
Location of property:	Shop C1, 1/F, Tsuen Wan Centre Shopping Arcade, 87–105 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong
Size of property (saleable floor area):	Approximately 15,950 sq. ft.
Term:	Listing Date to 31 March 2022 (subject to renewal)

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our rental expenses in relation to the Tsuen Wan Centre Tenancy Agreement were HK$2,400,000, HK$2,694,000, HK$3,000,000 and HK$2,000,000, respectively.

Having considered the rentals of comparable properties in the same location and the associated costs which our Group may incur if the premises of our Tsuen Wan Centre is replaced by another property let from an Independent Third Party, our Directors consider that it is desirable and in the interests of our Company and the Shareholders as a whole to continue renting the premises of our Tsuen Wan Centre from Shing Kong.

The proposed annual caps for the tenancy under the Tsuen Wan Centre Tenancy Agreement, for each of the years ending 31 March 2020, 2021 and 2022, are HK$2,904,000, HK$2,904,000 and HK$2,904,000, respectively.

The proposed annual caps set out above for the three years ending 31 March 2020, 2021 and 2022 in respect of the property to be leased from Shing Kong are determined after arms' length negotiations between the parties thereto with reference to: (i) the historical transaction amounts between our Group and Shing Kong; (ii) the prevailing market rates of the same or similar properties in the same locality; and (iii) the valuation report in respect of the property issued by an independent valuer.

Our Directors (including the independent non-executive Directors) consider that the terms of the Tsuen Wan Centre Tenancy Agreement are conducted on an arms' length basis and on normal commercial terms that are fair and reasonable, and in the best interests of our Group.

6. Tenancy agreement between Smarts Corporation and Happy Luck

Happy Luck, our indirect wholly owned subsidiary, as tenant, has entered into the following tenancy agreement with Smarts Corporation as landlord in relation to the leasing of our Happy Luck Home (the "**Happy Luck Home Tenancy Agreement**"), which will continue after the Listing:

Date:	20 May 2019
Tenant:	Happy Luck
Landlord:	Smarts Corporation
Location of property:	2nd Floor of Phase 1 of Commercial Development of Allway Gardens, Nos. 187–195 Tsuen King Circuit, Nos. 2–22 On Yat Street, Tsuen Wan, New Territories, Hong Kong
Size of property (saleable floor area):	Approximately 15,729 sq. ft.
Term:	Listing Date to 31 March 2022 (subject to renewal)

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our rental expenses in relation to the Happy Luck Home Tenancy Agreement were nil, nil, nil and HK$1,165,000, respectively.

Smarts Corporation became a wholly owned subsidiary of Four Rings Property Agency Limited on 28 June 2018. Having considered the rentals of comparable properties in the same location and the associated costs which our Group may incur if the premises of our Happy Luck Home is replaced by another property let from an Independent Third Party, our Directors consider that it is desirable and in the interests of our Company and the Shareholders as a whole to continue renting the premises of our Happy Luck Home from Smarts Corporation.

The proposed annual caps for the tenancy under the Happy Luck Home Tenancy Agreement, for each of the years ending 31 March 2020, 2021 and 2022, are approximately HK$2,724,000, HK$2,724,000 and HK$2,724,000 respectively.

The proposed annual caps set out above for the three years ending 31 March 2020, 2021 and 2022 in respect of the property to be leased from Smarts Corporation are determined after arms' length negotiations between the parties thereto with reference to: (i) the historical transaction amounts between our Group and Smarts Corporation; (ii) the prevailing market rates of the same or similar properties in the same locality; and (iii) the valuation report in respect of the property issued by an independent valuer.

Our Directors (including the independent non-executive Directors) consider that the terms of the Happy Luck Home Tenancy Agreement are conducted on an arms' length basis and on normal commercial terms that are fair and reasonable, and in the best interests of our Group.

7. Tenancy agreement between Mr. Ngai, Mr. Lam Kong and Tsuen Wan Elderly Centre

Tsuen Wan Elderly Centre, our indirect wholly owned subsidiary, as tenant, has entered into the following tenancy agreement with Mr. Ngai and Mr. Lam Kong as landlords in relation to the leasing of the staff quarters for our Tsuen Wan Centre (the "**Tsuen Wan Staff Quarters Tenancy Agreement**"), which will continue after the Listing:

Date:	20 May 2019
Tenant:	Tsuen Wan Elderly Centre
Landlord:	Mr. Ngai and Mr. Lam Kong
Location of property:	Flat C, 24/F, Block 9 (Nanking House), Tsuen Wan Centre, 89 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong
Size of property (saleable floor area):	Approximately 425 sq. ft.
Term:	Listing Date to 31 March 2022

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our rental expenses in relation to the Tsuen Wan Staff Quarters Tenancy Agreement were nil, HK$36,000, HK$144,000 and HK$96,000, respectively.

Having considered the rentals of comparable properties in the same location and the associated costs which our Group may incur if the premises of our staff quarters for our Tsuen Wan Centre is replaced by another property let from an Independent Third Party, our Directors consider that it is desirable and in the interests of our Company and the Shareholders as a whole to continue renting the premises of our staff quarters for our Tsuen Wan Centre from Mr. Ngai and Mr. Lam Kong.

The proposed annual caps for the tenancy under the Tsuen Wan Staff Quarters Tenancy Agreement, for each of the years ending 31 March 2020, 2021 and 2022, are approximately HK$146,400, HK$146,400 and HK$146,400, respectively.

The proposed annual caps set out above for the three years ending 31 March 2020, 2021 and 2022 in respect of the properties to be leased from Mr. Ngai and Mr. Lam Kong are determined after arms' length negotiations between the parties thereto with reference to: (i) the historical transaction amounts between our Group and Mr. Ngai and Mr. Lam Kong; (ii) the prevailing market rates of the same or similar properties in the same locality; and (iii) the valuation report in respect of the property issued by an independent valuer.

Our Directors (including the independent non-executive Directors) consider that the terms of the Tsuen Wan Staff Quarters Tenancy Agreement are conducted on an arms' length basis and on normal commercial terms that are fair and reasonable, and in the best interests of our Group.

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

Kato Kung, our indirect wholly owned subsidiary, as tenant, has entered into the following tenancy agreement with Ms. Ngai and Kato Elderly Affairs as landlords in relation to the leasing of the staff quarters for our Kato Elderly Home and Kato Home for the Aged (the "**Kato Staff Quarters Tenancy Agreement**"), which will continue after the Listing:

Date:	20 May 2019
Tenant:	Kato Kung
Landlord:	Ms. Ngai and Kato Elderly Affairs
Location of property:	Rooms C and D on 2/F and Flat Roof, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong
Size of property (saleable floor area):	Approximately 8,257 sq. ft.
Term:	Listing Date to 31 March 2022

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our rental expenses in relation to the Kato Staff Quarters Tenancy Agreement were HK$180,000, HK$180,000, HK$180,000 and HK$120,000, respectively.

Having considered the rentals of comparable properties in the same location and the associated costs which our Group may incur if the premises of our staff quarters for our Kato Elderly Home and Kato Home for the Aged is replaced by another property let from an Independent Third Party, our Directors consider that it is desirable and in the interests of our Company and the Shareholders as a whole to continue renting the premises of our staff quarters for our Kato Elderly Home and Kato Home for the Aged from Ms. Ngai and Kato Elderly Affairs.

The proposed annual caps for the tenancy under the Kato Staff Quarters Tenancy Agreement, for each of the years ending 31 March 2020, 2021 and 2022, are approximately HK$356,400, HK$356,400 and HK$356,400, respectively.

The proposed annual caps set out above for the three years ending 31 March 2020, 2021 and 2022 in respect of the properties to be leased from Ms. Ngai and Kato Elderly Affairs are determined after arms' length negotiations between the parties thereto with reference to: (i) the historical transaction amounts between our Group and Ms. Ngai and Kato Elderly Affairs; (ii) the prevailing market rates of the same or similar properties in the same locality; and (iii) the valuation report in respect of the property issued by an independent valuer.

Our Directors (including the independent non-executive Directors) consider that the terms of the Kato Staff Quarters Tenancy Agreement are conducted on an arms' length basis and on normal commercial terms that are fair and reasonable, and in the best interests of our Group.

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

Happy Luck, Jane's Home, Oriental Chinese and Tsuen Wan Elderly Centre, our indirect wholly owned subsidiaries, as tenants, have entered into the following tenancy agreement with Ms. Ngai as landlord in relation to the leasing of the staff quarters for our Happy Luck Home, Pine Villa, Fai To Sino West Home and Tsuen Wan Centre (the "**Staff Quarters Tenancy Agreement**"), which will continue after the Listing:

Date:	20 May 2019
Tenant:	Happy Luck, Jane's Home, Oriental Chinese and Tsuen Wan Elderly Centre
Landlord:	Ms. Ngai
Location of property:	3/F, Four Sea Mansion, 11 Fa Yuen Street, Mongkok, Hong Kong
Size of property (saleable floor area):	Approximately 799 sq. ft.
Term:	Listing Date to 31 March 2022

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our rental expenses in relation to the Staff Quarters Tenancy Agreement were HK$70,000, HK$237,600, HK$239,400 and HK$172,800, respectively.

Having considered the rentals of comparable properties in the same location and the associated costs which our Group may incur if the premises of our staff quarters for our Happy Luck Home, Pine Villa, Fai To Sino West Home and Tsuen Wan Centre is replaced by another property let from an Independent Third Party, our Directors consider that it is desirable and in the interests of our Company and the Shareholders as a whole to continue renting the premises of our staff quarters for our Happy Luck Home, Pine Villa, Fai To Sino West Home and Tsuen Wan Centre from Ms. Ngai.

The proposed annual caps for the tenancy under the Staff Quarters Tenancy Agreement, for each of the years ending 31 March 2020, 2021 and 2022, are approximately HK$254,400, HK$254,400 and HK$254,400, respectively.

The proposed annual caps set out above for the three years ending 31 March 2020, 2021 and 2022 in respect of the property to be leased from Ms. Ngai are determined after arms' length negotiations between the parties thereto with reference to: (i) the historical transaction amounts between our Group and Ms. Ngai; (ii) the prevailing market rates of the same or similar properties in the same locality; and (iii) the valuation report in respect of the property issued by an independent valuer.

Our Directors (including the independent non-executive Directors) consider that the terms of the Staff Quarters Tenancy Agreement are conducted on an arms' length basis and on normal commercial terms that are fair and reasonable, and in the best interests of our Group.

10. Tenancy agreement between Ms. Ngai and Oriental Chinese

Oriental Chinese, our indirect wholly owned subsidiary, as tenant, has entered into the following tenancy agreement with Ms. Ngai as landlord in relation to the leasing of the staff quarters for our Fai To Sino West Home (the "**Fai To Sino West Staff Quarters Tenancy Agreement**"), which will continue after the Listing:

Date:	20 May 2019
Tenant:	Oriental Chinese
Landlord:	Ms. Ngai
Location of property:	Room 10, 3/F, Tung Shun Hing Building, 22 Chi Kiang Street, Kowloon, Hong Kong
Size of property (saleable floor area):	Approximately 266 sq. ft.
Term:	Listing Date to 31 March 2022

For the three years ended 31 March 2018 and the eight months ended 30 November 2018, our rental expenses in relation to the Fai To Sino West Staff Quarters Tenancy Agreement were HK$60,000, HK$60,000, HK$60,000 and HK$40,000, respectively.

Having considered the rentals of comparable properties in the same location and the associated costs which our Group may incur if the premises of our staff quarters for our Fai To Sino West Home is replaced by another property let from an Independent Third Party, our Directors consider that it is desirable and in the interests of our Company and the Shareholders as a whole to continue renting the premises of our staff quarters for our Fai To Sino West Home from Ms. Ngai.

The proposed annual caps for the tenancy under the Fai To Sino West Staff Quarters Tenancy Agreement, for each of the years ending 31 March 2020, 2021 and 2022, are approximately HK$60,000, HK$60,000 and HK$60,000, respectively.

The proposed annual caps set out above for the three years ending 31 March 2020, 2021 and 2022 in respect of the property to be leased from Ms. Ngai are determined after arms' length negotiations between the parties thereto with reference to: (i) the historical transaction amounts between our Group and Ms. Ngai; (ii) the prevailing market rates of the same or similar properties in the same locality; and (iii) the valuation report in respect of the property issued by an independent valuer.

Our Directors (including the independent non-executive Directors) consider that the terms of the Fai To Sino West Staff Quarters Tenancy Agreement are conducted on an arms' length basis and on normal commercial terms that are fair and reasonable, and in the best interests of our Group.

Implications under the Listing Rules

As Ms. Ngai, Mr. Ngai, Mr. Lam Kong, Classic Mate, Kato Elderly Affairs, Kato Property, Perfect Cheer, Shing Kong and Smarts Corporation have been letting and will continue to let the above premises to our Group following the Listing on normal commercial terms, the tenancies under the Tenancy Agreements will constitute continuing connected transactions for our Company after the Listing.

Given that the aggregate annual transaction amounts under the Tenancy Agreements are expected to be approximately HK$16,921,200, HK$16,921,200 and HK$16,921,200, respectively, for the three years ending 31 March 2020, 2021 and 2022, at least one of the applicable percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Tenancy Agreements, on an annual basis, is expected to be more than 5%, which constitutes continuing connected transaction after the Listing, and will be subject to reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules (the "**Non-exempt Continuing Connected Transactions**").

APPLICATIONS FOR WAIVERS

In relation to the Non-exempt Continuing Connected Transaction, since the highest applicable percentage ratio (other than the profits ratio) for the three financial years ending 31 March 2020, 2021 and 2022 calculated for the purpose of Chapter 14 of the Listing Rules is expected to be more than 5% and the annual consideration is more than HK$10 million, such transactions will, upon the Listing, constitute continuing connected transactions of our Company subject to reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter l4A of the Listing Rules. As the Non-exempt Continuing Connected Transactions will continue after the Listing on a recurring basis, our Directors consider that strict compliance with the announcement, circular and independent shareholders' approval requirements under the Listing Rules would be impractical and burdensome, and would add unnecessary administrative costs to our Company each time when such transaction arises.

With respect to the above Non-exempt Continuing Connected Transactions, we have, pursuant to Rule 14A.105 of the Listing Rules, applied for and the Stock Exchange has agreed to grant a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements under the Listing Rules subject to the condition that the aggregate value of the Non-exempt Continuing Connected Transactions for each financial year does not exceed the relevant annual cap amount as stated above. We shall strictly comply with other relevant requirements under Chapter 14A of the Listing Rules. Our independent non-executive Directors and auditors of our Company will review whether the Non-exempt Continuing Connected Transactions have been entered into based on the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmations of our independent non-executive Directors and our auditors will be disclosed annually, as required by the Listing Rules.

Confirmation from Directors

Having taken into account the information set out above, our Directors (including our independent non-executive Directors) confirm that the Non-exempt Continuing Connected Transactions have been and will be entered into in or incidental to the ordinary and usual course of our Group's business, on normal commercial terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors with conflicted interest in the continuing connected transactions described in this section shall be required to abstain from voting on relevant Board resolutions in relation to such continuing connected transactions.

Confirmation from the Sole Sponsor

The Sole Sponsor is of the view that the Non-exempt Continuing Connected Transactions have been and will be entered into in the ordinary and usual course of our Group's business, on normal commercial terms that are, in accordance with the Tenancy Agreements governing them, fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Confirmation from the Property Valuer

The Property Valuer is of the view that the Non-exempt Continuing Connected Transactions have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms and are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

SHARE CAPITAL

The following is a description of our authorised share capital and our share capital in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Capitalisation Issue and the Share Offer, without taking into account any Shares which will be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme:

		(HK$)
Authorised share capital		
3,000,000,000	Shares	30,000,000
Issued share capital		
10,000	Shares in issue as at the date of this prospectus	100
Shares to be issued		
749,990,000	Shares to be issued pursuant to the Capitalisation Issue	7,499,900
250,000,000	Shares to be issued pursuant to the Share Offer	2,500,000
Total issued Shares on completion of the Capitalisation Issue and the Share Offer		
1,000,000,000	Shares	10,000,000

ASSUMPTION

The above table assumes that the Share Offer becomes unconditional and does not take into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased pursuant to the general mandates given to the Directors as described in "General Mandate to Issue Shares" and "General Mandate to Repurchase Shares" in this section.

RANKING

The Offer Shares will rank *pari passu* in all respects with all other Shares in issue or to be issued as mentioned in this prospectus, and in particular, will qualify for all dividends and other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING ARE REQUIRED

The circumstances under which general meeting are required are provided in the Articles of Association, the summary of which are set out in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(i) 20% of the aggregate number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which will be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme); and

(ii) the aggregate number of Shares repurchased by us (if any) pursuant to the general mandate to repurchase Shares as described below.

This mandate will expire at the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the date by which our next annual general meeting is required by the Articles, the Companies Law or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors.

Particulars of this general mandate are set forth under "Further Information About Our Group — 3. Resolutions in writing of all Shareholders passed on 20 May 2019" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of Shares of not more than 10% of the aggregate number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which will be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).

This mandate relates only to repurchases made on the Stock Exchange or any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in "Further Information About Our Group — 7. Repurchase by our Company of our own securities" in Appendix V to this prospectus.

This mandate will expire at the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the date by which our next annual general meeting is required by the Articles, the Companies Law or any applicable laws in the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors.

Particulars of this general mandate are set forth under "Further Information About Our Group — 3. Resolutions in writing of all Shareholders passed on 20 May 2019" in Appendix V to this prospectus.

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which will be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares or the underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group:

Name	**Nature of interest**	**Number of Shares immediately following the completion of the Capitalisation Issue and the Share Offer[1]**	**Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer**
Sheung Fung	Beneficial owner	624,000,000 (L)	62.4%
Trustee	Trustee	624,000,000 (L)[2]	62.4%
Mr. Kwong	Settlor of the Family Trust	624,000,000 (L)[2]	62.4%
Ms. Ngai	Settlor of the Family Trust	624,000,000 (L)[2]	62.4%
Mr. Ngai	Beneficiary of the Family Trust	624,000,000 (L)[2]	62.4%
Ms. Wei Xiaoling[4]	Interest of spouse	624,000,000 (L)[4]	62.4%
Si Mau	Beneficial owner	126,000,000 (L)	12.6%
Mr. Lam Kong	Interest in controlled corporation	126,000,000 (L)[3]	12.6%

Notes:

1. The letter "L" denotes the Director's long position in the Shares.

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

3. These Shares are held by Si Mau, which is held as to 62.7% by Mr. Lam Kong. By virtue of the SFO, Mr. Lam Kong is deemed to be interested in the Shares held by Si Mau.

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

The following table sets forth certain information regarding our Directors and our senior management:

Directors

Name	Age	Present position in our Company	Date of joining our Group	Appointment date as Director	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Ngai Ka Yee (魏嘉儀) (formerly known as Ngai Fung (魏峰))	73	Executive Director	May 1991	2 October 2018	Formulating business strategies and overseeing the general performance of our Group	Spouse of Mr. Kwong, the mother of Mr. Ngai and Mr. Lam Kong and the stepmother of Mr. Kwong Thomas Wai Ping
Ngai Shi Shing Godfrey (魏仕成) (formerly known as Lam Shing (林晟))	45	Chief executive officer and executive Director	September 1998	19 April 2018	Formulating business strategies, managing the business operations and overseeing the general performance of our Group	Son of Ms. Ngai, the stepson of Mr. Kwong, the brother of Mr. Lam Kong and the stepbrother of Mr. Kwong Thomas Wai Ping
Kwong Kai To (鄺啟濤)	92	Chairman and non-executive Director	August 1993	2 October 2018	Advising, reviewing and overseeing the implementation of the business strategies of our Group	Spouse of Ms. Ngai, the father of Mr. Kwong Thomas Wai Ping and the stepfather of Mr. Ngai and Mr. Lam Kong
Chiu Lai Kuen Susanna (趙麗娟)	59	Independent non-executive Director	20 May 2019	20 May 2019	Providing independent opinion and judgment to our Board	None
Or Kevin (柯衍峰)	47	Independent non-executive Director	20 May 2019	20 May 2019	Providing independent opinion and judgment to our Board	None
Wong Vinci (王賢誌)	48	Independent non-executive Director	20 May 2019	20 May 2019	Providing independent opinion and judgment to our Board	None

Senior management

Name	Age	Present position in our Company	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Kwok Chi Kan (郭志勤)	38	Chief financial officer	July 2018	Overseeing the financial and accounting matters and corporate secretarial matters of our Group	None
Kwong Mei Ping (鄺美平) (formerly known as Chan Kei (陳琦)	49	Head of nursing department	December 1996	Supervising the care work for all the residents in our RCHEs	None
Kwong Thomas Wai Ping (鄺衛平)	63	Head of quality control department	October 2000	Overseeing the quality control of the elderly home care services we provide in our RCHEs	Son of Mr. Kwong, the stepson of Ms. Ngai and the stepbrother of Mr. Ngai and Mr. Lam Kong
Lam Kong (林罡)	51	Project manager	October 1992	Managing projects of our Group with government authorities	Son of Ms. Ngai, the stepson of Mr. Kwong, the brother of Mr. Ngai and the stepbrother of Mr. Kwong Thomas Wai Ping

DIRECTORS

Our Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors.

Our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company as well as overseeing the corporate governance functions of our Company.

Executive Directors

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

Ms. Ngai is the director of each of Crawfield International, Happy Luck, Jane's Home, Kato Kung, Oriental Chinese and Tsuen Wan Elderly Centre. Ms. Ngai is the spouse of Mr. Kwong, the mother of Mr. Ngai and Mr. Lam Kong and the stepmother of Mr. Kwong Thomas Wai Ping.

Ms. Ngai was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolutions:

	Name of company	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution	Reasons of dissolution
1	Big Wave Limited (宏濤有限公司)	Property holding	2 June 2006	Deregistration	Dormant
2	China Star Media Limited (中國星影有限公司)	Investment	29 May 2009	Deregistration	Dormant
3	Fai-To Elderly Affairs Limited (輝濤安老有限公司)	Home for the aged	3 February 2017	Deregistration	Dormant
4	Fai To Elderly Centre Limited (輝濤護老中心有限公司)	Home for the aged	1 August 2008	Deregistration	Dormant
5	Fai-To Elderly Services Limited (輝濤安老服務有限公司)	Home for the aged	27 November 2009	Deregistration	Dormant
6	Fai-To, Kato for the Elderly Holding Limited (輝濤、嘉濤護老集團有限公司)	Home for the aged	5 August 2016	Deregistration	Dormant
7	Happy Aged Home Limited (樂頤居有限公司)	General trading	2 December 2011	Deregistration	Dormant
8	Hong Kong Elderly Service Quality Research Centre Limited (香港安老服務質素研究中心有限公司)	Inactive	25 April 2008	Deregistration	Dormant
9	Hui Tao Property Limited (輝濤置業有限公司)	Property holding	13 October 2006	Deregistration	Dormant
10	Kabo Elderly Centre Limited (家寶護老中心有限公司)	Home for the aged	14 August 2009	Deregistration	Dormant

Ms. Ngai has confirmed that there was no wrongful act on her part leading to the above dissolutions and striking off and she is not aware of any actual or potential claim which has been or will be made against her as a result.

Ms. Ngai, as one of the settlors of the Family Trust, will be deemed to be interested in approximately 62.4% of the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Share Offer by virtue of the SFO.

Mr. Ngai Shi Shing Godfrey (魏仕成), aged 45, was appointed as a Director on 19 April 2018 and was designated as an executive Director and chief executive officer on 2 October 2018. Mr. Ngai joined our Group in September 1998 as director and chief executive officer of Crawfield International. He is responsible for formulating business strategies, managing the business operations and overseeing the general performance of our Group. Mr. Ngai has over 20 years of experience in the RCHE industry in Hong Kong.

Mr. Ngai obtained (i) a Higher Diploma in Manufacturing Engineering (Product Engineering and Design) from Hong Kong Technical Colleges in July 1996, and (ii) a Master of Science in Engineering Business Management from The University of Warwick in January 1998.

Mr. Ngai was appointed as the Chairman of Tai Po North District Scout Council from May 2011 to May 2012. Mr. Ngai was awarded the Bronze Award for Volunteer Service from the Director of Social Welfare and Volunteer-in-Chief for four consecutive years from 2006 to 2009. He was also awarded the Outstanding Director Award of the Chartered Association of Directors in December 2010.

Mr. Ngai is the director of each of Crawfield International, Happy Luck, Jane's Home, Kato Kung, Oriental Chinese and Tsuen Wan Elderly Centre. Mr. Ngai is the son of Ms. Ngai, the stepson of Mr. Kwong, the brother of Mr. Lam Kong and stepbrother of Mr. Kwong Thomas Wai Ping.

Mr. Ngai was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolutions:

	Name of company	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution	Reasons of dissolution
1	Big Wave Limited (宏濤有限公司)	Property holding	2 June 2006	Deregistration	Dormant
2	China Star Media Limited (中國星影有限公司)	Investment	29 May 2009	Deregistration	Dormant
3	Fai-To Elderly Affairs Limited (輝濤安老有限公司)	Home for the aged	3 February 2017	Deregistration	Dormant
4	Fai To Elderly Centre Limited (輝濤護老中心有限公司)	Home for the aged	1 August 2008	Deregistration	Dormant
5	Fai-To Elderly Services Limited (輝濤安老服務有限公司)	Home for the aged	27 November 2009	Deregistration	Dormant
6	Fai-To, Kato for the Elderly Holding Limited (輝濤、嘉濤護老集團有限公司)	Home for the aged	5 August 2016	Deregistration	Dormant
7	Good View Property Holdings Limited (駿景物業投資有限公司)	Property holding	12 December 2014	Deregistration	Dormant
8	Hui Tao Property Limited (輝濤置業有限公司)	Property holding	13 October 2006	Deregistration	Dormant
9	Kabo Elderly Centre Limited (家寶護老中心有限公司)	Home for the aged	14 August 2009	Deregistration	Dormant
10	Kato Kung Publishing Limited (嘉濤宮出版有限公司)	Publishing	7 December 2018	Deregistration	Dormant
11	RTC Publisher Limited (鄉師出版社有限公司)	Corporation	7 December 2018	Deregistration	Dormant
12	Sun Shine Media Limited (彩輝媒體有限公司)	Merchant	24 June 2011	Deregistration	Dormant
13	Win Mount Corporation Limited (勝峰有限公司)	Investment	1 August 2008	Deregistration	Dormant

Mr. Ngai has confirmed that there was no wrongful act on his part leading to the above dissolutions and striking off and he is not aware of any actual or potential claim which has been or will be made against him as a result.

Mr. Ngai, as the beneficiary of the Family Trust, will be deemed to be interested in approximately 62.4% of the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Share Offer by virtue of the SFO.

Non-executive Director

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

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

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

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

Mr. Kwong was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolutions:

	Name of company	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution	Reasons of dissolution
1	Fai-To Elderly Affairs Limited (輝濤安老有限公司)	Home for the aged	3 February 2017	Deregistration	Dormant
2	Fai-To Elderly Services Limited (輝濤安老服務有限公司)	Home for the aged	27 November 2009	Deregistration	Dormant
3	Hui Tao Property Limited (輝濤置業有限公司)	Property holding	13 October 2006	Deregistration	Dormant
4	Kwong Sam Wo Tong Limited (鄺三和堂有限公司)	Corporation	21 October 2016	Deregistration	Dormant
5	Kato Kung Publishing Limited (嘉濤宮出版有限公司)	Publishing	7 December 2018	Deregistration	Dormant
6	The Federation for the Stability of Hong Kong Limited (穩定香港協會有限公司)	Provision of socio-political support	4 June 2010	Striking off	Dormant

Mr. Kwong has confirmed that there was no wrongful act on his part leading to the above dissolutions and striking off and he is not aware of any actual or potential claim which has been or will be made against him as a result.

Mr. Kwong, as one of the settlors of the Family Trust, will be deemed to be interested in approximately 62.4% of the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Share Offer by virtue of the SFO.

Independent non-executive Directors

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

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

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

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

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

Ms. Chiu was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolutions:

	Name of company	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution	Reasons of dissolution
1	The Overseas Chinese Institute of Certified Public Accountant Member Association Limited (海外中國註冊會計師協會會員協進會有限公司)	Members association	8 November 2012	Winding up	Restructuring
2	Silkonnet Media Limited (思路網絡媒體有限公司)	Media technology	12 November 2004	Deregistration	Restructuring
3	Step Success Trading Company Limited	Trading business	14 December 2006	Cessation of place of business in Hong Kong	Restructuring
4	Technology Dragon Company Limited (科龍實業有限公司)	Technology provider	15 March 2002	Struck off	Restructuring

Ms. Chiu has confirmed that there was no wrongful act on her part leading to the above dissolutions and striking out and she is not aware of any actual or potential claim which has been or will be made against her as a result.

Mr. Or Kevin (柯衍峰), aged 47, was appointed as an independent non-executive Director on 20 May 2019, responsible for providing independent opinion and judgment to our Board. Mr. Or graduated from Royal Melbourne Institute of Technology (now known as RMIT University) in Australia with a degree of bachelor of business in October 1994.

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

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

Mr. Or was admitted as a certified practising accountant of the Australian Society of Certified Practising Accountants in 1997 and a member of Hong Kong Society of Accountants in 1998.

Since April 2018, Mr. Or has been the company secretary and an authorised representative of K W Nelson Interior Design and Contracting Group Limited, a company listed on the GEM of the Stock Exchange (stock code: 8411). Since July 2018, Mr. Or has been an independent non-executive director of DLC Asia Limited (衍匯亞洲有限公司), a company listed on the GEM of the Stock Exchange (stock code: 8210).

Mr. Wong Vinci (王賢誌), aged 48, was appointed as an independent non-executive Director on 20 May 2019 responsible for providing independent opinion and judgment to our Board. Mr. Wong graduated from the University of British Columbia with a bachelor of commerce degree in 1994.

Mr. Wong was the vice chairman of the board of directors of Tung Wah Group of Hospitals from April 2014 to March 2018 and from April 2018 to March 2019 Mr. Wong was the chairman of its board.

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

Mr. Wong was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolutions:

	Name of company	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution	Reasons of dissolution
1	The Chinese University of Hong Kong — Tung Wah Group of Hospitals Community College (香港中文大學 — 東華三院社區書院)	Provision of education services	14 December 2016	Winding up	Dormant
2	Star Port Industries Company Limited (星埠實業有限公司)	Inactive	31 May 2002	Deregistration	Dormant

Mr. Wong has confirmed that there was no wrongful act on his part leading to the above dissolutions and striking off and he is not aware of any actual or potential claim which has been or will be made against him as a result.

Disclosure Required under Rule 13.51(2) of the Listing Rules

Saved as disclosed above, none of our Directors:

(a) held any other positions in our Company or other members of our Group as of the Latest Practicable Date;

(b) had any other relationship with any Directors, senior management or substantial shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; and

(c) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

Except for such interests of the executive Directors and the non-executive Director in the Shares, which are disclosed in the section headed "Further Information About Directors, Management and Staff and Experts" in Appendix V of this Prospectus, none of our Directors has any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company, which has an interest or short position in the Shares and underlying Shares of our Company.

Each of our Directors has confirmed that none of them is engaged in, or interested in any business (other than that of our Group), which, directly or indirectly, competes or may compete with our business.

Save as disclosed above, to the best of knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

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

Mr. Kwok is a member of Hong Kong Institute of Certified Public Accountants since 2008.

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

Ms. Kwong Mei Ping (鄺美平), aged 49, joined our Group in December 1996 as a personal care worker and is currently the head of nursing department of our Group and a home manager, responsible for supervising the care work for all the residents in our RCHEs. Ms. Kwong graduated from The Open University of Hong Kong with a bachelor of education in primary education degree in 2000 and a higher diploma in nursing in 2012. She was an enrolled nurse with the Nursing Council of Hong Kong from March 2008 until she has become a registered nurse with the Nursing Council of Hong Kong since June 2012.

She joined our Fai To Home (Tuen Mun) as an enrolled nurse in May 2008 and subsequently worked as a registered nurse in our Tsuen Wan Elderly Centre since May 2012.

Mr. Kwong Thomas Wai Ping (鄺衛平), aged 63, joined our Group in October 2000 as a home manager and is currently the head of quality control department of our Group, responsible for overseeing the quality control of the elderly home care services we provide in our RCHEs. Mr. Kwong Thomas Wai Ping obtained a master of business administration from Columbia Southern University in 2005. In 2007, Mr. Kwong Thomas Wai Ping further obtained a doctor of philosophy in business administration from Bulacan State University. In October 2005, Mr. Kwong Thomas Wai Ping obtained the Six Sigma Black Belt qualification from Six Sigma Institute Ltd, an organisation in Hong Kong providing training courses for six sigma, a set of methodologies designed to promote quality management, business performance measurement and talent development within enterprises.

Mr. Lam Kong (林罡), aged 51, joined our Group in October 1992 as a technician and is currently the project manager of our Group, responsible for managing projects of our Group with government authorities.

He joined our Group in October 1992 as a technician until June 1997. From July 1997 to December 2003, he worked in our Group as senior technician. In January 2004, he was promoted to the position of assistant manager, where he was responsible for the repair and maintenance work of our RCHEs, as well as the project management work of our Group. He was further promoted to the current position in January 2009.

Mr. Lam Kong, as holder of 62.7% of Si Mau is deemed to be interested in approximately 12.6% of the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Share Offer by virtue of the SFO and thus a substantial shareholder.

Mr. Lam is both a shareholder and a director of each of Shing Kong Limited and Stand Harvest Limited, each a connected person of our Company. For more details of Shing Kong Limited and Stand Harvest Limited, see "Connected Transactions — Connected Persons" in this prospectus.

COMPANY SECRETARY

Mr. Kwok Chi Kan (郭志勤), was appointed as our company secretary on 2 October 2018. For Mr. Kwok's biography, see "Senior Management" above.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We place high value on our corporate governance practice and our Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of our Shareholders. Our Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules as our code on corporate governance. The Board will also review and monitor the practices of our Company from time to time with an aim to maintain and improve high standards of corporate governance practices. We will comply with the code provisions of the CG Code after the Listing.

BOARD COMMITTEES

Our Board has established the audit committee, the remuneration committee and the nomination committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit committee

We established an audit committee on 20 May 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The duties of our audit committee include, without limitation, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of our financial statements, our annual report and accounts and our half-year report, and reviewing significant financial reporting judgments contained therein; and (c) reviewing our financial controls, internal control and risk management systems.

Our audit committee consists of Ms. Chiu Lai Kuen Susanna, Mr. Or Kevin and Mr. Wong Vinci. Ms. Chiu Lai Kuen Susanna is the chairman of the audit committee.

Remuneration committee

We established a remuneration committee on 20 May 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code. The duties of our remuneration committee, under the principle that no Director should be involved in deciding his own remuneration, include, without limitation, (a) making recommendations to our Board on our policy and structure for the remuneration of all of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (b) making recommendations to our Board on the remuneration packages of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments, and making recommendations to our Board of the remuneration of our non-executive Directors; and (c) reviewing and approving our management's remuneration proposals with reference to our Board's corporate goals and objectives.

Our remuneration committee consists of Mr. Wong Vinci, Mr. Or Kevin and Mr. Ngai. Mr. Wong Vinci is the chairman of the remuneration committee.

Nomination committee

We established a nomination committee on 20 May 2019 with written terms of reference in compliance with paragraph A.5 of the CG Code. The duties of our nomination committee include, without limitation, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our independent non-executive Directors; and (d) making recommendations to our Board on the appointment or re-appointment of our Directors and succession planning for our Directors, in particular the chairman and the chief executive.

It is also the duty of our nomination committee to review our board diversity policy (the "**Board Diversity Policy**"), which sets out the objective and approach to achieve and maintain diversity on our Board. We will ensure that members of our Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support our Group's business strategy. Pursuant to the Board Diversity Policy, we seek to achieve board diversity through the consideration of various factors such as professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our nomination committee is delegated to be responsible for compliance with the relevant code governing board diversity under the CG Code and after the Listing, and to review our Board Diversity Policy from time to time to ensure its continued effectiveness. Our implementation of the Board Diversity Policy will be disclosed in our corporate governance report on an annual basis.

Our nomination committee consists of Mr. Ngai, Mr. Wong Vinci and Mr. Or Kevin. Mr. Ngai is the chairman of the nomination committee.

DIRECTORS' REMUNERATION

The aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and contribution to pension schemes paid by our Group to the Directors was HK$3,682,000 in FY2016, HK$6,322,000 in FY2017, HK$1,818,000 in FY2018, and HK$1,212,000 for the eight months ended 30 November 2018. Under the arrangements currently in force, the aggregate compensation payable to the Directors for the year ended 31 March 2019 was approximately HK$1,818,000, and it is estimated that the aggregate compensation payable to our Directors for the year ending 31 March 2020 will be approximately HK$3,504,000. We will maintain relevant liability insurance for the Directors in accordance with paragraph A.1.8 of the CG Code.

During the Track Record Period, the five highest paid individuals of our Group included two, three, three and three directors of our subsidiaries, whose remunerations are included in the aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and contribution to pension schemes paid by our Group to the relevant Directors set out above. The aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and contribution to pension schemes paid by our Group to the five highest paid individuals (excluding the Directors) was HK$2,127,000 in FY2016, HK$1,663,000 in FY2017, HK$1,395,000 in FY2018 and HK$1,024,000 for the eight months ended 30 November 2018.

During the Track Record Period, no remuneration was paid to, or receivable by, the Directors or the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

During the Track Record Period, none of the Directors waived any emoluments.

Save as disclosed above, no other payments have been paid or are payable during the Track Record Period to the Directors or the five highest paid individuals of our Group.

EMPLOYEES

For details of the employees of our Group, including staff benefits and incentive plans provided by our Group, see "Business — Employees" in this prospectus.

COMPLIANCE ADVISER

We have appointed VMS Securities as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to advise us in the following circumstances in accordance with Rule 3A.23 of the Listing Rules:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of us of unusual movements in the price or trading volume of our listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

MISCELLANEOUS

As at the Latest Practicable Date, save as disclosed in this section: (i) our Directors did not hold other positions in our Company or other members of our Group; (ii) none of our Directors or senior management has held any directorship in any listed company in the last three years; (iii) none of our Directors or senior management has any relationship with any Director, senior management, substantial shareholder or controlling shareholder of our Company; (iv) none of the courses attended by our Directors or senior management was distance learning or online courses.

Save as disclosed in "Relationship with the Controlling Shareholders" in this prospectus, none of our Directors have any interests in any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group.

Save as the disclosed in this section, to the best of knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

You should read this section in conjunction with our consolidated financial statements, including the notes thereto, as set out in the Accountant's Report set out in Appendix I and the Profit Estimate set out in Appendix III to this prospectus. Our Company's consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Company in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Company believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Company's expectations and projections will depend on a number of risks and uncertainties over which our Company does not have control. For further information, you should refer to the section "Risk factors" in this prospectus.

OVERVIEW

We are an established operator of residential care homes for the elderly in Hong Kong offering a wide range of residential care services for the elderly including (i) the provision of accommodation, professional nursing and care-taking services, nutritional management, medical services, physiotherapy and occupational services, psychological and social care services, individual care plans and recreational services; and (ii) the sale of healthcare and medical goods and the provision of add-on healthcare services to our residents. According to the Industry Report, in 2017, we are the third largest private RCHE operator in Hong Kong and second largest RCHE operator participating in the EBPS (in terms of number of subsidised places purchased by the SWD).

Our history can be traced back to 1991 when Fai-To Home for the Aged was established in Hong Kong. Fai-To Home for the Aged started as a family business founded by Ms. Ngai with Fai-To Home for the Aged being the first care and attention home of our Group. Since then, our Group has experienced substantial business growth. As at the Latest Practicable Date, we operated a total of eight care and attention homes, among which three branded "Fai To 輝濤", two are branded "Kato 嘉濤", one branded Happy Luck Home, one branded Tsuen Wan Centre and one branded Pine Villa, with a total of 1,129 residential care places (excluding isolation beds). Our care and attention homes are strategically situated in the vicinity of residential areas, public transportation hubs and shopping malls.

As at the Latest Practicable Date, seven of our care and attention homes participated in the EBPS, a publicly funded welfare programme of the SWD pursuant to which leased residential care places are offered at a subsidised rate to eligible elderly citizens in Hong Kong. As at the Latest Practicable Date, the SWD leased 579 residential care places (representing 51.3% of our total residential care places) at our seven participating care and attention homes, four of which were classified as EA1, the highest classification rated by the SWD under the EBPS.

Our total revenue for the three years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018 were approximately HK$142.4 million, HK$150.2 million, HK$156.0 million, HK$101.9 million and HK$114.8 million, respectively. Our profit and total comprehensive income for the three years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018 were approximately HK$30.8 million, HK$33.5 million, HK$36.4 million, HK$24.1 million and HK$22.3 million, respectively.

BASIS OF PRESENTATION

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the HKICPA are set out below. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 in the Accountant's Report of our Group.

Our Group has adopted HKFRS 9, HKFRS 15 and HKFRS 15 (Amendments) consistently throughout the Track Record Period with the practical expedients permitted under the standards.

IMPACT OF ADOPTION OF CERTAIN ACCOUNTING POLICIES AND AMENDMENTS THERETO

HKFRS 16 — Leases

HKFRS 16, which is not expected to apply until the financial year 2019, addresses the definition of a lease, recognition and measurement of leases and principles for reporting useful information to users of financial information about the leasing activities of both lessees and lessors. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised by leasees. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. Our Group is a lessee of various properties which are currently classified as operating leases. Our Group's current accounting policy for such leases is set out in Note 2.21 of the Accountant's Report in Appendix I to this prospectus with our Group's future operating lease commitments, which are not reflected in the consolidated statements of financial position, set out in Note 24(a) of the Accountant's Report in Appendix I. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the statements of financial position. Instead, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the recognition obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statements of financial position. As for the financial performance impact in the consolidated statements of comprehensive income, the operating lease expenses will decrease, while depreciation and amortisation and interest expense will increase. Given the non-cancelable operating lease commitments of our Group is significant, the initial adoption of HKFRS 16 is expected to have significant impact on our Group's financial positions. However, our Directors expect the adoption of HKFRS 16 has no material impact, other than the change of presentation of expenses, on our Group's financial performance for the year ending 2020.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our results of operations have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed "Risk Factors" in this prospectus and those set out below:

A significant portion of our portion of our revenue was contributed by the SWD

We generated our revenue substantially from participating in the EBPS pursuant to which the SWD purchased up to 579 of our 1,129 residential care places during the Track Record Period and up to the Latest Practicable Date, representing approximately 51.3% of our total number of residential care places as at the Latest Practicable Date. For the three years ended 31 March 2018 and the eight months ended 30 November 2017 and 2018, our revenue generated from the payment of the base rate by the SWD under the EBPS amounted to approximately HK$62.6 million, HK$64.2 million, HK$67.1 million, HK$43.9 million and HK$48.8 million, representing 43.9%, 42.7%, 43.0%, 43.1% and 42.5% of our total revenue, respectively. Our revenue is affected by the number of residential care places purchased by the SWD, which in turn are affected by our ability to meet the entry requirements of the EBPS, including but not limited to the requirements on space standard and staffing as well as service quality.

Demand for our services

According to the Industry Report, it is expected that the trend of aging population and the old-age dependency ratio will continue to grow and the CAGR for the elderly population would record a CAGR of 4.8% from 2018 to 2022. The old-age dependency ratio increased from approximately 19.0% in 2013 to approximately 22.9% in 2017 and is forecasted to reach approximately 29.2% in 2022. This signifies a surging demand for RCHE places in Hong Kong that there will be more elderly to be supported by working adults, which will put pressure on the HK Government to allocate more fiscal resources to fund the pensions and healthcare programmes for the elderly.

We benefited from the strong demand for residential care home services in Hong Kong as reflected by our average monthly occupancy rates of approximately 89.4%, 92.9%, 92.7% and 96.0% for the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2018, respectively.

We believe that the demand of our services will continue to be affected by the above factors in the future, and consequently affect our revenue. Therefore, any changes of the above factors may affect our revenue and results of operations.

Occupancy rate and monthly residential fee

Our Group's revenue was primarily affected by the average monthly occupancy rate and the monthly residential fee. During the Track Record Period, our revenue increased due to the increase of total number of residents and the monthly residential fee for our services. See "Description of Selected Items in Consolidated Statements of Comprehensive Income — Revenue" in this section.

We believe that our revenue will continue to be mainly affected by the average monthly occupancy rate and average monthly residential fee in the future. Thus, any changes to the two factors may affect our revenue and results of operations.

Changes in HK Government policies and regulations relating to the RCHE industry

The RCHE industry is heavily regulated. Our operation is mainly governed by the RCH(EP)O and its subsidiary legislation, the RCH(EP)R. Our operation is also subject to certain legislations, general rules and regulations in relation to building safety, fire safety, labour, physiotherapists, registered nurses and disposal of chemical and clinical wastes. The relevant laws and regulations may change in the future and it is uncertain as to any future development on regulations and introduction of new laws on care standard required for the RCHEs. Any changes to the regulations or compliance standards may impose possible restriction on operations and, thus, our financial performance in case of any failure to promptly and effectively adapt to such changes. Also, we may incur extra compliance costs as regulations evolve in the future. This may increase our operating costs and, hence lower our profits.

See "Regulatory Overview" in this prospectus for details of the legislations and regulations with respect to the RCHEs.

According to the Industry Report, the SWD proposed an increase in required activity area per person of RCHEs in May 2018. The Elderly Commission recommended to increase the required area from 6.5 m^2 to 9.5 m^2 (referenced to the standard of EA1 RCHEs under the EBPS). According to the Labour and Welfare Bureau, the proposed increase in activity area per person is expected to reduce by 15.8% of places provided by non-subsidised private RCHEs and 1.6% for subsidised places.

Our operations may be adversely affected by other schemes introduced by the HK Government, such as the Pilot Residential Care Service Scheme in Guangdong (Guangdong Scheme), which provide an option for the elderly to consider the location of RCHEs, in mainland China or in Hong Kong. As such, the occupancy rates of our care and attention homes may be affected by the above or any future policies in relation to elderly residential industry imposed by the HK Government, which hence, may affect our results of operations.

Employee benefit expenses

Our operations are labour intensive. Our employee benefit expenses were the largest component of our operating expenses incurred during the Track Record Period and had a significant impact on our operation. Our success, to a considerable extent, depends upon our ability to attract, motivate, train and retain our qualified employees including home managers, registered or enrolled nurses, physiotherapists, health workers and care workers, and ancillary workers under the relevant laws and regulations in Hong Kong.

For each of the three years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, our employee benefit expenses amounted to approximately HK$53.8 million, HK$57.9 million, HK$54.8 million, HK$37.1 million and HK$37.0 million, respectively, representing approximately 37.8%, 38.6%, 35.1%, 36.4% and 32.3% of our total revenue for the respective periods. According to the Industry Report, labour cost is one of the key operation costs of RCHEs. From 2013 to 2017, the median month wages of workers in RCHE industry increased at a CAGR of approximately 5.4%.

If we do not succeed in attracting and retaining an appropriate level of motivated and qualified staff, our service quality may suffer and our eligibility to participate in the EBPS may be adversely affected.

Property rental and related expenses

For each of the three years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, our property rentals and related expenses for our care and attention homes, staff quarters, ancillary office amounted to approximately HK$25.4 million, HK$24.9 million, HK$28.2 million, HK$18.7 million and HK$19.9 million, representing 17.9%, 16.6%, 18.0%, 18.4% and 17.3% of our total revenue for the respective periods. Accordingly, rental costs account for a significant portion of our operating expenses.

According to the Industry Report, rental cost is one of the key operation costs of RCHE industry. From 2013 to 2017, the rental price indices of private retail premises in Hong Kong increased at a CAGR of approximately 2.5%.

Our pricing policy in response to the changing market conditions

During the Track Record Period, our Group's customers primarily consisted of two groups, namely (i) the SWD with which we entered into contractual arrangements pursuant to which the SWD purchased residential care places from our Group under the EBPS; and (ii) individual customers who settled their own residential fee entirely by themselves; and those who were subsidised by the SWD under the EBPS but settled the unsubsidised portion by themselves. Our contracts with the SWD are at an initial monthly rate at the time of contract execution and subject to inflation adjustments on 1st of April each year. Residents enrolled under the EBPS were also required to pay a monthly residential fee, which amounted to HK$1,763 for EA1 homes and HK$1,656 for EA2 homes as at the Latest Practicable Date.

In deciding the average monthly residential fee for each of our care and attention homes, we take into account the rental, cost of operations, prevailing market price range charged by our competitors and inflation. Further details of our pricing policy, see "Business — Pricing of our services and payment terms" in this prospectus. If we fail to attract the target customers or to adjust our pricing strategy in response to the changing market environment, the operating results and financial performance of our Group could be affected.

CRITICAL ACCOUNTING POLICIES

Our Group has identified certain accounting policies that are signification to the preparation of our financial information. These significant accounting policies are important for and understanding of our financial condition and results of operations and are set forth in Note 2 in the Accountant's Report of our Company set out in Appendix I. The following paragraphs discuss certain significant accounting policies applied in preparing the financial information:

Our historical consolidated financial information has been prepared based on our underlying financial statements, in which HKFRS 9 "Financial instruments" ("**HKFRS 9**") and HKFRS 15 "Revenue from contracts with customers" ("**HKFRS 15**") have been adopted. We have applied HKFRS 9 and HKFRS 15 consistently since the beginning of, and throughout, the Track Record Period, such that our historical consolidated financial information prepared under HKFRS 9 and HKFRS 15 is comparable on a period-to-period basis. We have assessed the effects of application of HKFRS 9 and HKFRS 15 on our financial position and performance, our Directors consider that the application of HKFRS 9 and HKFRS 15 did not have significant impact on our financial position and performance compared to the requirements of HKAS 18 and HKAS 39 during the Track Record Period.

Revenue recognition

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

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

(i) provides all of the benefits received and consumed simultaneously by the customer; or

(ii) creates and enhances an asset that the customer controls as our Group performs; or

(iii) do not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

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

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

Rendering of elderly home care services

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

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

Sales of elderly related goods

Sales of elderly related goods includes the sale of diapers, nutritional milk, wipes and blood glucose test strips to our residents on an as-needed basis.

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

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

Advertising income

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

Interest income

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

Employee benefits

Pension obligations

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

Long service payments

In Hong Kong, employees who have completed a required number of years of service to our Group are eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment, provided that such termination meet the circumstances specified in the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for long service payment as a result of services rendered by employees up to the statement of financial position date. The liability recognised in the consolidated statement of financial position in respect of long service payments is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Provision for bonus

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

Leases (as the lessee for operating leases)

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of our Group's accounting policies, which are described in Note 4 in the Accountant's Report of our Company set out in Appendix I, our Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is 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 within the next financial year.

Useful lives of property and equipment

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

Impairment of property and equipment

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the value in use used in the impairment test and as a result affect our Group's financial position and results of operations.

RESULTS OF OPERATIONS

The table below sets out our Group's consolidated statements of comprehensive income for the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018. This information is derived and should be read in conjunction with the consolidated financial information contained in the Accountant's Report set forth in Appendix I to this prospectus.

	Year ended 31 March			Eight months ended 30 November	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	142,379	150,195	156,013	101,880	114,804
Other income and other loss, net	1,389	2,096	2,377	1,512	—
Depreciation	(4,446)	(6,274)	(6,085)	(3,930)	(3,737)
Employee benefit expenses	(53,847)	(57,921)	(54,823)	(37,130)	(37,027)
Property rental and related expenses	(25,442)	(24,938)	(28,158)	(18,683)	(19,887)
Food and beverage costs	(7,018)	(6,994)	(6,411)	(4,175)	(4,626)
Utility expenses	(4,359)	(4,120)	(4,271)	(3,235)	(3,457)
Supplies and consumables	(1,605)	(1,572)	(1,594)	(1,269)	(1,256)
Repair and maintenance	(1,094)	(1,121)	(1,217)	(812)	(1,008)
Subcontracting fees	(1,342)	(1,425)	(2,003)	(429)	(1,111)
Cleaning expenses	(1,916)	(1,863)	(2,072)	(1,243)	(1,269)
Medical fees and related expenses	(1,732)	(1,749)	(1,767)	(1,158)	(1,263)
Donations	(272)	(638)	(185)	(3)	—
Other operating expenses	(4,214)	(3,436)	(2,861)	(2,554)	(2,965)
Listing expenses	—	—	(2,645)	—	(8,742)
Finance costs, net	(45)	(176)	(279)	(73)	(392)
Profit before taxation	36,436	40,064	44,019	28,698	28,064
Income tax expense	(5,594)	(6,582)	(7,582)	(4,584)	5,813
Profit and total comprehensive income for the year/period attributable to the shareholders of our Company	30,842	33,482	36,437	24,114	22,251

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our Group's revenue was principally generated from the provision of residential care services for the elderly in Hong Kong. Our Group's revenue was derived from (i) rendering of elderly home care services; and (ii) sales of elderly home related goods in Hong Kong during the Track Record Period. The following table sets forth the breakdown of revenue for our Group's revenues by types of services for the years ended 31 March 2016, 2017 and 2018 and for the eight months ended 30 November 2017 and 2018:

	For the year ended 31 March						For the eight months ended 30 November			
	2016		2017		2018		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Rendering of elderly home care services										
— residential care places purchased by the SWD under the EBPS	62,572	43.9	64,162	42.7	67,109	43.0	43,925	43.1	48,805	42.5
— residential care places purchased by individual customers *(Note)*	58,752	41.3	62,356	41.5	65,406	41.9	42,558	41.8	49,469	43.1
	121,324	85.2	126,518	84.2	132,515	84.9	86,483	84.9	98,274	85.6
Sales of elderly home related goods	21,055	14.8	23,677	15.8	23,498	15.1	15,397	15.1	16,530	14.4
Total	142,379	100.0	150,195	100.0	156,013	100.0	101,880	100.0	114,804	100.0

Note:

For the three years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, our revenue derived from individual customers who settled their own residential fee entirely by themselves amounted to approximately HK$41.5 million, HK$46.2 million, HK$49.1 million, HK$31.9 million and HK$37.7 million, respectively.

The following tables set forth the breakdown of our revenue by the classification of care and attention homes.

	For the year ended 31 March												For the eight months ended 30 November							
	2016				2017				2018				2017 (Unaudited)				2018			
	EA1	EA2	Other	Total	EA1	EA2	Other	Total	EA1	EA2	Other	Total	EA1	EA2	Other	Total	EA1	EA2	Other	Total
Revenue *(HK$'000)*	73,430	53,720	15,229	142,379	79,401	53,587	17,207	150,195	82,382	55,931	17,700	156,013	54,871	35,825	11,184	101,880	78,372	23,870	12,562	114,804
Total residential places as at year/period end	590	481	90	1,161	590	405	90	1,085	761	269	90	1,120	770	269	90	1,129	770	269	90	1,129
Average monthly number of residents	463	442	79	984	542	426	86	1,054	611	337	85	1,033	562	376	85	1,023	741	257	86	1,084
Average monthly occupancy rate *(%)*	87.6%	91.8%	87.7%	89.4%	91.8%	93.7%	96.0%	92.9%	92.1%	93.9%	94.9%	92.7%	91.9%	92.7%	94.0%	92.2%	96.1%	95.5%	96.0%	96.0%
Average monthly residential fee *(HK$'000)*	5,964	3,841	1,013	10,818	5,580	3,789	1,173	10,543	5,868	4,364	1,174	11,407	5,855	3,948	1,117	10,919	8,450	2,544	1,291	12,284

Notes:

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

(2) The monthly residential fee in respect of EA1 residential care places purchased by our residents is equal to the total revenue generated from EA1 residential care places purchased by our residents during the relevant month. The average monthly residential fee in respect of EA1 residential care places purchased by our residents for the year/period is calculated by dividing the sum of the monthly residential fee in respect of EA1 residential care places purchased by our residents by the total number of months in that year/period.

The monthly residential fee in respect of EA2 residential care places purchased by our residents is equal to the total revenue generated from EA2 residential care places purchased by our residents during the relevant month. The average monthly residential fee in respect of EA2 residential care places purchased by our residents for the year/period is calculated by dividing the sum of the monthly residential fee in respect of EA2 residential care places purchased by our residents by the total number of months in that year/period.

The monthly residential fee of other residential care places is equal to the total revenue generated from other residential care places purchased by our residents during the relevant month. The average monthly residential fee in respect of other residential care places purchased by our residents for the year/period is calculated by dividing the sum of the monthly residential fee in respect of other residential care places purchased by our residents by the total number of months in that year/period.

Rendering of elderly home care services

During the Track Record Period, our Group's customers primarily consisted of two groups, namely, (i) the SWD with which we entered into contractual arrangements pursuant to which the SWD purchased residential care places from our Group under the EBPS; and (ii) individual customers who settled their own residential fee entirely by themselves and those who were subsidised by the SWD under the EBPS but settled the unsubsidised portion by themselves. As at the Latest Practicable Date, seven out of eight of our care and attention homes participated in the EBPS and were classified as EA1 or EA2 by SWD. As at the Latest Practicable Date, under the EBPS, the SWD purchased up to 579 residential cares places (approximately 51.3% of our total number of residential care places). As at the Latest Practicable Date, the average monthly base rate for our residents under the EBPS was (i) HK$10,940 in respect of EA1 care and attention homes and HK$8,486 in respect of EA2 care and attention homes located in New Territories; and (ii) HK$11,524 in respect of EA1 care and attention home located in Kowloon. Our revenue from rendering of elderly home care services amounted to approximately HK$121.3 million, HK$126.5 million, HK$132.5 million, HK$86.5 million and HK$98.3 million for each of the three years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, respectively, which represented approximately 85.2%, 84.2%, 84.9%, 84.9% and 85.6% of our total revenue for the respective periods.

Our revenue from rendering of elderly home care services increased by approximately HK$11.8 million or 13.6% from approximately HK$86.5 million for the eight months ended 30 November 2017 to approximately HK$98.3 million for the eight months ended 30 November 2018, which was mainly due to the price upward adjustment of Kato Elderly Home as a result of the upgrade of Kato Elderly Home from EA2 to EA1 under the EBPS.

Our revenue from rendering of elderly home care services increased by approximately HK$6.0 million or 4.7% from approximately HK$126.5 million for the year ended 31 March 2017 to approximately HK$132.5 million for the year ended 31 March 2018, which was due to the price upward adjustment of Kato Elderly Home as a result of the upgrade of Kato Elderly Home from EA2 to EA1 under the EBPS.

Our revenue from rendering of elderly home care services increased by approximately HK$5.2 million or 4.3% from approximately HK$121.3 million for the year ended 31 March 2016 to approximately HK$126.5 million for the year ended 31 March 2017, which was mainly due to the increase in revenue generated from Happy Luck Home as a result of our commencement of business of Happy Luck Home in September 2015.

Sales of elderly home related goods

During the Track Record Period, revenue from sales of elderly home related goods represented the sale of goods to our residents, including but not limited to diapers, nutritional milk, wipes and blood glucose test strips. Our revenue from sales of elderly home related goods amounted to approximately HK$21.1 million, HK$23.7 million, HK$23.5 million, HK$15.4 million and HK$16.5 million for each of the three years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018 respectively, which represent approximately 14.8%, 15.8%, 15.1%, 15.1% and 14.4% of the total revenue for the respective periods. Set out below is the breakdown of our average spending on elderly home related goods per resident for the periods indicated:

	For the year ended 31 March			For the eight months ended 30 November	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Sales of elderly home related goods	21,055	23,677	23,498	15,397	16,531
Average number of residents	984	1,054	1,033	1,023	1,084
Average spending on elderly home related goods per residents per year/period	21.4	22.5	22.7	15.1	15.3

Our revenue from sales of elderly home related goods increased by approximately HK$1.1 million or 7.1% from approximately HK$15.4 million for the eight months ended 30 November 2017 to approximately HK$16.5 million for the eight months ended 30 November 2018, which was mainly due to the increase in the average number of residents for the eight months ended 30 November 2018 as compared to that of the same period in 2017.

Our revenue from sales of elderly home related goods remained relatively stable at approximately HK$23.5 million for the year ended 31 March 2018 as compared to approximately HK$23.7 million for the year ended 31 March 2017.

Our revenue from sales of elderly home related goods increased by approximately HK$2.6 million or 12.3% from approximately HK$21.1 million for the year ended 31 March 2016 to approximately HK$23.7 million for the year ended 31 March 2017, which was mainly due to the increase in revenue from sales of elderly home related goods generated from Happy Luck Home resulting from our commencement of business of Happy Luck Home in September 2015.

Employee benefit expenses

Our employee benefit expenses comprised of wages and salaries, retirement benefit scheme contributions, staff welfare and benefits, directors' remunerations and provision for long service payments. For each of the three years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, our employee benefit expenses amounted to approximately HK$53.8 million, HK$57.9 million, HK$54.8 million, HK$37.1 million and HK$37.0 million respectively, representing approximately 37.8%, 38.6%, 35.1%, 36.4% and 32.2% of our total revenue for the respective periods. Set out below is the breakdown of our employee benefit expenses for the period indicated:

	For the year ended 31 March			For the eight months ended 30 November	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Wages and salaries	47,314	48,855	49,735	34,287	33,965
Retirement benefit scheme contributions	1,672	1,639	2,094	1,129	1,085
Staff welfare and benefits	934	786	957	321	215
Directors' remunerations	3,682	6,322	1,818	1,212	1,212
Provision for long service payments, net	245	319	219	181	550
Total	53,847	57,921	54,823	37,130	37,027

Our employee benefits expenses remained stable at approximately HK$37.1 million for the eight months ended 30 November 2017 to approximately HK$37.0 million for the eight months ended 30 November 2018.

Our employee benefits expenses decreased by approximately HK$3.1 million or 5.4% from approximately HK$57.9 million for the year ended 31 March 2017 to approximately HK$54.8 million for the year ended 31 March 2018, which was mainly due to the decrease in directors' remunerations for the year ended 31 March 2018. Our directors' remuneration decreased by approximately HK$4.5 million or approximately 71.4% from approximately HK$6.3 million for the year ended 31 March 2017 to approximately HK$1.8 million for the year ended 31 March 2018. Such decrease was mainly due to our implementation of a fixed salary policy to our Directors which became effective during the year ended 31 March 2018, whereas no fixed salary policy was implemented to our Directors prior to the year ended 31 March 2018. Before the year ended 31 March 2018, our Directors' salaries were determined with reference to the profitability and cash flow position of our operating subsidiaries at the material times. In view of the enhancement of our Group's corporate governance and cash flow management, in particular our Group is required to estimate costs and manage the cash flow more accurately when implementing business development plan in the future, our Group commenced to fix salaries for our Directors from the year ended 31 March 2018 onwards. The annual salary and allowance and benefit in kind of each Director for the year ended 31 March 2018 was fixed at HK$0.6 million, which was determined with reference to (i) the directors' salaries and allowance and benefit in kind of comparable companies; and (ii) our Group's cash flow and financial position at the material times.

Our employee benefits expenses increased by approximately HK$4.1 million or 7.6% from approximately HK$53.8 million for the year ended 31 March 2016 to approximately HK$57.9 million for the year ended 31 March 2017, which was mainly due to the increase in wages and salaries of our staffs and director's remunerations for the year ended 31 March 2017.

Property rental and related expenses

Our property rental and related expenses during the Track Record Period mainly comprised of rental expenses under operating leases in relation to our RCHEs. For each of the three years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, our property rental and related expenses were approximately HK$25.4 million, HK$24.9 million, HK$28.2 million, HK$18.7 million and HK$19.9 million, respectively, which represented approximately 17.9%, 16.6%, 18.0%, 18.4% and 17.3% of our total revenue for the respective periods.

Our property rental and related expenses increased by approximately HK$1.2 million or 6.4% from approximately HK$18.7 million for the eight months ended 30 November 2017 to approximately HK$19.9 million for the eight months ended 30 November 2018, which was mainly due to the renewal of the tenancy agreements of Fai To Sino West Home, Tsuen Wan Centre and Fai To Home (On Lai) during the year ended 31 March 2018.

Our property rental and related expenses increased by approximately HK$3.3 million or 13.3% from approximately HK$24.9 million for the year ended 31 March 2017 to approximately HK$28.2 million for the year ended 31 March 2018, which was mainly due to the renewal of the tenancy agreements of Fai To Sino West Home, Tsuen Wan Centre and Fai To Home (On Lai) during the year ended 31 March 2018.

Our property rental and related expenses slightly decreased by approximately HK$0.5 million or 2.0% from approximately HK$25.4 million for the year ended 31 March 2016 to approximately HK$24.9 million for the year ended 31 March 2017, which was mainly due to the termination of the tenancy agreement of Fai-To Elderly Affairs during the year ended 31 March 2016.

Sensitivity analysis

The following sensitivity analysis illustrates the impact of hypothetical changes, based on historical fluctuations during the Track Record Period, in (i) property rental and related expenses; and (ii) employee benefit expenses on net profit for the respective periods during the Track Record Period:

	Impact on profit before taxation				
	For the year ended 31 March			For the eight months ended 30 November	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Employee benefit expenses increase/(decrease):					
20%	(10,769)	(11,584)	(10,965)	(7,426)	(7,405)
10%	(5,385)	(5,792)	(5,482)	(3,713)	(3,703)
5%	(2,692)	(2,896)	(2,741)	(1,857)	(1,851)
(5)%	2,692	2,896	2,741	1,857	1,851
(10)%	5,385	5,792	5,482	3,713	3,703
(20)%	10,769	11,584	10,965	7,426	7,405
Property rental and related expenses increase/(decrease):					
20%	(5,088)	(4,988)	(5,632)	(3,737)	(3,977)
10%	(2,544)	(2,494)	(2,816)	(1,868)	(1,989)
5%	(1,272)	(1,247)	(1,408)	(934)	(994)
(5)%	1,272	1,247	1,408	934	994
(10)%	2,544	2,494	2,816	1,868	1,989
(20)%	5,088	4,988	5,632	3,737	3,977

Notes:

(1) The sensitivity analysis above assumes that only one variable changes while other variables remain unchanged. This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact of changes in property rental and related expenses, and employee benefit expenses, and does not reflect changes in our revenue.

Subcontracting fees

Subcontracting fees mainly represent the fees paid to (i) occupational therapists and occupational therapist assistants and (ii) physiotherapists and physiotherapist assistants, offset by government subsidies. Government subsidies represent subsidies received from the HK Government for hiring specialised professionals for our residents with dementia by our care and attention homes. Subcontracting fees, including government subsidies, amounted to approximately HK$1.3 million, HK$1.4 million, HK$2.0 million, HK$0.4 million and HK$1.1 million for the three years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, respectively, representing approximately 0.9%, 0.9%, 1.3%, 0.4% and 1.0% of our total revenue for the respective periods. Set out below is the breakdown of our subcontracting fees for the periods indicated:

	For the year ended 31 March			For the eight months ended 30 November	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Subcontracting fees	6,760	7,376	9,147	4,780	5,529
Less: government subsidies	(5,418)	(5,951)	(7,144)	(4,351)	(4,418)
	1,342	1,425	2,003	429	1,111

Medical fees and related expenses

Medical fees and related expenses mainly represent expenses incurred for medical consumables such as insulin injection, feeding bags and oxygen. Medical fees and related expenses amounted to approximately HK$1.7 million, HK$1.7 million, HK$1.8 million, HK$1.2 million and HK$1.3 million for the three years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, respectively, representing approximately 1.2%, 1.2%, 1.1%, 1.2% and 1.1% of our total revenue for the respective periods.

Finance costs, net

Finance costs represent interest on bank borrowings net of interest on bank deposits. The table below sets forth the net finance costs of our Group and amount charged to the consolidated statements of comprehensive income of our Group during the Track Record Period:

	Year ended 31 March			Eight months ended 30 November	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest income	1	1	1	—	2
Interest expenses	(46)	(177)	(280)	(73)	(394)
Finance costs, net	(45)	(176)	(279)	(73)	(392)

Income tax expense

As our operations are based exclusively in Hong Kong, our Group was not subject to any income tax in the Cayman Islands and BVI during the Track Record Period. The provision for Hong Kong profit tax was calculated at 16.5% of our estimated assessable profits during the Track Record Period. Our income tax expense amounted to approximately HK$5.6 million, HK$6.6 million, HK$7.6 million, HK$4.6 million and HK$5.8 million, respectively. The effective tax rate were approximately 15.4%, 16.4%, 17.2%, 16.0% and 20.6% for the three years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, respectively.

Our income tax expense increased from approximately HK$4.6 million for the eight months ended 30 November 2017 to approximately HK$5.8 million for the eight months ended 30 November 2018, which was mainly due to the increase in revenue generated from rendering of elderly home care services. The increase in effective tax rate (i.e. income tax expenses for the year/period divided by profit before taxation of the respective year/period) from approximately 16.0% for the eight months ended 30 November 2017 to approximately 20.6% for the eight months ended 30 November 2018 was mainly due to the increase in non-deductible listing expenses of approximately HK$8.7 million for the eight months ended 30 November 2018.

Our income tax expense increased from approximately HK$6.6 million for the year ended 31 March 2017 to HK$7.6 million for the year ended 31 March 2018, which was mainly due to the increase in revenue generated from rendering of elderly home care services. The increase in effective tax rate from approximately 16.4% for the year ended 31 March 2017 to approximately 17.2% for the year ended 31 March 2018 was mainly due to the increase in non-deductible listing expenses of approximately HK$2.6 million for the year ended 31 March 2018.

Our income tax expense increased from approximately HK$5.6 million for the year ended 31 March 2016 to HK$6.6 million for the year ended 31 March 2017, which was mainly due to the increase in revenue generated from rendering of elderly home care services. The increase in effective tax rate from approximately 15.4% for the year ended 31 March 2016 to 16.4% for the year ended 31 March 2017 was mainly due to the absence of over-provision in prior years of approximately HK$0.4 million for the year ended 31 March 2017.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Eight months ended 30 November 2018 compared to eight months ended 30 November 2017

Revenue

The revenue of our Group increased by approximately HK$12.9 million or 12.7% from HK$101.9 million for the eight months ended 30 November 2017 to approximately HK$114.8 million for the eight months ended 30 November 2018 which was mainly due to the increase in revenue derived from rendering of elderly home care services and sales of elderly home related goods.

Other income

Our other income decreased by approximately HK$1.5 million or 100.0% from approximately HK$1.5 million for the eight months ended 30 November 2017 to nil for the eight months ended 30 November 2018 which was mainly due to the absence of advertising income for the eight months ended 30 November 2018.

Depreciation

Our depreciation remained stable at approximately HK$3.7 million for the eight months ended 30 November 2018 as compared to approximately HK$3.9 million for the eight months ended 30 November 2017.

Employee benefit expenses

Our employee benefit expenses remained stable at approximately HK$37.0 million for the eight months ended 30 November 2018 as compared to approximately HK$37.1 million for the eight months ended 30 November 2017.

Property rental and related expenses

Our property rental and related expenses increased by approximately HK$1.2 million or 6.4% from approximately HK$18.7 million for the eight months ended 30 November 2017 to approximately HK$19.9 million for the eight months ended 30 November 2018. Such increase was primarily due to the renewal of tenancy agreements of Fai To Sino West Home, Pine Villa and Fai To Home (Tuen Mun).

Food and beverage costs

Our food and beverage costs increased by approximately HK$0.4 million or 9.5% from approximately HK$4.2 million for the eight months ended 30 November 2017 to approximately HK$4.6 million for the eight months ended 30 November 2018, which was mainly due to the increase in the overall occupancy rate for the same period.

Utility expenses

Our utility expenses remained stable at approximately HK$3.5 million for the eight months ended 30 November 2018 as compared to approximately HK$3.2 million for the eight months ended 30 November 2017.

Supplies and consumables

Our supplies and consumables remained stable at approximately HK$1.3 million for the eight months ended 30 November 2017 and 2018.

Repair and maintenance

Our repair and maintenance increased by approximately HK$0.2 million or 25% from approximately HK$0.8 million for the eight months ended 30 November 2017 to approximately HK$1.0 million for the eight months ended 30 November 2018. Such increase was primarily due to the increase in repair and maintenance works of our Group.

Subcontracting fees

Our subcontracting fees increased by approximately HK$0.7 million or 175% from approximately HK$0.4 million for the eight months ended 30 November 2017 to approximately HK$1.1 million for the eight months ended 30 November 2018. In November 2017, Fai-To Centre for the Aged merged with Kato Elderly Home and the classification under the EBPS of Kato Elderly Home was upgraded from EA2 to EA1. According to the requirements on staffing under the EBPS, care and attention homes under EA1 requires more qualified staff such as physiotherapist than care and attention homes under EA2, as a result, Kato Elderly Home subcontracted more qualified human resources to meet the requirements of EA1 and led to the increase in the subcontracting fees for the eight months ended 30 November 2018.

Cleaning expenses

Our cleaning expenses remained stable at approximately HK$1.3 million for the eight months ended 30 November 2018 as compared to approximately HK$1.2 million for the eight months ended 30 November 2017.

Medical fees and related expenses

Our medical fees and related expenses remained stable at approximately HK$1.3 million for the eight months ended 30 November 2018 as compared to approximately HK$1.2 million for the eight months ended 30 November 2017.

Other operating expenses

Our other operating expenses consist of printing and stationary expenses, insurance expenses, entertainment expenses, professional fees and other expenses. Our other operating expenses increased by approximately HK$0.4 million or 15.4% from approximately HK$2.6 million for the eight months ended 30 November 2017 to approximately HK$3.0 million for the eight months ended 30 November 2018, which was primarily due to the increase in sundry expenses, such as sundry expenses for the elderly and care and attention homes' necessities of approximately HK$0.9 million for the eight months ended 30 November 2018, partially offset by the decrease in insurance expenses of approximately HK$0.2 million for the eight months ended 30 November 2018.

Listing expenses

Our listing expenses increased from nil for the eight months ended 30 November 2017 to approximately HK$8.7 million for the eight months ended 30 November 2018.

Income tax expense

Our income tax expense increased by approximately HK$1.2 million or 26.1% from approximately HK$4.6 million for the eight months ended 30 November 2017 to approximately HK$5.8 million for the eight months ended 30 November 2018. Such increase was primarily due to the increase in the non-deductible listing expenses for the eight months ended 30 November 2018.

Effective tax rate

Our effective tax rate increased from approximately 16.0% for the eight months ended 30 November 2017 to approximately 20.6% for the eight months ended 30 November 2018. The increase was primarily due to the non-deductible listing expenses of approximately HK$8.7 million for the eight months ended 30 November 2018.

Profit and total comprehensive income for the period and net profit margin

As a result of the foregoing, we recorded a profit and total comprehensive income for the eight months ended 30 November 2018 of approximately HK$22.3 million, representing a decrease of approximately HK$1.8 million or 7.5% from approximately HK$24.1 million for the eight months ended 30 November 2017. Our net profit margin decreased from approximately 23.7% for the eight months ended 30 November 2017 to approximately 19.4% for the eight months ended 30 November 2018, which was primarily due to the increase in listing expenses.

Year ended 31 March 2018 compared to year ended 31 March 2017

Revenue

The revenue of our Group increased by approximately HK$5.8 million or 3.9%, from approximately HK$150.2 million for the year ended 31 March 2017 to approximately HK$156.0 million for the year ended 31 March 2018. Such increase was mainly due to the increase in revenue derived from rendering of elderly home care services, which was partially offset by the slight decrease in revenue derived from our sales of elderly home related goods for the year ended 31 March 2018.

Other income and other loss, net

Our other income increased by approximately HK$0.3 million or 14.3%, from approximately HK$2.1 million for the year ended 31 March 2017 to approximately HK$2.4 million for the year ended 31 March 2018, which was primarily due to the increase in advertising income for the year ended 31 March 2018.

Depreciation

Our depreciation remained relatively stable at approximately HK$6.1 million for the year ended 31 March 2018 as compared to approximately HK$6.3 million for the year ended 31 March 2017.

Employee benefit expenses

Our employee benefits expenses decreased by approximately HK$3.1 million or 5.3% from approximately HK$57.9 million for the year ended 31 March 2017 to approximately HK$54.8 million for the year ended 31 March 2018, which was mainly due to the decrease in directors' remunerations for the year ended 31 March 2018.

Property rental and related expenses

Our property rental and related expenses increased by approximately HK$3.3 million or 13.3% from approximately HK$24.9 million for the year ended 31 March 2017 to approximately HK$28.2 million for the year ended 31 March 2018. The increase was primarily due to the renewal of tenancy agreements of Fai To Sino West Home, Tsuen Wan Centre and Fai To Home (On Lai) during the year ended 31 March 2018.

Food and beverage costs

Our food and beverage costs decreased by approximately HK$0.6 million or 8.3% from approximately HK$7.0 million for the year ended 31 March 2017 to approximately HK$6.4 million for the year ended 31 March 2018. During the year ended 31 March 2018, the number of residents of our Group during the renovation period of Kato Elderly Home decreased and led to the decrease in food and beverage costs for the same year.

Utility expenses

Our utility expenses remained relatively stable at approximately HK$4.3 million for the year ended 31 March 2018 as compared to approximately HK$4.1 million for the year ended 31 March 2017.

Supplies and consumables

Our supplies and consumables remained relatively stable at approximately HK$1.6 million for the years ended 31 March 2017 and 2018.

Repair and maintenance

Our repair and maintenance remained relatively stable at approximately HK$1.2 million for the year ended 31 March 2018 as compared to approximately HK$1.1 million for the year ended 31 March 2017.

Subcontracting fees

Our subcontracting fees increased by approximately HK$0.6 million or 42.9% from approximately HK$1.4 million for the year ended 31 March 2017 to approximately HK$2.0 million for the year ended 31 March 2018. Such increase was primarily due to the merger of Kato Elderly Home and Fai-To Centre for the Aged and the upgrade of classification under the EBPS from EA2 to EA1 of Kato Elderly Home. Care and attention homes under the EA1 classification require more qualified staff such as physiotherapist than care and attention homes under the EA2 classification, as a result, Kato Elderly Home subcontracted more qualified staff meet the requirements of the EA1 classification and led to the increase in the subcontracting fees for the year ended 31 March 2018.

Cleaning expenses

Our cleaning expenses remained relatively stable at approximately HK$2.1 million for the year ended 31 March 2018 as compared to approximately HK$1.9 million for the year ended 31 March 2017.

Medical fees and related expenses

Our medical fees and related expenses remained relatively stable at approximately HK$1.8 million for the year ended 31 March 2018 as compared to approximately HK$1.7 million for the year ended 31 March 2017.

Donations

Our donations to organisations decreased by approximately HK$0.4 million or 66.7%, from approximately HK$0.6 million for the year ended 31 March 2017 to approximately HK$0.2 million for the year ended 31 March 2018.

Other operating expenses

Our other operating expenses decreased by approximately HK$0.5 million or 16.7% from approximately HK$3.4 million for the year ended 31 March 2017 to approximately HK$2.9 million for the year ended 31 March 2018. Such decrease was primarily due to the decrease in (i) printing and stationary expenses; and (ii) entertainment expenses of approximately HK$0.3 million and HK$0.5 million, respectively, which was partially offset by the increase in sundry expenses of HK$0.1 million for the year ended 31 March 2018.

Listing expenses

Our listing expenses increased by approximately HK$2.6 million from nil for the year ended 31 March 2017 to approximately HK$2.6 million for the year ended 31 March 2018.

Income tax expenses

Our income tax expenses increased by approximately HK$1.0 million or 15.2% from approximately HK$6.6 million for the year ended 31 March 2017 to HK$7.6 million for the year ended 31 March 2018, which was mainly due to the increase in revenue generated from rendering of elderly home care services for the year ended 31 March 2018.

Effective tax rate

Our effective tax rate increased from approximately 16.4% for the year ended 31 March 2017 to approximately 17.2% for the year ended 31 March 2018. The increase was primarily due to the non-deductible listing expenses for the year ended 31 March 2018.

Profit and total comprehensive income for the year and net profit margin

As a result of the foregoing, we recorded a profit and total comprehensive income for the year ended 31 March 2018 of approximately HK$36.4 million, representing an increase of approximately HK$2.9 million or 8.7%, from approximately HK$33.5 million for the year ended 31 March 2017. Our net profit margin increased from approximately 22.3% for the year ended 31 March 2017 to approximately 23.4% for the year ended 31 March 2018. In November 2017, Fai-To Centre for the Aged merged with Kato Elderly Home and the classification under the EBPS of Kato Elderly Home was upgraded from EA2 to EA1. As a result, the revenue generated from rendering of elderly home care services increased and led to a higher net profit margin.

Year ended 31 March 2017 compared to year ended 31 March 2016

Revenue

The revenue of our Group increased by approximately HK$7.8 million or 5.5% from HK$142.4 million for the year ended 31 March 2016 to approximately HK$150.2 million for the year ended 31 March 2017 which was due to the increases in revenue derived from rendering of elderly home care services and sales of elderly home related goods.

Depreciation

Our depreciation increased by approximately HK$1.9 million or 43.2% from approximately HK$4.4 million for the year ended 31 March 2016 to approximately HK$6.3 million for the year ended 31 March 2017. Such increase was primarily due to the additional depreciations incurred from (i) leasehold improvements; and (ii) furniture and fixtures for the year ended 31 March 2017.

Employee benefit expenses

Our employee benefit expenses increased by approximately HK$4.1 million or 7.6% from approximately HK$53.8 million for the year ended 31 March 2016 to approximately HK$57.9 million for the year ended 31 March 2017, which was primarily due to the increase in wages and salaries of our staff and directors' remunerations for the year ended 31 March 2017.

Property rental and related expenses

Our property rental and related expenses slightly decreased by approximately HK$0.5 million or 2.0% from approximately HK$25.4 million for the year ended 31 March 2016 to approximately HK$24.9 million for the year ended 31 March 2017. The decrease was primarily due to the termination of the tenancy agreement of Fai-to Elderly Affairs during the year ended 31 March 2016.

Food and beverage costs

Our food and beverage costs remained relatively stable at approximately HK$7.0 million for the years ended 31 March 2016 and 2017.

Utility expenses

Our utility expenses remained relatively stable at approximately HK$4.1 million for the year ended 31 March 2017 as compared to approximately HK$4.4 million for the year ended 31 March 2016.

Supplies and consumables

Our supplies and consumables remained relatively stable at approximately HK$1.6 million for the years ended 31 March 2016 and 2017.

Repair and maintenance

Our repair and maintenance remained stable at approximately HK$1.1 million for the years ended 31 March 2016 and 2017.

Subcontracting fees

Our subcontracting fees increased by approximately HK$0.1 million or 6.2% from approximately HK$1.3 million for the year ended 31 March 2016 to approximately HK$1.4 million for the year ended 31 March 2017. The increase was primarily due to the commencement of business of Happy Luck Home in September 2015.

Cleaning expenses

Our cleaning expenses remained relatively stable at approximately HK$1.9 million for the years ended 31 March 2016 and 2017.

Medical fees and related expenses

Our medical fees and related expenses remained relatively stable at approximately HK$1.7 million for the years ended 31 March 2016 and 2017.

Donations

Our donations to organisations increased by approximately HK$0.3 million or 100%, from approximately HK$0.3 million for the year ended 31 March 2016 to approximately HK$0.6 million for the year ended 31 March 2017.

Other operating expenses

Our other operating expenses decreased by approximately HK$0.8 million or 18.5% from approximately HK$4.2 million for the year ended 31 March 2016 to approximately HK$3.4 million for the year ended 31 March 2017, which was primarily due to the decrease in entertainment expenses, secretarial fees and sundry expense of approximately HK$0.3 million, HK$0.4 million and HK$0.6 million for the year ended 31 March 2017, respectively.

Income tax expense

Our income tax expense increased by approximately HK$1.0 million or 17.7% from approximately HK$5.6 million for the year ended 31 March 2016 to HK$6.6 million for the year ended 31 March 2017, which was mainly due to the increase in revenue generated from rendering of elderly home care services for the year ended 31 March 2017.

Effective tax rate

Our effective tax rate increased from approximately 15.4% for the year ended 31 March 2016 to approximately 16.4% for the year ended 31 March 2017. Such increase was primarily due to the absence in over-provision of income tax expenses in prior years for the year ended 31 March 2017.

Profit and total comprehensive income for the year and net profit margin

As a result of the foregoing, we recorded a profit and total comprehensive income for the year ended 31 March 2017 of approximately HK$33.5 million, representing an increase of approximately HK$2.7 million or 8.8% from approximately HK$30.8 million for the year ended 31 March 2016. Our net profit margin increased slightly from approximately 21.7% for the year ended 31 March 2016 to approximately 22.3% for the year ended 31 March 2017, which is mainly due to the increase in average monthly occupancy rate from 89.4% for the year ended 31 March 2016 to 92.9% for the year ended 31 March 2017.

SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below presents the summary of consolidated statements of financial positions of our Group as at 31 March 2016, 2017 and 2018 and 30 November 2018 extracted from the Accountant's Report as set out in Appendix I to this prospectus.

Consolidated statements of financial position

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property and equipment	10,559	13,571	15,400	11,899
Deferred tax assets	1,885	2,218	2,184	2,211
Total non-current assets	12,444	15,789	17,584	14,110
CURRENT ASSETS				
Trade receivables	1,724	1,619	1,518	1,148
Prepayments, deposits and other receivables	6,196	6,622	9,494	10,282
Amounts due from the shareholders	10,646	14,287	20,100	20,264
Amount due from a director	—	—	4,679	2,557
Amounts due from related companies	1,719	3,304	4,560	4,637
Tax recoverable	519	552	645	—
Cash and cash equivalents	17,974	16,595	30,551	36,230
Total current assets	38,778	42,979	71,547	75,118
Total assets	51,222	58,768	89,131	89,228
CURRENT LIABILITIES				
Trade and other payables	7,664	8,469	7,324	8,997
Deposits from customers	2,843	3,144	3,722	4,283
Contract liabilities	1,516	1,823	1,781	2,172
Amount due to a director	17,463	7,555	—	—
Amounts due to related companies	670	2,742	2,397	2,382
Bank borrowings	14,474	8,538	26,718	23,854
Income tax payable	2,705	2,430	3,304	7,454
Total current liabilities	47,335	34,701	45,246	49,142
NON-CURRENT LIABILITY				
Accruals and other payables	1,633	1,574	1,635	2,185
Total non-current liability	1,633	1,574	1,635	2,185
Total liabilities	48,968	36,275	46,881	51,327
Net assets	2,254	22,493	42,250	37,901
EQUITY				
Equity attributable to shareholders of our Company				
Share capital	—	—	—	—
Capital reserve	136	36	36	36
Retained earnings	2,118	22,457	42,214	37,865
Total equity	2,254	22,493	42,250	37,901

ANALYSIS ON MAJOR COMPONENTS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property and equipment

Our property and equipment mainly comprised of (i) leasehold improvements, (ii) furniture and fixtures; and (iii) office equipment. The carrying amounts of property and equipment amounted to approximately HK$10.6 million, HK$13.6 million, HK$15.4 million and HK$11.9 million as at 31 March 2016, 2017 and 2018 and 30 November 2018, respectively, representing approximately 20.6%, 23.1%, 17.3% and 13.3% of our total assets.

The decrease in our property and equipment from approximately HK$15.4 million as at 31 March 2018 to approximately HK$11.9 million as at 30 November 2018 was mainly due to the depreciation of leasehold improvements for the eight months ended 30 November 2018.

The increase in our property and equipment from approximately HK$13.6 million as at 31 March 2017 to approximately HK$15.4 million as at 31 March 2018 was mainly due to the increase in additional leasehold improvements and furniture and fixtures for the year ended 31 March 2018.

The increase in our property and equipment from approximately HK$10.6 million as at 31 March 2016 to approximately HK$13.6 million as at 31 March 2017 was mainly due to the increase in additional leasehold improvements for the year ended 31 March 2017.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables represent prepayments, prepaid rent, prepaid listing expenses, deposits and other receivables, which were approximately HK$6.2 million, HK$6.6 million, HK$9.5 million and HK$10.3 million as at 31 March 2016, 2017 and 2018 and 30 November 2018, respectively.

Our prepayments, deposits and other receivables increased from approximately HK$9.5 million as at 31 March 2018 to approximately HK$10.3 million as at 30 November 2018, which was mainly due to the increase in prepaid listing expenses for the eight months ended 30 November 2018.

Our prepayments, deposits and other receivables increased from approximately HK$6.6 million as at 31 March 2017 to approximately HK$9.5 million as at 31 March 2018, which was mainly due to the increase in prepaid listing expenses for the year ended 31 March 2018.

Our prepayments, deposits and other receivables increased from approximately HK$6.2 million as at 31 March 2016 to approximately HK$6.6 million as at 31 March 2017, which was mainly due to the increase in prepayments for insurance expenses for the year ended 31 March 2017.

Trade receivables

Our trade receivables mainly consist of receivables from our customers for (i) monthly residential fees rendered in our care and attention homes; and (ii) sales of elderly home related goods. Our Group's trading terms with its customers are mainly payment in advance. Generally, there is no credit term granted to our customers. As at 31 March 2016, 2017 and 2018 and 30 November 2018, our trade receivables amounted to approximately HK$1.7 million, HK$1.6 million, HK$1.5 million and HK$1.1 million, respectively.

The ageing analysis of our Group's trade receivables, based on invoice date, as at 31 March 2016, 2017 and 2018 and 30 November 2018 are as follows:

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	1,059	1,309	1,123	1,001
31–60 days	254	135	178	106
61–180 days	411	175	217	41
	1,724	1,619	1,518	1,148
Average turnover days of trade receivables *(Note 1)*	3	4	4	3

Note 1: Trade receivables turnover days are calculated by dividing the average trade receivables by revenue and multiplied by 365 days for each of the three years ended 31 March 2016, 2017 and 2018 and 244 days for the eight months ended 30 November 2018. Average trade receivables are calculated by dividing the sum of trade receivables, net of bad and doubtful debts allowance, at the beginning of the period and trade receivables at the end of the period by two.

Most of our Group's customers settle their bills timely and our trade receivables relate to a large number of diversified customers. The overdue balances are reviewed regularly by our management and we did not experience any material payment defaults from our customers and hence no provision for impairment was recognised during the Track Record Period. Therefore, our exposure to credit risks is insignificant.

Our trade receivables decreased by approximately HK$0.4 million or 26.7% from approximately HK$1.5 million as at 31 March 2018 to approximately HK$1.1 million as at 30 November 2018. Such decrease was primarily due to (i) decrease in the trade receivables of the SWD; and (ii) settlement of certain overdue balances by customers.

Our trade receivables remained relatively stable at approximately HK$1.5 million as at 31 March 2018 as compared to approximately HK$1.6 million as at 31 March 2017.

Our trade receivables remained relatively stable at approximately HK$1.6 million as at 31 March 2017 as compared to approximately HK$1.7 million as at 31 March 2016.

Our average trade receivables turnover days remained stable at approximately 3 days, 4 days, 4 days and 3 days as at 31 March 2016, 2017 and 2018 and 30 November 2018, respectively.

As at the Latest Practicable Date, all of our trade receivables as at 30 November 2018 had been subsequently settled.

Amounts due from the shareholders

As at 31 March 2016, 2017 and 2018 and 30 November 2018, the amounts due from shareholders amounted to approximately HK$10.6 million, HK$14.3 million, HK$20.1 million and HK$20.3 million, respectively. The following table sets forth the details of amounts due from the shareholders:

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Au Wai Kwan	287	317	—	—
Mr. Lam Kong	1,375	1,415	3,046	3,046
Mr. Kwong Kai To	4,244	4,389	7,233	7,233
Ms. Kwong Mei Ping	688	708	1,523	1,523
Mr. Kwong Wai Ping, Thomas	477	527	—	—
Mr. Ngai Chi Hang	344	354	762	762
Mr. Ngai Ha Sang	1,190	1,315	—	—
Ms. Ngai Ka Yee	1,548	4,714	7,536	7,700
Mr. Ngai Yiu Pan, Louis	238	263	—	—
Ms. So Wai Ha	85	95	—	—
Mr. Zhang Jun Xue	170	190	—	—
	10,646	14,287	20,100	20,264

Our amounts due from the shareholders were denominated in HK$, unsecured, interest-free, repayable on demand and non-trade in nature. Our Directors confirm that all amounts due from the shareholders will be settled before the Listing.

Amount due from a director

Our amount due from a director represents the amount due from Mr. Ngai. The amount was denominated in HK$, unsecured, interest-free, repayable on demand and non-trade in nature. Our amount due from a director amounted to approximately nil, nil, HK$4.7 million and HK$2.6 million as at 31 March 2016, 2017 and 2018 and 30 November 2018, respectively. Our Directors confirm that the amount due from a director will be settled before the Listing.

Trade and other payables and deposits from the customers

Our trade and other payables and deposits from the customers mainly consists of trade payables, accruals and other payables, accrued wages and salaries and retirement benefit scheme contributions, listing expenses payable, deposits from customers, provision for reinstatement costs and provision for long service payments. Our trade and other payables and deposits from the customers as at 31 March 2016, 2017 and 2018 and 30 November 2018 are set out as follows:

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	1,504	1,375	1,931	1,576
Accruals and other payables	2,086	1,968	473	718
Accrued wages and salaries and retirement benefit scheme contributions	4,610	5,284	4,736	4,481
Listing expenses payable	—	—	184	2,222
Deposits from customers	2,843	3,144	3,722	4,283
Provision for reinstatement costs	575	575	575	575
Provision for long service payments	522	841	1,060	1,610
	12,140	13,187	12,681	15,465

Our trade and other payables and deposits from the customers increased from approximately HK$12.7 million as at 31 March 2018 to approximately HK$15.5 million as at 30 November 2018 was mainly due to the increase in listing expenses payable for the eight months ended 30 November 2018.

Our trade and other payables and deposits from the customers decreased from approximately HK$13.2 million as at 31 March 2017 to approximately HK$12.7 million as at 31 March 2018 was mainly due to the decrease in (i) accruals and other payables; and (ii) accrued wages and salaries and retirement benefit scheme contributions.

Our trade and other payables and deposits from the customers increased from approximately HK$12.1 million as at 31 March 2016 to approximately HK$13.2 million as at 31 March 2017 was mainly due to the increase in (i) accrued wages and salaries and retirement benefit scheme contributions; and (ii) deposits from our customers as at 31 March 2017.

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

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 60 days	1,504	1,375	1,931	1,576

Creditors' turnover days of our Group as at 31 March 2016, 2017 and 2018, and 30 November 2018 were approximately 36 days, 39 days, 44 days and 31 days, respectively, which were in line with the credit terms given by our suppliers.

As at the Latest Practicable Date, all of our trade payables as at 30 November 2018 had been subsequently settled.

Amount due to a director

Our amount due to a director represents amount due to Mr. Ngai and the amount was denominated in HK$, unsecured, interest-free, repayable on demand and non-trade in nature. As at 31 March 2016, 2017 and 2018 and 30 November 2018, the amount due to a director amounted to approximately HK$17.5 million, HK$7.6 million, nil and nil, respectively. Our Directors confirm that the amount due to a director has been settled before the Listing.

Amounts due to related companies

As at 31 March 2016, 2017 and 2018 and 30 November 2018, the amounts due to related companies amounted to approximately HK$0.7 million, HK$2.7 million, HK$2.4 million and HK$2.4 million, respectively. The following table sets forth the details of amounts due to related companies:

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Kato Elderly Affairs	510	2,581	2,225	2,225
Stand Harvest Limited	160	161	172	157
	670	2,742	2,397	2,382

Our amounts due to related companies were denominated in HK$. The amount due to Stand Harvest Limited is trade in nature while the amount due to Kato Elderly Affairs is non-trade in nature. For further details regarding the transactions between our Group and Kato Elderly Affairs or Stand Harvest Limited, see "Connected Transactions" in this prospectus.

Bank borrowings

Our bank borrowings are secured by mortgage over the land and buildings of related companies and unlimited guarantee from related companies. Certain of our Group's bank borrowings are guaranteed by our operating subsidiaries. Certain of our Group's bank borrowings are interest-bearing and are secured by personal guarantee provided by Mr. Ngai, which will be fully released and replaced by a corporate guarantee provided by our Operating Subsidiaries upon the Listing.

The following table sets forth the breakdown of our bank borrowings repayable based on the scheduled repayment dates as at 31 March 2016, 2017 and 2018 and 30 November 2018:

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	10,076	6,513	3,281	1,250
More than 1 year but less than 2 years	2,374	2,025	1,250	1,250
More than 2 years but less than 5 years	2,024	—	3,750	3,750
More than 5 years	—	—	18,437	17,604
	14,474	8,538	26,718	23,854
Effective interest rates (i.e. interest expenses for the year divided by bank borrowings as at the respective year)	0.3%	2.1%	1.0%	1.7%

Our bank borrowings amounted to approximately HK$14.5 million, HK$8.5 million, HK$26.7 million and HK$23.9 million as at 31 March 2016, 2017 and 2018 and 30 November 2018, respectively.

The decrease in our bank borrowings from approximately HK$26.7 million as at 31 March 2018 to approximately HK$23.9 million as at 30 November 2018 was mainly due to the repayment of bank borrowings during the eight months ended 30 November 2018.

The increase in our bank borrowings from approximately HK$8.5 million as at 31 March 2017 to approximately HK$26.7 million as at 31 March 2018 was mainly due to the increase in bank borrowings obtained by our Group during the year ended 31 March 2017.

The decrease in our bank borrowings from approximately HK$14.5 million as at 31 March 2016 to approximately HK$8.5 million as at 31 March 2017 was mainly due to the repayment of bank borrowings during the year ended 31 March 2017.

Our Directors confirmed that there was no breach of restrictive bank loan covenants during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our Group's working capital and other capital requirements were financed principally through the cash flow generated from our operations activities. We expect that there will not be any material changes in the sources and uses of cash of our Group upon completion of the Share Offer and in the future, except that we will have additional funds from the estimated Net Proceeds from the Share Offer for implementing our future plans as detailed in the section headed "Future Plans and Use of Proceeds" in this prospectus.

Cash flows

The table below sets forth a summary of our consolidated statements of cash flows for the period as indicated. This information should be read together with the consolidated financial information contained in the Accountant's Report in Appendix I to this prospectus.

	For the year ended 31 March			For the eight months 30 November
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net cash generated from operating activities	20,735	40,149	41,440	35,916
Net cash used in investing activities	(9,461)	(8,800)	(21,574)	(477)
Net cash used in financing activities	(6,239)	(32,728)	(5,910)	(29,760)
Net increase/(decrease) in cash and cash equivalents	5,035	(1,379)	13,956	5,679
Cash and cash equivalents at the beginning of the year/period	12,939	17,974	16,595	30,551
Cash and cash equivalents at the end of the year/period	17,974	16,595	30,551	36,230

Operating activities

Our net cash generated from operating activities primarily consisted of cash generated from operations and Hong Kong profit tax paid.

Year ended 31 March 2016

During the year ended 31 March 2016, the net cash generated from operating activities amounted to approximately HK$20.7 million, which was mainly attributable to cash generated from operations of approximately HK$42.7 million, partially offset by Hong Kong profit tax paid of approximately HK$21.9 million. Our cash generated from operations was approximately HK$42.7 million, primarily as a result of the combined effects of (i) approximately HK$41.2 million operating cash flows before movements in working capital, (ii) the decrease in prepayments, deposits and other receivables of approximately HK$1.3 million, (iii) the increase in trade and other payables of approximately HK$0.1 million, (iv) the increase in deposits from customers of approximately HK$0.8 million and (v) the increase in contract liabilities of approximately HK$0.2 million. This was offset by the increase in trade receivables of approximately HK$0.9 million.

Year ended 31 March 2017

During the year ended 31 March 2017, the net cash generated from operating activities amounted to approximately HK$40.1 million, which was mainly attributable to the cash generated from operations of approximately HK$47.5 million, partially offset by Hong Kong profits tax paid of approximately HK$7.2 million. Our cash generated from operations was approximately HK$47.5 million, primarily as a result of the combined effects of (i) approximately HK$46.5 million operating cash flows before movements in working capital, (ii) the decrease in trade receivables of approximately HK$0.1 million, (iii) the increase in trade and other payables of approximately HK$0.7 million, (iv) the increase in deposits from customers of approximately HK$0.3 million and (v) the increase in contract liabilities of approximately HK$0.3 million. This was offset by the increase in prepayments, deposits and other receivables of approximately HK$0.4 million.

Year ended 31 March 2018

During the year ended 31 March 2018, the net cash generated from operating activities amounted to approximately HK$41.4 million, which was mainly attributable to the cash generated from operations of approximately HK$48.5 million, partially offset by Hong Kong profits tax paid of approximately HK$6.8 million. Our cash generated from operations was approximately HK$48.5 million, primarily as a result of the combined effects of (i) approximately HK$50.4 million operating cash flows before movements in working capital, (ii) the decrease in trade receivables of approximately HK$0.1 million, and (iii) the increase in deposits from customers of approximately HK$0.6 million. This was offset by (i) the increase in prepayments, deposits and other receivables of approximately HK$1.5 million, (ii) the decrease in trade and other payables of approximately HK$1.1 million and (iii) the decrease in contract liabilities of approximately HK$0.04 million.

Eight months ended 30 November 2018

During the eight months ended 30 November 2018, the net cash generated from operating activities amounted to approximately HK$35.9 million, which was mainly attributable to the cash generated from operations of approximately HK$37.4 million, partially offset by tax paid of approximately HK$1.0 million. Our cash generated from operations was approximately HK$37.4 million, primarily as a result of the combined effects of (i) approximately HK$32.6 million operating cash flows before movements in working capital; (ii) the decrease in trade receivables of approximately HK$0.4 million, (iii) the increase in trade and other payables of approximately HK$4.3 million, (iv) the increase in deposits from customers of approximately HK$0.6 million, and (v) the increase in contract liabilities of approximately HK$0.4 million. This was offset by the increase in prepayments, deposits and other receivables of approximately HK$0.8 million.

Investing activities

Our net cash flows used in investing activities consisted of purchases of property and equipment and increase in amounts due from shareholders during the Track Record Period.

Year ended 31 March 2016

For the year ended 31 March 2016, the net cash used in investing activities was approximately HK$9.5 million, which was attributable to (i) purchases of property and equipment of approximately HK$6.8 million and (ii) increase in amounts due from the shareholders of approximately HK$1.4 million.

Year ended 31 March 2017

For the year ended 31 March 2017, the net cash used in investing activities was approximately HK$8.8 million, which was attributable to the purchases of property and equipment of approximately HK$9.3 million.

Year ended 31 March 2018

For the year ended 31 March 2018, the net cash used in investing activities was approximately HK$21.6 million which was attributable to (i) the purchases of property and equipment of approximately HK$8.0 million and (ii) increase in amounts due from the shareholders of approximately HK$12.0 million.

Eight months ended 30 November 2018

For the eight months ended 30 November 2018, the net cash used in investing activities was approximately HK$0.5 million which was mainly attributable to (i) the purchases of property and equipment of approximately HK$0.2 million and (ii) increase in amounts due from the shareholders of approximately HK$0.2 million.

Financing activities

Our net cash used in financing activities consisted of advances from a director, repayments to a director, proceeds from bank borrowings, repayments of bank borrowings, dividends paid to shareholders and payment of professional fee in connection with the Share Offer.

Year ended 31 March 2016

For the year ended 31 March 2016, the net cash used in financing activities was approximately HK$6.2 million. The net cash used in financing activities was attributable to (i) advances from a director of approximately HK$13.0 million and (ii) proceeds from bank borrowings of approximately HK$16.4 million, partially offset by (i) repayment to a director of approximately HK$17.6 million, (ii) repayment of bank borrowings of approximately HK$1.9 million and (iii) dividends paid to shareholders of approximately HK$16.1 million.

Year ended 31 March 2017

For the year ended 31 March 2017, the net cash used in financing activities was approximately HK$32.7 million. The net cash used in financing activities was attributable to (i) advances from a director of approximately HK$8.7 million and (ii) proceeds from bank borrowings of approximately HK$4.8 million, partially offset by (i) repayment to a director of approximately HK$13.4 million, (ii) repayment of bank borrowings of approximately HK$10.7 million and (iii) dividends paid to shareholders of approximately HK$22.1 million.

Year ended 31 March 2018

For the year ended 31 March 2018, the net cash used in financing activities was approximately HK$5.9 million. The net cash used in financing activities was attributable to (i) advances from a director of approximately HK$1.5 million and (ii) proceeds from bank borrowings of approximately HK$25.0 million, partially offset by (i) repayment to a director of approximately HK$13.7 million, (ii) repayment of bank borrowings of approximately HK$6.8 million, (iii) dividends paid to shareholders of approximately HK$10.5 million and (iv) payment of professional fee in connection with the Share Offer of approximately HK$1.4 million.

Eight months ended 30 November 2018

For the eight months ended 30 November 2018, the net cash used in financing activities was approximately HK$29.8 million. The net cash used in financing activities was attributable to advances from a director of approximately HK$2.5 million, partially offset by (i) repayment to a director of approximately HK$0.3 million, (ii) repayment of bank borrowings of approximately HK$2.9 million, (iii) dividends paid to shareholders of approximately HK$26.6 million and (iv) payment of professional fee in connection with the Share Offer of approximately HK$2.4 million.

Accumulated losses

Our Group recorded accumulated losses of approximately HK$2.9 million as at 1 April 2015 (i.e. the beginning of the Track Record Period), see "Consolidated Statements of Changes in Equity" in Appendix I to this prospectus. Such accumulated losses were mainly attributable to the tax penalty imposed by the IRD of approximately HK$5.5 million recorded for the year ended 31 March 2015. See "Business — Legal Compliance and Litigation — Non-compliance — Tax incident prior to the Track Record Period" for further details.

Net current (liabilities)/assets

The table below sets forth our current assets and current liabilities as at 31 March 2016, 2017 and 2018, 30 November 2018 and 31 March 2019, respectively.

	As at 31 March			As at 30 November	As at 31 March
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)
Current assets					
Trade receivables	1,724	1,619	1,518	1,148	2,675
Prepayments, deposits and other receivables	6,196	6,622	9,494	10,282	11,400
Amounts due from the shareholders	10,646	14,287	20,100	20,264	—
Amount due from a director	—	—	4,679	2,557	—
Amounts due from related companies	1,719	3,304	4,560	4,637	—
Tax recoverable	519	552	645	—	—
Cash and cash equivalents	17,974	16,595	30,551	36,230	48,092
	38,778	42,979	71,547	75,118	62,167
Current liabilities					
Trade and other payables	7,664	8,469	7,324	8,997	13,146
Deposits from customers	2,843	3,144	3,722	4,283	4,094
Contract liabilities	1,516	1,823	1,781	2,172	1,602
Amount due to a director	17,463	7,555	—	—	—
Amounts due to related companies	670	2,742	2,397	2,382	169
Bank borrowings	14,474	8,538	26,718	23,854	23,438
Income tax payable	2,705	2,430	3,304	7,454	2,005
	47,335	34,701	45,246	49,142	44,454
Net current (liabilities)/assets	(8,557)	8,278	26,301	25,976	17,713

Our current assets mainly included trade receivables, prepayments, deposits and other receivables, amounts due from shareholders, amount due from a director, amounts due from related companies, tax recoverable and cash and cash equivalents. Our current liabilities mainly included trade and other payables, deposits from customers, contract liabilities, amount due to a director, amounts due to related companies, bank borrowings and income tax payable.

We recorded net current liabilities of approximately HK$8.6 million as at 31 March 2016 and net current assets of approximately HK$8.3 million, HK$26.3 million, HK$26.0 million and HK$17.7 million as at 31 March 2017 and 2018, 30 November 2018 and 31 March 2019, respectively.

Our net current assets changed by approximately HK$16.9 million from net current liabilities of approximately HK$8.6 million as at 31 March 2016 to net current assets of approximately HK$8.3 million as at 31 March 2017. Such change was mainly due to the decrease in current liabilities of approximately HK$12.6 million, as a result of the decrease in (i) amount due to a director and (ii) bank borrowings as at 31 March 2017.

Our net current assets increased by approximately HK$18.0 million from approximately HK$8.3 million as at 31 March 2017 to approximately HK$26.3 million as at 31 March 2018. Such increase was mainly due to the increase in current assets of approximately HK$28.6 million, which was partially offset by the increase of current liabilities of approximately HK$10.5 million as at 31 March 2018. The increase in current assets was mainly due to the increase in amounts due from shareholders and the increase in cash and cash equivalents as at 31 March 2018. The increase in current liabilities was mainly due to the increase in bank borrowings as at 31 March 2018.

Our net current assets decreased by approximately HK$0.3 million from approximately HK$26.3 million as at 31 March 2018 to approximately HK$26.0 million as at 30 November 2018. Such decrease was mainly due to the increase in current liabilities of approximately HK$3.9 million, as a result of the increase in income tax payable which was partially offset by the increase in current assets of approximately HK$3.6 million. The increase in current assets was mainly due to the increase in cash and cash equivalents as at 30 November 2018.

Our net current assets decreased by approximately HK$8.3 million from approximately HK$26.0 million as at 30 November 2018 to approximately HK$17.7 million as at 31 March 2019. Such decrease was mainly due to the decrease in current assets of approximately HK$13.0 million, as a result of the decrease in the (i) amounts due from shareholders of approximately HK$20.3 million and (ii) amounts due from related companies of approximately HK$4.6 million, which outweighed the increase in cash and cash equivalents of approximately HK$11.9 million.

CAPITAL COMMITMENTS

Capital commitments

As at 31 March 2016, 2017 and 2018 and 30 November 2018, the capital commitments of our Group are set as follows:

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for — leasehold improvements	—	4,613	—	—

Operating lease commitments

Our Group as lessee

As at 31 March 2016, 2017 and 2018 and 30 November 2018, our Group's total future minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	22,693	24,379	27,382	22,274
More than one year but less than five years	55,368	38,357	32,500	20,273
More than five years	827	—	11,100	10,300
	78,888	62,736	70,982	52,847

Our Group leases all of its elderly homes under operating leases. The leases were generally negotiated for a lease term of two to nine years.

CAPITAL EXPENDITURE

Capital expenditure

During the Track Record Period, we incurred capital expenditures for the addition of leasehold improvements, furniture and fixtures and office equipment. Our capital expenditures were approximately HK$6.8 million, HK$9.3 million, HK$8.0 million and HK$0.2 million for the years ended 31 March 2016, 2017 and 2018 and 30 November 2018, respectively. We principally funded our capital expenditures through internal resources and bank borrowings.

INDEBTEDNESS

Bank borrowings

The following table sets forth the breakdown of our bank borrowings as at 31 March 2016, 2017 and 2018, 30 November 2018 and 31 March 2019:

	As at 31 March			As at 30 November	As at 31 March
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Bank borrowings	14,474	8,538	26,718	23,854	23,438

Our bank borrowings of approximately HK$14.5 million, HK$8.5 million, HK$26.7 million, HK$23.9 million and HK$23.4 million as at 31 March 2016, 2017 and 2018, 30 November 2018 and 31 March 2019, respectively were primarily used as working capital.

As at 31 March 2019, the latest practicable date for the indebtedness statement, the unutilised banking facilities of our Group was approximately HK$1.0 million.

Our Group's bank borrowings are secured by the land and buildings of related companies and unlimited corporate guarantees from related companies and/or personal guarantee of Mr. Ngai, certain of our Group's bank borrowings are guaranteed by one of the Operating Subsidiaries. Such corporate guarantee from related companies and/or personal guarantee and guaranteed by one of the Operating Subsidiaries will be released before the Listing.

Amounts due to a director and a related company

	As at 31 March			As at 30 November	As at 31 March
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Amount due to a director, unsecured					
Mr. Ngai	(17,463)	(7,555)	—	—	—
Amount due to a related company, unsecured					
Kato Elderly Affairs	(510)	(2,581)	(2,225)	(2,225)	—

Contingent liabilities — financial guarantees

As at 31 March 2016, 2017 and 2018, 30 November 2018 and 31 March 2019, our Group provided guarantees to banks in connection with facilities of approximately HK$110.9 million, HK$117.4 million, HK$115.7 million, HK$278.1 million and HK$273.4 million respectively, granted to related companies controlled by some of the directors of the Operating Subsidiaries, which were utilised to the extent of approximately HK$77.4 million, HK$73.9 million, HK$78.7 million, HK$268.1 million, HK$263.4 million respectively.

All corporate guarantee provided to related companies will be released upon the Listing.

Except as disclosed in the paragraphs headed "Indebtedness", we do not have other material outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities outstanding as at 31 March 2019, being the latest practicable date for the indebtedness statement.

As at the Latest Practicable Date, we were not involved in any legal proceedings pending or, to our knowledge, threatened against our Group which could have a material adverse effect on our business or operations. The Directors confirm that as at the Latest Practicable Date, we did not have any significant contingent liabilities.

KEY FINANCIAL RATIO

The following table sets forth the summary of key financial ratio of our Group during the Track Record Period:

	Note	**As at/for the year ended 31 March**			**As at/for the eight months ended 30 November**
		2016	**2017**	**2018**	**2018**
Net profit margin	1	21.7%	22.3%	23.4%	19.4%
Return on total assets	2	60.2%	57.0%	40.9%	N/A
Return on equity	3	1,368.3%	148.9%	86.2%	N/A
Current ratio *(times)*	4	0.8	1.2	1.6	1.5
Quick ratio *(times)*	5	0.8	1.2	1.6	1.5
Gearing ratio	6	1,446.6%	83.7%	68.9%	69.2%
Interest coverage ratio	7	793.1	227.3	158.2	72.6

Notes:

1. Net profit margin is calculated as the profit for the year/period divided by the total revenue of the respective year/period.

2. Return on total assets is calculated as the profit for the year divided by the total assets as at the respective year end dates.

3. Return on equity is calculated as the profit for the year divided by the total equity as at the respective year end dates.

4. Current ratio is calculated as the total current assets divided by the total current liabilities as at the respective year/period end dates.

5. Quick ratio is calculated as the total current assets net of inventory divided by the total current liabilities as at the respective year/period end dates.

6. Gearing ratio is calculated as the aggregated amount of bank borrowings, amounts due to related companies and amount due to a director divided by the total equity as at the respective year/period end dates.

7. Interest coverage ratio is calculated as the profit before interest and tax divided by the total interest paid.

Net profit margin

Our net profit margin for the three years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2018 were approximately 21.7%, 22.3%, 23.4% and 19.4%, respectively.

Our net profit margin decreased from approximately 23.7% for the eight months ended 30 November 2017 to approximately 19.4% for the eight months ended 30 November 2018. Such decrease was mainly due to the increase of listing expenses of approximately HK$8.7 million.

Our net profit margin increased from approximately 22.3% for the year ended 31 March 2017 to approximately 23.4% for the year ended 31 March 2018 which was mainly due to (i) the merger of Fai-To Centre for the Aged and Kato Elderly Home and (ii) the classification under the EBPS of Kato Elderly Home was upgraded from EA2 to EA1.

Our net profit margin increased from approximately 21.7% for the year ended 31 March 2016 to approximately 22.3% for the year ended 31 March 2017. Such increase was mainly due to the increase in average occupancy rate for the year ended 31 March 2017.

Return on total assets

Our return on total assets for the years ended 31 March 2016, 2017 and 2018 were approximately 60.2%, 57.0% and 40.9%, respectively.

Our return on total assets decreased from approximately 57.0% for the year ended 31 March 2017 to approximately 40.9% for the year ended 31 March 2018, which was mainly due to the increase of approximately 51.7% of total assets, attributable by increases in (i) cash and cash equivalents, (ii) amounts due from shareholders, and (iii) amount due from a director, whereas the net profit for the year ended 31 March 2018 only increased by approximately 8.8%.

Our return on total assets decreased from approximately 60.2% for the year ended 31 March 2016 to approximately 57.0% for the year ended 31 March 2017, which was mainly due to the increase of approximately 14.7% of total assets, attributable by increases in (i) amounts due from shareholders and (ii) amounts due from related companies, whereas the net profit for the year ended 31 March 2017 only increased by approximately 8.6%.

Return on equity

Our return on equity for the years ended 31 March 2016, 2017 and 2018 were approximately 1,368.3%, 148.9% and 86.2%, respectively.

Our return on equity decreased from approximately 148.9% for the year ended 31 March 2017 to approximately 86.2% for the year ended 31 March 2018, which was mainly due to the increase in net assets of approximately 87.8% as at 31 March 2018. Such increase was mainly due to the increases in (i) amounts due from shareholders, (ii) amount due from a director and (iii) cash and cash equivalents.

Our return on equity decreased from approximately 1,368.3% for the year ended 31 March 2016 to approximately 148.9% for the year ended 31 March 2017, which was mainly due the increase in net assets of approximately 897.9% as at 31 March 2017. Such increase was mainly due to the decreases in (i) amount due to a director and (ii) bank borrowings.

Current ratio

Our current ratios as at 31 March 2016, 2017 and 2018 and 30 November 2018 were approximately 0.8 times, 1.2 times, 1.6 times and 1.5 times, respectively.

Our current ratio remained stable at approximately 1.5 times as at 30 November 2018 as compared to approximately 1.6 times as at 31 March 2018.

Our current ratio increased from approximately 1.2 times as at 31 March 2017 to approximately 1.6 times as at 31 March 2018, which was mainly due to the increase in amounts due from shareholders, amount due from a director and cash and cash equivalents as at 31 March 2018.

Our current ratio increased from approximately 0.8 times as at 31 March 2016 to approximately 1.2 times as at 31 March 2017, which was mainly due to the decrease in amount due to a director and bank borrowings as at 31 March 2017.

Gearing ratio

Our gearing ratios as at 31 March 2016, 2017 and 2018 and 30 November 2018 were approximately 1,446.6%, 83.7%, 68.9% and 69.2%, respectively.

Our gearing ratio remained stable at approximately 68.9% as at 31 March 2018 to approximately 69.2% as at 30 November 2018.

Our gearing ratio decreased from approximately 83.7% as at 31 March 2017 to approximately 68.9% as at 31 March 2018, which was mainly due to the increase in our equity as at 31 March 2018. Such increase was mainly due to the increases in (i) amounts due from shareholders, (ii) amount due from a director and (iii) cash and cash equivalents.

Our gearing ratio decreased from approximately 1,446.6% as at 31 March 2016 to approximately 83.7% as at 31 March 2017, which was mainly due to the increase in equity as at 31 March 2017. Such increase was mainly due to the decreases in (i) amount due to a director and (ii) bank borrowings.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

Subsequent to the Track Record Period and up the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitment or arrangement.

SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to our Group, including the available cash and cash equivalents, cash flows generated from our operations, and the estimated Net Proceeds from the Share Offer, our Directors are of the view that our Group has available sufficient working capital for our present requirements for at least the next 12 months commencing from the date of this prospectus.

RELATED PARTY TRANSACTIONS

Our Directors confirm that the related party transactions were entered into in the ordinary course of business between our Group and its related parties and did not make our historical results not reflective in the Track Record Period. For further details of the related party transactions, please refer to note 16 in Appendix I to this prospectus.

FINANCIAL RISK MANAGEMENT

In the ordinary course of our business, we are exposed to various market risks, including interest rate risk, credit risk and liquidity risk. Details of the risks to which we are exposed to are set out in note 3 to Accountant's Report as set out in Appendix I to this prospectus.

Interest rate risk

Our Group has no significant interest-bearing assets except for bank deposits, which are at variable interest rate and subject to cash flow interest rate risk. Our Group's exposure to changes in interest rates is mainly attributable to its bank borrowings which carried at floating rates.

Credit risk

The credit risk of our Group mainly arises from trade receivables, deposits and other receivables, amounts due from the shareholders, a director and related companies and cash at banks.

Our management reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses are made for unrecoverable amounts. Our Group's maximum exposure to credit risk is represented by the carrying amount of each financial assets in the consolidated statements of financial position.

Liquidity risk

In the management of the liquidity risk, our Group monitors the rolling forecast of our Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. Our Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

DIVIDENDS

During the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2018, our Operating Subsidiaries had declared dividends of HK$25.8 million, HK$21.3 million, HK$16.7 million and HK$26.6 million, respectively, and such dividends had been settled in full by cash. Subsequent to the Track Record Period and up to the Latest Practicable Date, our Company had declared dividends of approximately HK$25.2 million, such dividends have been fully settled by offsetting against the amounts due from the shareholders.

Following completion of the Share Offer, our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and amount of dividends declared by our Board will depend upon our Group's (a) overall results of operation; (b) financial position; (c) capital requirements; (d) shareholders' interests; (e) future prospects; and (f) other factors which our Board deems relevant. In addition, the controlling shareholders of our Company (as defined in the Listing Rules), subject to the Articles of Association, may influence our dividend policy.

Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy and there is no guarantee that dividends will be paid in the future. After completion of the Share Offer, our Directors' priority will be to retain earnings in order to facilitate capital growth and expansion of our Group. We expect to pay not less than 80.0% of our distributable net profit for the financial year after the Listing (i.e. for the year ending 31 March 2020). **However, we cannot guarantee that we will be able to make any dividend distributions in the aforesaid proportion of net profit or at all in any future year beyond the first financial year after the Listing.**

DISTRIBUTABLE RESERVES

As at 30 November 2018, our Company had distributable reserves of approximately HK$0.6 million available for distribution to our Shareholders.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since 30 November 2018, (being the date to which the latest audited Historical Financial Information (as defined in the Accountant's Report in Appendix I to this prospectus) of our Group was made up), and up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of our Group.

LISTING EXPENSES

The total estimated listing expenses in connection with the Share Offer are approximately HK$31.8 million (based on the mid-point of the Offer Price of HK$0.62 per Offer Share), of which approximately HK$2.6 million and HK$8.7 million had been charged to our consolidated statements of comprehensive income for the year ended 31 March 2018 and the eight months ended 30 November 2018, respectively, and approximately HK$2.4 million and HK$5.4 million is expected to be charged to our consolidated statements of comprehensive income for the remaining period in the year ended 31 March 2019 and the year ending 31 March 2020, respectively. The remaining amount of approximately HK$12.7 million is expected to be accounted for as a deduction from equity upon the Listing.

Our Directors consider that our financial results will be affected by the expenses in relation to the Share Offer as we expect to recognise approximately HK$11.1 million in the consolidated statement of comprehensive income for the year ended 31 March 2019. Accordingly, the financial performance for the remaining period in the year ended 31 March 2019 is expected to be adversely affected by the estimated expenses in relation to the Listing.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out to illustrate the effect of the Share Offer on our net tangible assets as at 30 November 2018 as if it had taken place on 30 November 2018. The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets as at 30 November 2018 or any future date following the Share Offer. It is prepared based on our net assets as at 30 November 2018 as set out in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountant's Report in Appendix I to this prospectus.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group is prepared based on the audited consolidated net tangible assets of our Group as at 30 November 2018 as shown in the Accountant's Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 November 2018	**Estimated Net Proceeds from the Share Offer**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company as at 30 November 2018**	**Unaudited pro forma adjusted net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on the Offer Price of HK$0.60 per Offer Share	37,901	129,762	167,663	0.17
Based on the Offer Price of HK$0.64 per Offer Share	37,901	139,312	177,213	0.18

Notes:

(1) The audited consolidated net tangible assets attributable to the owners of our Company as at 30 November 2018 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited net assets of our Group attributable to the owners of our Company as at 30 November 2018 of approximately HK$37.9 million as our Group had no intangible asset as at 30 November 2018.

(2) The estimated Net Proceeds from the Share Offer are based on 250,000,000 Offer Shares and the indicative Offer Price of HK$0.60 per Offer Share and HK$0.64 per Offer Share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately HK$2.6 million and HK$8.7 million which have been accounted for in the consolidated statements of comprehensive income for the year ended 31 March 2018 and the eight months ended 30 November 2018, respectively).

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares were in issue assuming that the Capitalisation Issue and the Share Offer have been completed on 30 November 2018 but without taking into account of any Share which may be allotted and issued by our Company pursuant to the Share Option Scheme or any Shares which may be allotted and issued and repurchased by our Company pursuant to the general mandates granted to the Directors to allot and issue or repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 30 November 2018. In particular, the unaudited pro forma adjusted net tangible assets of our Group has not taken into account a dividend of HK$25.2 million declared and settled in March 2019. The unaudited pro forma adjusted net tangible assets per Share would have been HK$0.14 and HK$0.15 per Share based on the Offer Price of HK$0.60 and HK$0.64 per Offer Shares respectively if the payment of such dividends had been accounted for.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2019

Our Directors estimate that, on the bases set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, the estimated unaudited consolidated profit attributable to shareholders of our Company for the year ended 31 March 2019 is as follows:

Estimated unaudited consolidated profit attributable to shareholders of our Company *(Note 1)*	Not less than HK$36.5 million
Unaudited pro forma estimated earnings per Share *(Note 2)*	Not less than HK3.65 cents

Notes:

1. The bases on which the above profit estimate for the year ended 31 March 2019 has been prepared are summarised in Appendix III to this prospectus. Our Directors have prepared the estimate of the consolidated profit attributable to shareholders of our Company for the year ended 31 March 2019 based on the audited consolidated results of our Group for the eight months ended 30 November 2018 and the unaudited consolidated results based on management accounts of our Group for the four months ended 31 March 2019. The profit estimate has been prepared on the basis that is consistent in all material respects with the accounting policies normally adopted by our Group as set out in the accountant's report, the text of which is set out in Appendix I to this prospectus.

2. The unaudited pro forma estimated earnings per Share is calculated by dividing the estimated consolidated profit for the year ended 31 March 2019 attributable to shareholders of our Company by 1,000,000,000 shares, assuming that the Share Offer and the Capitalisation Issue had been in issue as at 1 April 2018. The calculation of the estimated earnings per Share does not take into account any Shares which may be allotted and issued by our Company pursuant to the Share Option Scheme or any Shares which may be allotted and issued and repurchased by our Company pursuant to the general mandates granted to the Directors to allot and issue or repurchase Shares. See the section headed "Share Capital" in this prospectus for more details.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As at the Latest Practicable Date, our Directors confirm that there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the "**Cornerstone Investment Agreement**") with Dynasty Power Limited (the "**Cornerstone Investor**"), pursuant to which the Cornerstone Investor has agreed to, subject to certain conditions, subscribe for 5,000,000 Offer Shares in an amount of approximately HK$3,000,000 based on the Offer Price of HK$0.60 (being the low-end of the indicative Offer Price range), approximately HK$3,100,000 based on the Offer Price of HK$0.62 (being the mid-point of the indicative Offer Price range), or approximately HK$3,200,000 based on the Offer Price of HK$0.64, (being the high-end of the indicative Offer Price range) (the "**Cornerstone Placing**").

The total number of Offer Shares to be subscribed for by the Cornerstone Investor would represent (i) approximately 2.2% of the Placing Shares; (ii) 2.0% of the Offer Shares; and (iii) 0.5% of the Shares in issue upon completion of the Share Offer.

The Cornerstone Placing will form part of the Placing and the Cornerstone Investor will not subscribe for any Offer Shares under the Placing other than pursuant to the Cornerstone Investment Agreement. The subscription of the Offer Shares by the Cornerstone Investor shall comply with the applicable requirements of the Stock Exchange and the Listing Rules. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respect with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. In the event that the requirement pursuant to Rule 8.08(3) of the Listing Rules, which provides that no more than 50% of the Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders, cannot be satisfied, the Joint Bookrunners, with the consent from our Company, has the right to adjust the allocation of the number of Shares to be subscribed by the Cornerstone Investor in their sole and absolute discretion to satisfy the requirement under to Rule 8.08(3) of the Listing Rules. Immediately following the completion of the Share Offer, the Cornerstone Investor will not have any Board representation in our Company, nor will the Cornerstone Investor become a substantial shareholder of our Company.

The Offer Shares to be subscribed by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the Placing and the Public Offer as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the announcement of allotment results of our Company to be published on or about 12 June 2019.

The table below sets out the Offer Shares to be subscribed by the Cornerstone Investor as a percentage of the total number of Placing Shares, Offer Shares and total Shares in issue immediately following the Share Offer:

	Number of Offer Shares to be subscribed	Investment amount by the Cornerstone Investor (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) *HK$*	Approximate % of the Placing Shares	% of the Offer Shares	% of the Shares in issue *(Note 1)*
Assuming a final Offer Price of HK$0.60 per Share (being the low-end of indicative Offer Price range)	5,000,000	HK$3,000,000	2.2%	2.0%	0.5%
Assuming a final Offer Price of HK$0.62 per Share (being the mid-point of indicative Offer Price range)	5,000,000	HK$3,100,000	2.2%	2.0%	0.5%
Assuming a final Offer Price of HK$0.64 per Share (being the high-end of indicative Offer Price range)	5,000,000	HK$3,200,000	2.2%	2.0%	0.5%

Note:

1. Immediately following the completion of the Share Offer and assuming no Share may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

THE CORNERSTONE INVESTOR

The information about our Cornerstone Investor set out below has been provided by the Cornerstone Investor in connection with the Cornerstone Placing:

Dynasty Power Limited is an investment holding company incorporated in Hong Kong on 17 September 1996. It is ultimately and beneficially owned by Mr. Cheng Man Tak, Richard and Mr. Cheng Man Piu Francis. Since 1981, Mr. Cheng Man Tak, Richard has served as a non-executive director of Wing Tai Holdings Limited, a company incorporated in Singapore and listed on the Singapore Stock Exchange. Wing Tai Holdings Limited is Singapore's leading property developer and lifestyle company and an investment holding company with a key focus on growth markets in Asia. Since 1991, Mr. Cheng Man Piu, Francis has served as an executive director of Wing Tai Properties Limited, a company incorporated in Bermuda with limited liability and listed on the Main Board with stock code 369. Wing Tai Properties Limited invests in residential and commercial properties, service apartments and boutique hotels.

To the best knowledge of our Company, the Cornerstone Investor and its ultimate beneficial owners are Independent Third Parties, and not connected persons, existing shareholders of our Company or close associates of any of the existing shareholders of our Company.

CLOSING CONDITIONS

The subscription obligation of the Cornerstone Investor is subject to, among other things, the following closing conditions:

(i) the Underwriting Agreements having been entered into and having become unconditional (in accordance with its terms) by no later than such time and date specified therein, and neither of the Underwriting Agreements having been terminated;

(ii) the Offer Price having been agreed upon between our Company and the Joint Bookrunners (on behalf of the Underwriters);

(iii) no Laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Share Offer or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting;

(iv) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Investor Shares) and that such approval or permission having not been revoked prior to the commencement of dealings of Shares on the Stock Exchange;

(v) the Cornerstone Investor having executed and delivered to the Company and the relevant Joint Bookrunner an undertaking in relation to the disposal restrictions of the Shares under the Cornerstone Placing; and

(vi) the representations, warranties, undertakings and confirmations of the Cornerstone Investor in the Cornerstone Investment Agreement being accurate and true in all material respects and that there being no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON DISPOSAL BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that, without the prior written consent of our Company and the Joint Bookrunners, it will not, during the period of six months following the Listing Date, (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the relevant Shares to be subscribed by the Cornerstone Investor ("**Cornerstone Investor's Shares**"), or any interest in any company or entity holding any of the Offer Shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Cornerstone Investor's Shares, or such other securities, or any interest in any company or entity holding any of the Offer Shares; (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above, whether any of the transactions above is to be settled by delivery of the Cornerstone Investor's Shares, in cash or otherwise.

FUTURE PLANS AND PROSPECTS

Our principal business objective is to solidify our established market position as Hong Kong's third largest operator in the private residential care home for the elderly industry and enhance our market position in the care and attention homes sector. See "Business — Our Strategies" in this prospectus for details of our business objectives and strategies.

USE OF PROCEEDS

The aggregate Net Proceeds from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Share Offer), assuming an Offer Price of HK$0.62 per Share, being the mid-point of the indicative Offer Price, will be approximately HK$123.2 million. Our Directors intend to apply the Net Proceeds from the Share Offer as follows:

- approximately HK$90.9 million (representing approximately 73.8% of the Net Proceeds) will be used as part of the funding for the establishment of our Group's six new care and attention homes, including (i) locating, leasing and renovating suitable properties for our Group's expansion of our network of care and attention homes in Hong Kong and (ii) hiring and training of additional staff for our new care and attention homes.

  Locating, leasing and renovating suitable properties for our Group's expansion of our network of care and attention homes

  Approximately HK$71.8 million (representing approximately 58.3% of the Net Proceeds) will be used as part of the funding for locating, leasing and renovating suitable properties for our Group's expansion of our network of care and attention homes in Hong Kong. As at the Latest Practicable Date, we had not yet determined any specific site, nor have we formulated any specific plans or entered into any definitive agreements for any potential locations. See "Business — Our Strategies — Expand our network of care and attention homes for the elderly in Hong Kong" in this prospectus for details of our expansion strategy. The following table sets out further information regarding the implementation of establishing six new care and attention homes:

	Estimated amount *HK$ (million)*
For the six months ending 31 March 2020	
Two new care and attention homes in Hong Kong Island	
● Rental and other deposits	1.9
● Renovation expenses	4.9
● Rental expenses	2.3
● Legal and professional fees and other miscellaneous expenses	0.1
Subtotal	**9.2**

	Estimated amount *HK$ (million)*
For the six months ending 30 September 2020	
Two new care and attention homes in Hong Kong Island	
• Renovation expenses	4.9
• Rental expenses	2.8
Subtotal	**7.7**
One new care and attention home in New Territories and one new care and attention home in Kowloon	
• Rental and other deposits	2.0
• Renovation expenses	5.3
• Rental expenses	2.5
• Legal and professional fees and other miscellaneous expenses	0.1
Subtotal	**9.9**
For the six months ending 31 March 2021	
Two new care and attention homes in Hong Kong Island	
• Renovation expenses	2.4
• Purchase of new electrical and medical appliances and supporting devices for rehabilitation	0.9
• Rental expenses	2.8
Subtotal	**6.1**
One new care and attention home in New Territories and one new care and attention home in Kowloon	
• Renovation expenses	5.4
• Rental expenses	3.1
Subtotal	**8.5**
One new care and attention home in New Territories and one new care and attention home in Kowloon	
• Rental and other deposits	1.8
• Renovation expenses	5.4
• Rental expenses	2.2
• Legal and professional fees and other miscellaneous expenses	0.1
Subtotal	**9.5**

	Estimated amount *HK$ (million)*
For the six months ending 30 September 2021	
One new care and attention home in New Territories and one new care and attention home in Kowloon	
• Renovation expenses	2.7
• Purchase of new electrical and medical appliances and supporting devices for rehabilitation	1.0
• Rental expenses	3.1
Subtotal	**6.8**
One new care and attention home in New Territories and one new care and attention home in Kowloon	
• Renovation expenses	5.4
• Rental expenses	2.5
Subtotal	**7.9**
For the six months ending 31 March 2022	
One new care and attention home in New Territories and one new care and attention home in Kowloon	
• Renovation expenses	2.7
• Purchase of new electrical and medical appliances and supporting devices for rehabilitation	1.0
• Rental expenses	2.5
Subtotal	**6.2**

As disclosed above, our Group expects that it will take approximately 24 months after commencement of operation of each of our six new care attention homes to approach operational breakeven. Set out below is the schedule showing the (i) estimated commencement of operation date; and (ii) estimated operational breakeven point of each of our six new care and attention homes:

Location of the new care and attention home	Estimated commencement of operation date (Note)	Estimated operational breakeven point
Shau Kei Wan, Hong Kong	April 2021	April 2023
Sai Wan, Hong Kong	April 2021	April 2023
Shatin, New Territories	October 2021	October 2023
Kwun Tong, Kowloon	October 2021	October 2023
Sham Shui Po, Kowloon	April 2022	April 2024
Kwai Chung, New Territories	April 2022	April 2024

Note: We expect the preparation works, such as renovation and licencing process for a new care and attention home, prior to the commencement of operation will take approximately 18 months.

Assuming there will be no significant change to the relevant rules and regulations in relation to the operation of the RCHEs, our Directors expect that there will be no significant impact to our Group's future operational performance. We expect the opening of new care and attention homes would affect our financial performance for the periods before the breakeven point. However, assuming (i) our Group will maintain the average monthly occupancy rate of our new care and attention homes at approximately 95%; and (ii) there will be no significant change to our cost structure, we expect there will be no significant change to our financial performance in the long run.

Based on the reasons set out in the subsection headed "Industry growth and demand" in this section, in particular, among other factors, the Hong Kong Government plans to purchase 5,000 EA1 places under the EBPS in the coming five years as set out in the Policy Address 2018, our Directors believe that (i) there is industry market demand and business need to commence establishment of six new care and attention homes by 2020; and (ii) it is a suitable timing to implement the expansion plan to establish six new care and attention homes, which are planned to commence operation by 2022 and may potentially provide up to 438 places for the EBPS (assuming that each of the six new care and attention homes will provide 146 beds and 50% of these beds will be purchased by the Hong Kong Government under the EBPS), in order to capture a portion of the increased demand for 5,000 EBPS places from the Hong Kong Government in the coming five years.

Our Group has not opened any care and attention homes since 2015, which is primarily attributable to the following reasons:

(i) Happy Luck Home, which commenced business in September 2015, had been having accumulated losses, i.e. had not achieved investment breakeven, until the year ended 31 March 2018, resulting in an increased financial burden on our Group at the material time;

(ii) as set out in the subsection headed "Genuine funding need" in this section, our Group expects to incur the aggregate costs of approximately HK$185.4 million for establishing six new care and attention homes from (a) pre-opening expenses (the pre-opening period prior to the commencement of operation is estimated to take approximately 18 months, subject to any unforeseen events); and (b) cash outflow incurred before achieving operational breakeven point (which is estimated to be around 24 months after the commencement of operation, subject to any unforeseen events), which represents approximately HK$30.9 million per new care and attention home; and

(iii) given such substantial costs and expected time to achieve breakeven, without additional equity fund raising, our Directors consider that it is not prudent and not appropriate to use solely existing internal resources (including cash and cash equivalents, cash flow from existing operations and/or bank borrowings) to support our expansion plan, mainly due to (a) the factors set out in the subsection headed "Genuine funding need" in this section, which explains the reasons that although our Group had cash and cash equivalents of approximately HK$48.1 million as at 31 March 2019 and a net operating cash inflow of approximately HK$41.4 million for the year ended 31 March 2018, our Group has genuine funding needs to support its expansion plan through the Share Offer, instead of using only internal resources which could hinder our financial position and expose our Group to higher business, operational and liquidity risk; (b) our Group is required to use substantial amount of financial resource to renovate our existing care and attention homes from time to time in order to maintain competitiveness in the market; and (c) our Group expects to declare dividend to our shareholders to balance shareholders' interest and operational needs.

Our Directors are of the view that they do not foresee any difficulties in finding suitable properties to lease for the six new care and attention homes, based on the following reasons:

(i) the Hong Kong Government introduced the "Scheme to Encourage Provision of Residential Care Home for the Elderly Premises" in July 2003 to encourage private developers to provide quality purpose-built RCHE premises in their new developments by providing exemptions in relation to lease modifications, land premium, land exchange and private treaty grants. In return for premium exemptions, developers bear the costs for constructing the RCHE premises; and

(ii) according to the Budget 2019–2020, the Hong Kong Government has planned to increase supply of floor area for welfare facilities including RCHE facilities. A HK$20 billion of budget has been reserved to buy 60 properties to set up more than 130 welfare facilities, including RCHEs; and

(iii) according to the quotations received by our Company, six available properties in, among others, Eastern district, Tsuen Wan district, Central and Western district and Shatin district, ranging from 10,160 square feet to 17,282 square feet, are in the Directors' opinion suitable for our Group's new care and attention homes.

Our Directors are of the view that they do not foresee any difficulties in applying for new RCHE licences, based on the following reasons:

(i) our Group has been operating in the RCHE industry for over 20 years. Our strong history of operation enhances confidence of both our customers and the SWD in our Group;

(ii) we have continuously been eligible to participate in the EBPS and been able to renew the RCHE licences of our each respective care and attention home throughout the Track Record Period and up to the Latest Practicable Date; and

(iii) our Directors have extensive managerial and operational experience in managing care and attention homes, which will be taken into consideration upon applying for new RCHE licences.

Hiring and training of additional staff for our new care and attention homes

Approximately HK$19.1 million (representing approximately 15.5% of the Net Proceeds) will be used as hiring and training of additional staff for our new care and attention homes including approximately 70 new staff for each new home comprising of home manager, registered and enrolled nurses, health and care workers, ancillary workers, social workers and physiotherapists. See "Business — Our Strategies — Hire additional staff and continue to retain skilled workforce through systematic training and professional development" in this prospectus for more details about our human resource management strategy.

At each new care and attention home, our Group plans to hire the following personnel to fulfil the relevant staffing requirements for an EA1 care and attention home with 146 beds:

	Number of Staff	*Approximate salary per month HK$*	*Experience or professional qualification*
Home manager	1	30,000	Registered under the RCH(EP)R
Registered nurses	6	30,000	Duly registered with the Nursing Council of Hong Kong and holders of valid practising certificates
Enrolled nurses	2	22,000	Holders of valid practising certificates
Health workers	6	16,000	Relevant experience in RCHE industry
Care workers	32	13,000	Relevant experience in RCHE industry
Ancillary workers	20	12,000	Relevant experience in RCHE industry
Social worker	1	18,000	Registered under the Social Workers Registration Ordinance (Chapter 505 of the Laws of Hong Kong)
Physiotherapists	2	50,000	Registered with the Board of Physiotherapists and holders of valid practising certificates
Total	70		

Our Directors expect that the hiring of above personnel to cater for our expansion strategy will be completed on or before March 2022.

Our Directors confirm that although our Group had encountered temporary labour shortage during the Track Record Period, our Group has then used employment agencies and subcontractors to source local and imported workers and specialised professionals for our required manpower, including care workers, health workers and physiotherapists. Further, our Directors confirm that we did not encounter any material difficulty in hiring new staff for Happy Luck Home, our care and attention home which commenced business in 2015. Our Directors will continue to engage the employment agencies and subcontractors and therefore do not foresee any material difficulty in hiring and training additional staff for our new care and attention homes as required for the implementation of our expansion plan.

- approximately HK$28.7 million (representing approximately 23.3% of the Net Proceeds) will be used to renew and upgrade facilities of our RCHEs, specifically renovating and upgrading our care and attention homes. See "Business — Our Strategies — Continue to upgrade the facilities and purchase of new equipment at our network of care and attention homes for the elderly and renovate our care and attention homes for the elderly" in this prospectus for details of our upgrade and renovation strategy.

  The following table sets out further information regarding the renewal and upgrade facilities of our care and attention homes:

	Estimated amount *HK$ (million)*
For the six months ending 31 March 2020	
Fai To Sino West Home	4.4
Fai To Home (Tuen Mun)	1.3
Subtotal	**5.7**
For the six months ending 30 September 2020	
Fai To Sino West Home	6.6
Fai To Home (Tuen Mun)	2.0
Subtotal	**8.6**
For the six months ending 31 March 2021	
Tsuen Wan Centre	2.7
Kato Home for the Aged	2.1
Fai To Home (On Lai)	1.0
Subtotal	**5.8**
For the six months ending 30 September 2021	
Tsuen Wan Centre	4.1
Kato Home for the Aged	3.1
Fai To Home (On Lai)	1.4
Subtotal	**8.6**

- approximately HK$1.6 million (representing approximately 1.3% of the Net Proceeds) will be used to upgrade our information technology infrastructure. See "Business — Our Strategies — Continue to strengthen our information systems" in this prospectus for details of our expansion strategy.

- approximately HK$2.0 million (representing approximately 1.6% of the Net Proceeds) will be used for working capital and other general corporate purposes of our Group.

If the Offer Price is fixed at the high-end of the indicative Offer Price, being HK$0.64 per Share, the Net Proceeds we receive from the Share Offer will increase by approximately HK$4.8 million. We intend to apply the additional Net Proceeds for the above purposes on a pro-rata basis. If the Offer Price is fixed at the low-end of the indicative Offer Price, being HK$0.60 per Share, the Net Proceeds we receive from the Share Offer will decrease by approximately HK$4.8 million. We intend to reduce the additional Net Proceeds for the above purposes on a pro-rata basis.

We will bear the underwriting commissions, SFC transaction levy and Stock Exchange trading fee payable by us in connection with the issue of the new Shares together with any applicable fees relating to the Share Offer.

To the extent that the Net Proceeds are not immediately applied for the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the Net Proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

We will issue an appropriate announcement if there is any material change in the aforementioned use of proceeds.

FUTURE PLANS AND USE OF PROCEEDS

To the extent our Net Proceeds from the Share Offer are not sufficient to fund the above purposes, we intend to finance the balance through a variety of means, including cash generated from operations and bank financing.

To the extent that the Net Proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the Net Proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

IMPLEMENTATION PLANS

Our implementation plans are set forth in "Use of Proceeds" in this section for each of the six-months periods until 31 March 2022. Potential investors should note that the implementation plans and their scheduled times for attainment are formulated on the basis and key assumptions referred to in "Bases and Key Assumptions" in this section. These bases and key assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in "Risk Factors" in this prospectus. Our actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that our plans will materialise in accordance with the expected time frame or that our objectives will be accomplished at all.

BASES AND KEY ASSUMPTIONS

Investors should note that our implementation plans set out in "Implementation Plans" in this section are formulated on the following bases and key assumptions:

- We shall have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;

- There will be no material change in the funding requirement for each of our future plans described in this prospectus from the amount as estimated by our Directors;

- There will be no material change in existing laws and regulations particularly in the residential care for the elderly industry, or other governmental policies relating to us, or in the political, economic or market conditions in which we operate;

- There will be no change in the effectiveness of the licences, permits and qualifications obtained by us;

- There will be no material changes in the bases or rates of taxation applicable to our activities;

- Our Group will not be materially affected by the risk factors set out under the section "Risk Factors" in this prospectus; and

- Our Group will be able to continue our business operation substantially the same way as it has been operating and there will be no disasters, natural, political or otherwise, which would materially disrupt our business or operations and the implementation of our development plans.

Our Directors consider the Net Proceeds from the Share Offer together with our internal resources will be sufficient to finance the implementation of our business plans as set forth in "Implementation Plans" in this section. Potential investors should be aware that any part of our business plans may not proceed according to the time frame as described above due to various factors. Under such circumstances, our Directors will closely evaluate the situation and will hold the funds as short-term deposits until relevant business plans materialise. In any event, we shall issue an announcement in accordance with the requirements under the Listing Rules if there is any material change to the use of proceeds as described in this section.

REASONS FOR THE LISTING

Our Directors consider that the Listing will benefit our Group in different aspects as discussed below:

Industry growth and demand

According to the Industry Report, the RCHE industry in Hong Kong will see significant growth by 2051, more relevant the number of elderly persons that may need RCHEs places is expected to double by 2030 largely due to the growing ageing population in Hong Kong. In light of the above, our Directors would, to the extent practicable, establish six new care and attention homes for the elderly to meet such surging demand. The expected costs for establishing six new care and attention homes for the elderly will include expenses before commencement of operation in the amount of approximately HK$104.3 million.

According to the Industry Report, in 2017, our Group is the third largest operator in the private RCHE industry in Hong Kong (in terms of revenue) and the second largest residential care home for the elderly operator participating in the EBPS (in terms of number of EBPS places purchased by the SWD), however it is worth noting that our Group's market share accounts for only 1.3% of the residential care home for the elderly market. Given that the overall RCHE industry in Hong Kong is only expected to grow at CAGR of 6.6% from 2018 to 2022, our Directors are of the view that the market is highly fragmented with the five largest private RCHE operators holding only 6.2% of the total market share in 2017, of which is estimated to be approximately HK$10,429.8 million in revenue.

According to the Industry Report, the population of elderly (65 years old or above) grew from approximately 1.0 million people in 2013 to approximately 1.2 million people in 2017 in Hong Kong, at a CAGR of approximately 4.5%, which was mainly attributable to the continuous improvement in the health level. However, the number of subsidised RCHEs places, including subsidised places in non-private RCHEs and EBPS places in private RCHEs only grew at a CAGR of approximately 1.5% for the corresponding period. As a result, there is a strong demand for care and attention homes in Hong Kong. In addition, according to the Industry Report, the central waiting list for subsidised residential care places from 2008/2009 to 2017/2018 reflected a constantly increased demand which was represented by a CAGR of approximately 5.1%.

According to the Industry Report, the percentage of elderly residents (aged 65 or above) among the population in Hong Kong Island and Kowloon all demonstrated increasing trends with CAGRs of approximately 1.5% and 0.2%, respectively. In addition, in 2017 the percentage of population aged over 65 or above in Hong Kong, Kowloon and New Territories were 16.1%, 16.0% and 15.3%, respectively. As shown below, the districts in which our Group intends to open new care and attention homes has a generally higher percentage of elderly residents aged 65 or above contributing to above 16.0% in 2017.

Districts	**2013**	**2014**	**2015**	**2016**	**2017**
	%	%	%	%	%
Central & Western	13.1	15.1	14.0	15.0	16.0
Eastern	16.5	17.3	18.6	16.3	16.5
Average of Hong Kong Island	15.2	16.0	16.3	15.4	16.1
Sham Shui Po	16.3	15.9	16.7	14.9	15.4
Kwun Tong	16.8	16.7	17.4	16.7	17.1
Average of Kowloon	15.9	16.0	16.5	15.5	16.0
Kwai Tsing	14.8	16.0	16.3	15.8	16.3
Sha Tin	12.6	13.0	14.0	15.7	16.3
Average of New Territories	11.3	11.9	12.6	14.7	15.3

As a result of the foregoing, the increase in percentage of elderly residents among the population of Hong Kong substantiates the opening of six new care and attention homes to meet the increasing demand for elderly care over the next few years.

As a result of the foregoing, our Directors believe that although the RCHE market is expected to grow at CAGR of 6.6%, there will be sufficient demand for residential care services based on the following reasons:

(i) according to the Industry Report, the population of elderly (65 years old or above) grew at a CAGR of approximately 4.5% from 2013 to 2017 and is expected to grow at a CAGR of approximately 4.8% from approximately 1.3 million people in 2018 to approximately 1.5 million people in 2022;

(ii) the proportion of elderly population (i.e. those aged 65 and above) is expected to increase from approximately 23.8% in 2018 to approximately 29.2% in 2022, as such and according to the Industry Report, the demand for elderly service is expected to continue to rise significantly along with the increase in the elderly population;

(iii) according to the Industry Report, the number of elderly persons that may need RCHEs places is expected to double by 2030, due to the growing ageing population in Hong Kong;

(iv) the demand for a residential care place in RCHEs remains high as a result of the relatively high institutionalisation rate of the elderly in Hong Kong and the inability of some of the families to take care of their frail elderly family members at their residence;

(v) due to high occupancy rate, growth rate of the number of residents in private RCHEs under EBPS is close to the growth of EBPS places, which increased at a CAGR of approximately 1.7% from 2013 to 2017, and is projected to increase at a CAGR of approximately 2.1% from 2018 to 2022. EBPS places under private RCHEs is expected to maintain high occupancy rate of about 97% to 99% in the forecast period which is similar to non-private RCHEs, given that EBPS places and non-private RCHEs places are both subsidised places which have average waiting time of 10 months and 40 months as at 31 March 2019, respectively. As a result, all vacant places in private RCHEs under EBPS and non-private RCHEs will both be filled shortly and according to the Industry Report, the industry is expected to experience a shortage of places;

(vi) according to the Industry Report, the central waiting list for subsidised residential care places from 2008/2009 to 2017/2018 reflected a constantly increased demand which was represented by a CAGR of approximately 5.1%;

(vii) the occupancy rate in the RCHE industry in Hong Kong has grown consistently from 2013 to 2017 and it is expected to maintain growth from 2018 to 2022. In 2018 and 2019, average occupancy rate among all types of RCHEs are expected to reach around 93.8% and 94.6%, respectively. Non-private RCHEs experienced high occupancy rate ranging from 97% to 99% throughout the past 10 years due to high demand in the industry. On the other hand, private RCHEs in the industry experienced growth in occupancy rate in the past five years and according to the Industry Report it is expected to be much occupied in the next five years;

(viii) according to the Policy Address 2018 of the Hong Kong Government, the Hong Kong Government targets to provide 5,000 EA1 EBPS places in the coming five years. Further, it is expected that the industry will experience a shortage of places of around 6,247 to 7,007 in 2026/2027 reflecting a solid demand for RCHE places in the future;

(ix) according to the Industry Report, the private RCHE sector of the industry, in which our Group operates in, is considered to be semi-matured where more consolidations among operators are expected in the industry whereas the non-private not-for-profit RCHE industry is relatively combined and matured with several large operators in Hong Kong; and

(x) the high entry barriers of the RCHE industry driven by, among others, high capital requirements due to increasing operating costs and strict licencing requirement of RCHEs, especially for RCHEs which intends to participate in the EBPS limits competition in the RCHE industry which builds leverage for our Group.

Additionally, our Directors believe that our Group is advantageously positioned to capture the demand for residential care services based on the following reasons:

(i) our Group has been in the market for over 20 years with a recognised brand and established network of care and attention homes for the elderly participating in the EBPS;

(ii) with the size of our Group with a network of eight care and attention homes as at the Latest Practicable Date, our Directors' extensive experience in establishing care and attention homes as well as our senior management team's experience in operating and managing care and attention homes, we are well positioned to capture the market opportunities brought about by the strong demand for residential care home services in Hong Kong. Furthermore, we possess well-recognised brand names, financial resources, professional expertise and customer base and a proven track record, which will provide a strong foundation for our expansion plans;

(iii) we provide quality elderly home care services to our customers at our care and attention homes that are strategically located near residential areas of affordable private and public estates which is also one of our factors when considering the location of our six new care and attention homes; and

(iv) our Group is supported by a management team with extensive experience in the RCHE industry and a team of nurses, physiotherapists, social workers, health workers and care workers who strive to provide quality and caring services to our elderly residents.

Customer recognition

Over the past few years, RCHE players in Hong Kong has listed on the Stock Exchange and our Directors believe that such listing status has impacted the perception of customers towards our Group as such we believe that a public listing status is a form of complimentary advertising which will further enhance our corporate profile, assist in reinforcing our brand awareness and market reputation, enhance our credibility with the public and potential business partners and offer us a broader shareholder base which will provide liquidity in the trading of our Shares.

In addition, our Directors believe that the Listing will enable our Group to gain access to the capital market for future fund raising both at the time of Listing and at later stages which would inevitably assist our Group in our future business development. Our Directors are also of the view that our internal control and corporate governance practices will be further enhanced following the Listing.

Genuine funding need

Although our Group's cash and cash equivalents was HK$48.1 million as at 31 March 2019 and had a net operating cash inflow of HK$41.4 million for the year ended 31 March 2018, our Company has a genuine funding need to support its expansion plan primarily due to the following reasons:

(1) Our major fixed operating expenses in the ordinary course of business are mainly attributable to (i) employee benefit expenses; and (ii) property rental and related expenses; which in aggregate amounted to approximately HK$56.9 million for eight months ended 30 November 2018, which represents an average monthly major fixed operating expenses of approximately HK$7.1 million. Our cash and cash equivalents as at 30 November 2018 and 31 March 2019 amounted to approximately HK$36.2 million and HK$48.1 million, respectively. As at 30 November 2018 and 31 March 2019, our bank borrowings that were repayable within one year or on demand amounted to approximately HK$23.9 million and HK$23.4 million, respectively. Accordingly, taking into account the abovementioned financial resources of our Group, our Directors expect that the cash and cash equivalents, after fully repaying bank borrowings that were repayable within one year or on demand, amounted to approximately HK$12.3 million and HK$24.7 million as at 30 November 2018 and 31 March 2019, respectively, which is only sufficient for funding our average monthly major fixed operating expenses for approximately 1.7 months and 3.5 months, respectively.

(2) Our Directors believe that our Group has opted to take a prudent cash flow management approach in maintaining operational liquidity and sufficient cash flow. As a result of such approach, our Group maintained sufficient levels of cash and cash equivalents to support our major fixed operating expenses as mentioned in above paragraph. Moreover, our Directors believe that it is of utmost importance to retain sufficient working capital to safeguard our Group from any unexpected increase in operating expenses, any unexpected new costs or any unexpected macro environment events arisen in the near future that may lead to drop in occupancy rates. Taking into account our existing financial resources and our prudent cash flow management approach, and having considered any potential unexpected events as explained above, our Directors consider that our cash flow from existing operations is only sufficient to maintain our existing scale of business and operations and to retain sufficient working capital to safeguard our Group from any unexpected unfavourable events.

(3) Our Directors consider that further undue reliance on bank borrowings to fund our Group's capital and cash flow requirements for our expansion plan to establish new care and attention homes would not be commercially feasible without any additional equity fund raising, as it would place considerable financial burden on our Group, which would in turn curtail our long-term sustainability and room for business development. In addition, in view of the current benchmark lending rate, our Directors believe that interest rate for debt financing, and the costs of borrowings, is likely to rise in the near future.

(4) Based on our Directors' experience, our Group will incur substantial costs in carrying out renovation works for the new care and attention homes for the elderly and the investment payback period of establishing six new care and attention homes for the elderly will generally take considerable time. According to our estimation, our Group expects to incur an aggregate of approximately HK$185.4 million from pre-opening expenses and cash outflow incurred before achieving breakeven point (i.e. around 24 months after the commencement of operation), including (A) an aggregate cash outflow of approximately HK$104.3 million for the establishment of our Group's six new care and attention homes before their commencement of operation, which consists of (i) total of approximately HK$82.4 million for locating, leasing and renovating suitable properties for our Group's expansion of our network of care and attention homes; and (ii) total of approximately HK$21.9 million for hiring and training of additional staff for our new care and attention homes, in particular no revenue would be generated during the renovation period; and (B) our Group expects to incur approximately HK$81.1 million of cash outflow after commencement of operation of our six new care and attention homes for the elderly, consisting mainly of property rental and related expenses and employee benefit expenses, before reaching operational breakeven. See below table for a breakdown of the abovementioned estimation:

		For the year ending 31 March					
Type of costs	**Source of funding**	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
		HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Rental and other deposits	Net Proceeds from the Share Offer	1.9	3.8	—	—	—	5.7
	Internal resources	0.3	0.6	—	—	—	0.9
Sub-total		2.2	4.4	—	—	—	6.6
Renovation expenses	Net Proceeds from the Share Offer	4.9	23.4	10.8	—	—	39.1
	Internal resources	0.7	3.6	1.6	—	—	5.9
Sub-total		5.6	27.0	12.4	—	—	45.0
Rental expenses	Net Proceeds from the Share Offer	2.3	13.4	8.1	—	—	23.8
	Internal resources	0.3	1.8	1.2	—	—	3.3
Sub-total		2.6	15.2	9.3	—	—	27.1
Legal and professional fees and other miscellaneous expenses	Net Proceeds from the Share Offer	0.1	1.1	2.0	—	—	3.2
	Internal resources	—	0.1	0.4	—	—	0.5
Sub-total		0.1	1.2	2.4	—	—	3.7
Hiring and training of additional staff	Net Proceeds from the Share Offer	—	6.1	13.0	—	—	19.1
	Internal resources	—	0.9	1.9	—	—	2.8
Sub-total		—	7.0	14.9	—	—	21.9
		10.5	**54.8**	**39.0**	**—**	**—**	**104.3**
Operating cash outflow after commencement of operation	Internal resources	—	—	19.8	40.5	20.8	81.1
Total		**10.5**	**54.8**	**58.8**	**40.5**	**20.8**	**185.4**

Based on our experience, we expect that it will take around 24 months after commencement of operation to ramp up its occupancy rate to about 30% to 50%, and based on our experience, our operation performance may approach breakeven. Taking into account (i) the substantial capital requirements for opening six new centres which we may not be able to borrow from the financial institutions, and even if we can borrow the funds, the likelihood of interest rate for debt financing and costs of borrowings to increase in the future, our financial position may be burdened and exposed to higher business, operational and liquidity risks; and (ii) the abovementioned operating results of the new centres before breakeven may adversely affect our Group's financial position our ability to extend or apply for banking facilities; and (iii) our Group is required to use substantial amount of financial resource to renovate the existing centres from time to time in order to maintain the competitiveness in the market, our Directors consider that it is risky and not appropriate to use internal resources, cash flow from existing operations and/or bank borrowings solely to establish six new care and attention homes for the elderly without additional equity fund raising to support our Group's expansion plans. Further, there can be no assurance that our new care and attention homes for the elderly can achieve breakeven by 24 months after commencement of operation, in the event of a delay in achieving breakeven or the inability to obtain licences from the SWD to operate the care and attention homes for the elderly or any unforeseen able events, our Group's financial position may be further adversely affected. As a result of the foregoing, our Directors consider equity fund raising will provide certainty and stability during the pre-opening period of new care and attention homes and up to breakeven point, and will reduce our Group's exposure to higher business, operation and liquidity risks.

(5) For the eight months ended 30 November 2018, approximately HK$49.5 million (of which approximately HK$37.7 million derived from individual customers who settled their own residential fee entirely by themselves) or 43.1% of our revenue was derived from our individual customers. Unlike revenue derived through our EBPS Agreements signed on the basis of committed payment to our Group typically of two years, the revenue derived from our individual customers are generally subject to termination upon the customers giving 30 days' notice for voluntary discharge, which is generally unforeseeable and beyond our control. See "Financial Information — Description of Selected Items in Consolidated Statements of Comprehensive Income — Revenue" in this prospectus for further details. Since our cash generated from operations for the eight months ended 30 November 2018 was approximately HK$37.4 million and our individual customers contributed to a significant portion of our revenue and operating cash flow, if we were not able to retain our individual customers, our operating cash flow may be materially adversely affected, and we may even record negative cash flow. In the unlikely event that our occupancy rate is materially affected for a sustained period of time due to loss of individual customers, our financial position would be materially adversely affected.

(6) Our Group has limited options in respect of financing as we conduct our business through private companies. Debt financing through bank borrowings is difficult to obtain and not favourable as banks often require security or guarantees as a condition for the grant of loans to private companies. Our Directors believe even if debt financing through bank borrowings could be obtained in the form of unsecured borrowing, the terms would be disadvantageous and in particular, the loan would be subject to, comparatively speaking, a higher interest rate. Our Directors are of the view that with equity financing, our Company would not divert capital from the business to repay the loan regardless of the performance of the business, and to that extent, with equity financing our Company will have more control over the short and long-term development of our business. For these reasons, it would not be advantageous for our Group to consider debt financing from a third-party lender. Reliance on debt financing will result in aggressive interest expenses, it will increase our Group's gearing ratio and impose additional cash flow burden on our Group. It should be noted that in principle, our Company is not opposed to debt financing; it does not consider debt financing and equity financing to be mutually exclusive. However, our Company's key objective is to access a form of financing that is flexible, offers favourable terms, and which will enable our Group to achieve its expansion plans as efficiently as possible without being exposed to uncertain financial risks. To that end, our Group is likely to be in a far better position to bargain for more favourable terms from debt financiers, once our Company has become a listed company, as our Group will have a larger equity base after the Listing.

(7) To support the expansion plan without any additional funding and in consideration of our Group's prudent cash management policy as mentioned above, our Group may require to drawdown unutilised banking facilities and obtain new banking facilities. However, as at 31 March 2019, our Group's unutilised banking facilities was approximately HK$1.0 million. Our Directors considered that due to (i) our Group does not own any properties and is considered as an asset-light company and given that debt financing from banks or financial institutions typically requires significant amount of deposits, securities and properties to be pledged for securing the borrowings; and (ii) the current banking facilities are guaranteed by Mr. Ngai and some related companies, our Group may find difficulties if our Group decides to drawdown the unutilised banking facilities to secure new banking facilities. Further taking into consideration the current economic climate that the interest rates are expected rise in the near future, it is harder for our Group to negotiate favourable terms with banks and financial institutions. For the eight months ended 30 November 2018 our Group's gearing ratio was 69.2%. If our Group uses debt financing for the implementation of our business development plans, our Directors consider that it may further increase the gearing ratio of our Group and may burden our financial position, profitability and cash flow. As such, our Directors are of the view that equity financing is a more feasible fund raising alternative than debt financing as explained in the above paragraph.

(8) Based on the historical records of new elderly residents admitted to our care and attention homes for the elderly during the Track Record Period, we expect that it will take around 24 months after commencement of its operation to ramp up its occupancy rate to about 30% to 50% (based on a total of 146 residential care places available) at which time, based on our expected operational performance, our operation may approach breakeven. As our Group would be exposed to higher business and liquidity risk during early stage of operations of new care and attention homes, our Directors consider it inappropriate to utilise our internal financial resources to fund our new care and attention homes. Therefore, without extra funding, our Group would not have sufficient financial resources to implement our expansion plan.

(9) Our Directors are of the view that there is a potential growth in the market, which is as set out in the section headed "Industry Overview" and is detailed in the subsection headed "Industry growth and demand" of this section. In order to capture the industry demand and growth in the market, our Directors consider that our Group has the commercial needs to expand by establishing new care and attention homes and upgrade our existing care and attention homes. The details of our Group's expansion plan are disclosed in "Future Plans and Use of Proceeds — Use of Proceeds" of this section. Given the prudent cash management policy and our Group's cash and bank balance of approximately HK$36.2 million as at 30 November 2018, additional funding from the net proceeds of approximately HK$123.2 million is required to achieve our expansion plan. Without any additional funding, our Directors considered that the progress of expansion plan may be hindered or the expansion plan may not be able to be carried out. Consequently, our Directors are of the view that our Group will find difficulties in capturing the growth and industry demand if no additional funding is received.

As a result of the above circumstances, in particular (i) our cash and cash equivalents of approximately HK$24.7 million as at 31 March 2019 (after fully repaying of bank borrowings that were repayable within one year or on demand) was only sufficient to fund our fixed operating expenses for less than two months and our Group's financial position is merely able to combat any adverse impact in a sudden drop of occupancy rate; (ii) in the event of a sudden and/or sustained loss of individual customers and drop in occupancy rate, our Group's operating cash flow would be significantly affected; (iii) debt financing through bank borrowings is difficult to obtain and not favourable as banks often require security or guarantees as a condition for the grant of loans to private companies; and (iv) our Group would not have sufficient financial resources to fund and implement our expansion plan due to the higher business and liquidity risk during the early stage of operations of new care and attention homes, our Directors are of the view that (a) it is prudent and crucial to keep sufficient working capital to accommodate the budgeted cash outflows for at least two months, as well as to deal with any financial needs which may arise from unforeseeable events; and (b) our Group's current cash and cash equivalents could only support our current scale of operations and is not sufficient to support the expansion plan. As such, extra working capital and funding needs is genuinely necessary for our Group to capture the potential industry growth and demand and to facilitate the implementation of our expansion plans without exerting additional pressure on our financial position and cash flow. Based on the foregoing, our Company has genuine funding needs to support its expansion plan through the Share Offer instead of using internal resources which could hinder our Company's financial position and/or procuring high interest bank borrowings to finance our expansion plans.

Conclusion

Based on our leading position as an RCHE operator in Hong Kong and the growing demand and need for residential care services for the elderly in Hong Kong, our Group has the capability and expertise to expand our business. As our expansion plans and business strategies cannot be purely funded from our Group's working capital, our Group has a genuine need to access the capital market in Hong Kong. Our Directors believe that the Listing represents the most effective means of raising funds to develop and expand our business in an efficient, prudent and time-effective manner and to enhance customers recognition towards our Group. Hence, there is compelling commercial rational for the Listing. The benefits of access to the Hong Kong equity market are essential to our Group's business operation and future expansion.

PUBLIC OFFER UNDERWRITERS

Sole Sponsor

VMS Securities Limited

Joint Bookrunners, Joint Lead Managers and Public Offer Underwriters

VMS Securities Limited
Future Land Resources Securities Limited
Haitong International Securities Company Limited

Co-Managers and Public Offer Underwriters

Sun Securities Limited
Luk Fook Securities (HK) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

The Public Offer Underwriting Agreement is conditional upon and subject to, amongst others, the Placing Underwriting Agreement becoming unconditional and not having been terminated.

Subject to the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers to subscribe for the Public Offer Shares which are not taken up under the Public Offer.

Grounds for termination

The Sole Sponsor and/or the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) shall be entitled by notice in writing to our Company, in their sole and absolute discretion to terminate the Public Offer Underwriting Agreement with immediate effect at any time at or prior to 8:00 a.m. on the Listing Date if:

(a) there has come to the notice of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers or any Public Offer Underwriters or the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers or any Public Offer Underwriters have cause to believe:

(i) that any statement contained in any of this prospectus and the Application Forms (collectively, the "**Public Offer Documents**"), any supplemental offering materials, announcement, the formal notice, the roadshow materials and any other document published or issued by or on behalf of our Company, the Sole Sponsor, the Joint Bookrunners and/or other Underwriters for the purpose of or in connection with the Share Offer (collectively, the "**Share Offer Documents**") and/or any notices, announcements or other documents issued or used by or on behalf of our Company in connection with the Share Offer (including any supplement or amendments thereto) (collectively, the "**Relevant Documents**"), considered by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion, was when the same was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect in the sole and absolute opinion of the Sole Sponsor and/or the Joint Bookrunners or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents issued or used by or on behalf of our Company in connection with the Public Offer (including any supplement or amendment thereto) is not fair and honest and is not based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, have been considered by the Sole Sponsor and/or the Joint Bookrunners in its/their sole and absolute discretion to constitute an omission from any of the Relevant Documents; or

(iii) any breach of any of the obligations imposed or to be imposed upon any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (in each case, other than on the part of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters); or

(iv) any adverse change or development involving a prospective adverse change (whether or not permanent), in the sole and absolute opinion of the Sole Sponsor and the Joint Bookrunners, in the assets, liabilities, business, management, shareholders' equity, profits, losses, results of operations, prospects or the financial or trading position of our Group or performance of our Group as a whole; or

(v) any breach of, or any event or circumstances rending untrue, incomplete or inaccurate in any material respect, any of the warranties contained in the Public Offer Underwriting Agreement; or

(vi) any of the warranties contained in the Public Offer Underwriting Agreement is untrue, inaccurate, misleading, deceptive or breached in any material respect when given or repeated; or

(vii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws any of the Share Offer Documents (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer; or

(ix) any expert (other than the Sole Sponsor) named in the paragraph headed "Other Information — 21. Qualifications of experts" in Appendix V to this prospectus has withdrawn its consent to being named in any or to the issue of the Public Offer Documents; or

(x) any event, act or omission which gives rise to or is likely to give rise to any liability, in the sole and absolute opinion of the Sole Sponsor and the Joint Bookrunners, of our Company, the executive Directors or the Controlling Shareholders pursuant to the indemnities contained in the Public Offer Underwriting Agreement or under the Placing Underwriting Agreement; or

(xi) a portion of the orders in the book-building process at the time the Placing Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled; or

(xii) a contravention by any member of our Group of the Listing Rules or any other applicable laws; or

(xiii) a prohibition on our Company for whatever reason from offering, allotting, selling or delivering the Shares pursuant to the terms of the Share Offer; or

(xiv) the chairman or an executive Director of our Company vacating his or her office.

(b) there shall develop, occur, exist, continue to exist or come into effect:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency of war, calamity, crisis, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, war, threat of war, acts of God, acts of terrorism, outbreak or escalation of hostilities (whether or not war is declared), riot, public disorder, economic sanctions, outbreak of diseases or pandemic, epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, Singapore, the United States, the United Kingdom, the European Union, Switzerland or where any member of our Group was incorporated or has operation (the "**Relevant Jurisdictions**"); or

(ii) any change or development involving a prospective change, or any event or series of events or circumstances currently in existence or otherwise, likely to result in any change or development (whether or not permanent) in any local, national, regional or international, financial, economic, currency, legal, exchange control, political, military, industrial, fiscal, regulatory, credit or market or other conditions, circumstances or matters and/or disaster or any monetary or trading settlement systems (including without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures), in or affecting any Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange or any of the stock exchanges in the PRC; or

(iv) any new law or change (whether or not forming part of a series of changes) or development involving a prospective change in existing laws or in the interpretation or application thereof by any court or government authority or other competent authority in or affecting any Relevant Jurisdictions; or

(v) the imposition of tariffs, economic or other sanctions, in whatever form, directly or indirectly, on or affecting any Relevant Jurisdictions; or

(vi) a change or development occurs involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in or affecting any Relevant Jurisdictions; or

(vii) any change or development involving a prospective change, or a materialisation of, any of the risks set forth in the section headed "Risk Factors" in this prospectus; or

(viii) any litigation, legal proceedings or claim of any third party being threatened or instigated against any member of our Group; or

(ix) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(x) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xi) an order or a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent governmental authority) or other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading, or securities settlement or clearance services in those places or jurisdictions; or

(xiii) there is a change in the system under which the value of the HK$ is linked to that of the US dollars or the peg of RMB to a basket of currencies including US dollars; or

(xiv) a governmental authority or a political body or organisation in any Relevant Jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and senior management members of our Group as set out in the section headed "Directors and Senior Management" of this prospectus; or any Directors or such senior management members being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xv) non-compliance by our Company with law(s) of any Relevant Documents or with respect to any matters relating to the Share Offer, the Offer Shares, the Listing and/or any other related matters,

which, individually or in aggregate, in the sole and absolute opinion (after consulting with our Company) of the Sole Sponsor and/or the Joint Bookrunners (1) is or shall have or could be expected to have a material adverse effect; or (2) has or shall have or could be expected to have a material adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Share Offer; or (3) makes or will or may make it inadvisable, inexpedient, impracticable or not commercially viable (i) for the Share Offer to proceed or (ii) for any part of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement (including underwriting) to be performed or implemented in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof or; (4) having any compliance related concern in respect of the Share Offer, the Offer Shares, the Listing, and/or any other related matters, with consideration of law(s).

UNDERTAKINGS

Undertakings pursuant to the Public Offer Underwriting Agreement

By Our Company

We have undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, and our Controlling Shareholders and Chairman have undertaken to and covenant with the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that he/it will procure our Company that:

(a) except pursuant to the Share Offer, the Capitalisation Issue and the exercise of any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six-month Period**");

(b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue or the exercise of the subscription rights attaching to any share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07(2) of the Listing Rules;

(c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the "**Second Six-month Period**") do any of the acts set out in (a) and (b) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules); and

(d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein,

provided that none of the above undertakings shall (a) restrict our Company's ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such Subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

By our Controlling Shareholders

Each of our Controlling Shareholders has represented, warranted and undertaken to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and our Company that, except pursuant to the Share Offer, the Capitalisation Issue and unless in compliance with the Listing Rules, he/she/it shall not, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriter), directly or indirectly, and shall procure that none of his/her/its close associates (as defined in the Listing Rules) or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it shall, during the First Six-month Period:

(a) offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he/she/it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under Note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules; and

(b) in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-month period, (1) such disposal shall not result in any of our Controlling Shareholders ceasing to be our controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six-month Period; and (2) he/she/it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Without prejudice to our Controlling Shareholders undertaking above, each of our Controlling Shareholders undertakes to the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, the Public Offer Underwriter and our Company that within the First Six-month Period and the Second Six-month Period he/she/it shall:

(a) if and when he/she/it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him/her/it (or any beneficial interest therein), immediately inform our Company, the Sole Sponsor, the Joint Bookrunners and Joint Lead Managers and the Public Offer Underwriter in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

(b) if and when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company (or any beneficial interest therein) pledged or charged by him/her/it will be disposed of, immediately inform our Company, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers and the Public Offer Underwriters in writing of such indications.

Our Company will inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and, our Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all the requirements in accordance with the Listing Rules as soon as possible.

Each of our Company and our Controlling Shareholders agrees and undertakes that each of them will not, and each Controlling Shareholder further undertakes to procure that Company will not, effect any transactions, at any time within the First Six Months Period, which may reduce the holding of Shares in "public hands" (as such expression means under the Listing Rules) below the relevant prescribed minimum percentage (25%) as is set out in and calculated in accordance with the Listing Rules without first having obtained the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters).

Undertakings to the Stock Exchange Pursuant to the Listing Rules

By Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not, at any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities of our Company (whether or not of a class already listed) or form the subject of any agreement or arrangement to issue any Shares or such other securities (whether or not such issue of Shares or such other securities will be completed within six months from the Listing Date), except pursuant to the Capitalisation Issue, the Share Offer (including any options which were granted or to be granted under the Share Option Scheme) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and to our Company, respectively, that, except pursuant to the Share Offer, he/she/it will not and will procure that the relevant registered Shareholder(s) will not:

(a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder of our Company.

In addition, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that he/she/it will, within a period of commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

(a) any pledges or charges of any Shares or other securities of our Company beneficially owned by our Controlling Shareholders in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, and the number of such Shares or other securities of our Company so pledged or charged; and

(b) when he/she/it or the relevant requested holders receive indication, either verbal or written, from any pledgee or charge of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

Voluntary lock-up undertaking by Si Mau and its shareholders

Each of Si Mau, Mr. Lam Kong, Mr. Kwong Thomas Wai Ping, Mr. Ngai Yiu Pan, Louis, Ms. Kwong Mei Ping and Mr. Ngai Chi Hang (each being a shareholder of Si Mau), has voluntarily and irrevocably undertaken to our Company, the Sole Sponsor, the Joint Bookrunners (for themselves and on behalf of the Underwriters) that:

(1) he/she/it shall not, without the prior written consent of the Sole Sponsor and/or Joint Bookrunners (for themselves and on behalf of the Underwriters), directly or indirectly, and shall procure that none of his/her/its close associates (as defined in the Listing Rules) or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it shall offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest in any Shares or any voting or other right attaching to any Shares) in respect of which he/she/it shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares or such securities at any time during the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange (the "**Lock-up Period**") and subject to compliance with the Listing Rules; and

(2) within the Lock-up Period, he/she/it shall:

   (i) if and when he/she/it pledge or charge, directly or indirectly, any Shares or other securities of our Company beneficially owned by him/her/it, immediately inform our Company, the Sole Sponsor and the Joint Bookrunners in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

   (ii) if and when he/she/it receive indications, either verbal or written, from any pledgee or charge that any Shares or other securities in our Company pledged or charged by him/her/it will be disposed or, immediately inform our Company, the Sole Sponsor and the Joint Bookrunners in writing of such indications.

Since Si Mau, Mr. Lam Kong, Mr. Kwong Thomas Wai Ping, Mr. Ngai Yiu Pan, Louis, Ms. Kwong Mei Ping and Mr. Ngai Chi Hang are not the Controlling Shareholders of our Company, they are not subject to the mandatory lock-up under Rule 10.07(1) of the Listing Rules. The lock-up undertaking is given by each of them on a voluntary basis.

Public Offer Underwriters' interests in our Company

None of the Public Offer Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for, or to nominate persons to subscribe for, any shares in any member of our Group.

The Placing

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters. Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions set out therein, agree to subscribe for the Placing Shares being offered pursuant to the Placing or procure subscribers to subscribe for such Placing Shares.

Total commission and expenses

The Joint Bookrunners (for themselves and on behalf of the Underwriters) will receive a commission of 4.50% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commission. In addition, the Sole Sponsor will receive a sponsorship and documentation fee in relation to the Share Offer. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer, based on an Offer Price of HK$0.62 (being the mid-point of Offer Price range between HK$0.60 per Offer Share and HK$0.64 per Offer Share), are estimated to amount to approximately HK$31.8 million in total.

Indemnity

Our Company and our Controlling Shareholders have agreed to indemnify the Public Offer Underwriters against certain losses which they may suffer, including losses arising from the performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

THE SHARE OFFER

The Share Offer comprises:

- the Public Offer of 25,000,000 Offer Shares (including 2,500,000 Employee Reserved Shares, subject to reallocation as mentioned below) in Hong Kong as described below under the paragraph headed "Public Offer" of this section; and
- the Placing of 225,000,000 Offer Shares (subject to reallocation as mentioned below).

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Of the 25,000,000 Offer Shares being offered under the Public Offer, up to 2,500,000 Offer Shares (representing 10% of the total number of Offer Shares being offered under the Public Offer and 1% of the total number of Offer Shares being offered under the Share Offer) are available for subscription by the Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** Application Forms. Please refer to the paragraph headed "Employee Preferential Offering" in this section below for further details.

The Public Offer Underwriters have severally agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will severally underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed "Underwriting" in this prospectus.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both. Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form. Directors and directors of any of our subsidiaries and their respective affiliates shall not apply for Employee Reserved Shares under the Employee Preferential Offering and shall not apply for Public Offer Shares as members of the public in the Public Offer and shall not apply for or indicate an interest in acquiring the Placing Shares under the Placing. All Eligible Employees may apply for Public Offer Shares in the Public Offer and Employee Reserved Shares in the Employee Preferential Offering but may not apply for or indicate an interest for Placing Shares under the Placing.

PRICING AND ALLOCATION

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective professional and institutional investors will be required to specify the number of the Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on Wednesday, 5 June 2019.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK$0.64 per Offer Share and is expected to be not less than HK$0.60 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, no later than the morning of the last day for lodging applications under the Public Offer.

If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to enter into the Price Determination Agreement by Wednesday, 5 June 2019, the Share Offer will not become unconditional and will not proceed.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where it considers appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus, at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event no later than the morning of the last day for lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.elderlyhk.com** notices of reduction in the number of Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of Offer Shares and/or the indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range. The notice of reduction will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction.

In the event of a reduction in the number of Offer Shares, the Joint Bookrunners (for themselves and on behalf of the Underwriters) may, at their discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the basis as described in the paragraph headed "Reallocation and Clawback" in this section.

Before submitting applications for the Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

If the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range is so reduced, all applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid.

In the absence of any notice being published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.elderlyhk.com** of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, will not be set outside the Offer Price range as stated in this prospectus.

Announcement of the Offer Price, together with the level of indication of interests in the Placing and the level of applications under the Public Offer and the Employee Preferential Offering and basis of allocation of the Public Offer Shares and the Employee Reserved Shares is expected to be published on Wednesday, 12 June 2019 on the website of our Company at **www.elderlyhk.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

UNDERWRITING ARRANGEMENTS

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Controlling Shareholders and the Joint Bookrunners (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the Placing Underwriting Agreement relating to the Placing on the Price Determination Date.

The Public Offer Underwriting Agreement and the Placing Underwriting Agreement are summarised in the section headed "Underwriting" in this prospectus.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$0.64 per Offer Share and is expected to be not less than HK$0.60 per Offer Share, unless otherwise announced no later than the morning of the last day for lodging applications under the Public Offer as set out above. Prospective investors should be aware that the Offer Price as determined on the Price Determination Date may be lower than the indicative Offer Price range as stated in this prospectus.

Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK$0.64 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. That means a total of HK$2,585.80 is payable for every board lot of 4,000 Shares. The Application Forms have tables showing the exact amount payable for certain numbers of Public Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum Offer Price of HK$0.64 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details are set out in the section headed "How to Apply for the Public Offer Shares and Employee Reserved Shares" in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of the application for the Offer Shares pursuant to the Public Offer is conditional upon:

1. Listing

The Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares.

2. Underwriting Agreements

(i) The obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof; and

(ii) the execution and delivery of the Placing Underwriting Agreement prior to or on the Price Determination Date.

3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the paragraph headed "Refund of your money" in the relevant Application Forms.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving banks or other bank(s) in Hong Kong, licensed under the Hong Kong Banking Ordinance.

PUBLIC OFFER

Our Company is initially offering 25,000,000 Public Offer Shares (including 2,500,000 Employee Reserved Shares) for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK$0.64 per Offer Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

APPLICATIONS

The Public Offer is open to all members of the public in Hong Kong. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected.

ALLOCATION

For allocation purposes only, the number of the Public Offer Shares (after taking into account of any reallocation of Offer Shares between the Public Offer and the Placing and after deducting the number of Employee Reserved Shares validly applied for under the Employee Preferential Offering) will be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B with any odd board lots being allocated to pool A. The Public Offer Shares in pool A will consist of 11,252,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. The Public Offer Shares available in pool B will consist of 11,248,000 Shares and will be allocated on an equitable basis to applicants who have applied for Public Offer Shares in the value of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 11,248,000 Public Offer Shares will be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

REALLOCATION AND CLAWBACK

In the event there remains any Employee Reserved Shares after satisfying in full all the valid applications from the Eligible Employees, on a fair and reasonable basis, the remaining Employee Reserved Shares will be reallocated to the Public Offer and subject to the allocation of the Offer Shares between the Placing and the Public Offer.

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

(a) Where the Placing Shares are fully subscribed or oversubscribed:

(i) if the Public Offer Shares are undersubscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deems appropriate;

(ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing 20% of the number of Offer Shares available under the Share Offer;

(iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then 50,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 75,000,000 Offer Shares, representing 30% of the Offer Shares available for subscription under the Share Offer;

(iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then 75,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 100,000,000 Offer Shares, representing 40% of the Offer Shares available for subscription under the Share Offer; and

(v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Public Offer, then 100,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 125,000,000 Offer Shares, representing 50% of the Offer Shares available for subscription under the Share Offer.

(b) Where the Placing Shares are undersubscribed:

(i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Public Offer Shares are fully subscribed or oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 25,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available under the Public Offer will be increased to 50,000,000 Offer Shares, representing 20% of the number of Offer Shares available under the Share Offer.

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where: (x) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times as per paragraph (a)(ii) above, or (y) the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed as per paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$0.60 per Offer Share) stated in this prospectus.

In the event of a reallocation of Offer Shares from the Placing to the Public Offer in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the additional Shares reallocated to the Public Offer from the Placing will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced. The Offer Shares to be offered in the Public Offer and the Placing may in certain circumstances be reallocated as between these offerings at the discretion of the Joint Bookrunners.

If the Public Offer Shares are not fully subscribed, the Joint Bookrunners have the authority to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such proportions as it deems appropriate.

PLACING

Our Company is expected to offer initially 225,000,000 Placing Shares (subject to reallocation) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being offered under the Share Offer without taking into account any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Investors subscribing for the Placing Shares are also required to pay the maximum Offer Price of HK$0.64 per Offer Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy.

It is expected that the Placing Underwriters, or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

Our Company, our Directors, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

The Placing is expected to be subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” of this section.

EMPLOYEE PREFERENTIAL OFFERING

Up to 2,500,000 Employee Reserved Shares, representing 10% of the Public Offer Shares initially available under the Public Offer and 0.25% of the enlarged issued share capital of our Company upon completion of the Share Offer and the Capitalisation Issue, which are not subject to reallocation to the Placing as described in the paragraph headed “Reallocation and Clawback” in this section, are available for subscription by the Eligible Employees on a preferential basis. The 2,500,000 Employee Reserved Shares available for application by Eligible Employees on **PINK** Application Form will be allocated to such applicants on a basis based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscription in public offers in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. The Employee Reserved Shares will be balloted if there are insufficient Employee Reserved Shares available to **PINK** Application Form applicants. If balloting is conducted, an Eligible Employee may be allocated more Employee Reserved Shares than others who have applied for the same number of Employee Reserved Shares, and those Eligible Employees who have applied for Employee Reserved shares and who are not successful in the ballot may not receive any Employee Reserved Shares. The allocation of Employee Reserved Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on seniority or length of service of the Eligible Employees. No favour will be given to Eligible Employees who apply for a large number of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 2,500,000 Employee Reserved Shares will be rejected. Allocation of Public Offer Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules.

In addition to any application for Employee Reserved Shares on a **PINK** Application Form, Eligible Employees will be entitled to apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS.

As at the Latest Practicable Date, there were 290 Eligible Employees.

In case not all the 2,500,000 Employee Reserved Shares are subscribed for by the Eligible Employees, the undersubscribed Employee Reserved Shares will be available as Public Offer Shares for subscription by the public under the Public Offer.

DEALING

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 13 June 2019, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 13 June 2019. The Shares will be traded in board lots of 4,000 Shares each and the stock code of the Shares is 2189.

1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for the Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- Eligible Employee may also make an application for the Employee Reserved Shares pursuant to the Employee Preferential Offering by using a **PINK** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form. However, Eligible Employees may not apply for or indicate an interest for Placing Shares under the Placing.

Our Company, the Sole Sponsor, the Joint Bookrunners and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

You can also apply for Employee Reserved Shares under **PINK** Application Form alternatively if you satisfy all the above criteria and are also an Eligible Employee.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Bookrunners may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares (including any Employee Reserved Shares) if you:

- are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are an associate and/or close associate of any of the above;
- are a connected person and/or core connected person of our Company or will become a connected person and/or core connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

If you are an Eligible Employee applying for the Employee Reserved Shares under the Employee Preferential Offering, use a **PINK** Application Form. Your application must be in one of the number set out in the table in the **PINK** Application Form, or your application will be rejected.

Where to Collect the Application Forms and the Prospectus

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 30 May 2019 until 12:00 noon on Tuesday, 4 June 2019 from:

(i) the following offices of the Public Offer Underwriters:

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

Future Land Resources Securities Limited
Flat B, 20th Floor, Guangdong Investment Tower
148 Connaught Road Central
Sheung Wan
Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

(ii) any of the designated branches of Bank of China (Hong Kong) Limited and Industrial and Commercial Bank of China (Asia) Limited, the receiving banks:

Bank of China (Hong Kong) Limited

District	**Branch Name**	**Address**
Hong Kong Island	Bank of China Tower Branch	1 Garden Road, Hong Kong
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai, Hong Kong
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei, Kowloon
New Territories	Castle Peak Road (Tsuen Wan) Branch	G/F–1/F, Sin Ching Building, 201–207 Castle Peak Road (Tsuen Wan), Tsuen Wan, New Territories
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza phase II, Tuen Mun, New Territories

Industrial and Commercial Bank of China (Asia) Limited

District	Branch Name	Address
Hong Kong	Queen's Road Central Branch	Basement, Ground Floor and First Floor of 122 QRC, Nos. 122–126 Queen's Road Central, Hong Kong
	Quarry Bay Branch	Shop SLG1, Sub-Lower Ground Floor, Westlands Gardens, Nos. 2–12, Westlands Road, Quarry Bay, Hong Kong
Kowloon	Mongkok Branch	G/F, Belgian Bank Building, 721–725 Nathan Road, Mongkok, Kowloon

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 30 May 2019 until 12:00 noon on Tuesday, 4 June 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

A **PINK** Application Form together with this prospectus can be collected by the Eligible Employees during the normal business hours from 9:00 a.m. on Thursday, 30 May 2019 until 12:00 noon on Monday, 3 June 2019 at the principal place of business of our Company at 1/F, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — KATO (HONG KONG) HOLDINGS PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving banks listed above, at the following times:

Thursday, 30 May 2019 — 9:00 a.m. to 5:00 p.m.
Friday, 31 May 2019 — 9:00 a.m. to 5:00 p.m.
Saturday, 1 June 2019 — 9:00 a.m. to 1:00 p.m.
Monday, 3 June 2019 — 9:00 a.m. to 5:00 p.m.
Tuesday, 4 June 2019 — 9:00 a.m. to 12:00 noon

Your completed **PINK** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — KATO (HONG KONG) HOLDINGS PUBLIC OFFER**" for the payment must be deposited in the collection point located at the principal place of business of our Company at 1/F, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong by 12:00 noon on Monday, 3 June 2019 being the last day for the submission of the **PINK** Application Forms, or such later time as described in the paragraph headed "9. Effect of Bad Weather on the Opening of the Application Lists" in this section.

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 4 June 2019, the last application day or such later time as described in the paragraph headed "9. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their respective agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by our Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and our Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;

(viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number of such Shares allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or our agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "13. Despatch/ Collection of Share Certificates and Refund Monies" in this section to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying except in respect of Employee Reserved Shares applied under the Employee Preferential Offering;

(xvii) understand that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

Terms, conditions and instructions for the PINK Application Form

You may refer to the **PINK** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Public Offer Shares applied for or any lesser number of such Shares allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as an agent;

- confirm that you understand that our Company, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving banks, the Joint Bookrunners, the Joint Lead Managers, the Co-Managers, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and our Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee but without interest) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 30 May 2019	—	9:00 a.m. to 8:30 p.m.
Friday, 31 May 2019	—	8:00 a.m. to 8:30 p.m.
Saturday, 1 June 2019	—	8:00 a.m. to 1:00 p.m.
Monday, 3 June 2019	—	8:00 a.m. to 8:30 p.m.
Tuesday, 4 June 2019	—	8:00 a.m. to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 30 May 2019 until 12:00 noon on Tuesday, 4 June 2019 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 4 June 2019, the last application day or such later time as described in the paragraph headed "9. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section in the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banks, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 4 June 2019.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

In addition, if you are an Eligible Employee, you may also make an additional application for the Employee Reserved Shares by using the **PINK** Application Form. Only one application for the Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications or suspected multiple applications by any Eligible Employee are liable to be rejected.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE**, **YELLOW** and **PINK** Application Forms have tables showing the exact amount payable for the Public Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE**, **YELLOW** or **PINK** Application Form in respect of a minimum of 4,000 Public Offer Shares and if you are an Eligible Employee at the same time, you may also submit an application using a **PINK** Application Form. Each application or **electronic application instruction** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 4 June 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 4 June 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the Employee Preferential Offering and the basis of allocation of the Public Offer Shares and Employee Reserved Shares on Wednesday, 12 June 2019, on our Company's website at **www.elderlyhk.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer and the Employee Preferential Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.elderlyhk.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Wednesday, 12 June 2019;
- from the designated results of allocations website at **www.unioniporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 12 June 2019 to 12:00 midnight on Tuesday, 18 June 2019;
- by telephone enquiry line by calling (852) 2843 6081 between 9:00 a.m. and 6:00 p.m. from Wednesday, 12 June 2019 to Monday, 17 June 2019 on a business day; and
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 12 June 2019 to Friday, 14 June 2019 at all the designated receiving banks branches listed in the paragraph headed "3. Applying for Public Offer Shares" above in this section.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedures to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, It cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise our discretion to reject your application:

Our Company, the Joint Bookrunners and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company, the Joint Bookrunners or the Sole Sponsor believe that by accepting your application, we or they would violate applicable securities or other laws, rules or regulations;
- your application is for more than 11,248,000 Public Offer Shares under the Public Offer; or
- you apply for more than 2,500,000 Employee Reserved Shares under the Employee Preferential Offering.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$0.64 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer are not fulfilled in accordance with the paragraph headed "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 12 June 2019.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below) and one share certificate for all Employee Reserved Shares allocated to you under the Employee Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE**, **YELLOW** and/or **PINK** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on Wednesday, 12 June 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

If you apply by **PINK** Application Form, your refund cheque(s) and Share certificate(s) for the Employee Reserved Shares will be sent to our Company on Wednesday, 12 June 2019 and our Company will arrange for onward transmission to you.

Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that the Share Offer has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 June 2019 or such other date as announced by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, 12 June 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, 12 June 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 12 June 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)**

  For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS Investor Participant**

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "10. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 12 June 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 12 June 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocation of the Public Offer in the manner specified in "10. Publication of Results" above on Wednesday, 12 June 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 12 June 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 12 June 2019. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 12 June 2019.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountant's Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KATO (HONG KONG) HOLDINGS LIMITED AND VMS SECURITIES LIMITED

Introduction

We report on the historical financial information of Kato (Hong Kong) Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-58, which comprises the consolidated statements of financial position as at 31 March 2016, 2017 and 2018 and 30 November 2018, the statement of financial position of the Company as at 30 November 2018, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-58 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 May 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountant's Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 30 November 2018, and the consolidated financial position of the Group as at 31 March 2016, 2017 and 2018 and 30 November 2018 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive income, changes in equity and cash flows for the eight months ended 30 November 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong

Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 11 to the Historical Financial Information which contains information about the dividends paid by Kato (Hong Kong) Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 May 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 March			Eight months ended 30 November	
		2016	2017	2018	2017	2018
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	5	142,379	150,195	156,013	101,880	114,804
Other income and other loss, net	6	1,389	2,096	2,377	1,512	—
Depreciation	13	(4,446)	(6,274)	(6,085)	(3,930)	(3,737)
Employee benefit expenses		(53,847)	(57,921)	(54,823)	(37,130)	(37,027)
Property rental and related expenses		(25,442)	(24,938)	(28,158)	(18,683)	(19,887)
Food and beverage costs		(7,018)	(6,994)	(6,411)	(4,175)	(4,626)
Utility expenses		(4,359)	(4,120)	(4,271)	(3,235)	(3,457)
Supplies and consumables		(1,605)	(1,572)	(1,594)	(1,269)	(1,256)
Repair and maintenance		(1,094)	(1,121)	(1,217)	(812)	(1,008)
Subcontracting fees		(1,342)	(1,425)	(2,003)	(429)	(1,111)
Cleaning expenses		(1,916)	(1,863)	(2,072)	(1,243)	(1,269)
Medical fees and related expenses		(1,732)	(1,749)	(1,767)	(1,158)	(1,263)
Donations		(272)	(638)	(185)	(3)	—
Other operating expenses		(4,214)	(3,436)	(2,861)	(2,554)	(2,965)
Listing expenses		—	—	(2,645)	—	(8,742)
Finance costs, net	7	(45)	(176)	(279)	(73)	(392)
Profit before taxation	8	36,436	40,064	44,019	28,698	28,064
Income tax expense	10	(5,594)	(6,582)	(7,582)	(4,584)	(5,813)
Profit and total comprehensive income for the year/period attributable to the shareholders of the Company		30,842	33,482	36,437	24,114	22,251
Basic and diluted earnings per share *(in HK$)*	12	3,084	3,348	3,644	2,411	2,225

Note: The earnings per share presented above has not been taken into account the proposed capitalisation issue pursuant to the resolutions in writing of all shareholders passed on 20 May 2019 (Note 18(a)) because the proposed capitalisation issue has not become effective as at the date of this report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 30 November
		2016	2017	2018	2018
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Property and equipment	13	10,559	13,571	15,400	11,899
Deferred tax assets	20	1,885	2,218	2,184	2,211
Total non-current assets		12,444	15,789	17,584	14,110
CURRENT ASSETS					
Trade receivables	14	1,724	1,619	1,518	1,148
Prepayments, deposits and other receivables	15	6,196	6,622	9,494	10,282
Amounts due from shareholders	25	10,646	14,287	20,100	20,264
Amount due from a director	16(a)	—	—	4,679	2,557
Amounts due from related companies	16(a)	1,719	3,304	4,560	4,637
Tax recoverable		519	552	645	—
Cash and cash equivalents	17	17,974	16,595	30,551	36,230
		38,778	42,979	71,547	75,118
Total assets		51,222	58,768	89,131	89,228
EQUITY AND LIABILITIES					
Equity attributable to shareholders of the Company					
Share capital	18(a)	—	—	—	—
Capital reserve	18(b)	136	36	36	36
Retained earnings		2,118	22,457	42,214	37,865
Total equity		2,254	22,493	42,250	37,901
NON-CURRENT LIABILITY					
Accruals and other payables	19	1,633	1,574	1,635	2,185
CURRENT LIABILITIES					
Trade and other payables	19	7,664	8,469	7,324	8,997
Deposits from customers	19	2,843	3,144	3,722	4,283
Contract liabilities	5	1,516	1,823	1,781	2,172
Amount due to a director	16(a)	17,463	7,555	—	—
Amounts due to related companies	16(a)	670	2,742	2,397	2,382
Bank borrowings	21	14,474	8,538	26,718	23,854
Income tax payable		2,705	2,430	3,304	7,454
		47,335	34,701	45,246	49,142
Total liabilities		48,968	36,275	46,881	51,327
Total equity and liabilities		51,222	58,768	89,131	89,228

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 30 November 2018 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	26	36,639
CURRENT ASSETS		
Prepayment	15	3,795
Amounts due from subsidiaries	16(a)	10,000
		13,795
Total assets		50,434
EQUITY		
Share capital	18(a)	—
Capital reserve	18(b)	36,639
Retained earnings	18(b)	613
Total equity		37,252
CURRENT LIABILITIES		
Other payables	19	2,275
Amount due to a subsidiary	16(a)	3,839
Amount due to a director	16(a)	7,068
Total liabilities		13,182
Total equity and liabilities		50,434

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to shareholders of the Company			
	Note	**Share capital** *HK$'000* *(Note 18(a))*	**Capital reserve** *HK$'000* *(Note 18(b))*	**Accumulated losses/ retained earnings** *HK$'000*	**Total** *HK$'000*
At 1 April 2015		—	136	(2,924)	(2,788)
Profit and total comprehensive income for the year		—	—	30,842	30,842
Transactions with owners in their capacity as owners:					
Dividends	11	—	—	(25,800)	(25,800)
At 31 March and 1 April 2016		—	136	2,118	2,254
Profit and total comprehensive income for the year		—	—	33,482	33,482
Transactions with owners in their capacity as owners:					
Winding up of an operating subsidiary		—	(100)	—	(100)
Deemed capital contributions upon dissolution of a subsidiary *(Note 23(b))*		—	—	8,197	8,197
Dividends	11	—	—	(21,340)	(21,340)
		—	(100)	(13,143)	(13,243)
At 31 March and 1 April 2017		—	36	22,457	22,493
Profit and total comprehensive income for the year		—	—	36,437	36,437
Transactions with owners in their capacity as owners:					
Dividends	11	—	—	(16,680)	(16,680)
At 31 March 2018		—	36	42,214	42,250

	Note	Attributable to shareholders of the Company Share capital HK$'000 (Note 18(a))	Capital reserve HK$'000 (Note 18(b))	Retained earnings HK$'000	Total HK$'000
At 1 April 2018		—	36	42,214	42,250
Profit and total comprehensive income for the period		—	—	22,251	22,251
Transaction with owners in their capacity as owners:					
Dividends	11	—	—	(26,600)	(26,600)
Issuance of an ordinary share on the date of incorporation		—	—	—	—
Issuance of ordinary shares pursuant to the Reorganisation		—	—	—	—
At 30 November 2018		—	36	37,865	37,901
(Unaudited)					
At 1 April 2017		—	36	22,457	22,493
Profit and total comprehensive income for the period		—	—	24,114	24,114
Transactions with owners in their capacity as owners:					
Dividends	11	—	—	(9,660)	(9,660)
At 30 November 2017		—	36	36,911	36,947

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 March 2016 HK$'000	Year ended 31 March 2017 HK$'000	Year ended 31 March 2018 HK$'000	Eight months ended 30 November 2017 HK$'000 (Unaudited)	Eight months ended 30 November 2018 HK$'000
Cash flows from operating activities						
Cash generated from operations	23(a)	42,699	47,548	48,486	32,409	37,353
Hong Kong profits tax paid		(21,919)	(7,223)	(6,767)	—	(1,045)
Interest received		1	1	1	—	2
Interest paid		(46)	(177)	(280)	(73)	(394)
Net cash generated from operating activities		20,735	40,149	41,440	32,336	35,916
Cash flow from investing activities						
Purchases of property and equipment	13	(6,843)	(9,286)	(7,950)	(5,833)	(236)
Increase in amounts due from shareholders		(1,409)	—	(12,013)	(9,047)	(164)
Changes in balances with related companies		(1,209)	486	(1,611)	(1,528)	(77)
Net cash used in investing activities		(9,461)	(8,800)	(21,574)	(16,408)	(477)
Cash flows from financing activities						
Advances from a director		13,040	8,691	1,469	479	2,467
Repayments to a director		(17,643)	(13,373)	(13,703)	(6,945)	(345)
Proceeds from bank borrowings	23(c)	16,395	4,767	25,000	—	—
Repayments of bank borrowings	23(c)	(1,921)	(10,703)	(6,820)	(4,763)	(2,864)
Dividends paid to shareholders		(16,110)	(22,110)	(10,480)	(3,460)	(26,600)
Payment of professional fee in connection with the initial public offering		—	—	(1,376)	—	(2,418)
Net cash used in financing activities		(6,239)	(32,728)	(5,910)	(14,689)	(29,760)
Net increase/(decrease) in cash and cash equivalents		5,035	(1,379)	13,956	1,239	5,679
Cash and cash equivalents at the beginning of year/period		12,939	17,974	16,595	16,595	30,551
Cash and cash equivalents at the end of year/period	17	17,974	16,595	30,551	17,834	36,230

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated in the Cayman Islands on 19 April 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as combined and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and together with its subsidiaries (the "Group") engage in the provision of elderly residential care services in Hong Kong (the "Listing Business").

During the Track Record Period, Ms. Ngai Ka Yee, Mr. Kwong Kai To and Mr. Ngai Shi Shing, Godfrey ("Mr. Godfrey Ngai") directed the economic activities of the Listing Business mainly through seven operating subsidiaries, namely Kato Kung Limited, Crawfield International Limited, Oriental Chinese Medicine Limited, Jane's Home Limited, Tsuen Wan Elderly Centre Limited, Happy Luck Elderly Home Limited and Fai-To Elderly Affairs Limited (the "Operating Subsidiaries"), which were ultimately controlled by Mr. Kwong Kai To and Ms. Ngai Ka Yee (collectively, "Godfrey's Parents") through Kato Elderly Group Limited. Mr. Godfrey Ngai and Godfrey's Parents (collectively, the "Kwong and Ngai Family" or "Controlling Shareholders") are the ultimate controlling party of the Group. Upon the completion of the Reorganisation (as defined in Note 1.2 below), the Operating Subsidiaries are wholly owned subsidiaries of the Company.

The Company is directly owned as to 83.2% by Sheung Fung Limited, the ultimate holding company, which was directly owned by a trustee (the "Trustee") of a family trust (the "Family Trust") established by Godfrey's Parents in which Mr. Godfrey Ngai is the sole beneficiary on 19 March 2018, and as to 16.8% by Si Mau Limited which was directly owned by Mr. Lam Kong, Ms. Kwong Mei Ping, Mr. Kwong Wai Ping, Thomas, Mr. Ngai Chi Hang and Mr. Ngai Yiu Pan, Louis (collectively, the "Individual Shareholders").

1.2 Reorganisation

In preparation for the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("Listing"), a group reorganisation (the "Reorganisation") was undertaken pursuant to which the Operating Subsidiaries were transferred to and held by the Company.

The Reorganisation mainly involved the followings:

1.2.1 Acquisitions of 20.0% equity interests in Kato Kung Limited, 30.0% equity interests in Oriental Chinese Medicine Limited and 10.0% equity interests in Jane's Home Limited

On 1 February 2018, Kato Elderly Group Limited, a company wholly-owned by Godfrey's Parents, acquired 20.0% equity interests in Kato Kung Limited at a cash consideration of HK$5,000,000 from Mr. Ngai Ha Sang. Since then, Kato Kung Limited was indirectly owned as to 80.0% by Godfrey's Parents.

On 1 February 2018 and 15 March 2018, Kato Elderly Group Limited acquired 30.0% equity interests in Oriental Chinese Medicine Limited at a cash consideration of HK$7,930,000 from Mr. Ngai Ha Sang, Mr. Au Wai Kwan and Ms. So Wai Ha. Since then, Oriental Chinese Medicine Limited was indirectly owned as to 86.4% by Godfrey's Parents.

On 2 March 2018, Kato Elderly Group Limited acquired 10.0% equity interests in Jane's Home Limited at a consideration of HK$800,000 from Mr. Cheung Sai Wai and Ms. Cheung Wai Ling. Since then, Jane's Home Limited was indirectly owned as to 100.0% by Godfrey's Parents.

1.2.2 Incorporation of the Company by Sheung Fung Limited

On 19 April 2018, the Company was incorporated in the Cayman Islands with 1 subscriber share allotted and issued. The subscriber share of the Company was transferred at par to Sheung Fung Limited on the same day.

1.2.3 Incorporation of intermediate holding company by the Company

On 20 April 2018, Kato Elderly Care Limited was incorporated in the BVI. On the same date, one share was allotted and issued to the Company. Since then, Kato Elderly Care Limited is a direct wholly-owned subsidiary of the Company.

1.2.4 Acquisitions of the Operating Subsidiaries through share swap

On 7 September 2018, Kato Elderly Care Limited acquired 100.0% equity interests of the Operating Subsidiaries at a consideration of issuing and allotting 8,319 shares and 1,680 shares of the Company to Sheung Fung Limited and Si Mau Limited, respectively.

Upon the completion of the steps as described above, the Operating Subsidiaries became wholly-owned subsidiaries of the Company. After the completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company name	Place of incorporation	Date of incorporation	Principal activities and place of operation	Issued and fully paid ordinary share capital	Attributable equity interest of the Group					
					31 March 2016	31 March 2017	31 March 2018	30 November 2018	Upon completion of the Reorganisation and as at the date of this report	*Note*
Directly held by the Company:										
Kato Elderly Care Limited	BVI	20 April 2018	Investments holding	United States dollar 1	N/A	N/A	N/A	100%	100%	(a)
Indirectly held by the Company:										
Kato Kung Limited	Hong Kong	25 May 1995	Operation of elderly residential care homes in Hong Kong	HK$5,000	100%	100%	100%	100%	100%	(b), (c)
Crawfield International Limited	Hong Kong	23 May 1991	Operation of elderly residential care homes in Hong Kong	HK$20,000	100%	100%	100%	100%	100%	(b), (c)
Oriental Chinese Medicine Limited	Hong Kong	1 March 2000	Operation of an elderly residential care home in Hong Kong	HK$11,000	100%	100%	100%	100%	100%	(b), (c)
Jane's Home Limited	Hong Kong	25 May 2012	Operation of an elderly residential care home in Hong Kong	HK$100	100%	100%	100%	100%	100%	(b), (c)
Tsuen Wan Elderly Centre Limited	Hong Kong	28 June 2002	Operation of an elderly residential care home in Hong Kong	HK$110	100%	100%	100%	100%	100%	(b), (c)
Happy Luck Elderly Home Limited	Hong Kong	8 April 2014	Operation of an elderly residential care home in Hong Kong	HK$110	100%	100%	100%	100%	100%	(b), (c)
Fai-To Elderly Affairs Limited *(Note 23(b))*	Hong Kong	12 November 1999	Operation of an elderly residential care home in Hong Kong	HK$100,000	100%	100%	N/A	N/A	N/A	(d)

Note:

(a) No statutory audited financial statements were issued for this subsidiary as there is no statutory requirement in its place of incorporation.

(b) The statutory financial statements of these subsidiaries for each of the years ended 31 March 2016 and 2017 were audited by CC Kwong & Company, Certified Public Accountants in Hong Kong.

(c) The statutory financial statements of these subsidiaries for the year ended 31 March 2018 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

(d) Fai-To Elderly Affair Limited was dissolved on 3 February 2017 (Note 23(b)).

1.3 Basis of presentation

Immediately prior to the Reorganisation and during the Track Record Period, the Listing Business is mainly conducted through the Operating Subsidiaries which were controlled by Godfrey's Parents.

Pursuant to the Reorganisation, the Operating Subsidiaries and the Listing Business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a recapitalisation of the Listing Business with no change in management of such business and the Controlling Shareholders of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under the Operating Subsidiaries and, for the purpose of this report, the Historical Financial Information has been prepared and presented using the carrying amounts of the Listing Business under the Operating Subsidiaries for all period presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA are set out below. The Historical Financial Information has been prepared under the historical cost convention.

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

The Group has adopted HKFRS 9, HKFRS 15 and HKFRS 15 (Amendments) consistently throughout the Track Record Period with the practical expedients permitted under the standards.

New standards, interpretations, improvements and amendments to standards and interpretations not yet adopted

A number of new standards, interpretations, improvements and amendments to standards and interpretations have been issued but not effective during the Track Record Period and have not been early adopted by the Group in preparing these Historical Financial Information:

		Effective for annual periods beginning on or after
Annual Improvement Projects 2017	Annual Improvement 2015–2017 Cycle	1 January 2019
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 3 (Amendments)	Definition of Business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2022
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKAS 19 (Amendments)	Employee Benefits on Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in an Associate or Joint Venture	1 January 2019
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

HKFRS 16 "Leases"

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 30 November 2018, the Group has non-cancellable operating lease commitments of HK$52,847,000 (Note 24) and most of these leases had an original lease term of over one year.

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

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

Given that the total non-cancellable operating lease commitments account for 103% of the total liabilities of the Group as at 30 November 2018, the directors of the Company expect that the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's financial positions. However, the directors of the Company expect the adoption of HKFRS 16 has no material impact, other than the change of presentation of expenses, on the Group's financial performance for the year ending 2020.

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

2.2 Subsidiaries

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

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

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

2.2.1 Business combination

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

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

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

2.2.2 Changes in ownership interests in subsidiaries

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

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

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in HK$, which is the Group's presentation and the Company's functional currency.

(b) Transactions and balances

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

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

2.4 Segment reporting

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

2.5 Property and equipment

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

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

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

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

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

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

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount and are recognised within 'other income and other loss, net' in the consolidated statements of comprehensive income.

2.6 Prepaid rent

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

2.7 Impairment of non-financial assets

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

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets as debt instruments to be measured at amortised cost.

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

For investments in debt instruments, this will depend on the business model in which the investment is held.

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

2.8.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statements of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instrument carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

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

When measuring expected credit loss, the Group considers forward-looking information.

Impairment information of trade receivables is described in Note 14.

2.11 Trade and other receivables

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

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

2.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

2.13 Share capital

Ordinary shares are classified as equity.

2.14 Trade and other payables

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

2.15 Borrowings

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

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

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

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

2.16 Borrowing costs

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

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

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

2.17 Current and deferred tax

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

(a) Current income tax

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

(b) Deferred tax

Inside basis differences

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

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

(c) Offsetting

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

2.18 Employee benefits

(a) Pension obligations

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

(b) Long service payments

In Hong Kong, employees who have completed a required number of years of service to the Group are eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment, provided that such termination meet the circumstances specified in the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for long service payment as a result of services rendered by employees up to the statement of financial position date. The liability recognised in the consolidated statement of financial position in respect of long service payments is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

(c) Provision for bonus

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

2.19 Provisions

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

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

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

2.20 Revenue recognition

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

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

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

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

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

(a) Rendering of elderly home care services

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

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

(b) Sales of elderly related goods

Sales of elderly related goods includes the sale of diapers, nutritional milk, wipes and blood glucose test strips to our residents on an as-needed basis.

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

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

(c) Advertising income

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

(d) Interest income

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

2.21 Leases (as the lessee for operating leases)

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

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

2.22 Dividend distribution

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

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

2.23 Government grants and subsidies

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

2.24 Financial guarantee contracts

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

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Interest rate risk

The Group has no significant interest-bearing assets except for bank deposits, which are at variable interest rate and subject to cash flow interest rate risk. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings which carried at floating rates.

For each of the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, if interest rates on all bank borrowings had been 50 basis-points higher/lower with all other variables held constant, profit after taxation for the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018 would have decreased/increased by approximately HK$60,000, HK$36,000, HK$112,000, HK$16,000 and HK$100,000 respectively, mainly as a result of higher/lower interest expense on floating rate bank borrowings.

(b) Credit risk

The credit risk of the Group mainly arises from trade receivables, deposits and other receivables, amounts due from shareholders, a director and related companies and cash at banks.

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

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

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

The Group have policies in place to ensure that the provisions of services and goods sold are made to third party customers with an appropriate credit history. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and taking into account information specific to the customer.

The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

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

(i) Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. All trade receivables has no history of default and management do not expect significant credit losses after considering forward looking information. Therefore, expected credit loss rate of trade receivables is assessed to be close to zero as at 31 March 2016, 2017 and 2018 and 30 November 2018. As at 31 March 2016, 2017 and 2018 and 30 November 2018, the provision for expected credit losses was assessed to be not material to the Historical Financial Information and no provision was made.

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

As at 31 March 2016, 2017 and 2018 and 30 November 2018, the gross carrying amount and the maximum exposure to loss of trade receivables was HK$1,724,000, HK$1,619,000, HK$1,518,000 and HK$1,148,000, respectively.

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

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

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

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

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

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

As at 31 March 2016, 2017 and 2018 and 30 November 2018, the internal credit rating of other receivables and amounts due from shareholders, a director and related companies were performing. The Group has assessed that the expected credit loss rate for these receivables is close to zero under 12 months expected losses method. Thus, no loss allowance provision for other receivables and amounts due from shareholders, a director and related companies was recognised during the Track Record Period.

As at 31 March 2016, 2017 and 2018 and 30 November 2018, the maximum exposure to loss of deposits and other receivables and amounts due from shareholders, a director and related companies was summarised as follows:

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits and other receivables	540	575	764	647
Amounts due from shareholders	10,646	14,287	20,100	20,264
Amount due from a director	—	—	4,679	2,557
Amounts due from related companies	1,719	3,304	4,560	4,637
Maximum exposure to loss	12,905	18,166	30,103	28,105

(c) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn banking facilities below) and cash and cash equivalents (Note 17) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Floating rate				
Expiring within one year (bank borrowings and overdraft facilities)	1,000	1,821	1,000	885

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

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

	Less than one year or repayable on demand			
	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	2,612	2,804	2,427	4,453
Deposits from customers	2,843	3,144	3,722	4,283
Amount due to a director	17,463	7,555	—	—
Amounts due to related companies	670	2,742	2,397	2,382
Bank borrowings (with repayable on demand clause)	14,474	8,538	26,718	23,854
	38,062	24,783	35,264	34,972

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

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	10,246	6,612	3,888	1,810
More than 1 year but less than 2 years	2,435	2,043	1,806	1,780
More than 2 years but less than 5 years	2,042	—	5,237	5,160
More than 5 years	—	—	21,765	20,605
	14,723	8,655	32,696	29,355

3.2 Capital risk management

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

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

The Group monitors its capital on the basis of the gearing ratio, which is expressed as a percentage of net debt divided by total capital. Net debt is calculated as total bank borrowings and amount due to a director less cash and cash equivalents. Capital represents total equity as shown on the consolidated statements of financial position.

The gearing ratio as at 31 March 2016, 2017 and 2018 and 30 November 2018 were as follows:

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	14,474	8,538	26,718	23,854
Amount due to a director	17,463	7,555	—	—
Less: Cash and cash equivalents	(17,974)	(16,595)	(30,551)	(36,230)
Net debt/(cash)	13,963	(502)	(3,833)	(12,376)
Total equity	2,254	22,493	42,250	37,901
Gearing ratio	619.5%	Net Cash	Net Cash	Net Cash

Since the amount of cash and cash equivalents exceeded that of bank borrowings and amount due to a director, the Group is at net cash position as at 31 March 2017 and 2018 and 30 November 2018. Thus, the gearing ratio was not applicable as at 31 March 2017 and 2018 and 30 November 2018.

3.3 Fair value estimation

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

3.4 Offsetting financial assets and financial liabilities

(a) Financial assets

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

	Gross amount of recognised financial assets *HK$'000*	Gross amount of financial liabilities set off in the consolidated statement of financial position *HK$'000*	Net amount of financial assets presented in the consolidated statement of financial position *HK$'000*
As at 31 March 2016			
Amounts due from shareholders	13,517	(2,871)	10,646
As at 31 March 2018			
Amounts due from shareholders	20,112	(12)	20,100
Amount due from a director	22,934	(18,255)	4,679
	43,046	(18,267)	24,779
As at 30 November 2018			
Amounts due from shareholders	28,291	(8,027)	20,264
Amount due from a director	23,295	(20,738)	2,557
	51,586	(28,765)	22,821

(b) Financial liabilities

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

	Gross amount of recognised financial liabilities *HK$'000*	Gross amount of financial assets set off in the consolidated statement of financial position *HK$'000*	Net amount of financial liability presented in the consolidated statement of financial position *HK$'000*
As at 31 March 2016			
Amount due to a director	(29,905)	12,442	(17,463)
As at 31 March 2017			
Amount due to a director	(20,842)	13,287	(7,555)

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Useful lives of property and equipment

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

(b) Impairment of property and equipment

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the value in use used in the impairment test and as a result affect the Group's financial position and results of operations.

5. REVENUE AND SEGMENT INFORMATION

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

For management purposes, the Group has only one reportable operating segment, which is the provision of elderly home care services. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

The Group's revenue was derived solely from its operations in Hong Kong during the Track Record Period, and the non-current assets of the Group were located in Hong Kong as at 31 March 2016, 2017 and 2018 and 30 November 2018.

Revenue of approximately HK$62,572,000, HK$64,162,000, HK$67,109,000, HK$43,925,000 and HK$48,805,000 for the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, respectively, was derived from the Hong Kong Government under Enhanced Bought Place Scheme, which amounted to more than 10% of the Group's revenue.

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

	Year ended 31 March			Eight months ended 30 November	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue					
Recognised over time:					
Rendering of elderly home care services	121,324	126,518	132,515	86,483	98,274
Recognised at a point in time:					
Sales of elderly home related goods	21,055	23,677	23,498	15,397	16,530
	142,379	150,195	156,013	101,880	114,804

The Group did not recognise any revenue-related contract assets during the Track Record Period.

(a) Contract liabilities

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

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract liabilities	1,516	1,823	1,781	2,172

The following table shows the revenue recognised during the Track Record Period related to carried-forward contract liabilities:

	Year ended 31 March			Eight months ended 30 November	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue recognised that was included in the contract liabilities balance as at beginning of the year/period	1,319	1,516	1,823	1,823	1,781

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

6. OTHER INCOME AND OTHER LOSS, NET

	Year ended 31 March			Eight months ended 30 November	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Other income					
Advertising income	1,685	2,096	2,413	1,512	—
Other loss					
Loss on disposals/write-off of property and equipment	(296)	—	(36)	—	—
Other income and other loss, net	1,389	2,096	2,377	1,512	—

7. FINANCE COSTS, NET

	Year ended 31 March			Eight months ended 30 November	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest income	1	1	1	—	2
Interest expenses	(46)	(177)	(280)	(73)	(394)
Finance costs, net	(45)	(176)	(279)	(73)	(392)

8. PROFIT BEFORE TAXATION

	Year ended 31 March			Eight months ended 30 November	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Auditors' remuneration	88	80	210	134	140
Depreciation *(Note 13)*	4,446	6,274	6,085	3,930	3,737
Employee benefit expenses	53,847	57,921	54,823	37,130	37,027
Wages and salaries	49,262	50,267	50,701	35,224	34,964
Retirement benefit scheme contributions	1,672	1,639	2,094	1,129	1,085
Staff welfare and benefits	934	786	957	321	215
Provision for long service payments	245	319	219	181	550
Directors' remunerations *(Note 9)*	3,682	6,322	1,818	1,212	1,212
Government subsidies	(1,948)	(1,412)	(966)	(937)	(999)
Lease payments under operating leases	23,164	22,915	26,004	17,800	18,213
Legal and professional fee	32	50	130	64	305
Listing expenses	—	—	2,645	—	8,742
Medical fees and related expenses	1,732	1,749	1,767	1,158	1,263
Provision for litigation claim	—	—	—	—	380
Subcontracting fees:	1,342	1,425	2,003	429	1,111
Subcontracting fees	6,760	7,376	9,147	4,780	5,529
Government subsidies	(5,418)	(5,951)	(7,144)	(4,351)	(4,418)

9. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' remunerations

The remunerations of directors for each of the years/periods ended 31 March 2016, 2017 and 2018 and 30 November 2017 and 2018 were as follows:

	Fees	Salaries	Discretionary bonuses	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2016					
Ms. Ngai Ka Yee	—	1,755	—	—	1,755
Mr. Ngai Shi Shing, Godfrey	—	1,780	—	27	1,807
Mr. Kwong Kai To	—	120	—	—	120
	—	3,655	—	27	3,682
Year ended 31 March 2017					
Ms. Ngai Ka Yee	—	4,033	—	—	4,033
Mr. Ngai Shi Shing, Godfrey	—	1,201	—	18	1,219
Mr. Kwong Kai To	—	1,070	—	—	1,070
	—	6,304	—	18	6,322
Year ended 31 March 2018					
Ms. Ngai Ka Yee	—	600	—	—	600
Mr. Ngai Shi Shing, Godfrey	—	600	—	18	618
Mr. Kwong Kai To	—	600	—	—	600
	—	1,800	—	18	1,818
(Unaudited)					
Eight months ended 30 November 2017					
Ms. Ngai Ka Yee	—	400	—	—	400
Mr. Ngai Shi Shing, Godfrey	—	400	—	12	412
Mr. Kwong Kai To	—	400	—	—	400
	—	1,200	—	12	1,212
Eight months ended 30 November 2018					
Ms. Ngai Ka Yee	—	400	—	—	400
Mr. Ngai Shi Shing, Godfrey	—	400	—	12	412
Mr. Kwong Kai To	—	400	—	—	400
	—	1,200	—	12	1,212

Note:

(i) The remunerations shown above represent remunerations received from the subsidiaries of the Group by these directors in their capacity as employees to subsidiaries of the Group and no directors waived any emolument during each of the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018.

(ii) No director fees were paid to these directors in their capacity as directors of the Company and or the subsidiaries of the Group and no emoluments were paid by the subsidiaries of the Group to the directors as an inducement to join the subsidiaries of the Group, or as compensation for loss of office during each of the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018.

(iii) During each of the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.

(iv) During each of the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, no significant transactions, agreements and contracts in relation to the Group's business to which the Company or any of the subsidiaries of the Group were a party and in which a director of the Company had material interest, whether directly or indirectly, subsisted at the end of each of the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, other than those disclosed in Note 16.

(v) During each of the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, saved as disclosed in the Note 16 and Note 22, there were no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors.

(vi) All directors of the Company, including Ms. Ngai Ka Yee, Mr. Ngai Shi Shing, Godfrey and Mr. Kwong Kai To, are appointed on 2 October 2018.

(b) Five highest paid individuals

2, 3, 3, 3 and 3 of the highest paid individuals were directors of the Company for the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, respectively.

Details of the emoluments of the remaining 3, 2, 2, 2 and 2 non-directors, highest paid individuals for the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018 are analysed as below:

	Year ended 31 March			**Eight months ended 30 November**	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries and allowances	2,070	1,622	1,350	786	1,000
Retirement benefit scheme contributions	57	41	45	24	24
	2,127	1,663	1,395	810	1,024

The emoluments fell within the following bands:

	Year ended 31 March			**Eight months ended 30 November**	
	2016	**2017**	**2018**	**2017**	**2018**
	Number of individual			*Number of individual*	
				(Unaudited)	
Nil to HK$1,000,000	3	1	2	2	2
HK$1,000,001 to HK$1,500,000	—	1	—	—	—
	3	2	2	2	2

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided on the estimated assessable profits at a rate of 16.5% for each of the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017. Hong Kong profits tax has been provided at the two-tiered rate of 8.25% for the first HK$2 million of the estimated assessable profits and 16.5% on the remaining estimated assessable profit of the Group for the eight months ended 30 November 2018.

An analysis of the income tax expenses for the Track Record Period is as follows:

	Year ended 31 March			Eight months ended 30 November	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Hong Kong profits tax					
Current year	5,958	6,915	7,548	4,527	5,840
Over-provision in prior years	(353)	—	—	—	—
	5,605	6,915	7,548	4,527	5,840
Deferred tax *(Note 20)*	(11)	(333)	34	57	(27)
Income tax expense	5,594	6,582	7,582	4,584	5,813

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

	Year ended 31 March			Eight months ended 30 November	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before taxation	36,436	40,064	44,019	28,698	28,064
Tax calculated at a tax rate of 16.5%	6,012	6,611	7,263	4,735	4,631
Effect on two-tiered tax rate of 8.25%	—	—	—	—	(165)
Expenses not deductible for tax	30	91	499	29	1,527
Tax losses for which no deferred tax assets was recognised	5	—	—	—	—
Over-provision in prior years	(353)	—	—	—	—
Tax reduction	(100)	(120)	(180)	(180)	(180)
Income tax expense	5,594	6,582	7,582	4,584	5,813

11. DIVIDENDS

As at 30 November 2018, no dividend has been paid or declared by the Company.

Dividends disclosed during each of the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018 represented dividends declared and paid or payable by the subsidiaries of the Group to their then respective shareholders based on their then respective shareholdings. The rates for dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

	Year ended 31 March			Eight months ended 30 November	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Declared dividends by:					
— Crawfield International Limited	1,300	1,050	1,000	400	2,000
— Happy Luck Elderly Home Limited	—	4,510	440	440	4,400
— Jane's Home Limited	—	—	—	—	3,100
— Kato Kung Limited	7,500	5,000	2,000	750	5,000
— Oriental Chinese Medicine Limited	15,000	6,600	13,240	8,070	8,800
— Tsuen Wan Elderly Centre Limited	2,000	4,180	—	—	3,300
	25,800	21,340	16,680	9,660	26,600

In March 2019, the Company declared a dividend of HK$25,165,000 to the Shareholders of the Company and such dividends had been fully settled by netting off against the amounts due from shareholders.

12. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares deemed to be in issue during the years ended 31 March 2016, 2017 and 2018 and eight months period ended 30 November 2017 and 2018.

	Year ended 31 March			Eight months ended 30 November	
	2016	**2017**	**2018**	**2017** (Unaudited)	**2018**
Profit attributable to shareholders of the Company *(HK$'000)*	30,842	33,482	36,437	24,114	22,251
Weighted average number of shares deemed to be in issue	10,000	10,000	10,000	10,000	10,000
Basic earnings per share *(in HK$)*	3,084	3,348	3,644	2,411	2,225

The weighted average number of shares deemed to be in issue for the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018 for the purpose of earnings per shares computation has been retrospectively adjusted to the beginning of the Track Record Period for the effect of the 1 ordinary share issued on 19 April 2018 (date of incorporation) and 9,999 shares allotted for exchange of shares of the subsidiaries of the Group upon Reorganisation on 7 September 2018.

(b) Diluted

Diluted earnings per share for the years ended 31 March 2016, 2017 and 2018 and eight months period ended 30 November 2017 and 2018 are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

13. PROPERTY AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
At 1 April 2015				
Cost	27,411	9,157	4,150	40,718
Accumulated depreciation	(20,074)	(8,225)	(3,961)	(32,260)
Net carrying amount	7,337	932	189	8,458
Year ended 31 March 2016				
Opening net carrying amount	7,337	932	189	8,458
Additions	5,514	1,261	68	6,843
Depreciation	(3,841)	(544)	(61)	(4,446)
Disposals	—	(47)	(63)	(110)
Written-off upon dissolution of a subsidiary	(186)	—	—	(186)
Closing net carrying amount	8,824	1,602	133	10,559
At 31 March 2016				
Cost	30,199	9,705	3,925	43,829
Accumulated depreciation	(21,375)	(8,103)	(3,792)	(33,270)
Net carrying amount	8,824	1,602	133	10,559
Year ended 31 March 2017				
Opening net carrying amount	8,824	1,602	133	10,559
Additions	8,655	631	—	9,286
Depreciation	(5,566)	(660)	(48)	(6,274)
Closing net carrying amount	11,913	1,573	85	13,571
At 31 March 2017				
Cost	38,854	10,336	3,925	53,115
Accumulated depreciation	(26,941)	(8,763)	(3,840)	(39,544)
Net carrying amount	11,913	1,573	85	13,571

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
Year ended 31 March 2018				
Opening net carrying amount	11,913	1,573	85	13,571
Additions	6,035	1,903	12	7,950
Depreciation	(5,024)	(1,021)	(40)	(6,085)
Disposals	—	(36)	—	(36)
Closing net carrying amount	12,924	2,419	57	15,400
At 31 March 2018				
Cost	25,219	5,087	168	30,474
Accumulated depreciation	(12,295)	(2,668)	(111)	(15,074)
Net carrying amount	12,924	2,419	57	15,400
Eight months ended 30 November 2018				
Opening net carrying amount	12,924	2,419	57	15,400
Additions	—	236	—	236
Depreciation	(3,141)	(572)	(24)	(3,737)
Closing net carrying amount	9,783	2,083	33	11,899
At 30 November 2018				
Cost	25,219	5,323	168	30,710
Accumulated depreciation	(15,436)	(3,240)	(135)	(18,811)
Net carrying amount	9,783	2,083	33	11,899
(Unaudited)				
Eight months ended 30 November 2017				
Opening net carrying amount	11,913	1,573	85	13,571
Additions	4,045	1,776	12	5,833
Depreciation	(3,218)	(677)	(35)	(3,930)
Closing net carrying amount	12,740	2,672	62	15,474
(Unaudited)				
At 30 November 2017				
Cost	42,899	12,112	3,937	58,948
Accumulated depreciation	(30,159)	(9,440)	(3,875)	(43,474)
Net carrying amount	12,740	2,672	62	15,474

14. TRADE RECEIVABLES

	As at 31 March			As at 30 November
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	1,724	1,619	1,518	1,148

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

The ageing analysis of the Group's trade receivables, based on invoice date, as at 31 March 2016, 2017 and 2018 and 30 November 2018 are as follows:

	As at 31 March			As at 30 November
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	1,059	1,309	1,123	1,001
31–60 days	254	135	178	106
61–180 days	411	175	217	41
	1,724	1,619	1,518	1,148

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

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

The maximum exposure to credit risk at 31 March 2016, 2017 and 2018 and 30 November 2018 are the carrying amounts of trade receivables mentioned above. The Group does not hold any collateral as security.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 March 2016, 2017 and 2018 and 30 November 2018, no provision were made against the gross amounts of trade receivables.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	51	510	168	165
Prepaid rent	5,605	5,537	5,702	5,675
Prepaid listing expenses	—	—	2,860	3,795
Deposits	333	399	406	647
Other receivables	207	176	358	—
Current portion	6,196	6,622	9,494	10,282
Maximum exposure to credit risk	540	575	764	647

The Company

	As at 30 November 2018
	HK$'000
Prepaid listing expenses	3,795

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

16. RELATED PARTIES BALANCES AND TRANSACTIONS

For the purposes of this Historical Financial Information, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following individuals and companies were related parties that had transactions or balances with the Group during the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018:

Name of related parties	**Relationship with the Group throughout the Track Record Period**
Ms. Ngai Ka Yee	Controlling shareholder, director of the Company and the spouse of Mr. Kwong Kai To
Mr. Kwong Kai To	Controlling shareholder, director of the Company and the spouse of Ms. Ngai Ka Yee
Mr. Ngai Shi Shing, Godfrey	Controlling shareholder, director of the Company and son of Ms. Ngai Ka Yee
Mr. Lam Kong	Shareholder, key management and son of Ms. Ngai Ka Yee
Ms. Kwong Mei Ping	Shareholder and key management
Mr. Kwong Wai Ping, Thomas	Shareholder, key management and son of Ms. Kwong Kai To
Classic Mate Limited	Entity controlled by Mr. Ngai Shi Shing, Godfrey
Kato Elderly Affairs Limited	Entity controlled by Mr. Ngai Shi Shing, Godfrey
Kato Kung Publishing Limited	Entity controlled by Mr. Ngai Shi Shing, Godfrey
Kato Property Limited	Entity controlled by Mr. Ngai Shi Shing, Godfrey
Kato Shing Limited	Entity controlled by Mr. Ngai Shi Shing, Godfrey
Kong Harvest Limited	Entity controlled by Mr. Ngai Shi Shing, Godfrey *(Note i)*
Perfect Cheer Investment Limited	Entity controlled by Mr. Ngai Shi Shing, Godfrey
Shing Kong Limited	Entity controlled by Mr. Ngai Shi Shing, Godfrey
Smarts Corporation Limited	Entity controlled by Mr. Ngai Sui Shing, Godfrey
Stand Harvest Limited	Entity controlled by Mr. Lam Kong

Note i: The entity ceased to be a related company as at 12 February 2017 as it is no longer controlled by Mr. Ngai Shi Shing, Godfrey.

(a) Balances with related parties

The Group

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from related parties				
Mr. Lam Kong *(Note 25)*	1,375	1,415	3,046	3,046
Mr. Kwong Kai To *(Note 25)*	4,244	4,389	7,233	7,233
Ms. Kwong Mei Ping *(Note 25)*	688	708	1,523	1,523
Mr. Kwong Wai Ping, Thomas *(Note 25)*	477	527	—	—
Ms. Ngai Ka Yee *(Note 25)*	1,548	4,714	7,536	7,700
Amount due from a director				
Mr. Ngai Shi Shing, Godfrey	—	—	4,679	2,557
Amount due to a director				
Mr. Ngai Shi Shing, Godfrey	(17,463)	(7,555)	—	—
Amounts due from related companies				
Classic Mate Limited	156	195	546	580
Kato Kung Publishing Limited	150	133	144	144
Kato Property Limited	11	19	190	190
Kato Shing Limited	1	1	281	281
Kong Harvest Limited	3	3	—	—
Perfect Cheer Investment Limited	11	1,172	1,378	1,378
Shing Kong Limited	1,387	1,781	2,021	2,064
	1,719	3,304	4,560	4,637
Amounts due to related companies				
Kato Elderly Affairs Limited *(Note b)*	(510)	(2,581)	(2,225)	(2,225)
Stand Harvest Limited	(160)	(161)	(172)	(157)
	(670)	(2,742)	(2,397)	(2,382)

The Company

	As at 30 November 2018
	HK$'000
Amounts due from subsidiaries	
Crawfield International Limited	4,500
Tsuen Wan Elderly Centre Limited	5,500
	10,000
Amount due to a director	
Mr. Ngai Shi Shing, Godfrey	7,068
Amount due to a subsidiary	
Kato Kung Limited	3,839

	Maximum balance outstanding during the year ended 31 March			Maximum balance outstanding during the eight months ended 30 November	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Amounts due from directors					
Mr. Kwong Kai To	6,490	4,389	8,469	8,469	7,233
Ms. Ngai Ka Yee	3,716	5,094	11,775	7,536	7,700
Mr. Ngai Shi Shing, Godfrey	N/A	N/A	6,152	1,171	4,679

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

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

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

Subsequent to the period end date as at 30 November 2018, outstanding balances with related parties will be fully settled before the Listing.

(b) Amount due to Kato Elderly Affairs Limited

Amount due to Kato Elderly Affairs Limited is unsecured, interest-free, non-trade in nature and repayable on demand. The carrying amount of the amount due to a related company approximates to its fair value due to its short maturity and is denominated in HK$.

(c) Related party transactions

The Group had the following transactions with related parties in the ordinary course of business:

	Year ended 31 March			Eight months ended 30 November	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Rental expenses paid to related parties:					
— Ms. Ngai Ka Yee	250	418	421	248	293
— Mr. Ngai Shi Shing, Godfrey	—	36	144	96	96
Rental expenses paid to related companies:					
— Classic Mate Limited	960	960	1,140	740	800
— Kato Elderly Affairs Limited	3,600	3,600	4,600	3,000	3,200
— Kato Property Limited	1,920	1,920	2,320	1,520	1,600
— Perfect Cheer Investment Limited	1,560	1,560	1,860	1,220	1,280
— Shing Kong Limited	2,460	3,010	3,060	2,040	2,040
— Smarts Corporation Limited	—	—	—	—	1,165
Laundry expenses paid to a related company					
— Stand Harvest Limited	1,608	1,710	1,806	1,156	1,208

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

The Group's banking facilities of HK$15,474,000, HK$10,359,000, HK$27,718,000 and HK$24,854,000 as at 31 March 2016, 2017 and 2018 and 30 November 2018, respectively, are secured by the personal guarantee of a director of the Company, Mr. Ngai Shi Shing, Godfrey, and land and buildings and unlimited guarantees provided by the following related companies:

— Kato Elderly Affairs Limited

— Kato Property Limited

— Perfect Cheer Investment Limited

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

(d) Key management compensation

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

Compensations of key management personnel of the Group, including directors' remunerations as disclosed in Note 9 to the Historical Financial Information, are as follows:

	Year ended 31 March			Eight months ended 30 November	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries and other short term employee benefits	5,245	8,046	2,556	1,704	2,084
Retirement benefit scheme contribution	72	65	80	59	51
	5,317	8,111	2,636	1,763	2,135

17. CASH AND CASH EQUIVALENTS

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks	16,504	14,377	29,401	35,156
Cash on hand	1,470	2,218	1,150	1,074
Cash and cash equivalents	17,974	16,595	30,551	36,230
Maximum exposure to credit risk	16,504	14,377	29,401	35,156

As at 31 March 2016, 2017 and 2018 and 30 November 2018, the Group's cash and cash equivalents are denominated in HK$. The carrying amounts of cash and cash equivalents approximate their fair values due to their short maturities.

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

18. SHARE CAPITAL AND RESERVE

(a) Share capital of the Company

	Number of ordinary shares	Equivalent nominal value of ordinary share *HK$*
Authorised:		
38,000,000 shares of HK$0.01 each *(Note)*	38,000,000	380,000
Issued and paid:		
As at 19 April 2018 (date of incorporation)	1	—
Add: Issuance of ordinary shares of HK$0.01 each for acquisition of subsidiaries	9,999	100
As at 30 November 2018	10,000	100

Note: On 19 April 2018, the authorised and issued paid-up capital of the Company is 38,000,000 shares and 1 share of HK$0.01 each, respectively. On 7 September 2018, as part of the Reorganisation, the Company issued 9,999 new ordinary shares as the consideration for acquisition of the subsidiaries now comprising the Group (Note 1.2). On 20 May 2019, the authorised share capital of the Company was increased from 38,000,000 shares of HK$0.01 each to 3,000,000,000 shares of HK$0.01 each. Upon completion of the Share Offer, the Company will issue 749,990,000 Shares upon capitalisation of certain amounts standing to the credit of the share premium account of the Company.

(b) Reserves

The Group

The capital reserve of the Group represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired and the nominal value of the share capital of the Company issued in exchange through share swap pursuant to the Reorganisation as described in Note 1.2.4.

The Company

	Capital reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 19 April 2018 (date of incorporation)	—	—	—
Contribution surplus *(Note)*	36,639	—	36,639
Profit and other comprehensive income for the period	—	613	613
At 30 November 2018	36,639	613	37,252

Note: The capital reserve of the Company represents the excess of the aggregate net assets values of the subsidiaries acquired by the Company over the nominal value of the share capital of the Company through share swap pursuant to the Reorganisation as described in Note 1.2.4.

19. TRADE AND OTHER PAYABLES AND DEPOSITS FROM CUSTOMERS

The Group

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	1,504	1,375	1,931	1,576
Accruals and other payables	2,086	1,968	473	718
Accrued wages and salaries and retirement benefit scheme contributions	4,610	5,284	4,736	4,481
Listing expenses payable	—	—	184	2,222
Deposits from customers	2,843	3,144	3,722	4,283
Provision for reinstatement costs	575	575	575	575
Provision for long service payments	522	841	1,060	1,610
	12,140	13,187	12,681	15,465
Less: non-current portion	(1,633)	(1,574)	(1,635)	(2,185)
	10,507	11,613	11,046	13,280

The Company

	As at 30 November 2018
	HK$'000
Accrued expenses	53
Listing expenses payable	2,222
	2,275

As at 31 March 2016, 2017 and 2018 and 30 November 2018, the carrying amounts of trade and other payables and deposits from customers approximate to their fair values, as the impact of discounting is not significant, and are denominated in HK$.

Trade payables are unsecured, non-interest bearing and repayable in accordance with contractual terms.

The ageing analysis of trade payables by invoice date is as follows:

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 60 days	1,504	1,375	1,931	1,576

20. DEFERRED TAX ASSETS

The analysis of deferred tax assets is as follows:

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets:				
— to be recovered after more than 12 months	1,775	1,979	1,923	1,925
— to be recovered within 12 months	110	239	261	286
	1,885	2,218	2,184	2,211

	Year ended 31 March			Eight months ended 30 November	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
At the beginning of the year/period	1,874	1,885	2,218	2,218	2,184
Credited/(charged) to the consolidated statements of comprehensive income *(Note 10)*	11	333	(34)	(57)	27
At the end of the year/period	1,885	2,218	2,184	2,161	2,211

The movements in deferred tax assets of the Group for each of the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018 are as follows:

	Tax losses	Decelerated tax depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2015	242	1,632	1,874
(Charged)/credited to the consolidated statements of comprehensive income for the year	(236)	247	11
At 31 March and 1 April 2016	6	1,879	1,885
(Charged)/credited to the consolidated statements of comprehensive income for the year	(6)	339	333
At 31 March and 1 April 2017	—	2,218	2,218
Charged to the consolidated statements of comprehensive income for the year	—	(34)	(34)
At 31 March and 1 April 2018	—	2,184	2,184
Credited to the consolidated statements of comprehensive income for the period	—	27	27
At 30 November 2018	—	2,211	2,211
(Unaudited)			
At 1 April 2017	—	2,218	2,218
Charged to the consolidated statements of comprehensive income for the period	—	(57)	(57)
At 30 November 2017	—	2,161	2,161

As at 31 March 2016, 2017 and 2018 and 30 November 2018, there is no significant unrecognised deferred tax.

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

21. BANK BORROWINGS

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

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings				
— Within one year or on demand	14,474	8,538	26,718	23,854

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

	As at 31 March			As at 30 November
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	10,076	6,513	3,281	1,250
More than 1 year but less than 2 years	2,374	2,025	1,250	1,250
More than 2 years but less than 5 years	2,024	—	3,750	3,750
More than 5 years	—	—	18,437	17,604
	14,474	8,538	26,718	23,854

The carrying amount of the Group's bank borrowings as at 31 March 2016, 2017 and 2018 and 30 November 2018 are exposed to interest rate changes and the contractual re-pricing-dates are within 3 months.

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

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

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

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

Bank borrowings bear effective interest rate of 1.7%, 1.8%, 2.0%, 1.9% and 2.5% per annum for the years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2017 and 2018, respectively.

All personal guarantee provided by Mr. Ngai Shi Shing, Godfrey and corporate guarantees and land and buildings provided by related companies will be released upon the Listing.

22. FINANCIAL GUARANTEE

As at 31 March 2016, 2017 and 2018 and 30 November 2018, certain Operating Subsidiaries provided guarantees to banks in connection with facilities of approximately HK$110,890,000, HK$117,429,000, HK$115,689,000 and HK$278,076,000, respectively, granted to some of the related companies, disclosed in Note 16, controlled by Mr. Ngai Shi Shing, Godfrey, a director of the Company, which were utilised to the extent of approximately HK$77,390,000, HK$73,929,000, HK$78,689,000 and HK$268,076,000, respectively. In the opinion of the directors, the fair value of the financial guarantee contracts was considered to be insignificant based on the fair value of the property held by and the repayment history of the Group's related companies.

All corporate guarantee provided to related companies will be released upon the Listing.

23. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations

		Year ended 31 March			Eight months ended 30 November	
		2016	2017	2018	2017	2018
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before taxation		36,436	40,064	44,019	28,698	28,064
Adjustments for:						
Interest income	7	(1)	(1)	(1)	—	(2)
Interest expenses	7	46	177	280	73	394
Depreciation	13	4,446	6,274	6,085	3,930	3,737
Loss on disposals/write-off of property and equipment	6	296	—	36	—	—
Provision for litigation claim		—	—	—	—	380
		41,223	46,514	50,419	32,701	32,573
Changes in working capital:						
Trade receivables		(883)	105	101	392	370
Prepayments, deposits and other receivables		1,269	(426)	(1,496)	(900)	(788)
Trade and other payables		123	746	(1,084)	(484)	4,261
Deposits from customers		762	301	578	(139)	561
Contract liabilities		197	307	(42)	839	391
Balances with related companies		8	1	10	—	(15)
Cash generated from operations		42,699	47,548	48,486	32,409	37,353

(b) Significant non-cash transactions

During the year ended 31 March 2016, 2017 and 2018, 2, 2 and 2 of the subsidiaries of the Group have declared dividends totalling HK$22,500,000, Nil and HK$13,680,000 to the then shareholders of the Operating Subsidiaries, respectively. Dividends of HK$10,270,000, Nil and HK$6,200,000 were settled by netting off the outstanding balances of the current accounts with the then shareholders.

During the eight months ended 30 November 2017, 2 of the subsidiaries of the Group have declared dividends totalling HK$8,510,000 to the then shareholders of the subsidiaries of the Group. Dividends of HK$6,200,000 were settled by netting off the outstanding balances of the current accounts with shareholders.

During the year ended 31 March 2017, amounts due to the Controlling Shareholders totalling HK$8,197,000 is waived upon dissolution of an a subsidiary of the Group and is recognised as a capital contribution from the Controlling Shareholders in the consolidated statement of change in equity for the year ended 31 March 2017.

(c) Net debt reconciliation

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

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	17,974	16,595	30,551	36,230
Amount due to a director	(17,463)	(7,555)	—	—
Bank borrowings	(14,474)	(8,538)	(26,718)	(23,854)
Net (debt)/cash	(13,963)	502	3,833	12,376
Cash and cash equivalents	17,974	16,595	30,551	36,230
Gross debt — variable interest rates	(14,474)	(8,538)	(26,718)	(23,854)
Gross debt — interest-free	(17,463)	(7,555)	—	—
Net (debt)/cash	(13,963)	502	3,833	12,376

		Liabilities from financing activities		
	Cash and cash equivalents	**Amount due to a director repayable on demand**	**Bank borrowings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net debt as at 1 April 2015	12,939	(22,066)	—	(9,127)
Cash flows, net	5,035	4,603	(14,474)	(4,836)
Net debt as at 31 March 2016 and 1 April 2016	17,974	(17,463)	(14,474)	(13,963)
Cash flows, net	(1,379)	4,682	5,936	9,239
Non-cash movements	—	5,226	—	5,226
Net cash as at 31 March 2017 and 1 April 2017	16,595	(7,555)	(8,538)	502
Cash flows, net	13,956	7,555	(18,180)	3,331
Net debt as at 31 March 2018 and 1 April 2018	30,551	—	(26,718)	3,833
Cash flows, net	5,679	—	2,864	8,543
Net cash as at 30 November 2018	36,230	—	(23,854)	12,376
(Unaudited)				
Net cash as at 1 April 2017	16,595	(7,555)	(8,538)	502
Cash flows, net	1,239	6,464	4,763	12,466
Net cash as at 30 November 2017	17,834	(1,091)	(3,775)	12,968

24. OPERATING LEASE AND CAPITAL COMMITMENTS

(a) Operating lease commitments — as lessee

The Group leases certain of its elderly centres under operating lease arrangements. Leases for these properties are negotiated for terms ranging from two to fifteen years. At the end of each of the Track Record Period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	22,693	24,379	27,382	22,274
More than one year but less than five years	55,368	38,357	32,500	20,273
More than five years	827	—	11,100	10,300
	78,888	62,736	70,982	52,847

(b) Capital commitments

The Group had the following capital expenditure contracted but not provided for:

	As at 31 March			As at 30 November
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for — leasehold improvements	—	4,613	—	—

25. AMOUNTS DUE FROM SHAREHOLDERS

	As at 31 March			As at 30 November
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from shareholders				
Mr. Au Wai Kwan	287	317	—	—
Mr. Lam Kong	1,375	1,415	3,046	3,046
Mr. Kwong Kai To	4,244	4,389	7,233	7,233
Ms. Kwong Mei Ping	688	708	1,523	1,523
Mr. Kwong Wai Ping, Thomas	477	527	—	—
Mr. Ngai Chi Hang	344	354	762	762
Mr. Ngai Ha Sang	1,190	1,315	—	—
Ms. Ngai Ka Yee	1,548	4,714	7,536	7,700
Mr. Ngai Yiu Pan, Louis	238	263	—	—
Ms. So Wai Ha	85	95	—	—
Mr. Zhang Jun Xue	170	190	—	—
	10,646	14,287	20,100	20,264

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

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

The outstanding balances with shareholders will be fully settled before the Listing.

26. INVESTMENT IN A SUBSIDIARY

	As at 30 November 2018
	HK$'000
Investment in unlisted shares	36,639

Investment in a subsidiary is recorded at cost, which represents the net assets value of the subsidiary on the date of acquisition. Details of the direct and indirect subsidiaries of the Company are set out in Note 1.2.

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Track Record Period are as follows:

	As at 31 March			As at 30 November
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets as per consolidated statements of financial position				
Financial assets at amortised cost:				
— Trade receivables	1,724	1,619	1,518	1,148
— Deposits and other receivables	540	575	764	647
— Amounts due from shareholders	10,646	14,287	20,100	20,264
— Amount due from a director	—	—	4,679	2,557
— Amounts due from related companies	1,719	3,304	4,560	4,637
— Cash and cash equivalents	17,974	16,595	30,551	36,230
	32,603	36,380	62,172	65,483
Liabilities as per consolidated statements of financial position				
Financial liabilities at amortised cost:				
— Trade and other payables	(2,612)	(2,804)	(2,427)	(4,453)
— Deposits from customers	(2,843)	(3,144)	(3,722)	(4,283)
— Amount due to a director	(17,463)	(7,555)	—	—
— Amounts due to related companies	(670)	(2,742)	(2,397)	(2,382)
— Bank borrowings	(14,474)	(8,538)	(26,718)	(23,854)
	(38,062)	(24,783)	(35,264)	(34,972)

28. SUBSEQUENT EVENT

In March 2019, the Company declared a dividend of HK$25,165,000 to the shareholders of the Company and such dividends had been fully settled by netting off against the amounts due from shareholders.

Save as disclosed above and elsewhere in this report, there is no other material subsequent event undertaken by the Company or by the Group after 30 November 2018.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 November 2018 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 November 2018.

The following information does not form part of the Accountant's Report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of our Group attributable to the owners of our Company as at 30 November 2018 as if the Share Offer had taken place on 30 November 2018.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as at 30 November 2018 or at any future dates following the Share Offer.

	Audited consolidated net tangible assets of the Group attributable to the owners of our Company as at 30 November 2018	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company as at 30 November 2018**	**Unaudited pro forma adjusted net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on the Offer Price of HK$0.60 per Offer Share	37,901	129,762	167,663	0.17
Based on the Offer Price of HK$0.64 per Offer Share	37,901	139,312	177,213	0.18

Notes:

(1) The audited consolidated net tangible assets attributable to the owners of our Company as at 30 November 2018 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited net assets of our Group attributable to the owners of the Company as at 30 November 2018 of approximately HK$37,901,000 as our Group has no intangible asset as at 30 November 2018.

(2) The estimated net proceeds from the Share Offer are based on 250,000,000 Offer Shares and the indicative Offer Price of HK$0.60 per Offer Share and HK$0.64 per Offer Share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately HK$2,645,000 and HK$8,742,000 which have been accounted for in the consolidated statements of comprehensive income for the year ended 31 March 2018 and the eight months ended 30 November 2018, respectively).

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares were in issue assuming that the Capitalisation Issue and the Share Offer have been completed on 30 November 2018 but without taking into account of any Shares which may be allotted and issued by our Company pursuant to the Share Option Scheme or any Shares which may be allotted and issued and repurchased by the Company pursuant to the general mandates granted to the Directors to allot and issue or repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to 30 November 2018. In particular, the unaudited pro forma adjusted net tangible assets of our Group has not taken into account a dividend of HK$25.2 million declared and settled in March 2019. The unaudited pro forma adjusted net tangible assets per Shares would have been HK$0.14 and HK$0.15 per Share based on the Offer Price of HK$0.60 and HK$0.64 per Offer Shares respectively if the payment of such dividends had been accounted for.

B. UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma estimated earnings per Share for the year ended 31 March 2019 has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer as if it had taken place on 1 April 2018.

This unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of our Group for the year ended 31 March 2019 or for any future periods.

Estimated unaudited profit attributable to shareholders of our Group *(Note 1)*	Not less than HK$36.5 million
Unaudited pro forma estimated earnings per Share *(Note 2)*	Not less than HK3.65 cents

Notes:

(1) The bases on which the above profit estimate for the year ended 31 March 2019 has been prepared are summarised in Appendix III to this prospectus. Our Directors have prepared the estimate of the consolidated profit attributable to shareholders of our Company for the year ended 31 March 2019 based on the audited consolidated results of our Group for the eight months ended 30 November 2018 and the unaudited consolidated results based on management accounts of our Group for the four months ended 31 March 2019. The profit estimate has been prepared on the basis that is consistent in all material respects with the accounting policies normally adopted by our Group as set out in the accountant's report, the text of which is set out in Appendix I to this prospectus.

(2) The unaudited pro forma estimated earnings per Share is calculated by dividing the estimated consolidated profit for the year ended 31 March 2019 attributable to shareholders of our Company by 1,000,000,000 Shares assuming that the Capitalisation Issue and the Share Offer have been completed on 1 April 2018. The calculation of the estimated earnings per Share does not take into account any Shares which may be allotted and issued by our Company pursuant to the Share Option Scheme or any Shares which may be allotted and issued and repurchased by our Company pursuant to the general mandates granted to the Directors to allot and issue or repurchase Shares as described in the section headed "Share Capital" in this prospectus.

C. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Kato (Hong Kong) Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Kato (Hong Kong) Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 November 2018 and the pro forma estimated earnings per share for the year ended 31 March 2019, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-3 of the Company's prospectus dated 30 May 2019 (the "Prospectus"), in connection with the proposed public offer and placing of the shares of the Company (the "Share Offer"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-3 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Share Offer on the Group's financial position as at 30 November 2018 and the pro forma estimated earnings per share for the year ended 31 March 2019 as if the Share Offer had taken place at 30 November 2018 and 1 April 2018, respectively. As part of this process, information about the Group's financial position and the estimate of consolidated profit attributable to shareholders of the Company has been extracted by the directors from the Group's financial information for the eight months ended 30 November 2018, on which an accountant's report has been published, and the Group's profit estimate for the year ended 31 March 2019, respectively.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Share Offer at 30 November 2018 or 1 April 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 May 2019

The estimated consolidated profit of our Company for the year ended 31 March 2019 is set out in the section headed "Financial Information — Profit Estimate for the Year Ended 31 March 2019" in this prospectus.

A. BASES

We have prepared our estimate of the consolidated profit attributable to the owners of our Company for the year ended 31 March 2019 (the "**Profit Estimate**") based on (i) the audited consolidated results of our Group for the eight months ended 30 November 2018; and (ii) the unaudited consolidated results of our Group based on the management accounts for the four months ended 31 March 2019. The Profit Estimate has been prepared on a basis consistent in all material respects with the accounting policies normally adopted by our Group as set out in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

B. LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

The Board of Directors
Kato (Hong Kong) Holdings Limited

VMS Securities Limited

30 May 2019

Dear Sirs,

Kato (Hong Kong) Holdings Limited (the "**Company**")

Profit Estimate for Year Ended 31 March 2019

We refer to the estimate of the consolidated profit attributable to shareholders of the Company for the year ended 31 March 2019 (the "**Profit Estimate**") set forth in the section headed Financial Information in the prospectus of the Company dated 30 May 2019 (the "**Prospectus**").

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the eight months ended 30 November 2018 and the unaudited consolidated results based on the management accounts of the Group for the four months ended 31 March 2019.

The Company's directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountant's report dated 30 May 2019, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

C. LETTER FROM THE SOLE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus by the Sole Sponsor, in connection with the estimate of the consolidated profit attributable to the owners of the Company for the year ended 31 March 2019.

VMS SECURITIES LIMITED
49/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

The Directors
Kato (Hong Kong) Holdings Limited

30 May 2019

We refer to the estimate of the consolidated profit attributable to the owners of Kato (Hong Kong) Holdings Limited (the "**Company**", together with its subsidiaries, collectively referred to as the "**Group**") for the year ended 31 March 2019 (the "**Profit Estimate**"), for which the directors of the Company (the "**Directors**") are solely responsible, as set out in the section headed "Financial Information" in the prospectus of the Company dated 30 May 2019 (the "**Prospectus**").

The Profit Estimate has been prepared by the Directors based on (i) the audited consolidated results of the Group for the eight months ended 30 November 2018 as set out in the Accountant's Report in Appendix I to the Prospectus; and (ii) the unaudited consolidated results based on the management accounts of the Group for the four months ended 31 March 2019.

We have discussed with you the bases made by the Directors as set out in Appendix III to the Prospectus, upon which the Profit Estimate has been made. We have also considered the letter dated 30 May 2019 addressed to yourselves and ourselves from the Company's reporting accountant, PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

For and on behalf of
VMS Securities Limited
Anderson Wong
Managing Director

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 April 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Third Amended and Restated Memorandum of Association (the "**Memorandum**") and its Third Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 20 May 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of 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 having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (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.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANIES LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the

Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 11 May 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, are available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 19 April 2018.

As our Company was incorporated in the Cayman Islands, we are subject to the relevant law of the Cayman Islands and our constitution which comprises a memorandum of association and articles of association. A summary of the relevant aspects of the Cayman Islands company law and certain provisions of our constitution are set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

(a) On 19 April 2018, our Company was incorporated with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. Upon its incorporation, one Share of a par value of HK$0.01, being the then entire issued share capital of the Company, was initially allotted and issued to Sharon Pierson, which was subsequently transferred to Sheung Fung on the same date.

(b) On 7 September 2018, our Company allotted and issued, credited as fully paid, a total of 8,319 Shares to Sheung Fung, at the direction of Kato Elderly Group, in consideration of and exchange for the transfers of 4,000 shares of Kato Kung, 20,000 shares of Crawfield International, 9,500 shares of Oriental Chinese, 100 shares of Jane's Home, 75 shares of Tsuen Wan Elderly Centre and 75 shares of Happy Luck, representing 80%, 100%, 86.4%, 100%, 68.2% and 68.2% of their respective entire issued share capital, from Kato Elderly Group to our Company.

(c) On 7 September 2018, our Company allotted and issued, credited as fully paid, a total of 1,680 Shares to Si Mau, at the direction of the Individual Shareholders, in consideration of and exchange for the transfers of 1,000 shares of Kato Kung, 1,500 shares of Oriental Chinese, 35 shares of Tsuen Wan Elderly Centre and 35 shares of Happy Luck, representing 20%, 13.6%, 31.8%, 31.8% of the Individual Shareholders' respective entire issued share capital, from the Individual Shareholders to our Company.

(d) Pursuant to a resolution in writing of the Shareholders passed on 20 May 2019, the authorised share capital of our Company was increased from HK$380,000 to HK$30,000,000 by the creation of a further 2,962,000,000 Shares.

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Share which will be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), 1,000,000,000 Shares will be issued fully paid or credited as fully paid, and 2,000,000,000 Shares will remain unissued. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, our Directors did not have any present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs 3 and 4 below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of all Shareholders passed on 20 May 2019

On 20 May 2019, pursuant to resolutions in writing passed by all Shareholders:

(a) our authorised share capital was increased from HK$380,000 to HK$30,000,000 by the creation of a further 2,962,000,000 Shares;

(b) the Memorandum of Association was adopted with immediate effect;

(c) the Articles of Association were conditionally adopted with effect from Listing; and

(d) conditional on the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Main Board and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of those agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

(i) the Share Offer was approved and our Directors were authorised to approve the allotment and issue of the Offer Shares;

(ii) the rules of the Share Option Scheme were approved and adopted and the Directors or any such committee thereof were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for the Shares thereunder, to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;

(iii) conditional on the share premium account being credited as a result of the Share Offer, our Directors were authorised to capitalise HK$7,499,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 749,990,000 Shares for allotment and issue to Shareholder(s) whose name(s) appear(s) on the register of members of our Company at the close of business on 20 May 2019 (or as it/they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and our Directors be and are hereby authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Share which will be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Companies Law or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Share which will be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme); and

(vi) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

4. Corporate reorganisation

Our Group underwent the Reorganisation to rationalise our corporate structure in preparation for the Listing, and our Company became the holding company of our Group. See the section headed "History, Development and Reorganisation" in this prospectus for further details.

5. Particulars of our subsidiaries

Our Group comprises our Company and seven subsidiaries. Please refer to the Accountant's Report for a summary of the corporate information of these companies.

6. Changes in share capital of our subsidiaries

Save as disclosed in the section headed "History, Development and Reorganisation" in this prospectus, there had been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions of all Shareholders passed on 20 May 2019, the Repurchase Mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange, or on any other stock exchange on which our Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate number of the Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to any Shares which may be granted under the Share Option Scheme). The general mandate will expire at the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association, the Companies Law or applicable laws of Cayman Islands to be held, or when revoked or varied by ordinary resolution of the Shareholders in general meeting, whichever shall first occur.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles, the Listing Rules and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Under the laws of the Cayman Islands, any repurchases by our Company may be made (1) out of profits of our Company; (2) out of the share premium account of our Company; (3) out of the proceeds of a fresh issue of Shares made for the purpose of the purchase; or (4) out of capital, if so authorised by the Articles and subject to the provisions of the Companies Law; and (5) in the case of any premium payable on the purchase, out of the profits of our Company, from sums standing to the credit of the share premium account of our Company or out of capital, if so authorised by the Articles and subject to the provisions of the Companies Law.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after the Listing, would result in up to 100,000,000 Shares being repurchased by us during the period in which the Repurchase Mandate remains in force.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

8. Registration under the Companies Ordinance

Our Company is a registered non-Hong Kong company as defined under the Companies Ordinance with its principal place of business in Hong Kong at 1st Floor, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong. Mr. Ngai and Mr. Kwok Chi Kan have been appointed as the authorised representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process and notices on our Company is the same as the address of our principal place of business in Hong Kong.

FURTHER INFORMATION ABOUT OUR BUSINESS

9. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the Deed of Reorganisation;

(b) the Deed of Non-competition;

(c) the Deed of Indemnity;

(d) the Public Offer Underwriting Agreement; and

(e) the cornerstone investment agreement entered into between our Company, Dynasty Power Limited, VMS Securities, Future Land and Haitong International Securities dated 27 May 2019, pursuant to which, Dynasty Power Limited agreed to subscribe for 5,000,000 Shares at the Offer Price.

10. Intellectual property rights of our Group

Trademark

As at the Latest Practicable Date, our Group was the registered proprietor and beneficial owner of the following registered trademark:

Trademark	Registered owner	Place of registration	Class	Registration number	Validity
	Our Company	Hong Kong	43 [(1)]	304430169	12 February 2018 to 11 February 2028

Notes:

1. The services covered under class 43 include the provision of food and drink and temporary accommodation.

Domain name

As at the Latest Practicable Date, our Group was the registrant of the following domain name:

No.	Domain name	Registrant	Expiry date
1.	elderlyhk.com	Our Company	9 May 2020

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF AND EXPERTS

11. Directors

(a) Disclosure of interests

(i) Our executive Directors and non-executive Director are interested in the Reorganisation. See section headed "History, Development and Reorganisation" in this prospectus for further details.

(ii) Save as disclosed in note 16 to the Accountant's Report, none of our Directors or their associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of service contracts

Each of our executive Directors has entered into a service agreement with our Company pursuant to which each of them has agreed to act as an executive Director for an initial term of three years commencing from the Listing Date.

Each of these executive Directors is entitled to a basic salary subject to an annual review by the remuneration committee of the Board during the term. In addition, each of our executive Directors is also entitled to a discretionary management bonus to be recommended by the remuneration committee of the Board and as approved by the majority of the Board. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The annual salaries of the executive Directors provided under the service agreements are as follows:

Name	Annual salary
Ms. Ngai	HK$1,200,000
Mr. Ngai	HK$1,200,000

Each of the non-executive Director and the independent non-executive Directors has been appointed for an initial term of two years commencing from the Listing Date. The annual directors' fees which our Company intends to pay to all our independent non-executive Directors are as follows:

Name	**Annual director's fee**
Mr. Kwong	HK$1,080,000
Ms. Chiu Lai Kuen Susanna	HK$120,000
Mr. Or Kevin	HK$120,000
Mr. Wong Vinci	HK$120,000

Save for directors' fees, none of the non-executive Director and the independent non-executive Directors is expected to receive any other remuneration for holding their office as the non-executive Director and independent non-executive Directors.

Save as aforesaid, none of our Directors has or is proposed to have a service agreement with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

(i) During FY2018, the aggregate emoluments paid by our Group to our Directors were HK$1,818,000.

(ii) Under the arrangements currently in force, the aggregate emoluments payable by our Group to our Directors for the year ended 31 March 2019 was approximately HK$1,818,000, and it is estimated that the aggregate emoluments payable to our Directors for the year ended 31 March 2020 will be approximately HK$3,504,000.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period as (1) an inducement to join or upon joining our Company; or (2) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

(d) Interests and short positions of Directors and chief executive in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following the completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, will be as follows:

Name of Director	**Relevant Company**	**Capacity**	**Number of securities or underlying Shares[(1)]**	**Percentage of shareholding**
Mr. Kwong	Our Company	Settlor of the Family Trust	624,000,000 (L)[(2)]	62.4%
	Sheung Fung	Interest in a controlled corporation	624,000,000 (L)[(2)]	62.4%
Ms. Ngai	Our Company	Settlor of the Family Trust	624,000,000 (L)[(2)]	62.4%
	Sheung Fung	Interest in a controlled corporation	624,000,000 (L)[(2)]	62.4%
Mr. Ngai	Our Company	Beneficiary of the Family Trust	624,000,000 (L)[(2)]	62.4%

Notes:

1. The letter "L" denotes the Director's long position in the Shares.

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

12. Interest discloseable under the SFO and substantial shareholders

So far as is known to our Directors and chief executive of our Company, immediately following the completion of the Share Offer and the Capitalisation Issue (but without taking account any Shares which may be issued and allotted pursuant to the exercise of any option which may be granted under the Share Offer), the following persons (other than our Directors or chief executive officer of our Company) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be expected, directly or indirectly, to be interested in 10% or more of the issued voting shares of our Company or any other member of our Group.

Name	Nature of interest	Number of Shares immediately following the completion of the Capitalisation Issue and the Share Offer(1)	Percentage of shareholding immediately following the completion of the Capitalisation Issue and the Share Offer
Sheung Fung	Beneficial owner	624,000,000 (L)	62.4%
Trustee	Trustee	624,000,000 (L)(2)	62.4%
Ms. Wei Xiaoling(4)	Interest of spouse	624,000,000 (L)	62.4%
Si Mau	Beneficial owner	126,000,000 (L)	12.6%
Mr. Lam Kong	Interest in controlled corporation	126,000,000 (L)(3)	12.6%

Notes:

1. The letter "L" denotes the Director's long position in the Shares.

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

3. These Shares are held by Si Mau, which is held as to 62.7% by Mr. Lam Kong. By virtue of the SFO, Mr. Lam Kong is deemed to be interested in the Shares held by Si Mau.

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

13. Related party transactions

Save as disclosed in note 16 of the Accountant's Report, during the two years immediately preceding the date of this prospectus, our Group has not engaged in any other material related party transactions.

14. Disclaimers

(a) Taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares when may be allotted and issued upon the exercise of the options granted or which may be granted under the Share Option Scheme, our Directors are not aware of any person who, save as disclosed in paragraph 12 in this appendix, will, immediately following the completion of the Share Offer and the Capitalisation Issue, have an interest or a short position in Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;

(b) Save as disclosed in paragraph 11(d) in this appendix, none of our Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under such provisions of the SFO, any interests or short position in the Shares or underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, once the Shares are listed on the Main Board;

(c) None of our Directors nor the experts named in paragraph 21 of this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for Shares either in his own name or in the name of a nominee;

(d) Save as disclosed in note 16 to the Accountant's Report and in connection with the Underwriting Agreements, the material contracts referred to in paragraph 9 of this appendix and the service agreements and letters of appointments referred to in paragraph 11(b) of this appendix, none of our Directors nor the experts named in paragraph 21 of this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and

(e) None of the experts named in paragraph 21 in this appendix has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group.

OTHER INFORMATION

15. Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing of all Shareholders passed on 20 May 2019:

(i) Purpose of the scheme

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

(ii) Who may join

Our Directors (which expression shall, for the purpose of this paragraph 15, include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants ("**Eligible Participants**"), to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries ("**Subsidiaries**") or any entity ("**Invested Entity**") in which our Group holds an equity interest ("**SOS Eligible Employee**");

(bb) any non-executive director (including independent non-executive directors) of our Company, any Subsidiary or any Invested Entity;

(cc) any supplier of goods or services to any member of our Group or any Invested Entity;

(dd) any customer of any member of our Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

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

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

(iii) Maximum number of Shares

(aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not exceed 30% of the issued share capital of our Company from time to time.

(bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the day on which dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 100,000,000 Shares) (the "**General Scheme Limit**").

(cc) Subject to paragraph (aa) above but without prejudice to paragraph (dd) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group shall not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(dd) Subject to paragraph (aa) above and without prejudice to paragraph (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to Eligible Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

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

(v) Grant of options to connected persons

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

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

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

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

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

(vi) Time of acceptance and exercise of option

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

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

(vii) Performance targets

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

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

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

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

(ix) Ranking of Shares

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

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

(x) Restrictions on the time of grant of options

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

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

(xi) Period of the Share Option Scheme

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

(xii) Rights on ceasing employment

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

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

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

(xiv) Rights on dismissal

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

(xv) Rights on breach of contract

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

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

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

(xvii) Rights on winding up

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

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

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

(i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and

(ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

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

(xx) Cancellation of options

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

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

(xxi) Termination of the Share Option Scheme

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

(xxii) Rights are personal to the grantee

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

(xxiii) Lapse of options

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

(aa) the expiry of the period referred to in paragraph (vi);

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

(cc) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other options.

(xxiv) Others

(aa) The Share Option Scheme is conditional on the Listing Committee granting the listing of and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules, the "Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule" set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 and other relevant guidance of the Stock Exchange.

(ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

(b) Present status of the Share Option Scheme

(i) Approval of the Listing Committee required

The Share Option Scheme, which complies with Chapter 17 of the Listing Rules, is conditional on the Listing Committee granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

16. Estate duty, tax and other indemnities

Sheung Fung, Mr. Kwong, Ms. Ngai and Mr. Ngai (collectively the "**Indemnifiers**") have executed the Deed of Indemnity (being the material contract referred to in paragraph 9(c) of this appendix) in favour of our Company (for itself and as trustee for each of its present subsidiaries), pursuant to which the Indemnifiers have agreed to jointly and severally indemnify each of the members of our Group against the following:

(a) any liability for Hong Kong estate duty which might be incurred by us by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to us on or before the date on which the Share Offer becomes unconditional (the "**Effective Date**");

(b) taxation which might fall on us in respect of any income, profits or gains earned, accrued or received on or before the Effective Date, subject to certain exceptions set out below; and

(c) any liability which are suffered by us in connection with the incidents referred to in the section headed "Business — Non-compliance" in this prospectus.

The Indemnifiers will, however, not be liable in respect of any taxation referred to in paragraph (b) above:

(1) to the extent that provision or reserve has been made for such taxation in the audited accounts of our Group for the Track Record Period and to the extent that such taxation is incurred or accrued since 30 November 2018 which arises in our ordinary course of business; or

(2) to the extent that such taxation falls on us in respect of the accounting period commencing on or after 1 December 2018 unless such taxation would not have arisen but for an act or omission of, or transaction voluntarily effected by the Indemnifiers or us otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the Effective Date; or

(3) to the extent that such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by us after the date of the Deed of Indemnity; or

(4) to the extent that such taxation arises as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by any relevant authority coming into force after the date of the Deed of Indemnity or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or

(5) to the extent of any provision or reserve made for taxation in the audited accounts of our Group up to 30 November 2018 and which is finally established to be an over-provision or an excessive reserve.

17. Litigation

Neither our Company nor any of our subsidiaries is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Group.

18. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme. The Sole Sponsor is independent of our Company in accordance with Rule 3A.07 of the Listing Rules.

The Sole Sponsor will be paid by our Company a total fee of HK$4.3 million to act as the sponsor to our Company in connection with the Share Offer.

19. Preliminary expenses

The estimated preliminary expenses of our Company are approximately US$2,174 and are payable by our Company.

20. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoters of our Company in connection with the Share Offer or the related transactions described in this prospectus.

21. Qualifications of experts

The qualifications of the experts who have given opinions or advice in this prospectus are as follows:

Name	Qualifications
VMS Securities Limited	Licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities for the purpose of the SFO
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Queenie W.S. Ng	Barrister-at-law of Hong Kong
Ipsos Limited	Industry Consultant
Prudential Surveyors (Hong Kong) Limited	Property Valuer
PricewaterhouseCoopers Limited	Tax Adviser

22. Consent of experts

Each of the experts named in paragraph 21 has given and has not withdrawn its written consents to the issue of this prospectus with the inclusion of its report, letter, valuation, opinion or summaries of opinion (as the case may be) and the references to its names included herein in the form and context in which they respectively appear.

23. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

24. Exemption from requirement of a property valuation report

For the purpose of Chapter 5 of the Listing Rules, as no single property interest that formed part of our non-property activities had a carrying amount of 15% or more of our total assets, this prospectus is not required to include any valuation report of our property interests.

Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our Group's assets in land or buildings.

25. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

26. Miscellaneous

(i) Save as disclosed in the sections headed "History, Development and Reorganisation" and "Structure and Conditions of the Share Offer" and paragraph 2 in this appendix within two years immediately preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Share in our Company or any of its subsidiaries;

(ii) No share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) There has been no material adverse change in the financial position or prospects of our Group since 30 November 2018 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(iv) There has not been any interruption in the business of our Group which may have or has had a material adverse effect on the financial position of our Group;

(v) There is no arrangement under which future dividends are waived or agreed to be waived;

(vi) There are no founder, management or deferred shares in our Company or any of its subsidiaries;

(vii) Our Group does not have any outstanding convertible debt securities or debentures;

(viii) No securities of our Group are listed, and no listing of any such securities is proposed to be sought, on any other stock exchange;

(ix) All necessary arrangements have been made to enable the Shares to be admitted into CCASS; and

(x) None of the debt and equity securities of the companies comprising our Group is presently listed on any stock exchange or traded on any trading system.

27. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration include:

(a) a copy of each of the **WHITE**, **YELLOW** and **PINK** Application Forms;

(b) the written consents referred to in "Other Information — 22. Consents of experts" in Appendix V; and

(c) a copy of each of the material contracts referred to in "Further Information About Our Business — 9. Summary of material contracts" in Appendix V.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Loeb & Loeb LLP, 21st Floor, CCB Tower, 3 Connaught Road Central, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum and Articles;

(b) the audited consolidated financial statements of our Group for each of the financial years ended 31 March 2016, 2017 and 2018 and the eight months ended 30 November 2018;

(c) the Accountant's Report from PricewaterhouseCoopers, in respect of the historical financial information of our Group for each of the years ended 31 March 2016, 2017, 2018 and the eight months ended 30 November 2018, the text of which is set out in Appendix I;

(d) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II;

(e) the letters relating to the profit estimate received from PricewaterhouseCoopers and the Sole Sponsor, the text of which is set out in Appendix III;

(f) the letter of advice prepared by Conyers Dill & Pearman, summarising the constitution of our Company and certain aspects of the Cayman Islands company law, referred to in Appendix IV;

(g) the written legal advice issued by Ms. Ng Wing Shan Queenie, barrister-at-law of Hong Kong on, among other things, certain non-compliance incidents of our Group;

(h) a letter issued by Prudential Surveyors (Hong Kong) Limited in respect of the review of the reasonableness of the rental fees of the Tenancy Agreements;

(i) the industry report issued by Ipsos Limited, the summary of which is set forth in "Industry Overview" to this prospectus;

(j) the tax review report prepared by PricewaterhouseCoopers Limited on the tax audit conducted by the IRD on our Group in 2015;

(k) the tax health check review report prepared by PricewaterhouseCoopers Limited on certain Hong Kong profits tax matters of our Group;

(l) the written consents referred to in "Other Information — 22. Consents of experts" in Appendix V;

(m) the service agreements and letters of appointment referred to in "Further Information About Directors, Management and Staff and Experts — 11. Directors — (b) Particulars of service contracts" in Appendix V;

(n) the material contracts referred to in "Further Information About Our Business — 9. Summary of material contracts" in Appendix V;

(o) the rules of the Share Option Scheme; and

(p) the Companies Law.

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