HANG CHI HOLDINGS LIMITED
恒智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code：8405

SHARE OFFER

Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

Sole Global Coordinator and Sole Bookrunner

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

Joint Lead Managers

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

平安證券有限公司
Ping An Securities Limited

Ping An Securities Limited

Alliance Capital Partners Limited
同人融資有限公司

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

HANG CHI HOLDINGS LIMITED
恒智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	**:**	**100,000,000 Shares (subject to the Offer Size Adjustment Option)**
Number of Public Offer Shares	**:**	**10,000,000 Shares (subject to reallocation)**
Number of Placing Shares	**:**	**90,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)**
Offer Price	**:**	**Not more than HK$0.80 per Offer Share and expected to be not less than HK$0.70 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)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**8405**

Sole Sponsor

Guotai Junan Capital Limited

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Alliance Capital Partners Limited
同人融資有限公司

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 V 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 us and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) on or about Monday, 3 July 2017. The Offer Price will be not more than HK$0.80 per Offer Share and is currently expected to be not less than HK$0.70 per Offer Share, unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK$0.80 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$0.80 per Offer Share.

The Sole Global Coordinator (acting for itself 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.shuionnc.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 us and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) on or before Monday, 10 July 2017, the Share Offer will not proceed and will lapse.

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 Sole Global Coordinator (acting for itself 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" 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.

28 June 2017

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at ***www.hkexnews.hk*** *in order to obtain up-to-date information on GEM-listed issuers.*

*If there is any change in the following expected timetable of the Share Offer, we will issue an announcement on the respective websites of our Company at **www.shuionnc.com** and the Stock Exchange at **www.hkexnews.hk**.*

	2017
Public offer commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Wednesday, 28 June
Application lists of the Public Offer open[2]	11:45 a.m. on Monday, 3 July
Latest time to lodge **WHITE** and **YELLOW** Application Forms[2] and to give electronic application instruction to HKSCC	12:00 noon on Monday, 3 July
Application lists of the Public Offer close[2]	12:00 noon on Monday, 3 July
Expected Price Determination Date[3]	Monday, 3 July
Announcement of the final Offer Price, the level of indication of interest in the Share Offer, the level of applications in the Public Offer, the basis of allocation of the Public Offer Shares to be published on the website of our Company at **www.shuionnc.com** and the website of the Stock Exchange at **www.hkexnews.hk** on or before	Tuesday, 11 July
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels (see the section headed "How to apply for Public Offer Shares — 10. Publication of results" in this prospectus) from	Tuesday, 11 July
Results of allocations in the Public Offer will be available at **www.ewhiteform.com.hk/results** with a "search by ID Number" function from	Tuesday, 11 July
Despatch/Collection of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before[4][5]	Tuesday, 11 July

	2017
Despatch/Collection of refund cheques in respect of wholly or partially successful applications if the Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before[4]	Tuesday, 11 July
Dealings in Shares on the Stock Exchange expected to commence on	Wednesday, 12 July

Notes:

1. All times and dates refer to Hong Kong local times and dates unless otherwise stated.

2. If there is a "black" rainstorm warning signal 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 Monday, 3 July 2017, the application lists will not open on that day. For further information, please refer to the section headed "How to apply for Public Offer Shares — 9. Effect of bad weather on the opening of the application lists" in this prospectus.

3. The Offer Price is expected to be determined by agreement between us and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) on or about Monday, 3 July 2017. The Offer Price will be not more than HK$0.80 per Offer Share and is currently expected to be not less than HK$0.70 per Offer Share, unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK$0.80 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$0.80 per Offer Share.

   The Sole Global Coordinator (acting for itself 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 website of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.shuionnc.com**, 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 us and the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) on or before Monday, 10 July 2017, the Share Offer will not proceed and will lapse.

4. Applicants who apply with **WHITE** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required by their Application Forms, they may collect their refund cheques and share certificates (as applicable) in person from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, 31/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 11 July 2017. Applicants being individuals who are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Branch Share Registrar.

Applicants who apply with **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required by their Application Forms, they may collect their refund cheques (where relevant) in person but may not collect their share certificates, which will be deposited into CCASS for credit to 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 (if applicable) and refund cheques (if applicable) will be despatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the section headed "How to apply for Public Offer Shares — 13. Despatch/Collection of share certificates and refund monies" in this prospectus.

5. Share certificates for the Offer Shares are expected to be issued on Tuesday, 11 July 2017 but will only become valid certificates of title provided that the Share Offer becomes unconditional in all respects and none of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date.

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.

Share certificates will only become valid certificates of title of the Shares to which they relate provided that the Share Offer has become unconditional in all respect and neither of the Underwriting Agreements has been terminated in accordance with its terms at any time prior to 8:00 a.m. on the Listing Date. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Public Offer offered by this prospectus pursuant to the Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit 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 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. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Share Offer.

CONTENTS

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 including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in our Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in our Offer Shares.

OVERVIEW

We are an established operator of elderly residential care homes in Hong Kong providing comprehensive residential care home services to our elderly residents through our network of "Shui On 瑞安" and "Shui Hing 瑞興" branded elderly residential care homes across four districts in Hong Kong. Our revenue is primarily derived from:

(i) rendering of elderly home care services: including the provision of accommodation with dietician-managed meal plans, 24-hour nursing and caretaking assistance and professional services such as regular medical consultation, physiotherapy, occupational therapy, psychological and social care services; and

(ii) sales of elderly related goods and provision of healthcare services: elderly related goods include adult nappies, nutritional milk, other medical consumable products and daily supplies; whereas healthcare services include customisable add-on healthcare services such as medical and physiotherapy services that may be provided by external providers on an as-needed basis to suit their needs.

During the Track Record Period and up to the Latest Practicable Date, we expanded our network of elderly residential care homes from four to five elderly residential care homes located in Kwun Tong, Shatin, Eastern and Kwai Tsing districts and were strategically situated in the vicinity of public housing estates and residential areas with a high density of potential customers nearby as well as shopping malls and public transport and other public facilities.

During the Track Record Period, our Group primarily generated revenue from three types of customers: (i) the Social Welfare Department (the "**SWD**") that leased a fixed number of residential care places at elderly residential care homes that participate in the Enhanced Bought Place Scheme (the "**EBPS**") under the EBPS Agreements, where the EBPS is a publicly funded welfare programme of the SWD that offers leased residential care places at a subsidised rate to eligible elderly citizens in Hong Kong; (ii) the individual customers that include both EBPS-subsidised and non-subsidised customers; and (iii) non-governmental organisations which leased a few residential care places at our elderly residential care homes. As at the Latest Practicable Date, we had a total of 573 elderly residents, of which 1.4% were between 50 and 59 years old, 4.7% were between 60 and 69 years old, 16.9% were between 70 and 79 years old, 48.0% were between 80 and 89 years old, 26.2% were between 90 and 99 years old and 2.8% were 100 years old or above.

As at the Latest Practicable Date, the SWD leased a total of 193 residential care places from our two EBPS participating elderly residential care homes which are classified as class EA1, the highest classification rated by the SWD under the EBPS.

The following table sets forth our revenue from (i) rendering of elderly home care services; and (ii) sales of elderly related goods and provision of healthcare services for the periods indicated:

	For the year ended 31 December			
	2015		2016	
	HK$('000)	*%*	*HK$('000)*	*%*
Rendering of elderly home care services *(Note)*	33,582	84.1	48,874	82.9
Sales of elderly related goods and provision of healthcare services *(Note)*	6,355	15.9	10,101	17.1
Total	39,937	100.0	58,975	100.0

Note: The revenue generated by Wan Tsui was not included as part of our Group's revenue generated during the Track Record Period as Wan Tsui was considered as our associate prior to the disposal of our entire interest in Wan Tsui on 28 June 2016. For details of its accounting treatment, please see the paragraphs headed "Financial information — Share of profits and losses/gain on disposal of associates" in this prospectus and note 15 to the Accountants' Report as set out in Appendix I to this prospectus. The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2016, respectively. As such, our revenue generated from the rendering of elderly home care services for the year ended 31 December 2016 took into account our revenue generated from each of Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) elderly residential care homes during the period between the dates when they became our subsidiaries and 31 December 2016.

The table below sets forth details of the average monthly occupancy rate of each of our elderly residential care homes during the Track Record Period:

	Overall average		Average for non-EBPS residential care places (individual customers and non-governmental organisations)		Average for residential care places under the EBPS	
	For the year ended 31 December		For the year ended 31 December		For the year ended 31 December	
Elderly residential care home	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**
	%	*%*	*%*	*%*	*%*	*%*
Shui On (Shun On)	95.8	94.9	94.9	91.5	98.3	98.3
Shui Hing *(Note 3)*	96.7	96.7	96.7	96.7	–	–
Shui On (Hing Wah) *(Note 3)*	98.6	98.6	98.6	98.6	–	–
Shui On (Sun Tin Wai) *(Notes 2 and 3)*	N/A	98.9	N/A	98.9	N/A	–
Shui On (Kwai Shing E.) *(Note 2)*	N/A	93.2	N/A	84.9	N/A	98.5

Notes:

1. The monthly occupancy rate is calculated by dividing the number of elderly residents as at the month end of each elderly residential care home by the number of residential care places available at that elderly residential care home. The average monthly occupancy rate is the average of all the monthly occupancy rates over the financial year.

2. The relevant periods for calculating the average monthly occupancy rates of Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) only cover the periods since the dates when they became our subsidiaries and up to 31 December 2016. The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2017, respectively.

3. The Shui Hing, Shui On (Hing Wah) and Shui On (Sun Tin Wai) elderly residential care homes do not participate in the EBPS. As such, the average monthly occupancy rate for residential care places under the EBPS is not applicable to them.

OUR ELDERLY RESIDENTIAL CARE HOMES

Through our principal Hong Kong subsidiaries including Shui On (Shun On), Shui Hing, Shui On (Hing Wah), Shui On (Sun Tin Wai) and Shui On (Kwai Shing E.), we owned and operated four "Shui On 瑞安" and one "Shui Hing 瑞興" branded elderly residential care homes across the Kwun Tong, Shatin, Eastern and Kwai Tsing districts in Hong Kong with a total of 589 residential care places as at the Latest Practicable Date.

Our elderly residential care homes are strategically situated in the vicinity of public housing estates and residential areas with a high density of potential customers nearby as well as shopping malls and public transportation and other public facilities. As part of our expansion, we acquired approximately 66.7% interest in Shui On (Kwai Shing E.), which operates Shui On (Kwai Shing E.) elderly residential care home, by the end of August 2016, and the entire interest in Shui On (Sun Tin Wai), which operates Shui On (Sun Tin Wai) elderly residential care home, by the end of September 2016. As at the Latest Practicable Date, two of our elderly residential care homes, namely Shui On (Shun On) and Shui On (Kwai Shing E.), participated in the EBPS, a publicly funded welfare programme of the SWD that leased residential care places and offered them at a subsidised rate to eligible elderly citizens in Hong Kong. As at the Latest Practicable Date, the SWD leased a total of 193 residential care places, representing approximately 32.8% of our total residential care places, at Shui On (Kwai Shing E.) elderly residential care home and Shui On (Shun On) elderly residential care home, both of which were classified as class EA1 with a higher monthly fee for each residential care place at HK$12,609 (in the Hong Kong Island and Kowloon) or HK$12,036 per month (in the New Territories) when compared to the monthly fee of each residential care place at HK$10,007 (in the Hong Kong Island and Kowloon) or HK$9,527 per month (in the New Territories) of a class EA2 elderly residential care home.

The class EA1 also has a higher quality requirement among the two categories classified by the SWD under the EBPS in terms of staffing and spacing requirements. For example, the minimum number of staff as required under the EBPS for our Shui On (Kwai Shing E.) elderly residential care home with 220 residential care places is 88.25 staff members and that for our Shui On (Shun On) elderly residential care home with 118 residential care places is 49.25 staff members. The minimum staffing requirement is calculated on the basis that each staff member works eight hours per work shift per day and seven days a week. Both of our EA1 elderly residential care homes have a net floor area per person of at least 9.5 m^2 as required under the EBPS.

Under the EBPS Agreement entered into between the HK Government and each of Shui On (Kwai Shing E.) and Shui On (Shun On) in February 2016, we are committed to provide 134 and 59 residential care places at Shui On (Kwai Shing E.) and Shui On (Shun On) elderly residential care homes, respectively, for a term of two years commencing from April 2016 at predetermined base rates.

The table below sets forth essential information about our elderly residential care homes as at the Latest Practicable Date:

Elderly residential care homes	Location	Year of commencement of operation by our Group (Note 1)	Total number of residential care places	Number of residential care places under the EBPS	Number of full-time employees (Note 2)	SFA	Classification under the EBPS	Average occupancy rate per month for the four months ended 30 April 2017	Monthly residential fee (under the EBPS) for the four months ended 30 April 2017	Range of residential care services fee per month (non-EBPS customers) as at the Latest Practicable Date (Note 3)
						(sq. m.)		*(%)*	*(HK$)*	*(HK$)*
Shui On (Shun On)	Kwun Tong	2007	118	59	46	1,122.3	EA1	95.8	12,743	7,100–13,200
Shui Hing	Kwun Tong	2011	90	–	25	906.8	–	94.4	–	7,000–15,000
Shui On (Hing Wah)	Eastern	2008	72	–	18	522.6	–	100.0	–	6,800–12,350
Shui On (Sun Tin Wai)	Shatin	2016	89	–	31	718.9	–	97.8	–	7,500–9,500
Shui On (Kwai Shing E.)	Kwai Tsing	2016	220	134	86	2,563.8	EA1	93.6	12,584	5,425–14,900
Total			589	193	206	5,834.4				

Notes:

1. The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2016, respectively.

2. The total number of employees as shown in the table above only took into account the employees of each of our subsidiaries operating our elderly residential care homes but did not take into account our Directors and those employees of our Company at a company's level. Our Directors confirm that Shui On (Kwai Shing E.) and Shui On (Shun On) complied with the minimum staffing requirement throughout the Track Record Period.

3. Non-EBPS customers comprise individual customers and non-governmental organisations.

The table below sets forth our revenue from rendering of elderly home care services and the average monthly fee per resident of each of our elderly residential care homes on an EBPS basis (applicable only to our two EA1 elderly residential care homes) and on a non-EBPS basis during the Track Record Period:

	Year ended 31 December									
	2015					2016				
	Revenue attributable to EBPS customers	Revenue attributable to non-EBPS customers	Total revenue from rendering of elderly home care services	Average monthly fee per EBPS customer	Average monthly fee per non-EBPS customer	Revenue attributable to EBPS customers	Revenue attributable to non-EBPS customers	Total revenue from rendering of elderly home care services	Average monthly fee per EBPS customer	Average monthly fee per non-EBPS customer
	HK$('000)	*HK$('000)*	*HK$('000)*	*HK$*	*HK$*	*HK$('000)*	*HK$('000)*	*HK$('000)*	*HK$*	*HK$*
Shui On (Shun On)	8,481	6,650	15,131	12,291	9,956	8,722	6,885	15,607	12,514	10,625
Shui Hing	–	11,063	11,063	N/A	10,597	–	11,487	11,487	N/A	11,003
Shui On (Hing Wah)	–	7,388	7,388	N/A	8,671	–	7,883	7,883	N/A	9,252
Shui On (Sun Tin Wai) *(Note)*	N/A	N/A	N/A	N/A	N/A	–	3,145	3,145	N/A	7,914
Shui On (Kwai Shing E.) *(Note)*	N/A	N/A	N/A	N/A	N/A	6,749	4,003	10,752	12,008	13,076
Total	8,481	25,101	33,582			15,471	33,403	48,874		

Note: The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2016, respectively. As such, our revenue generated from the rendering of elderly home care services for the year ended 31 December 2016 took into account our revenue generated from each of Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) elderly residential care homes during the periods between the dates when they became our subsidiaries and 31 December 2016.

The table below sets forth our revenue from the sales of elderly related goods and provision of healthcare services attributable to the elderly residents and the average monthly fee per resident of each of our elderly residential care homes during the Track Record Period:

	Year ended 31 December	
	2015	2016
	Revenue attributable to sales of elderly related good and provision of healthcare services	Revenue attributable to sales of elderly related good and provision of healthcare services
	HK$('000)	*HK$('000)*
Shui On (Shun On)	2,372	2,706
Shui Hing	2,269	2,591
Shui On (Hing Wah)	1,714	2,185
Shui On (Sun Tin Wai)	N/A	1,246
Shui On (Kwai Shing E.)	N/A	1,373
Total	6,355	10,101

The following table sets forth the brief particulars of the licences of our elderly residential care homes as at the Latest Practicable Date:

Elderly residential care home	Licence	Effective date	Expiry date
Shui On (Shun On)	Licence of RCHE	1 June 2016	31 May 2018
Shui Hing	Licence of RCHE	1 April 2017	31 March 2019
Shui On (Hing Wah)	Licence of RCHE	1 June 2016	30 November 2017
Shui On (Sun Tin Wai)	Licence of RCHE	1 September 2016	31 August 2018
Shui On (Kwai Shing E.)	Licence of RCHE	1 May 2017	31 October 2018

OUR COMPETITIVE STRENGTHS

We believe we possess the following competitive strengths which differentiate us from our fellow competitors: (i) we are an established operator of elderly residential care homes in Hong Kong with an experienced senior management team led by Mr. TC Yik, our Chairman, executive Director, chief executive officer and founder, with more than 23 years of industry experience; (ii) we possess a recognised brand of elderly residential care home and a balanced portfolio of three non-EBPS participating private elderly residential care homes and two EBPS participating elderly residential care homes; (iii) we provide quality elderly home care services to our customers at our elderly residential care homes that are strategically located near residential areas of affordable private and public estates; (iv) our Group is supported by a management team with extensive experience in the elderly home care services 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.

OUR STRATEGIES

We intend to achieve our objective in expanding our market share in the residential care home market by implementing the following strategies: (i) expand the network of our elderly residential care homes in strategic locations in Hong Kong; (ii) strengthen our brand building effort by improving the quality of our services of our existing elderly residential care homes; (iii) enhance our information technology infrastructure and install and upgrade our information system which enhances our management's understanding of the status of the business operations of our elderly residential care homes on a real-time basis as well as assist the daily work of the staff of our residential care homes.

HIGHLIGHTS OF RISK FACTORS

Our management believes that our operation is subject to certain risks and uncertainties, which include (i) risks relating to our business; (ii) risks relating to the industry in which we operate; and (iii) risks relating to the Share Offer. The following highlights some of the risks which are considered material by our Directors:

- We have previously been involved in certain incidents of non-compliance with certain Hong Kong regulatory requirements and the RCHE Code of Practice. If we cannot renew or fail to obtain operating licences including the RCHE licenses, or if they are suspended or cancelled, we will not be able to operate elderly residential care homes.

- 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 insurance may not cover all potential losses and claims.

- We have limited control over the quality and quantity of the medications, drugs, food, groceries and other supplies and we cannot guarantee that these supplies are free from defects.

- The SWD was our largest customer during the Track Record Period and we expect that a portion of our revenue will continue to depend on the EBPS.

- As we lease all our properties for operation of our elderly residential homes, there is no assurance that our leases and/or tenancy agreements will be successfully renewed or renewed on comparable terms 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 are the registered owner of the "Shui On 瑞安" and the "Shui Hing 瑞興" trademarks in Hong Kong and any disputes may affect the reputation, business and results of our Group.

- As our "Shui On 瑞安" trademarks were used by elderly residential care homes that were not operated by our Group during the Track Record Period, our "Shui On 瑞安" trademarks might lose their distinctiveness by unauthorised uses of our trademarks or new registration of similar trademarks, and our reputation and business could be adversely affected by confusion regarding our "Shui On 瑞安" brand.

- Our success depends on our key personnel and our business may be hampered if we lose the services of our key personnel.

- Our expansion plans may experience delay and we may not be successfully in implementation in time or at all.

Please see the section headed "Risk factors" in this prospectus for further details. Prospective investors should read the section headed "Risk factors" in this prospectus in its entirety before making any investment decision in the Offer Shares.

OUR CUSTOMERS, SUPPLIERS AND CONTRACTORS

Our customers

During the Track Record Period, our Group primarily generated revenue from three types of customers: (i) the SWD which leased a fixed number of residential care places at our two EBPS participating elderly residential care homes under the EBPS Agreements; (ii) the individual customers that include both EBPS-subsidised and non-subsidised customers; and (iii) non-governmental organisations which leased a few residential care places at our elderly residential care homes.

Our elderly residents

As at the Latest Practicable Date, we had a total of 573 elderly residents, of which 1.4% were between 50 and 59 years old, 4.7% were between 60 and 69 years old, 16.9% were between 70 and 79 years old, 48.0% were between 80 and 89 years old, 26.2% were between 90 and 99 years old and 2.8% were 100 years old or above. In respect of these 573 elderly residents who were assessed by our nurses and/or health workers based on the Barthel Index, of which 6.8% were assessed to be completely independent, 6.8% were assessed to be mildly dependent, 16.1% were assessed to be moderately dependent, 18.8% were assessed to be severely dependent and 51.5% were assessed to be completely dependent. Some of our elderly residents typically suffer from and require assistance because of dementia, loss of mobility, and other chronic illnesses such as diabetes mellitus, hypertension and cerebrovascular disease. As at the Latest Practicable Date, the average period that our elderly residents had resided at our elderly residential care homes was approximately two years and 10 months. For the two years ended 31 December 2016, the percentage of elderly residents that passed away out of the total number of elderly residents was approximately 23.7% and 22.1%, respectively.

Our five largest customers during the Track Record Period were the SWD and four individual customers. For the two years ended 31 December 2016, revenue from our five largest customers accounted for approximately 19.8% and 23.7% of our total revenue, respectively. For the same periods, revenue attributable to the SWD, our largest customer, accounted for approximately 18.3% and 22.6% of our total revenue, respectively. Our five largest customers during the Track Record Period have been customers of our Group for a period ranging from approximately one to seven years.

Our suppliers

We primarily rely on our suppliers for healthcare services and medical consumable products, raw food materials, other general goods and groceries and referral service commission. We usually source from more than one supplier for each kind of supply to ensure that we maintain sufficient inventory level and bargaining power. We do not rely on any single supplier for any of our medical consumable products to maintain flexibility in our cost control and maintenance of product quality. For the two years ended 31

December 2016, purchases from our five largest suppliers accounted for approximately 63.4% and 66.0% of our total purchase, respectively. For the same periods, purchases from our largest supplier accounted for approximately 29.5% and 27.0% of our total purchase, respectively. Our five largest suppliers during the Track Record Period have been suppliers of our Group for a period ranging from approximately three to nine years and included a wholesaler of medical consumable products and groceries, a frozen meat store, a produce shop, a pharmaceutical goods wholesaler, a referral agency and a physiotherapy contractor. Even though Mr. TC Yik holds approximately 6.6% interest in our largest supplier, our largest supplier is not a connected person of our Company. Our Directors confirm that all of our five largest suppliers during the Track Record Period were not connected persons of our Company. Except for our largest supplier, of which Mr. TC Yik is a director and currently holds 6.6% interest, none of our Directors or their close associates or any Shareholders holding more than 5% of the total issued share capital of our Company had any interest in any of our five largest suppliers during the Track Record Period. During the Track Record Period, we did not experience any shortage of supplies that could materially and adversely affect our business, financial condition or results of operations.

For the two years ended 31 December 2016, the total purchases from our five largest suppliers in aggregate accounted for 8.5% and 8.9% of our total revenue, respectively. During the Track Record Period, we were generally able to pass on the increase in cost of medical consumable products to our elderly residents and other customers.

Our contractors

Our Group is not qualified to provide medical treatments directly to our elderly resident and does not operate any medical clinics. As such, during the Track Record Period, we procured the provision of medical services for our elderly residents through engagement of registered medical practitioners as our external contractors to provide on-site medical services such as consultation and check-up services to our elderly residents directly. These registered medical practitioners engaged by us are qualified to provide medical treatments to our elderly residents. Besides, we also engaged external contractors for undertaking physiotherapy services and dietitian services.

CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer, without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, our Company will be owned as to 62.175% by Shui Wah, which is owned as to 89.11% by Lucky Expert and 10.89% by Will Peace. Lucky Expert is owned as to 59.88% by Hang Chi (which is a wholly owned subsidiary of Multifield, a company wholly owned by Mr. TC Yik), 29.17% by Ms. WH Yik, 6.02% by Ms. Chung and 4.93% by Mr. Chung. Will Peace is wholly owned by seven relatives of Mr. TC Yik (comprising 26.15% by Ms. Wong, 21.68% by Ms. WJ Yi, 21.29% by Ms. Huang, 13.31% by Ms. Zhong, 6.99% by Mr. SG Yi, 6.99% by Mr. ST Yik and 3.59% by Mr. Zheng). As (i) Shui Wah is entitled to exercise 30% or more of the voting power at general meetings of our Company, (ii) Mr. TC Yik, Multifield, Hang Chi and Lucky Expert control Shui Wah and hence Shui Wah's voting interests in our Company; (iii) Ms. WH Yik is a party acting in concert with Mr. TC Yik, Multifield, Hang Chi under the Acting In Concert Agreement; and (iv) Will Peace, Ms. Chung, Mr. Chung, Ms. Wong, Ms. WJ Yi, Ms. Huang, Ms. Zhong, Mr. SG Yi, Mr. ST Yik and Mr. Zheng have decided to hold their interests in our Company through a common investment holding company, namely Shui Wah, accordingly, Shui Wah, Mr. TC Yik, Multifield, Hang Chi, Lucky Expert, Ms. WH Yik, Will Peace, Ms. Chung, Mr. Chung, Ms. Wong, Ms. WJ Yi, Ms. Huang, Ms. Zhong, Mr. SG Yi, Mr. ST Yik and Mr. Zheng will be regarded as a group of our Controlling Shareholders upon Listing. Please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus for further details.

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

Selected items in our consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December	
	2015	2016
	HK$('000)	*HK$('000)*
Revenue	39,937	58,975
Other income	2,066	2,643
Other operating expenses	(2,184)	(3,042)
Listing expenses	(775)	(7,463)
Share of profits and losses of associates	1,072	206
Gain on disposal of associates *(Note)*	26,812	2,024
Profit before tax	38,333	10,456
Profit for the year	36,407	7,608

Note: On 26 June 2015, our Group decided to transfer our minority interests in Shui On (Kwai Shing E.), representing approximately 33.3% of the issued share capital of Shui On (Kwai Shing E.), and our 40% interest in Wisdom Toprich to Jun Pak, a company which was then held as to 50% by Mr. Lui and 50% by Mr. TC Yik. As such, we recorded a gain on disposal of approximately HK$26.8 million for the year ended 31 December 2015. Subsequently, the majority interest in Shui On (Kwai Shing E.) was transferred from First Vanguard to Jun Pak on 30 June 2016 and from Jun Pak to Mr. TC Yik on 23 August 2016. Then, our Company, through Shui On Holdings (HK), acquired approximately 66.7% interest in Shui On (Kwai Shing E.) from Mr. TC Yik in August 2016. We recorded a gain on disposal of an associate of approximately HK$2.0 million for the year ended 31 December 2016 as a result of the disposal of the entire interest in Wan Tsui in June 2016, which was considered as an associate of our Group. For details, please see the paragraphs headed "Business — Acquisitions and disposals by our Group during the Track Record Period" and "Financial information — Share of profits and losses/gain on disposal of associates" in this prospectus.

Our revenue increased by approximately 47.7% from approximately HK$39.9 million for the year ended 31 December 2015 to approximately HK$59.0 million for the year ended 31 December 2016, which was mainly because of the consolidation of subsidiaries as a result of completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group by the end of August 2016 and September 2016, respectively while the performance of our other elderly residential care homes was stable.

Our profit for the year decreased significantly by approximately 79.1% from HK$36.4 million for the year ended 31 December 2015 to approximately HK$7.6 million for the year ended 31 December 2016. Such decrease was primarily due to a one-off gain on disposal of associates (i.e. Wisdom Toprich and Shui On (Kwai Shing E.)) of approximately HK$26.8 million recorded for the year ended 31 December 2015 while a one-off gain on disposal of an associate (i.e. Wan Tsui) of a lower amount of approximately HK$2.0 million was recorded for the year ended 31 December 2016. As such, our net profit margin decreased from approximately 91.2% for the year ended 31 December 2015 to approximately 12.9% for the year ended 31 December 2016.

Selected items of consolidated statements of financial position

	As at 31 December	
	2015	2016
	HK$('000)	*HK$('000)*
Non-current assets	3,226	57,588
Current assets	29,279	29,527
Current liabilities	5,316	11,798
Non-current liabilities	11,368	1,193
Net current assets	23,963	17,729

We experienced an increase of non-current assets of approximately HK$54.4 million from approximately HK$3.2 million as at 31 December 2015 to approximately HK$57.6 million as at 31

December 2016, which was mainly attributable to completion of our acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by the end of August 2016 and September 2016 respectively, resulting in the increase in goodwill that amounted to approximately HK$43.7 million and the increase in property, plant and equipment and intangible assets as at 31 December 2016.

The increase in our current liabilities by approximately HK$6.5 million from approximately HK$5.3 million as at 31 December 2015 to approximately HK$11.8 million as at 31 December 2016 was mainly attributable to (i) the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai), which took place by the end of August 2016 and September 2016 respectively, resulting in an increase in customer deposits and accrued staff costs; and (ii) the increase in the payables as a result of the listing expenses that incurred during the year ended 31 December 2016.

Our non-current liabilities decreased significantly by approximately HK$10.2 million from approximately HK$11.4 million as at 31 December 2015 to approximately HK$1.2 million as at 31 December 2016. The decrease was mainly attributable to the transfer of approximately HK$11.3 million, being the fair value of the Pre-IPO Investment as at 31 December 2015, from non-current liabilities to our Group's equity because the put option granted to our pre-IPO investor, namely Top Champ, to require our Company to repurchase the Shares held by Top Champ was removed under the Supplemental Deed.

Selected items of consolidated statements of cash flows

	Year ended 31 December	
	2015	**2016**
	HK$('000)	***HK$('000)***
Operating cash flow before changes in working capital	14,201	11,551
Cash flows generated from operating activities	10,566	7,744
Cash flows generated from/(used in) investing activities	2,270	(4,180)
Cash flows generated from/(used in) financing activities	4,527	(6,313)
Cash and cash equivalents at the beginning of the year	7,712	25,075
Cash and cash equivalents at the end of the year	25,075	22,326

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	As at /year ended 31 December	
	2015	**2016**
Profitability ratios		
Net profit margin (%)[(1)]	91.2	12.9
Return on equity (%)[(2)]	238.0	10.7
Return on total assets (%)[(3)]	112.0	8.7

Our net profit margin of approximately 91.2% for the year ended 31 December 2015 was substantially higher than our net profit margin of approximately 12.9% for the year ended 31 December 2016. This was mainly due to the effect of the one-off gain on disposal of our then associates of approximately HK$26.8 million recognised by our Group in the year ended 31 December 2015, which increased our net profit and our net profit margin substantially for the same year and we recorded a one-off gain on disposal of an associate of a lower amount of approximately HK$2.0 million for the year ended 31 December 2016. Furthermore, the listing expenses of approximately HK$7.5 million incurred by our Group for the year ended 31 December 2016 had an adverse effect on our net profit margin for the year ended 31 December 2016.

For illustrative purpose, by excluding the effect of the one-off gain on disposal of associates, the share of profits/losses of associates and the listing expenses and finance costs, our adjusted net profit margin remained relatively stable at approximately 23.3% and 22.6% for the two years ended 31 December 2016, respectively.

	As at /year ended 31 December	
	2015	2016
Liquidity ratio		
Current ratio[4]	5.5	2.5
Capital sufficiency ratio		
Interest coverage (times)[5]	N/A	23.1
Gearing ratio (%)[6]	71.3	–
Net debt to equity ratio[7]	Net cash	Net cash

Notes:

1. Net profit margin was calculated by dividing profit for the year by revenue and multiplying the resulting value by 100%. Please refer to the section headed "Financial information — Review of historical results of operations" in this prospectus for more details on the fluctuations of our net profit margin.

2. Return on equity equals profit for the year divided by the equity attributable to owners of the parent at the end of relevant year and multiplied the resulting value by 100%.

3. Return on total assets equals profit for the year divided by the total assets at the end of the relevant year and multiplied the resulting value by 100%.

4. Current ratio is calculated based on the total current assets at the end of the year divided by the total current liabilities at the end of the year.

5. Interest coverage equals profit before finance costs and tax divided by finance costs in the relevant year. Finance costs incurred for the year ended 31 December 2016 arose due to the imputed interest charged for the Pre-IPO Investment. Please see the section headed "Financial information — Indebtedness" in this prospectus for further details of the Pre-IPO Investment as other liabilities.

6. Gearing ratio is calculated as the total debt at the end of the year divided by total equity at the end of the respective year and multiplied by 100%. Total debts includes payables incurred not in ordinary course of business (being other liability).

7. Net debt to equity ratio is calculated as total debts (other liability) net of cash and cash equivalents and restricted cash, and at the end of the year divided by total equity at the end of the respective year and multiplied by 100%.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, there had not been material changes to our business model, revenue structure and cost structure. Our principal business continued to be in the provision of comprehensive residential care home services to our elderly residents including: (i) the provision of accommodation with dietician-managed meal plans, 24-hour nursing and caretaking assistance and professional services such as regular medical consultation, physiotherapy, occupational therapy, psychological and social care services; and (ii) the sale of healthcare and medical consumable products and the provision of customisable add-on healthcare services to our elderly residents. As far as we are aware, there had not been material changes in the overall economic and market conditions in the residential care home services industry that would otherwise have material and adverse effect on our business operations or financial conditions.

During the four months ended 30 April 2017, (i) our overall average monthly occupancy rate was approximately 95.6%, which remained unchanged when compared to that of approximately 95.6% for the year ended 31 December 2016; (ii) our average monthly occupancy rates for residential care places leased by non-EBPS customers (i.e. individual customers and non-governmental organisations) was approximately 96.0%, which was slightly higher than that of approximately 94.2% for the year ended 31 December 2016; and (iii) our average monthly occupancy rate in respect of residential care places leased by the SWD under the EBPS was approximately 94.3% which was lower than that of approximately 98.4% for the year ended 31 December 2016 due to the temporary vacancy resulted from the natural mortality of a number of our elderly residents under the EBPS during the period from 1 January 2017 to 30 April 2017 and the time it took for the arrival of the new elderly residents under the EBPS to fill up such vacancy.

Although the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) in the third quarter of 2016 was expected to have a positive impact on our revenue and profit, we expect that our Group would be subject to an anticipated increase in listing expenses, professional and legal fees, and operating expenses such as depreciation and amortisation arising from the renovation and the purchase of equipment in relation to the intended acquisition of an operating elderly residential care home and the establishment of a new elderly residential care home as well as staff costs (including our Directors' remuneration), which are expected to have an adverse impact on our net profit. For further information on our strategies relating to the acquisition and establishment of elderly residential care homes and other strategies, please refer to the paragraphs headed "Business — Our strategies" in this prospectus. For information relating to the acquisition of our subsidiaries, Shui On (Kwai Shing. E) and Shui On (Sun Tin Wai), please refer to the paragraphs headed "History, Reorganisation and corporate structure — Corporate history — Subsidiaries acquired by our Group during the Track Record Period" and "Business — Acquisitions and disposals by our Group during the Track Record Period" in this prospectus.

Based on the above, our Directors estimate that our net profit margin is expected to further decrease for the year ending 31 December 2017 as compared with that for the year ended 31 December 2016.

Our Directors confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2016 and there has been no event since 31 December 2016 which would materially affect the information in our consolidated financial statements set forth in Appendix I to this prospectus.

STATISTICS OF THE SHARE OFFER

	Based on the minimum indicative Offer Price of HK$0.70 per Offer Share	Based on the maximum indicative Offer Price of HK$0.80 per Offer Share
Market capitalisation of our Shares expected to be in issue following completion of the Capitalisation Issue and the Share Offer *(Note 1)*	HK$280 million	HK$320 million
Unaudited pro forma adjusted consolidated net tangible assets per Share *(Note 2)*	HK$0.18	HK$0.21

Notes:

1. The calculation of market capitalisation is based on 400,000,000 Shares expected to be in issue immediately following the completion of the Capitalisation Issue and the Share Offer.

2. The unaudited pro forma adjusted consolidated net tangible assets per Share has been prepared after the adjustments referred to in "Appendix II — Unaudited pro forma financial information" in this prospectus and on the basis of 400,000,000 Shares expected to be in issue assuming that the Capitalisation Issue and the Share Offer had been completed.

DIVIDEND

During the Track Record Period, an aggregate amount of a dividend of approximately HK$37.5 million was declared in the year ended 31 December 2015. As at the Latest Practicable Date, such dividend had been fully settled by our cash flow generated from operations and our proceeds from deemed contribution. Save as disclosed above, we have no plan to pay or declare any dividends prior to the Listing. We do not intend to pay or declare any dividends in relation to our accumulated profits as at 31 December 2016 and we also do not intend to determine any expected dividend payout ratio since our priority is to use our earnings for business development and expansion of customer base in the interests of our Shareholders as a whole. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Group does not have any future dividend policy. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

MATERIAL NON-COMPLIANCE INCIDENTS

During the Track Record Period and up to the Latest Practicable Date, we had been involved in certain non-compliance incidents such as non-compliance with RCH(EP)R, RCHE Code of Practice, WD(CW)(G)R and WDO. During the Track Record Period and up to the Latest Practicable Date, Shui On (Shun On), Shui On (Hing Wah) and Shui On (Kwai Shing E.) received one, one and four warning letter(s) from the SWD, respectively. Based on our understanding from the SWD and our experience in the renewal of RCHE licences of our elderly residential care homes particularly the recent renewal during the Track Record Period and up to the Latest Practicable Date, our Directors are of the view that such non-compliance incidents (including the warning letters received by our Group's elderly residential care homes) have not resulted, and are not expected to result, in any material impact on our financial conditions and results of operations.

Set out below is a brief summary of the non-compliance incidents that resulted in the issuance of warning letters against our Group's elderly residential care homes and the threshold/events which will trigger the SWD to take actions:

Brief summary of the non-compliance incidents/breach	**Threshold/events which will trigger the SWD to take actions as specified in the relevant warning letter**
Shui On (Shun On) (Date of the relevant warning letter: 13 September 2016)	
On 2 September 2016, a health inspector of LORCHE identified that a staff of Shui On (Shun On) was applying restraints to a resident without making an assessment and obtaining the relevant prior written consents.	If the RCHE fails to rectify the non-compliance as soon as practicable, the SWD may initiate prosecution, or cancel, suspend or refuse to renew the licence in respect of the RCHE, or amend or vary any condition of the licence.
Shui On (Hing Wah) (Date of the relevant warning letter: 13 October 2016)	
On 12 October 2016, a health inspector of LORCHE, during his inspection, identified that Shui On (Hing Wah) failed to maintain the presence of the prescribed number of health workers.	If the RCHE fails to rectify the non-compliance as soon as practicable, the SWD may initiate prosecution, or cancel, suspend or refuse to renew the licence in respect of the RCHE, or amend or vary any condition of the licence.
Shui On (Kwai Shing E.) (Date of the relevant warning letter: 10 March 2016)	
On 20 June 2015, a resident of Shui On (Kwai Shing E.) fell over and was injured when he was bathing.	If the RCHE fails to rectify the non-compliance as soon as practicable, the SWD may initiate prosecution, or cancel, suspend or refuse to renew the licence in respect of the RCHE, or amend or vary any condition of the licence.
Shui On (Kwai Shing E.)(Date of the relevant warning letter: 14 April 2016)	
On 12 April 2016, a fire safety inspector of LORCHE identified that there were miscellaneous objects blocking the exit route of Shui On (Kwai Shing E.).	If the RCHE fails to rectify the non-compliance as soon as practicable, the SWD may initiate prosecution, or cancel, suspend or refuse to renew the licence in respect of the RCHE, or amend or vary any condition of the licence.
Shui On (Kwai Shing E.)(Date of the relevant warning letter: 24 June 2016)	
A complaint alleging that Shui On (Kwai Shing E.) wrongly requesting deposit from a resident was made to the SWD. Such incident resulted in a breach of clause 6.1 of the EBPS Agreement.	(i) The SWD may amend or vary or terminate the EBPS Agreement of Shui On (Kwai Shing E.), unless the non-compliance is rectified; and

Brief summary of the non-compliance incidents/breach	Threshold/events which will trigger the SWD to take actions as specified in the relevant warning letter
	(ii) if the RCHE has accumulated a total of five or more warnings during the term of the EBPS Agreement (i.e. from 1 April 2016 to 31 March 2018), the SWD has the right to reduce the number of residential care places purchased at the RCHE under the EBPS immediately after giving notice to the operator of the RCHE.
Shui On (Kwai Shing E.) (Date of the relevant warning letter: 13 March 2017)	
The fee charged by the operator of the RCHE exceeded the monthly fee provided in the fourth column of the schedule thereto resulted in a breach of clause 6.1 of the EBPS Agreement.	If the RCHE has accumulated a total of five or more warnings during the term of the EBPS Agreement (i.e. from 1 April 2016 to 31 March 2018), the SWD has the right to reduce the number of residential care places purchased at the RCHE under the EBPS immediately after giving notice to the operator of the RCHE.

Please see the paragraphs headed "Business — Legal compliance" and "Business — Views of our Directors and the Sole Sponsor" in this prospectus for further details. Please also refer to the paragraphs headed "Risk factors — We have previously been involved in certain incidents of non-compliance with certain Hong Kong regulatory requirements and the RCHE Code of Practice". If we cannot renew or fail to obtain operating licences including the RCHE licenses, or if they are suspended or cancelled, we will not be able to operate elderly residential care homes" in this prospectus for more details.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Share Offer and the Listing. Assuming an Offer Price of HK$0.75 per Offer Share (being the mid-point of the indicative Offer Price range) and that Offer Size Adjustment Option is not exercised, our total listing expenses are estimated to be approximately HK$25.9 million, of which HK$8.0 million is directly attributable to the issue of new Shares pursuant to the Share Offer and to be accounted for as a deduction from the equity, approximately HK$0.8 million and approximately HK$7.5 million, in relation to services already performed by relevant parties, were recorded in our consolidated statements of profit or loss and other comprehensive income for the two years ended 31 December 2016, respectively, and an additional of approximately HK$9.6 million is expected to be recognised in our consolidated statements of profit or loss and other comprehensive income subsequent to the Track Record Period and upon Listing. As such, our results of operations for the year ending 31 December 2017 is expected to be adversely affected by the listing expenses to be incurred in the same year.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer (after deducting underwriting commission and estimated expenses payable by us in connection with the Share Offer), assuming an Offer Price of HK$0.75, being the mid-point of the indicative Offer Price range, will be approximately HK$49.2 million assuming that the Offer Size Adjustment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

(a) approximately 50.8% of the total estimated net proceeds from the Share Offer, or HK$25.0 million, will be used to finance partly the consideration for the potential acquisition of an operating elderly residential care home. As at the Latest Practicable Date, we had neither identified any suitable target, nor formulated any specific acquisition plans, nor entered into any definitive agreements for any potential target;

(b) approximately 35.5% of the total estimated net proceeds from the Share Offer, or HK$17.5 million, will be used to establish a new elderly residential care home by locating and leasing a suitable location as part of our expansion strategy. As at the Latest Practicable Date, we had neither identified any specific location, nor entered into any definitive agreements with any landlords;

(c) approximately 4.1% of the total estimated net proceeds from the Share Offer, or HK$2.0 million, will be used to establish of our headquarters including a training centre;

(d) approximately 4.1% of the total estimated net proceeds from the Share Offer, or HK$2.0 million, will be used to renew and upgrade the facilities at our elderly residential care homes;

(e) approximately 5.3% of the total estimated net proceeds from the Share Offer, or HK$2.6 million, will be used to upgrade the information technology infrastructure; and

(f) approximately 0.2% of the total estimated net proceeds from the Share Offer, or HK$0.1 million, will be used for general working capital purposes.

To the extent that the net proceeds from the Share Offer are not sufficient to fund the purposes of the Listing as set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings, as appropriate. To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with authorised financial institutions.

Please see the paragraphs headed "Business — Our strategies" and "Statement of business objectives and use of proceeds — Use of proceeds" in this prospectus for further details.

REASONS FOR THE SHARE OFFER

Our Directors believe the estimated net proceeds from the Share Offer of approximately HK$49.2 million (after deducting the related underwriting commission and expenses payable in relation to the Share Offer) will help us to pursue our business objectives and implement our business strategies and plans.

Our Group's capital required for implementation plans as set out under the paragraphs headed "Business — Our strategies" and the section headed "Statement of business objectives and use of proceeds" in this prospectus is expected to amount to approximately HK$67.7 million, of which approximately HK$49.2 million or approximately 72.7% is expected to be financed by the net proceeds from the Share Offer and the remaining balance of HK$18.5 million or approximately 27.3% is expected to be financed from our internal resources. We believe that we have sufficient internal resources, including our cash and cash equivalents and cash flows derived from operating activities, to utilise for such actual capital expenditure. As at 31 December 2016, we had approximately HK$22.3 million in cash and cash equivalents available. We had operating cash flow before changes in working capital of approximately HK$14.2 million and approximately HK$11.6 million for the two years ended 31 December 2016, respectively. Our Directors believe that the Listing will facilitate the implementation of our business strategies as stated in the paragraphs headed "Business — Our strategies" in this prospectus. The net proceeds from the Share Offer will provide financial resources to our Group to achieve such business strategies which will further strengthen our market position and expand our market share in the elderly residential care home market in Hong Kong. Moreover, a public listing status will also enhance our corporate profile and assist us in reinforcing our brand awareness and market reputation. We believe that a public listing status on GEM is a complementary advertising for our Group to potential investors and customers and can enhance our corporate profile and our credibility with the public and potential business partners. Furthermore, the Listing will also enable our Group to gain access to the capital market for raising funds both at the time of Listing and at later stages, which would in turn assist us in our future business development. A public listing status on GEM may offer our Company a broader shareholder base which could potentially lead to a higher liquidity in the trading of the Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acting In Concert Agreement"	the acting in concert agreement dated 13 December 2016 entered into between Mr. TC Yik, Multifield, Hang Chi and Ms. WH Yik in relation to the acting in concert arrangement among them, details of which are disclosed in the paragraphs headed "History, Reorganisation and corporate structure — Parties acting in concert" in this prospectus
"Alliance Capital" or "Alliance Capital Partners Limited"	Alliance Capital Partners Limited, a licenced corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Application Form(s)"	**WHITE** Application Form(s) and **YELLOW** Application Form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on 21 June 2017 and effective on the Listing Date and as amended or supplemented from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Audit Committee"	the audit committee of our Board
"Board of Directors" or "Board"	the board of directors of our Company
"Business Day(s)" or "business day(s)"	any day(s) (excluding Saturday(s), Sunday(s) or public holiday(s) in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of 299,993,450 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraphs headed "Statutory and general information — A. Further information about our Company and our subsidiaries — 3. Written resolutions of our Shareholders passed on 21 June 2017" in Appendix IV to this prospectus

"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 Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chairman"	chairman of our Board
"Chan's Family"	members of the Chan's family, who are former business partners of Mr. TC Yik
"Chan's Investment"	Chan's Investment Limited (陳氏投資有限公司), a company incorporated in Hong Kong with limited liability on 27 August 2012, which is owned in equal shares by five members of Chan's Family
"close associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated 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 (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or modified from time to time
"Company", "our Company", "we" or "us"	Hang Chi Holdings Limited (恒智控股有限公司), an exempted company incorporated in the Cayman Islands on 16 February 2016 with limited liability
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and unless the context requires otherwise, refers to Shui Wah, Lucky Expert, Hang Chi, Multifield, Will Peace, Mr. TC Yik, Ms. WH Yik, Mr. Chung, Ms. Chung, Ms. Wong, Ms. WJ Yi, Ms. Huang, Ms. Zhong, Mr. SG Yi, Mr. ST Yik and Mr. Zheng
"core connected person"	has the meaning ascribed to it under the GEM Listing Rules
"Cornerstone Investment Agreement"	the cornerstone investment agreement dated 21 June 2017 entered into between our Company, the Sole Global Coordinator, the Sole Sponsor and Yingfeng International Investment Limited (盈豐國際投資有限公司), details of which are disclosed in the section headed "Cornerstone investor" in this prospectus
"Counsel"	Ms. Ng, Queenie W.S., barrister-at-law in Hong Kong
"Deed of Indemnity"	the deed of indemnity dated 21 June 2017 entered into by Multifield, Hang Chi, Lucky Expert, Shui Wah, Mr. TC Yik and Ms. WH Yik in favour of our Company to provide certain indemnities, particulars of which are set out in the paragraphs headed "Statutory and general information — E. Other information — 1. Tax and other indemnities" in Appendix IV to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 21 June 2017 and executed by our Controlling Shareholders in favour of our Company, details of which are disclosed in the section headed "Relationship with Controlling Shareholders" in this prospectus
"Director(s)"	the director(s) of our Company as at the date of this prospectus
"First Vanguard"	First Vanguard Aged Care Limited, a company incorporated in the BVI with limited liability
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time

"Glory Crest"	Glory Crest Limited (峰榮有限公司), a company incorporated in Hong Kong with limited liability on 20 November 2007, which is wholly owned by Guardian Home and holds approximately 33.33% interest in Shui On (Kwai Shing E.)
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries or, where the context so requires, with respect to the period before which our Company became the holding company of our current subsidiaries, our Company's current subsidiaries or the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Guardian Home"	Guardian Home Limited (佳安家有限公司), formerly known as Nice Concord Limited (安輝有限公司), a company incorporated in Hong Kong with limited liability on 12 August 2006
"Guotai Junan Securities" or "Guotai Junan Securities (Hong Kong) Limited"	Guotai Junan Securities (Hong Kong) Limited, a licenced corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
"Hang Chi"	Hang Chi Development & Investment Limited (恒智發展投資有限公司), a company incorporated in Hong Kong with limited liability on 21 June 2005, which is wholly owned by Multifield and is one of our Controlling Shareholders
"HK Government"	the Government of Hong Kong Special Administrative Region
"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" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Boardroom Share Registrars (HK) Limited
"Hong Kong dollars" or "HK$"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board
"Independent Third Party(ies)"	party(ies) which is/are not connected person(s) of our Company
"Ipsos"	Ipsos Limited (formerly known as Ipsos Hong Kong Limited), a professional market research company and an Independent Third Party
"Ipsos Report"	an industry research report prepared by Ipsos which was commissioned by us in relation to, among others, the market landscape and competitive analysis of RCHEs in Hong Kong
"Joint Lead Managers"	Guotai Junan Securities, Ping An Securities and Alliance Capital
"Jumbo Sino"	Jumbo Sino Investment Limited (基兆投資有限公司), a company incorporated in Hong Kong with limited liability on 20 November 2014, which is currently wholly owned by Ms. Wu
"Jun Pak"	Jun Pak Limited (榛栢有限公司), formerly known as Shui On Nursing Centre Limited (瑞安護老中心有限公司), a company incorporated in Hong Kong with limited liability on 21 April 1994, which is currently wholly owned by Mr. Lui
"Latest Practicable Date"	20 June 2017, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of the Shares on the GEM
"Listing Date"	the date on which the Shares are listed and from which dealings therein are permitted to take place on GEM commence
"Listing Division"	the Listing Division of the Stock Exchange

"Lucky Expert"	Lucky Expert Investments Limited (瑞專投資有限公司), a company incorporated under the laws of BVI with limited liability on 2 June 2015, which is owned as to 59.88% by Hang Chi, 29.17% by Ms. WH Yik, 6.02% by Ms. Chung and 4.93% by Mr. Chung and is one of the Controlling Shareholders
"Main Board"	the Main Board of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company adopted on 21 June 2017 and as amended or supplemented from time to time, a summary of which is set out in Appendix III to this prospectus
"MPFSO"	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. Chui"	Mr. Chui Sai Ming (徐世明先生), who held approximately 33.33% interest in Jumbo Sino before the disposal of his interest to Ms. Wu on 16 August 2016, and a director of Shui On (Sun Tin Wai) before his resignation on 16 August 2016
"Mr. Chung"	Mr. Chung Kin Man (鍾建民先生), an executive Director, one of our Controlling Shareholders, brother-in-law of Mr. TC Yik and brother of Ms. Chung
"Mr. DR Yi"	Mr. Yi Derong (易德榮先生), a brother of Mr. TC Yik
"Mr. Hui"	Mr. Hui Lung (許龍先生), who held approximately 33.33% interest in Jumbo Sino before the disposal of his interest to Ms. Wu on 16 August 2016, and a director of Shui On (Sun Tin Wai) before his resignation on 16 August 2016
"Mr. Lui"	Mr. Lui Chi Tat (雷志達先生), nephew of Mr. TC Yik
"Mr. Mok"	Mr. Mok Pui Yin Terry (莫沛然先生), the sole shareholder of Top Champ
"Mr. SG Yi"	Mr. Yi Shaoguang (易紹光先生), one of our Controlling Shareholders and a nephew of Mr. TC Yik
"Mr. ST Yik"	Mr. Yik Siu Tim (易紹添先生), one of our Controlling Shareholders and a nephew of Mr. TC Yik

"Mr. TC Yik"	Mr. Yik Tak Chi (易德智先生), our Chairman, executive Director, chief executive officer, founder and one of our Controlling Shareholders
"Mr. Zheng"	Mr. Zheng Xiao Jun (鄭晓軍先生), one of our Controlling Shareholders and the spouse of Ms. Wong
"Ms. Chung"	Ms. Chung Wai Man (鍾慧敏女士), an executive Director, one of our Controlling Shareholders, a sister-in-law of Mr. TC Yik and a sister of Mr. Chung
"Ms. Huang"	Ms. Huang Weiyi (黃偉誼女士), one of our Controlling Shareholders and a niece of Mr. TC Yik
"Ms. WH Yik"	Ms. Yik Wai Hang (易蔚恆女士), one of our Controlling Shareholders and a sister of Mr. TC Yik
"Ms. WJ Yi"	Ms. Yi Weiji (易蔚基女士), one of our Controlling Shareholders and a sister of Mr. TC Yik
"Ms. Wong"	Ms. Wong Kit Yi (黃潔誼女士), one of our Controlling Shareholders, a niece of Mr. TC Yik and the spouse of Mr. Zheng
"Ms. Woo"	Ms. Woo Pui Kei Betty (胡佩琪女士), an Independent Third Party
"Ms. WQ Yi"	Ms. Yi Weiqun (易蔚群女士), a sister of Mr. TC Yik
"Ms. WT Yi"	Ms. Yi Weitong (易蔚彤女士), a sister of Mr. TC Yik
"Ms. Wu"	Ms. Wu Qiying (吳綺瑩女士), niece of Mr. TC Yik, who holds the entire interest in Jumbo Sino after the completion of the acquisition of the 66.67% interest in Jumbo Sino from Mr. Chui and Mr. Hui on 16 August 2016, and a director of Shui On (Sun Tin Wai)
"Ms. Zhong"	Ms. Zhong Huimei (鍾惠梅女士), one of our Controlling Shareholders and a sister-in-law of Mr. TC Yik
"Multifield"	Multifield Investment Development Limited (萬昌投資發展有限公司), a company incorporated under the laws of BVI with limited liability on 8 January 2010, which is wholly owned by Mr. TC Yik, one of our Controlling Shareholders

"Offer Price"	the final offer price per Offer Share (exclusive of a brokerage fee of 1.0%, the SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of not more than HK$0.80 and is currently expected to be not less than HK$0.70, to be agreed upon by us and the Sole Global Coordinator (acting for itself and on behalf of Underwriters) on the Price Determination Date
"Offer Shares"	the Placing Shares and the Public Offer Shares
"Offer Size Adjustment Option"	the option granted by our Company to the Underwriters, exercisable by the Sole Global Coordinator at its sole and absolute discretion, prior to the date of allotment results announcement, whereby our Company may be required to issue and allot up to 15,000,000 additional new Shares representing up to 15% of the Offer Shares initially available under the Share Offer at the Offer Price, subject to the terms and conditions set out in the Placing Underwriting Agreement
"Ping An Securities" or "Ping An Securities Limited"	Ping An Securities Limited, a licenced corporation 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 under the SFO
"Placing"	the conditional placing of the Placing Shares by the Placing Underwriters for and on behalf of our Company to institutional, professional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States at the Offer Price, on and subject to the terms and conditions under the Placing Underwriting Agreement, as further described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Shares"	90,000,000 new Shares being initially offered by us for subscription, being initially offered for purchase pursuant to the Placing together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Offer Size Adjustment Option
"Placing Underwriters"	the underwriters for the Placing who are expected to enter into the Placing Underwriting Agreement

"Placing Underwriting Agreement"	the underwriting agreement relating to the Placing to be entered into by, among others, our Company and the Placing Underwriters on or about the Price Determination Date, as further described in "Underwriting" in this prospectus
"PRC" or "China"	the People's Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau and Taiwan
"Pre-IPO Investment"	the investment by Top Champ in our Group pursuant to the Pre-IPO Investment Agreement, the details of which are set out in the paragraphs headed "History, Reorganisation and corporate structure — Pre-IPO Investment" in this prospectus
"Pre-IPO Investment Agreement"	comprising the Subscription Agreement and the Supplemental Deed
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the laws of Hong Kong) as in force from time to time before 3 March 2014
"Price Determination Date"	the date on which the final Offer Price is to be determined by our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), which is expected to be on or about Monday, 3 July 2017 and in any event not later than Monday, 10 July 2017
"Public Offer"	the conditional offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, details of which are described in the section headed "Structure and conditions of the Share Offer" in this prospectus and the related Application Forms
"Public Offer Shares"	the 10,000,000 new Shares initially being offered by our Company for subscription at the Offer Price under the Public Offer, subject to reallocation as mentioned in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Public Offer Underwriters"	the underwriters in respect of the Public Offer named in the paragraphs headed "Underwriting — Underwriters — Public Offer Underwriters" in this prospectus

"Public Offer Underwriting Agreement"	the conditional public offer underwriting agreement dated 27 June 2017 entered into among our Company, the Sole Global Coordinator, the Public Offer Underwriters and other parties relating to the Public Offer
"Remuneration Committee"	the remuneration committee of our Board
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing as described in the paragraphs headed "History, Reorganisation and corporate structure — Reorganisation" in this prospectus
"Reorganisation Agreement"	the reorganisation agreement dated 25 August 2016 entered into between our Company, Lucky Expert, Top Champ, Will Peace, Jumbo Sino, Mr. TC Yik, Mr. Mok, Ms. Wong and Ms. Wu, pursuant to which our Company acquired the entire issued share capital of Shui On (BVI) from Lucky Expert, Will Peace, Jumbo Sino and Top Champ, details of which are set out in the paragraphs headed "History, Reorganisation and corporate structure — 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 Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 21 June 2017, a summary of principal terms of which is set out in the paragraphs headed "Statutory and general information — D. Share Option Scheme" in Appendix IV to this prospectus
"Share(s)"	share(s) of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of Shares
"Shui Hing"	Shui Hing Nursing Centre Limited (瑞興護老中心有限公司), a company incorporated in Hong Kong with limited liability on 14 November 2008 and an indirect wholly owned subsidiary of our Company

"Shui On (BVI)"	Shui On Nursing Home Holdings (BVI) Limited (瑞安護老院控股有限公司), a company incorporated under the laws of BVI with limited liability on 25 June 2015 and a direct wholly owned subsidiary of our Company
"Shui On (Hing Wah)"	Shui On Nursing Centre (Hing Wah) Company Limited (瑞安護老中心(興華)有限公司), a company incorporated in Hong Kong with limited liability on 13 November 2007 and an indirect wholly owned subsidiary of our Company
"Shui On (Kwai Shing E.)"	Shui On Nursing Centre (Kwai Shing E.) Co. Limited (瑞安護老中心(葵盛東)有限公司), a company incorporated in Hong Kong with limited liability on 12 December 2006 and an indirect non-wholly owned subsidiary of our Company
"Shui On (Shun On)"	Shui On Nursing Centre (Shun On) Company Limited (瑞安護老中心(順安)有限公司), a company incorporated in Hong Kong with limited liability on 2 March 2006 and an indirect wholly owned subsidiary of our Company
"Shui On (Sun Tin Wai)	Shui On Nursing Centre (Sun Tin Wai) Company Limited (瑞安護老中心(新田圍)有限公司), a company incorporated in Hong Kong with limited liability on 2 November 2006 and an indirect wholly owned subsidiary of our Company
"Shui On Holdings (HK)"	Shui On Nursing Home Holdings Limited (瑞安護老院集團有限公司) (formerly known as Our Ideal Home Limited (理想居有限公司)), a company incorporated in Hong Kong with limited liability on 11 September 2009 and an indirect wholly owned subsidiary of our Company
"Shui Wah"	Shui Wah Limited (瑞樺有限公司), a company incorporated in the BVI with limited liability on 11 February 2016, which is owned as to 89.11% by Lucky Expert and 10.89% by Will Peace, and is one of our Controlling Shareholders
"Sole Global Coordinator" or "Sole Bookrunner"	Guotai Junan Securities
"Sole Sponsor"	Guotai Junan Capital Limited, a licenced corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Subcontracting Agreement"	the subcontracting agreement dated 15 August 2013 entered into between Shui On Holdings (HK) and a then shareholder of Wan Tsui in relation to the management and daily operation of Wan Tsui
"Subscription Agreement"	the subscription agreement dated 11 December 2015 entered into between Top Champ, Shui On (BVI) and Mr. TC Yik in relation to the subscription for 9,353 shares in Shui On (BVI) by Top Champ, details of which are set out in the paragraphs headed "History, Reorganisation and corporate structure — Pre-IPO Investment" in this prospectus
"subsidiary(ies)"	has the meaning ascribed thereto under the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Supplemental Deed"	the supplemental deed dated 31 December 2016 entered into between Top Champ, Shui On (BVI) and Mr. TC Yik to amend the Subscription Agreement, details of which are set out in the paragraphs headed "History, Reorganisation and corporate structure — Pre-IPO Investment" in this prospectus
"Top Champ"	Top Champ Ventures Limited (佳冠創投有限公司), a company incorporated under the laws of the BVI with limited liability on 31 March 2015, which is wholly owned by Mr. Mok, and a pre-IPO investor in relation to the Listing
"Track Record Period"	the two years ended 31 December 2016
"Underwriters"	the Public Offer Underwriters and the Placing Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

"US dollar" or "US$"	United States dollars, the lawful currency of the United States
"Wan Tsui"	Wui Fung Care Home (Wan Tsui) Limited (滙豐安老院(環翠)有限公司), formerly known as Shui On Nursing Centre (Wan Tsui) Company Limited (瑞安護老中心(環翠)有限公司), a company incorporated in Hong Kong with limited liability on 23 July 2003 which was considered as our associate for accounting purposes over which our Group was in a position to exercise significant influence from the commencement of the Track Record Period to the date of disposal of our entire interest in Wan Tsui on 28 June 2016
"Wan Tsui Disposal"	the disposal of all of the 7,600 shares in the issued capital of Wan Tsui, representing 76% of its issued share capital, held by our Group through Shui On Holdings (HK) which took place on 28 June 2016
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant's or applicants' own name(s)
"Will Peace"	Will Peace Limited (志泰有限公司), a company incorporated under the laws of the BVI with limited liability on 9 June 2015, which is owned as to 26.15% by Ms. Wong, 21.68% by Ms. WJ Yi, 21.29% by Ms. Huang, 13.31% by Ms. Zhong, 6.99% by Mr. SG Yi, 6.99% by Mr. ST Yik and 3.59% by Mr. Zheng, and is one of our Controlling Shareholders
"Wisdom Toprich"	Wisdom Toprich Limited (智達利有限公司), a company incorporated in Hong Kong with limited liability on 28 August 2009
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
"%"	per cent

Unless expressly stated or the context requires otherwise:

- *amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items;*
- *all data in this prospectus is as of the date of this prospectus;*
- *if there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail;*
- *all references to any shareholdings in our Company assume no exercise of the Offer Size Adjustment Option unless otherwise specified.*

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.

"aged home(s)" or "home(s) for the aged"	a type of RCHEs, which, according to the SWD, provide residential and support facilities with a limited degree of assistance in daily activities to elderly who are unable to live independently but are not dependent on personal or nursing care. They are assessed to be in the "no or mild impairment" category under the SCNAMES
"Barthel Index"	an ordinal scale that measures degree of independence in activities of daily living such as eating, bathing, using the toilet, controlling bladder and bowel functions, transferring and mobility
"CAGR"	compound annual growth rate
"care and attention home(s)"	a type of RCHEs, which, according to the SWD, provide residential and support facilities with limited nursing care to elderly who suffer from poor health or physical or mild mental disabilities with difficulties in daily activities but are mentally suitable for communal living. They are assessed to be in the "moderate impairment" category under the SCNAMES
"Comprehensive Social Security Assistance Scheme" or "CSSA Scheme"	the CSSA Scheme provides a safety net for those who cannot support themselves financially. It is designed to bring their income up to a prescribed level to meet their basic needs. Eligible candidates have to pass a residence requirement and financial tests
"contract RCHE(s)" or "contract home(s)"	contracts obtained through competitive bidding. Nature of service and eligibility criteria for contract homes are the same as those for care and attention and nursing homes
"EBPS Agreement"	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
"elderly"	individual persons aged 60 years or above, or such age as specified in the context

"elderly residential care home(s)"	the residential care home(s) for the elderly, currently all elderly residential care homes of our Group are care and attention homes
"Enhanced A1" or "EA1"	one of two categories of RCHEs eligible under the EBPS, under which EA1 homes have higher requirements in terms of staffing and per capita net floor area as compared to EA2 homes. For example, the minimum staffing requirement under the EBPS for our Shui On (Kwai Shing E.) elderly residential care home with 220 residential care places is 88.25 staff members and that for our Shui On (Shun On) elderly residential care home with 118 residential care places is 49.25 staff members calculated on the basis of eight working hours per staff member per day and the minimum per capita net floor area is 9.5 m^2
"Enhanced A2" or "EA2"	one of the two categories of RCHEs eligible under the EBPS, under which EA2 homes have lower requirements in terms of staffing and per capita net floor area as compared to EA1 homes. The minimum staffing requirement under the EBPS of EA2 homes with 40 places is 19 staff members, 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 leased or purchased residential care places 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 elderly residential care home places. Elderly homes under the EBPS are split into two categories, namely EA1 and EA2 with different spacing and staffing requirements
"GDP"	gross domestic product
"LORCHE"	the Licensing Office of Residential Care Homes for the Elderly, a licensing department 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

"nursing home(s)"	a type of RCHEs which provides residential and support facilities with the highest level of nursing care to the elderly who suffer from poor health or physical or mental disabilities with difficulties in daily activities but are mentally suitable for communal living. It is for the elderly assessed to be in the "severe impairment" category under the SCNAMES
"occupancy rate"	the occupancy rate is calculated by dividing the number of residential care places occupied by the number of residential care places available at our elderly residential care homes during a specified financial period or year
"old-age dependency ratio"	the number of elderly (65 years or over) to the working-age population (15-64 years old)
"private RCHE(s)" or "private home(s)"	RCHE(s) operated by the private sector, with a for-profit goal. They are financed by investors
"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(1) of the RCH(EP)O
"RCHE(s)"	RCHE(s) which provide residential care and facilities for the elderly who, for personal, social, health and/or other reasons, cannot be taken care of adequately 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, aged homes and hostels for the elderly
"residential care place"	a bed for an elderly resident in a RCHE
"SCNAMES"	Standardised Care Need Assessment Mechanism for Elderly Services, a standardised assessment mechanism implemented by the SWD to assess care needs of older people and matching them with subsidised long term care services. It assesses the care needs of older people with an internationally recognised assessment tool named Minimum Data Set - Home Care (MDS-HC)

"self-financing RCHE(s)" or "self-financing home(s)"	RCHEs that are financing their operations by the fees paid by their residents
"SFA"	saleable floor area
"sq.ft."	square foot or square feet
"sq.m." or "m^2"	square metre(s)
"subvented RCHE(s)" or "subvented home(s)"	RCHE(s) receiving subsidies from the HK Government, to offer rooms at an affordable price to eligible elderly
"SWD"	the Social Welfare Department of the HK Government
"WD(CW)(G)R"	the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"WDO"	the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed "Summary", "Risk factors", "Industry overview", "Business", "Financial information" and "Statement of business objectives and use of proceeds" in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed "Risk factors" in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy;
- our profit estimate and other prospective financial information; and
- the regulatory environment and industry outlook for the RCHE industry.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of Hong Kong relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed "Risk factors" in this prospectus.

You should carefully consider all information set out in this prospectus, including the risks and uncertainties described below before making an investment in our 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 the occurrence of any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

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 we cannot renew or fail to obtain operating licences including the RCHE licenses, or if they are suspended or cancelled, we will not be able to operate elderly residential care homes.

We require RCHE licences to operate our existing and any new elderly residential care homes. The operations of our elderly residential care 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 elderly residential care homes and registration of health workers in Hong Kong. Our operations are also subject to certain other laws, rules 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 elderly residential care 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. Please see the paragraphs headed "Business — Licences and permits" in this prospectus for details of the major licences for our elderly residential care homes and their respective expiration dates.

We have previously been involved in certain non-compliance incidents such as non-compliance with RCH(EP)R and RCHE Code of Practice, Companies Ordinance and WD(CW)(G)R and WDO. During the Track Record Period and up to the Latest Practicable Date, the SWD issued one warning letter to Shui On (Shun On), one warning letter to Shui On (Hing Wah) and four warning letters to the Shui On (Kwai Shing E.). Out of the four warning letters issued to Shui On (Kwai Shing E.), one was issued during the term of the previous EBPS Agreement of Shui On (Kwai Shing E.), while the other three were issued during the term of the current EBPS Agreement of Shui On (Kwai Shing E.).

However, according to the relevant warning letters, the SWD may, among others, cancel or temporarily suspend our RCHE licences, refuse to renew the RCHE licences, or change the conditions attached to the operating licences. For our two EBPS participating elderly residential care homes, namely, Shui On (Shun On) elderly residential care home and Shui On (Kwai Shing E.) elderly residential care home, if any one of them has accumulated a total of five warning letters or more during the term of the EBPS Agreement, the SWD has the right to reduce the number of residential care places purchased at the relevant elderly residential care home under the EBPS. We may also be required to pay for fines or penalties. There is no assurance that the SWD will not suspend, cancel or renew our RCHE licenses or that we will be able to obtain a new RCHE licence for our expansion plan. If the SWD suspends, cancels or is unwilling to renew any of our RCHE licenses or if we fail to obtain a new RCHE licence for our expansion plan, we will not be able to operate our respective elderly residential care home and our financial results and expansion plans will 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 certain penalties. Additionally, 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 details on non-compliance incidents, please refer to the paragraphs headed "Business — Legal compliance" in this prospectus for further details. For further information on RCHE licences, please refer to the paragraphs headed "Regulatory overview — Regulations in relation to the operation of RCHEs" and the paragraphs headed "Business — Licences and permits" in this prospectus for further details.

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 will have a material adverse effect on our business, financial conditions and results of operations. In addition, any potential or actual litigations, claims or complaints from our elderly residents or their family members may detract 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 "five checks" procedures and guidelines published by the relevant government department to minimise human errors, and our nurses supervise and monitor our medication administration routines. Nevertheless, we are exposed to inherent risks of these procedures. For instance, during the Track Record Period and up to the Latest Practicable Date, the SWD issued one warning letter to Shui On (Shun On), one warning letter to Shui On (Hing Wah) and four warning letters to the Shui On (Kwai Shing E.). Out of the four warning letters issued to Shui On (Kwai Shing E.), one was issued during the term of the previous EBPS Agreement of Shui On (Kwai Shing E.), while the other three were issued during the term of the current EBPS Agreement of Shui On (Kwai Shing E.). Furthermore, our elderly residents may suffer from outbreaks, illnesses or physical injuries due to our staff's actions or inaction. Any failure to ensure the safety of our elderly residents, we will be susceptible to litigations and law suits 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 elderly residential care homes.

Our insurance may not cover all potential losses and claims.

We have taken out insurance policies for all of our elderly residential care 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 properties or 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.

We have limited control over the quality and quantity of the medications, drugs, food, groceries and other supplies and we cannot guarantee that these supplies are free from defects.

We procure medical consumable products, food, groceries, medical equipment and other supplies during the operations of our elderly residential care homes, whilst our elderly residents procured the medications and drugs taken by them. In the course of our elderly home care services, we consume or sell certain products to our elderly residents, which include adult nappies, nutritional milk, medical gloves, feeding bags and pH indicator strips. We cannot guarantee that such products are free from defects and meet the relevant quality standards or are not counterfeits. There cannot be assurance that we will not encounter any incidents relating to defective or counterfeit products going forward, or that such incidents will not materially and adversely affect us. If products provided by our suppliers are defective, counterfeit, of poor quality or are otherwise unsafe or ineffective, we could be subject to litigation, complaints or negative publicity, and damage in reputation, which may adversely affect our profitability and operating results.

Furthermore, the ability to source quality food ingredients at competitive prices in a timely manner is important to our business. Our ability to maintain consistent quality depends in part upon our ability to acquire fresh food products and related supplies from reliable sources that meet our quality specifications and in sufficient quantities. However, we do not enter into framework agreements with our suppliers. The purchase prices with suppliers for our food ingredients are typically set at a fixed price by way of purchase orders.

For the two years ended 31 December 2016, purchases from our top five suppliers in aggregate accounted for approximately 63.4% and 66.0% of our total purchases, respectively, and purchases from our largest supplier accounted for approximately 29.5% and 27.0% of our total purchases, respectively. During the Track Record Period, none of our key suppliers ceased or indicated that it would cease supply of food ingredients to us, and we did not experience any material delays or interruptions in securing the supply of food ingredients from our key suppliers. However, there can be no assurance that we will be able to maintain business relationships with our key suppliers.

A disruption of our food supplies can occur for a variety of reasons, many of which are beyond our control, including unanticipated demand, adverse weather conditions, natural disasters, cease of operations or unexpected production shortages. Moreover, there is no assurance that our current supplies may always be able to meet our stringent quality control requirements in the future. If any of our suppliers do not perform adequately or otherwise fail to distribute products or supplies to us in a timely manner, we cannot assure you that we will be able to find suitable replacement suppliers in a short period of time on acceptable terms, and our failure to do so could increase our food costs and could cause shortages of food and other supplies at our elderly residential care homes.

The SWD was our largest customer during the Track Record Period and we expect that a portion of our revenue will continue to depend on the EBPS.

During the Track Record Period and up to the Latest Practicable Date, two of our elderly residential care homes participated in the EBPS and SWD committed in leasing 193 residential care places out of our 589 residential care places, representing approximately 32.8% of our total number of residential care places as at the Latest Practicable Date. For the two years ended 31 December 2016, the revenue generated from the SWD under the EBPS amounted to approximately HK$7.3 million and approximately HK$13.3 million, representing approximately 18.3% and 22.6% of our total revenue, respectively. We expect that we will continue to derive a portion of our revenue from the SWD as a result of the participation in the EBPS by two of our elderly residential care homes.

Since the SWD imposes a list of requirements on the elderly residential care homes which participate in the EBPS such as minimum amount of space and personnel in addition to other service quality requirements, our residential care homes that participate in the EBPS are of class EA1 which are of the highest quality classification among the two categories classified by the SWD. Our elderly residential care homes will be subject to periodical assessments and will have to meet the requirements imposed by the SWD. Furthermore, we cannot guarantee that the SWD will continue to lease the residential care places or renew the EBPS Agreements when they expire. Further, we cannot assure you that the SWD will continue to lease the residential care places at an acceptable price or that it will be profitable for our business, or that the HK Government will continue to implement the EBPS in the future.

Pursuant to the EBPS Agreements, the SWD has the right to reduce the number of residential care places leased 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 find individual customers to fill in the vacancy in a timely manner or at all while charging the same rate as the SWD, 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.

As we lease all of the properties for the operation of our elderly residential care homes, there is no assurance that our leases and/or tenancy agreements will be successfully renewed or renewed on comparable terms 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, we leased all the properties of our elderly residential care homes from two landlords who are Independent Third Parties. Accordingly, rental costs account for a significant portion of our operating expenses. For the two years ended 31 December 2016, our property rentals and related expenses for our elderly residential care homes, staff quarters, ancillary office amounted to approximately HK$6.2 million and approximately HK$9.6 million, representing 15.4% and 16.2% of our revenue, respectively, the term of our existing leases ranges from three years to six years and as at the Latest Practicable Date, the relevant expiry dates were within a range of approximately one year to two years and nine months.

There cannot be any assurance 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 term. Pursuant to the terms of our subsisting tenancy agreements, our landlords are entitled to terminate the tenancy agreements early by giving written prior notice of not less then six months to us if the landlord sells, redevelops, refurbishes, renovates, reinstates the building or the premises. Also, our leasing obligations will expose us to potential risks in an increase of our 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. If we are not able to move our existing elderly residential care homes to new locations or satisfy the requirements for new licence application for the new elderly residential care homes, our operations will be severely impacted or we may incur substantial expenses in 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.

We are the registered owner of the "Shui On 瑞安" and the "Shui Hing 瑞興" trademarks in Hong Kong and any disputes may affect the reputation, business and results of our Group.

We are the registered owner of the "Shui On 瑞安" and the "Shui Hing 瑞興" trademarks in Hong Kong which we consider to be material to our business operations. Disputes may arise between customers of the elderly residential care homes. Protection of intellectual property rights may not be adequate to prevent 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. Any independent third party imitate our brand and cause confusion to the public about the distinctive services provided by our Group, they can impute negative publicity and image on our Group and our business, revenue and future prospects of our Group will be negatively impacted. If we were to enforce our intellectual property rights through litigation, such litigation, whether successful of unsuccessful, could result in the incurrence of substantial costs and the diversion of resources. In the event that we are unable to adequately protect or safeguard our intellectual property rights, our reputation, business, financial condition and results of operations and prospects may be material and adversely affected. For further details, please refer to the section headed "Business — Our contractors" in this prospectus.

As our "Shui On 瑞安" trademarks were used by elderly residential care homes that were not operated by our Group during the Track Record Period, our "Shui On 瑞安" trademarks might lose their distinctiveness by unauthorised uses of our trademarks or new registration of similar trademarks, and our reputation and business could be adversely affected by confusion regarding our "Shui On 瑞安" brand.

We are the registered owner of the "Shui On 瑞安" and the "Shui Hing 瑞興" trademarks in Hong Kong which we consider to be material to our business operations. During the Track Record Period, our "Shui On 瑞安" trademarks were used by elderly residential care homes that were not operated by our Group. As at the Latest Practicable Date, our "Shui On 瑞安" name was no longer used by these independent elderly residential care homes. However, there is no guarantee that these independent elderly residential care homes successfully maintained the reputation and/or brand image of "Shui On 瑞安" when it was used by them and that other elderly residential care homes will not use our "Shui On 瑞安" trademarks in the future. In the event that any disputes and negative publicity arise out of these elderly residential care homes if these elderly residential care homes infringe on our trademark rights, or if we are unable to defend our "Shui On 瑞安" trademarks successfully for unauthorised uses of our trademarks or new registration of similar trademarks, our "Shui On 瑞安" brand image and brand equity may be materially diluted, our customers and the market may become confused about our "Shui On 瑞安" brand and our potential customers and existing customers may be diverted away. Any confusion to the public about the distinctive services provided by our Group can potentially impute negative publicity and image on our Group and may harm the value of our "Shui On 瑞安" brand, as well as our business, revenue and future prospects of our Group. If we were to enforce our intellectual property rights through litigation, such litigation, whether successful of unsuccessful, could result in the incurrence of substantial costs and the diversion of resources. In the event that we are unable to adequately protect or safeguard our intellectual property rights, our reputation, business, financial condition and results of operations and prospects may be material and adversely affected.

Our success depends on our key personnel and our business may be hampered if we lose the services of our key personnel.

Our future success depends on the ability of our senior management team to work together and successfully implement our growth strategy while maintaining the strength of our brand. Our future success depends heavily upon the continuing services and performance of our key management personnel, in particular our executive Directors. Mr. TC Yik, our Chairman, executive Director, chief executive officer and founder, has accumulated more than 23 years of experience in the operation and management of elderly residential care homes, and therefore has a good understanding of the trends and policy changes in the industry in which we operate.

Also, we must continue to attract, retain and motivate a sufficient number of qualified management and operating personnel, including residential care home managers, registered and enrolled nurses, and other healthcare professionals, to maintain consistency in the quality of our services. If our senior management fails to work together successfully, or if one or more of our elderly residential care home managers is unable to effectively implement our business strategies, we may be unable to grow our business at the speed or in the manner in which we expect. We may not be able to retain the services of our key management and operating personnel or attract and retain high-quality senior executives or key personnel in the future. If one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our results of operations may be materially and adversely affected. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing business, we may lose business secrets and know-how as a result. Any failure to attract, retain and motivate these key personnel may harm our reputation and result in a loss of business.

Acquisitions made by our Group during the Track Record Period may post unforeseen difficulties and compensation of the vendor, if any, may not be sufficient to protect our Group from potential losses and liabilities.

The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2016, respectively. Historical non-compliance incidents could still potentially lead to suspension or termination of our RCHE licences which would cause disruption to the operations of our elderly residential care homes. Unidentified or unforeseeable liabilities or risks may still exist in the elderly residential care homes. There is no assurance that the protection offered by the vendor in the acquisitions would compensate for our losses. If litigation arises and we are not able to claim for the losses and expenses incurred, our financial and operational conditions may be materially impacted.

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 elderly residential care homes after the Listing and therefore we may need additional funding for our expansion plans. As at the Latest Practicable Date, our unutilised bank facilities amounted to HK$8.0 million which is not sufficient to fund all our expansion plans, including the acquisition of an existing elderly residential care home and establishment of a new elderly residential care home. Also, there cannot be any assurance that we will have adequate cash flow generated internally for our expansion plans. In the event that our expansion plans require additional capital or we are not able to generate sufficient cash flow, we will be subject to risk of obtaining additional financing. There cannot be any assurance that we will be able to obtain adequate financing on acceptable terms, or at all.

We may be required to scale down our growth strategies or alter or acquisition plans. If we raise additional funding by debt, our 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 elderly residential care homes or property and secure leases on commercially reasonable terms;
- unidentified or unforeseeable liabilities or risks may exist in the potential business to be acquired;
- 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 the new elderly residential care 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 elderly residential care homes.

Our planned expansion through acquisition of an existing elderly residential care home and establishment of a new elderly residential care home may experience delay and we may not be able to complete the acquisition in time or at all.

We plan to expand our network of elderly residential care homes in Hong Kong through acquisition and establishment of additional elderly residential care homes. As at the Latest Practicable Date, we had neither identified any acquisition targets, nor entered into any definitive agreements with any potential targets. We may not be able to identify suitable locations to expand our network of elderly residential care homes or be able to negotiate commercially acceptable terms for the leasing of property for establishing a new elderly residential care home. See "Business — Our strategies" in this prospectus for further details.

We generally incur a material amount of capital expenditure to open new elderly residential care homes, typically consisting of associated capital contribution or commitment as well as investments for decoration and renovation of the property, recruitment and requisite medical and other equipment. As a result, relevant costs and expenses, such as amortisation of related leasehold improvements, depreciation of property, plant and equipment, staff expenses and rental expenses, begin to accrue in the early stage ramp-up period. We expect the amount of required initial investment to be significantly affected by general market conditions in the local areas, including the level of property acquisition costs and labour costs. We may not be able to secure sufficient financing for our expansion. Moreover, there is also no assurance that we will be able to attract and recruit sufficient qualified workers to meet the relevant staffing requirements for the operations of our new elderly residential care homes. We also expect that our schedule of developing and ramping up new elderly residential care homes will affect our financial condition and results of operations, and may lead to period-to-period fluctuations in the future.

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 the new elderly residential care 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 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 the new elderly residential care homes in a timely manner or at all. In addition, we may be unable to achieve our target occupancy rate at the new elderly residential care 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 the new elderly residential care homes; and (iv) lack of or weak reception from potential customers.

Failing to penetrate new markets within Hong Kong will adversely affect our financial performance.

We may not be able to effectively penetrate new markets at new locations within Hong Kong and attract new elderly residents who are looking for quality services. The financial results may not be comparable to the results generated at our existing elderly residential care homes, and may even operate at a loss. If any of the above occurs, we may not be able to achieve investment payback period and breakeven period as indicated in the paragraphs headed "Business — Our strategies" in this prospectus. We cannot assure you that our future elderly residential care homes will achieve profitability at a level similar to that of our existing elderly residential care homes, or at all. Any of the above conditions could materially and adversely affect our operating and financial condition and our financial performance.

Our future business growth primarily depends on the successful implementation of our strategies and future plans. The successful implementation of our strategies and future plans are subject to certain business, economic and competitive uncertainties and contingencies, such as continued growth of the elderly home care services in Hong Kong. Moreover, our future expansion and subsequent ramping up and integration efforts will require significant attention from our management and could result in a diversion of resources from our existing elderly residential care homes, which in turn could have an adverse effect on our business operations. If we are not able to identify, capture or execute opportunities to expand our operations successfully, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Goodwill impairment could negatively affect our results of operations and have an adverse effect on our financial performance.

As at 31 December 2016, we had goodwill with a carrying amount of approximately HK$43.7 million, which arose as a result of the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) during the year ended 31 December 2016, being the excess of the consideration for the acquisition over the fair value of the identifiable net assets acquired on the relevant acquisition date. Goodwill is initially measured at cost. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. In performing the impairment testing of goodwill, our Group compares the carrying amounts of the cash-generating units against their recoverable amounts. Testing for impairment requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. There are inherent uncertainties related to these factors and to our judgment in applying these factors to the impairment testing of goodwill. We could be required to evaluate the impairment testing of goodwill prior to its annual assessment if there are any impairment indicators which could potentially be caused by our failure to successfully integrate the operations of Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) with our other operations. In the event that the testing for impairment indicates that the carrying amounts exceed the recoverable amounts, impairment would be required. Impairment charges could substantially affect our results of operations and have an adverse effect on our financial performance in the periods of such charges. In addition, impairment charges would negatively impact our financial ratios and could limit our ability to obtain financing in the future.

The increase in depreciation and amortisation charges has a significant impact on our profits and results of operations

We intend to carry out our expansion strategy by acquiring business of an existing elderly residential care home and establishing a new elderly residential care home, pursuant to which we will purchase new equipment and fixture and incur renovation expenses/charges. As a result, we expect that the amount of depreciation and amortisation charges that will be incurred by us after implementation of the said expansion strategy will increase significantly, which may in turn materially and adversely affect our financial condition and results of operations. For further details, please refer to the paragraphs headed "Business — Our strategies" and "Statement of business objectives and use of proceeds — Implementation plans" in this prospectus.

Our past performance is not necessarily indicative of future results.

Our total revenue amounted to approximately HK$39.9 million and HK$59.0 million for the two years ended 31 December 2016, 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.

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.

All of our business operations are currently located in Hong Kong. Our business operations and the demand for our elderly residential care home services are therefore exposed to any deterioration in the economic, social and/or political conditions, significant changes in laws and regulations governing the RCHE industry, such as those relating to the EBPS and government funding 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 elderly residential care homes and in turn, the revenue and profitability of our Group, and consequently, our results of operations and financial condition.

Our business operations are susceptible to risk of disruption of our information system.

Our information systems and our computer network infrastructure help us to operate and monitor our elderly residential care 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 elderly residential care 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.

We are under stringent staffing requirements and thus labour shortage in the elderly residential care home industry presents additional challenges to us.

We are required to comply with staffing requirements in relation to, among others, home manager, registered/enrolled nurses, physiotherapists, health workers, care workers and ancillary workers under the relevant laws and regulations in Hong Kong. We also engage qualified healthcare professionals such as social workers and physiotherapists. Nurses, social workers and physiotherapists 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 two years ended 31 December 2016, our staff costs amounted to approximately HK$13.3 million and approximately HK$22.2 million, representing approximately 33.3% and 37.7% of our revenue, respectively. Our performance as well as success therefore rely, in part, on the number and quality of qualified staff for our elderly residential care 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 suffer. Further, our eligibility to participate in the EBPS may be adversely affected. A shortage of skilled staff could also require us to increase salaries, wages and benefits, which would reduce our profits and have a material and adverse effect on our operating results and financial performance.

Furthermore, as at the Latest Practicable Date, we employed a total of 206 full-time employees (which did not take into account our Directors and those employees of our Company at a company's level), of which 162 and 44 were local workers and foreign workers, respectively. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any shortage of labour that could materially and adversely affect our business, financial condition or results of operations. However, any shortage in the supply of local and foreign workers may adversely affect our operations and financial performance as we may have to increase in the wage level to attract local and foreign labour. Although we did not experience any material difficulties in applying for foreign workers during the Track Record Period and up to the Latest Practicable Date, the supply of foreign labour in Hong Kong is subject to the policies and regulations imposed by the relevant governments. As such, any changes in the policies relating to foreign workers in Hong Kong and in the PRC where most of our foreign workers come from may affect the supply of foreign labour and cause disruptions to our operations.

In addition, as we expand the scale of our business operations, it may become increasingly difficult for us to attract and retain an adequate number of qualified staff for our new elderly residential care homes. We cannot predict the degree to which we may be affected by the future availability or cost of attracting and retaining talented staff. Our failure to recruit or retain qualified staff to our existing and future elderly residential care homes, or the loss of or increased costs in retaining such qualified staff in such elderly residential care homes, would have a material adverse effect on our business, financial condition and results of operations.

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.

Other operators of elderly residential care homes, such as operations of subvented homes, non-governmental organisations and private sector organisations are our competitors. Given the demand and the potential of the elderly residential care home industry in Hong Kong which may attract more players to enter the industry or to expand their existing operations, we believe that we will also compete with new entrants in the future. 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 elderly residents primarily on the basis of the range and the quality of services that we offer, our reputation, quality of our elderly residential care homes, location and price.

Furthermore, the HK Government introduced a pilot residential care home services scheme in the PRC in 2014 which offers subsidised elderly residential care places in two residential care homes in the Guangdong Province, the PRC. There is no assurance that the HK Government may or may not introduce more pilot schemes and offer more subsidised elderly residential care places in the PRC in the future which may reduce the demand of our services in Hong Kong. We cannot assure you that we will be able to successfully compete against new or existing competitors in Hong Kong or in the PRC, which could prevent us from maintaining or expanding our market share and result in a material adverse effect on our business, financial position and results of operations.

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 elderly residential care 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.

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.

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

Our operation of elderly residential care 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 turns, result in a local outbreak of such communicable disease in our elderly residential care homes. In such event, we may have to temporarily shut down our elderly residential care homes which may result in the suspension of business operations.

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.

The right of a resident to privacy is essential in the elderly residential care home industry and our elderly residents expect us to keep their information strictly confidential. We are subject to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) which restricts the use of personal data of elderly residents collected by us to such purposes for which they were collected or for a directly related purpose. However, we cannot guarantee that our confidentiality policies and measures can prevent our elderly residents' information from leakage or being used for an improper purpose. Any breach of our confidentiality obligations towards our elderly residents could expose us and/or our staff to potential liabilities, such as claims or litigation, which may have an adverse impact on our reputation.

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 Listing, there has been no public market for our Shares. A listing on the Stock Exchange does not guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, that it will be sustained following the Listing or in the future.

Trading price and volume of our Shares may fluctuate significantly.

The market price and trading 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 even beyond our control, such as announcements made by our competitors and regulatory developments in the PRC 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 and in any event, not later than 10 July 2017. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth 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 financial performance would be adversely affected by expenses incurred in connection with the Listing.

As set out in the section headed "Statement of business objectives and use of proceeds" in this prospectus, the estimated expenses incurred or to be incurred in connection with the Listing is approximately HK$25.9 million, based on the Offer Price of HK$0.75 per Offer Share (being the mid-point of the indicative Offer Price range) and assuming the Offer Size Adjustment Option is not exercised. Such estimated expenses are non-recurring in nature and approximately HK$9.6 million of which is expected to be recognised in the consolidated statements of profit or loss and other comprehensive income subsequent to the Track Record Period and upon Listing. You should note that the financial performance of our Group for the year ending 31 December 2017 would be materially and adversely affected by the estimated expenses in relation to the Listing, and our profit and total comprehensive income for the year ending 31 December 2017 may be lower than that for each of the two years ended 31 December 2016.

Our Shareholders may experience immediate dilution in shareholding interests in our Company and adverse effect in market price of Shares if we issue additional Shares in the future.

We may need to raise additional funds to finance acquisitions, expansion or new developments of our business in the future. If funds are raised through the issue of new equity and equity-linked securities of our Company other than on a pro-rata basis to our existing Shareholders, the percentage of shareholding interests held by our Shareholders in our Company may be reduced. Accordingly, as a result, our Shareholders may experience dilution in their percentage of interests in our Company. Furthermore, it is also possible that such new securities may have preferred rights, options or pre-emptive rights that render them more valuable than or senior to our Shares.

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.

Shares held by our Controlling Shareholders are subject to certain lock-up undertakings. For details of such lock-up undertakings, please refer to the paragraphs headed "Underwriting — Undertakings given to the Stock Exchange pursuant to the GEM Listing Rules — Undertaking by our Controlling Shareholders" in this prospectus. After the lapse of the lock-up undertakings, the market price of our Shares may decline as a result of the sale of substantial amount of our Shares or other securities relating to our Shares in the public market, the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. This may 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 III to this prospectus.

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

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our operations, earnings, financial condition, cash requirements and availability, our constitutional documents and applicable law and will be subject to the approval of our Shareholders. There is no assurance that dividends of any amount will be declared or distributed in any year. For more details on our dividend policy, please refer to the paragraphs headed "Financial information — Dividends" in this prospectus.

Our Controlling Shareholders have significant influence over our Company and such concentration of ownership may not always coincide with those of our other shareholders.

Upon completion of the Share Offer (but not taking into account the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), our Controlling Shareholders will own 62.175% of our Shares. As a result, by virtue of their controlling interests in our Company, our Controlling Shareholders will be able to exert significant influence over the operations, business strategies and otherwise on matters of significance to them and other Shareholders by voting at the general meetings of our Company, such as election of Directors, dividend payments and other distributions, acquisition of or merger with another entity. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, those other Shareholders' interest may be adversely affected as a result.

Some of our Controlling Shareholders, namely Mr. TC Yik, Mr. Chung and Ms. Chung, are also our executive 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. Please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus for further details of our Controlling Shareholders.

Shareholders should read this prospectus in detail.

There may have been coverage in the media regarding the Listing and our operations. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.

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 Sole Global Coordinator, 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.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the GEM Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, 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, and there are no other facts the omission of which would make any statement in this prospectus misleading.

THIS PUBLIC OFFER AND THE PROSPECTUS

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants under the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer. Please see the section headed "How to apply for Public Offer Shares" in this prospectus and the Application Forms for further details of the procedures for applying for the Public Offer Shares.

The Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Share Offer. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

STRUCTURE OF THE SHARE OFFER AND UNDERWRITING

See "Structure and conditions of the Share Offer" in this prospectus for further details of the structure of the Share Offer including its conditions and the arrangements relating to the Offer Size Adjustment Option.

The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered into on the Price Determination Date, subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company. The Share Offer is managed by the Sole Global Coordinator. If, for any reason, the Offer Price is not agreed, the Share Offer will not proceed and will lapse. Please see the section headed "Underwriting" in this prospectus for further details of the Underwriters and the underwriting arrangements.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Public Offer Shares under the Public Offer will be required to confirm, and is deemed by his acquisition of Public Offer Shares to have confirmed, 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.

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. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances 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 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 securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

APPLICATION FOR LISTING ON THE GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32), if the permission for the Shares offered under this prospectus to be listed on the GEM has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the "minimum prescribed percentage" of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

No part of our Shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of our Shares or loan capital on any other stock exchange. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on the GEM unless the Stock Exchange otherwise agrees.

ELIGIBILITY FOR CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on GEM and we comply with 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 after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made to enable 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.

HONG KONG SHARE REGISTER AND THE STAMP DUTY

All the Offer Shares will be registered on the branch share register of our Company to be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited. Our principal register of members will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited. Only securities registered on the branch share register of our Company to be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited may be traded on GEM unless the Stock Exchange otherwise agrees.

Dealings in the Offer Shares registered on the branch share register of our Company to be maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, our Offer Shares. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on GEM are expected to commence on Wednesday, 12 July 2017. The stock code of the Shares is 8405. The Shares will be traded in board lot of 4,000 Shares each.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDINGS

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Yik Tak Chi (易德智先生)	Flat H, 58/F, Tower 3 Metro Town 8 King Ling Road Tseung Kwan O New Territories Hong Kong	Chinese
Mr. Chung Kin Man (鍾建民先生)	Flat H, 55/F, Tower 3 Metro Town 8 King Ling Road Tseung Kwan O New Territories Hong Kong	Chinese
Ms. Chung Wai Man (鍾慧敏女士)	Flat F, 55/F, Tower 3 Metro Town 8 King Ling Road Tseung Kwan O New Territories Hong Kong	Chinese
Non-Executive Director		
Mr. Lau Joseph Wan Pui (劉允培先生)	Flat B, 37/F, Tower 5B, Lions Rise 8 Muk Lun Street Wong Tai Sin Kowloon Hong Kong	Canadian
Independent non-executive Directors		
Mr. Wong Wai Ho (黃偉豪先生)	Flat B, 10/F, Kam Kin Mansion 119–125 Caine Road Hong Kong	Chinese
Mr. Lau Tai Chim (劉大潛先生)	G/F, 28E, O Pui Village Mang Kung Uk Clear Water Bay New Territories Hong Kong	Chinese
Mr. Kwok Chi Shing (郭志成先生)	Flat J1, 9/F, Wei Chien Court Wyler Gardens To Kwa Wan Kowloon Hong Kong	Chinese

For more information on our Directors and members of our senior management, please refer to the section headed "Directors and senior management" in this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	**Guotai Junan Capital Limited** *(A licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO)* 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Sole Global Coordinator and Sole Bookrunner	**Guotai Junan Securities (Hong Kong) Limited** *(A licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)* 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Joint Lead Managers	**Guotai Junan Securities (Hong Kong) Limited** *(A licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)* 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong **Ping An Securities Limited** *(A licensed corporation 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 under the SFO)* Unit 02, 2/F, China Merchants Building 152-155 Connaught Road Central Hong Kong **Alliance Capital Partners Limited** *(A licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)* Room 1502-03A, 15/F, Wing On House 71 Des Voeux Road Central Hong Kong

Legal advisers to our Company	*As to Hong Kong law* **Stevenson, Wong & Co.** *Solicitors, Hong Kong* 4/F, 5/F & 1602 Central Tower 28 Queen's Road Central Hong Kong
	As to Cayman Islands law **Conyers Dill & Pearman** *Attorneys-at-law, Cayman Islands* Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law* **Deacons** *Solicitors, Hong Kong* 5th Floor Alexandra House 18 Chater Road Hong Kong
Auditors and reporting accountants	**Ernst & Young** *Certified Public Accountants* 22/F, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
Industry consultant	**Ipsos Limited** 22/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Receiving bank	**Wing Lung Bank Limited** 45 Des Voeux Road Central Hong Kong

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit 301, Carpark Building Shing Hei House Kwai Shing East Estate Kwai Chung New Territories Hong Kong
Authorised representatives	Mr. Chung Kin Man (鍾建民先生) Flat H, 55/F, Tower 3 Metro Town 8 King Ling Road Tseung Kwan O New Territories Hong Kong Ms. Leung Pui Shan (梁佩珊女士) Flat A, 14/F Block 3, Greenwood Terrace Chai Wan Hong Kong
Audit Committee	Mr. Kwok Chi Shing (郭志成先生) *(chairman)* Mr. Wong Wai Ho (黃偉豪先生) Mr. Chung Kin Man (鍾建民先生)
Remuneration Committee	Mr. Lau Joseph Wan Pui (劉允培先生) *(chairman)* Mr. Kwok Chi Shing (郭志成先生) Mr. Lau Tai Chim (劉大潛先生)
Nomination Committee	Mr. TC Yik (易德智先生) *(chairman)* Mr. Wong Wai Ho (黃偉豪先生) Mr. Lau Tai Chim (劉大潛先生)
Compliance adviser	Guotai Junan Capital Limited *(A licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO)* 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

Company website	www.shuionnc.com *(Note: contents on this website do not form part of this prospectus)*
Compliance officer	Mr. Chung Kin Man (鍾建民先生)
Company secretary	Ms. Leung Pui Shan (梁佩珊女士) *(HKICPA)* Flat A, 14/F Block 3, Greenwood Terrace Chai Wan Hong Kong
Principal bankers	**Hang Seng Bank Limited** 83 Des Voeux Road Central Hong Kong
Principal share registrar and transfer office	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	**Boardroom Share Registrars (HK) Limited** 31/F, 148 Electric Road North Point Hong Kong

This section contains certain information which has been directly or indirectly derived, in part, from various governmental, official, publicly available documents, the Internet or other sources, which was commissioned by neither our Company nor the Sole Sponsor. Our Directors believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting, compiling and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The relevant information has not been independently verified by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisers or any other party involved in the Share Offer, and therefore may not be accurate, complete or updated. We make no representation as to the accuracy, completeness or fairness of such information and accordingly the information contained herein should not be unduly relied upon.

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SOURCES OF INFORMATION

We have engaged Ipsos, an Independent Third Party, to conduct a study of elderly residential care home industry in Hong Kong. Ipsos is an independent global research organisation with more than 40 years of industry experience in conducting trade research and detailed local market analysis. We have included certain information in the Ipsos Report in this prospectus because we believe that such information facilitates prospective investors to better understand the residential care home industry in Hong Kong. We commissioned Ipsos to prepare the Ipsos Report for a total amount of HK$436,000.

Ipsos has conducted research and data gathering based on (i) primary research, including face-to-face and phone interviews with key stakeholders and industry experts in Hong Kong, such as government officials, industry experts and associations in Hong Kong; and (ii) secondary desk research. In addition, intelligence gathered was analysed, assessed and validated using Ipsos' in-house analysis models and techniques. Therefore, our Directors consider the disclosure of future projection and industry data included this section is reliable.

Our Directors confirm that, to the best of their knowledge and after taking reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

The following assumptions are used in the Ipsos Report:

- 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

- the demand of RCHE places is expected to grow with an aging population in Hong Kong and the supply is expected to be stable over the forecast period.

The following parameters are used in the Ipsos Report:

- GDP per capita and GDP per capita growth rate for Hong Kong from 2011 to 2016;
- population of the elderly and old-age dependency ratio in Hong Kong from 2011 to 2016;
- government and private expenditure on health in Hong Kong from 2011 to 2015;
- per capita expenditure on health in Hong Kong from 2011 to 2015;
- expenditure on public health services for the elderly in Hong Kong from 2011–12 to 2014–15;
- number of RCHEs in Hong Kong from 2011 to 2016;
- number of places in RCHEs in Hong Kong from 2011 to 2016;
- recurrent expenditure by the government on the provision of subsidised RCHE places from 2010-11 to 2014-15;
- annual average composite consumer price index of food and other selected food groups in Hong Kong from 2011 to 2016;
- annual rates of change in the index for health in the consumer price indices in Hong Kong from 2011 to 2016;
- rental indices of private offices in Hong Kong from 2011 to 2016;
- rental indices of private retail in Hong Kong from 2011 to 2016; and
- average monthly wages of workers in elderly homes in Hong Kong from 2011 to 2016.

INTRODUCTION

Our Group has been an operator of elderly residential care homes in Hong Kong since the commencement of our business in 2006. We provide a comprehensive set of residential care home services to our elderly residents including: (i) the provision of accommodation with dietician managed meal plans, 24-hour nursing and caretaking assistance and professional services such as regular medical consultation, physiotherapy, psychological and social care services; and (ii) the provision of customisable add-on healthcare services and the sale of healthcare products to our elderly residents.

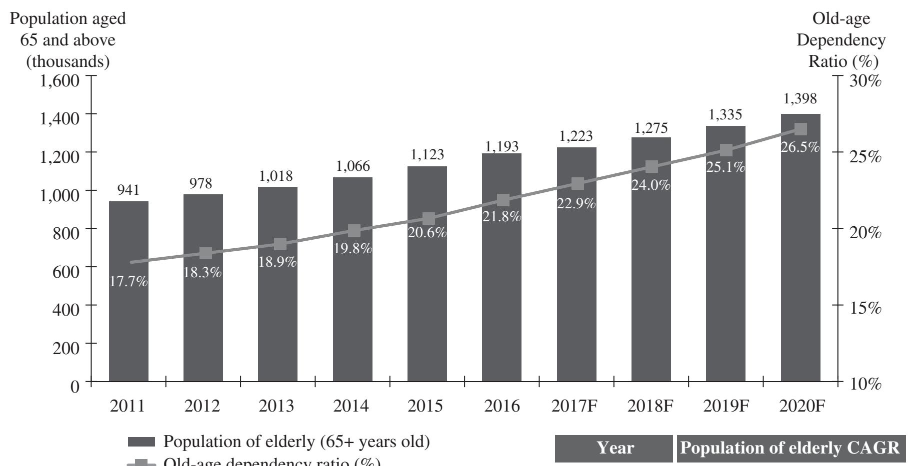
OVERVIEW OF HONG KONG ECONOMY

Hong Kong's GDP per capita grew from about HK$296.6 thousand in 2011 to about HK$321.5 thousand in 2016, representing a CAGR of about 1.6%. In the same period, Hong Kong's GDP grew from about HK$2,097.4 billion in 2011 to about HK$2,358.6 billion in 2016, representing a CAGR of about 2.4%. Growth of the Hong Kong population remained moderate from 7,112.4 thousand in 2011 to 7,374.9 thousand in 2016, at a CAGR of 0.7%, which is lower than its GDP growth.

It is expected that GDP per capita in Hong Kong will grow consistently from HK$325.2 thousands in 2017 to about HK$344.1 thousands in 2020, representing a CAGR of about 1.9%. At the same time, the population growth in Hong Kong is expected to remain at around 0.7% per annum. Hence, GDP per capita will continue to grow from 2017 to 2020. With this positive economic outlook for Hong Kong, it is expected that the living standards of people in Hong Kong will improve and when coupled with an ageing population, the demand for residential care home services for the elderly will increase.

The ageing population in Hong Kong

Population of the elderly and old-age dependency ratio in Hong Kong from 2011 to 2020



Year	Population of elderly CAGR
2011 to 2016	4.9%
2017 to 2020	4.5%
2011 to 2020	4.5%

Note: Old-age dependency ratio is defined as the ratio of people older than 64 to the working-age population (whose age is between 15 and 64).

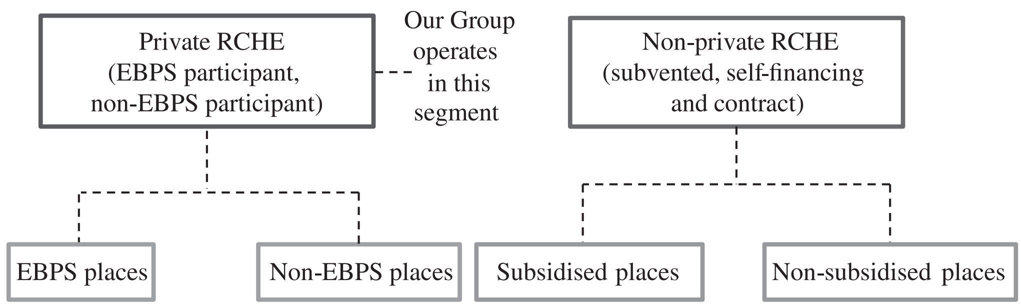
Sources: Census and Statistics Department, HK Government and Ipsos Report

There has been a consistent increase in the elderly population in 2011, with a CAGR of approximately 4.9% from 2011 to 2016, and it is expected that the CAGR for the elderly population would record a CAGR of approximately 4.5% from 2017 to 2020. At the same time, due to the decreasing fertility rate in Hong Kong, the population of those below 65 years old will not be growing quickly. This has led to the increase of old-age dependency ratio from 17.7% in 2011 to 21.8% in 2016. By 2020, it is forecasted that the old-age dependency ratio will reach 26.5%. Thus, it is expected that more elderly will be supported by working adults and less resources will be available to each elderly person, which will put pressure on the HK Government to allocate more fiscal resources to fund the pension and healthcare programmes for the elderly.

OVERVIEW OF THE RCHE INDUSTRY IN HONG KONG

Overview of the historical development of RCHE Industry in Hong Kong

The residential care home services ("**RCS**") domain in Hong Kong consists of a mix of public and private residential care homes for the elderly ("**RCHEs**"). As Hong Kong was being confronted with an ageing population due to decreased fertility and increased longevity of its population, "Care for the Elderly" was introduced as a strategic policy objective of the HK Government since 1997. The HK Government also introduced the enhanced bought placement scheme ("**EBPS**") in 1998 which aimed to increase the supply of subsidised places for the elderly by leasing or purchasing places from private RCHEs and thereby shortening waiting time for RCHEs.



By the financing nature, there are five types of RCHEs in Hong Kong, namely (1) non-private subvented RCHEs; (2) non-private self-financing RCHEs; (3) non-private contract RCHEs; (4) private RCHEs participating in the EBPS; and (5) private RCHEs not participating in the EBPS.

HK GOVERNMENT POLICIES ON RCHE INDUSTRY IN HONG KONG

Amid increasing demand for places in the RCHEs, the number of subsidised RCHE places has not increased substantially over the last decade. This has resulted in a long waiting time for places on the central waiting list ("**CWL**"). However, the varying service quality among different RCHEs has also been a concern, as many private RCHEs not participating in the EBPS fare less favourably in spacing and staffing provision. Over the years, the HK Government has implemented various initiatives to improve the quality of all RCHEs, such as:

- **infirmary care supplement ("ICS"):** The ICS resource was introduced in 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 placements. The ICS has been extended to private homes participating in EBPS since April 2003. In 2016-17, HK$108.6 million from the ICS will be provided for 130 eligible RCHEs in respect of about 1,570 beneficiaries;

- **dementia supplement ("DS"):** The DS resource was introduced in 1999 to provide better care and training to RCHEs to provide better care and training to demented residents who have been medically assessed to be suffering from dementia. The DS resource 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, HK$228.9 million from the DS will be provided for 262 eligible RCHEs in respect of about 5,700 beneficiaries;

- **EBPS:** In 1998, the HK Government introduced the EBPS that leases residential care places from private RCHEs to increase the supply of subsidised places in order to reduce the waiting time of an elderly applicant applying for a subsidised place. At the same time, private homes participating in EBPS are required to upgrade their service standards through enhanced service requirements in terms of staffing and space standard, thereby improving service quality of participating private RCHEs;

- **standardised care need assessment mechanism for elderly services ("SCNAMES"):** SCNAMES, implemented since November 2000, is an assessment tool to ascertain the care needs of the elderly and match them with appropriate services. Since the introduction of the CWL in 2003, SCNAMES has been extended to cover applications for admission to all subsidised RCHEs;

- **scheme to encourage provision of elderly residential care home premises in new private development:** The HK Government introduced the scheme 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 exemption, developers bear the costs for constructing the RCHE premises;

- **nursing home place purchase scheme ("NHPPS"):** Since 2010, the SWD has been purchasing vacant nursing home places from self-financing nursing homes operated by non-governmental organisations ("**NGO**") to increase the number of nursing home places in light of the growing need for nursing homes due to the increase in life-expectancy of the Hong Kong people. As at the end of May 2015, there were 188 places purchased in nursing homes under the NHPPS which is less than 4% of total nursing home places; and

- **special scheme on privately owned sites for welfare uses:** In 2013, the HK Government introduced the special scheme to use Lotteries Fund to encourage welfare organisations to better utilise their land and provide welfare facilities, thereby improving service quality of welfare organisations.

The HK Government also introduced other policies accommodating the growing demand of RCHE places, such as the pilot residential care home services scheme in the Guangdong Province, the PRC, which was launched in 2014 offering the applicants on the CWL for subsidised elderly residential care homes places to choose to live in two RCHEs located in the Guangdong Province, the PRC that are operated by non-governmental organisation from Hong Kong; a pilot scheme on community care service voucher was also launched by the HK Government (first phase in September 2013 and second phase in October 2016) to provide financial subsidy to the RCHEs users under which elderly homes that achieved EA1 standard or above in space and staffing requirement which joined the scheme are available to the voucher holders.

DEMAND AND SUPPLY IN THE RCHE INDUSTRY

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 in Hong Kong

According to the financing nature of RCHEs

RCHEs may use different types of financing, namely (i) private RCHEs operated by the private sector for profit; and (ii) non-private RCHEs. Non-private RCHEs comprise (a) subvented RCHEs, which receive subsidies from the HK Government; (b) self-financing RCHEs, which finance their operations by the residential fees paid by their residents; and (c) contract RCHEs, which were obtained through competitive bidding.

In 2016, there were 736 RCHEs providing residential care home services for elderly in Hong Kong, by the financing nature, of which 545 or approximately 74.0%, were private RCHEs whereas the remaining 191 or approximately 26.0%, were non-private (subvented, self-financing and contract) RCHEs. The number of non-private RCHEs had been growing from 169 in 2011 to 191 in 2016 mainly due to (i) the HK Government's initiatives in awarding contracts to NGOs or private operators to establish contract homes. Particularly, according to the Legislative Council of Hong Kong, the HK Government expects another seven new contract RCHEs will commence services by 2018 and has earmarked sites for 13 new projects; (ii) the HK Government's efforts to focus on expansion and upgrading of current subvented and self-financing RCHEs.

The following table sets forth the 13 sites earmarked for new projects and their estimated number of residential care places:

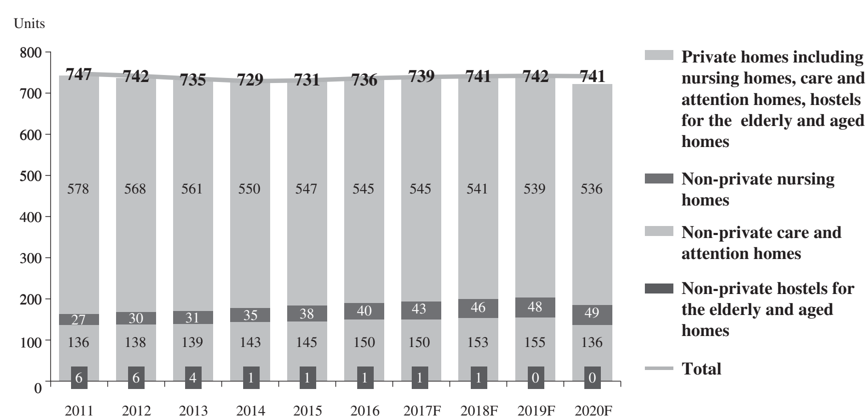
	Location and District	Estimated number of residential care places (including both subsidised and non-subsidised places)
1.	Ex-Kwai Chung Police Married Quarters, Kwai Chung	100
2.	Shek Mun Estate Phase II, Sha Tin	150
3.	Fo Tan, Sha Tin Areas 16 & 58D	100
4.	West Rail Long Ping Station (North), Long Ping, Yuen Long	125
5.	North West Kowloon Reclamation Area Site 6, Sham Shui Po	100
6.	Choi Yuen Road, Sheung Shui	100
7.	Ex-Kwong Choi Market, Tuen Mun	100
8.	Government Joint User Complex at Lei King Wan, Sai Wan Ho, Eastern	100
9.	Queen's Hill, Fanling	100
10.	Tuen Mun Area 29 West	100
11.	Ex-CCC Kei Leung Primary School site, Leung King Estate, Tuen Mun	100
12.	Ex-CCC Kei Ching Primary School site, Fu Shin Estate, Tai Po	130
13.	Ex-Sai Kung Central Primary School site, Sai Kung	100
	Total	1,405

According to the service nature of RCHEs

According to the SWD, the service nature of RCHEs can be categorised in four types, namely, nursing homes, care and attention homes, aged homes and hostels for the elderly. As at the Latest Practicable Date, the elderly residential care homes owned and operated by our Group were care and attention homes. The number of hostels for the elderly and aged homes has decreased over the years because since 2006, the subvented ones have been converted to care and attention homes to provide a continuum of care. It is expected that subvented hostels for the elderly and subvented aged homes will cease to exist by 2018. On the contrary, the number of non-private care and attention homes and non-private nursing homes have risen since 2011 and is forecasted to continue to grow after 2016 due to the HK Government's preference in encouraging the establishment of these homes with their subvention that are able to provide long-term care. Private homes (including nursing homes, care and attention homes, aged homes and hostels for the elderly) have been struggling with rising rental and labour costs forcing some of them to close and it is likely that the challenging situation will persist up to 2020.

The chart below shows the historical and expected number of RCHEs in Hong Kong by financing nature (private and non-private) and service nature from 2011 to 2020:

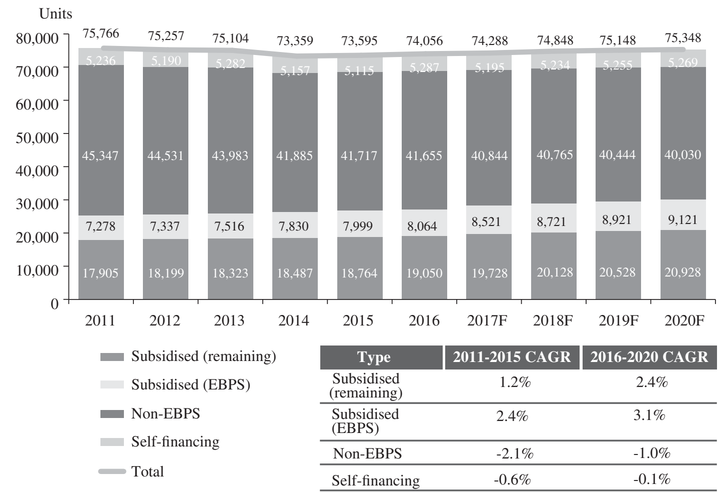
Number of RCHEs in Hong Kong by financing nature and service nature from 2011 to 2020



Sources: SWD and Ipsos Report

Since 2011, the HK Government has had to provide more subsidised places in RCHEs and increase the number of residential care places under the EBPS due to the growing demand of the ageing population. Although the waiting time for a subsidised residential care place under the EBPS is much longer than the waiting time for a non-subsidised place, many elderly persons prefer to wait for a subsidised place, not just because of the cost, but also because of the better spacing and staffing at the subsidised homes. Moving forward, the HK Government has pledged to further increase the number of subsidised places through various measures and also purchase more EBPS residential care places from private homes. It is expected that the number and proportion of non-subsidised residential care places will decrease during the period between 2016 and 2020 at a CAGR of -1.0% and -0.1% respectively.

Number of places in RCHEs by type of subsidy in Hong Kong from 2011 to 2020



Type	2011-2015 CAGR	2016-2020 CAGR
Subsidised (remaining)	1.2%	2.4%
Subsidised (EBPS)	2.4%	3.1%
Non-EBPS	-2.1%	-1.0%
Self-financing	-0.6%	-0.1%
Total	-0.7%	0.4%

Sources: SWD, HK Government; Director of Audit Report No. 63 and Ipsos Report

Demand for RCHE places

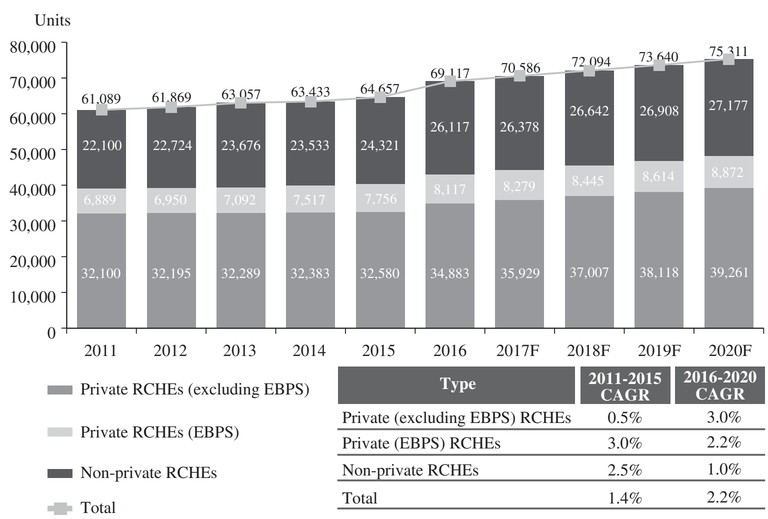
According to the Elderly Services Programme Plan Report on Formulation Stage (the "**ESPP Report**"), a two-year study commissioned by the Elderly Commission, a HK Government advisory group, the population in Hong Kong will increase from 7.24 million in 2014 to a peak of 8.22 million in 2043 and then decline to 7.81 million by 2064. The proportion of elderly population (i.e. those aged 65 and above) will increase from 15% in 2014 to 36 % in 2064. The elderly population will be approximately doubled by 2030. With an increase in life expectancy, the number of people aged 85 and above will grow much faster than the other elderly categories. The number of people aged 85 and above will be about 1.5 times that of 2015 by 2030; and will be 4.3 times more than the 2015 figure by 2064.

According to the Ipsos Report, the growth of the population in Hong Kong is expected to remain around 0.7% per annum. It is expected that GDP per capita will grow from 2016 to 2020. The positive economic outlook for Hong Kong will improve people's living standards and coupled with an ageing population will increase the demand for elderly residential care services.

As at the end of December 2016, there were a total of 35,494 applicants on the CWL for subsidised RCHEs places. It consisted of 29,324 applicants for subsidised care and attention homes and 6,170 applicants for subsidised nursing homes. The average waiting time for a place in a subsidised care and attention home was 22 months while the average was 22 months for a place in a subsidised nursing home. The waiting time for a private RCHE under the EBPS was around 8 months. Due to the waiting time, many elderly applicants on the waiting list stay in private RCHEs while waiting for a subsidised place and many applicants passed away before being offered a subsidised place. In 2014, 5,568 applicants passed away while waiting for a subsidised RCHE place.

Furthermore, the ESPP Report called for new urban planning rules. The ESPP Report recommended that for a new town with a population of 15,000 to 20,000 people, one neighbourhood elderly centre should be in each new and redeveloped public housing estate and in private housing areas. As the overall health of the elderly population is expected to improve and in view of the increase in life expectancy, incidences of age-related illnesses such as dementia is expected to increase. The ESPP Report projected that by 2051, the number of dementia cases would reach more than three times of the current level, accounting for 5.3% of the total population and 12.8% of those aged 60 or above. It is expected that unless there is breakthrough in prevention or cure, the growing number of people with dementia will impose great pressure on different levels of long term care services in the future.

Number of residents in RCHEs in Hong Kong from 2011 to 2020



Type	2011-2015 CAGR	2016-2020 CAGR
Private (excluding EBPS) RCHEs	0.5%	3.0%
Private (EBPS) RCHEs	3.0%	2.2%
Non-private RCHEs	2.5%	1.0%
Total	1.4%	2.2%

Sources: SWD, HK Government; Director of Audit Report No. 63 and Ipsos Report

The number of residents in private RCHEs under the EBPS experienced a CAGR of 3% between 2011 and 2015 due to the effort of the SWD in promoting the attractiveness of the EBPS to both home operators and elderly applicants. Private RCHEs participating in the EBPS were also incentivised to reduce their vacancy rate.

REVENUE OF THE RCHE INDUSTRY IN HONG KONG

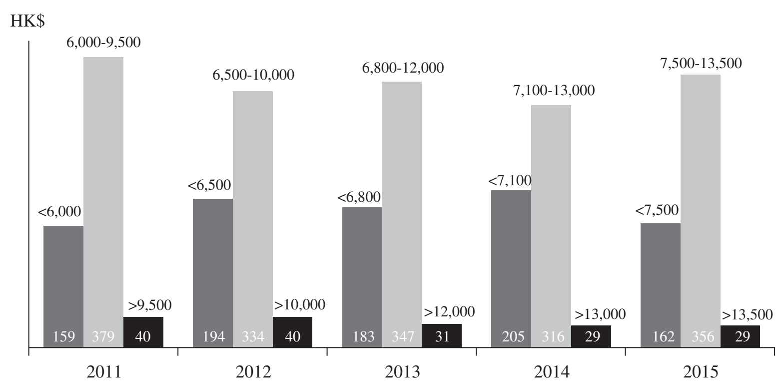
The total revenue in the RCHE industry has grown by a CAGR of approximately 7.4% between 2011 and 2015 from approximately HK$6,206 million to approximately HK$8,271 million. It is expected that the total revenue in the RCHE industry would reach about HK$11,490 million in 2020, representing a CAGR of 7.0% from 2016 to 2020. The increase in the size of the RCHE market can be attributable to a number of factors, such as (i) increase in RCHE fees due to the passing of rising operating costs to residents; (ii) increase in number of elderly in the society due to the ageing population; (iii) decrease in the ability of the family in shouldering the care responsibility due to reduced family size; (iv) decrease in social trend of co-residence of adult, children and their elderly parents; (v) only limited space is available in residential flats in Hong Kong; and (vi) rise in rental prices.

LEVEL OF FEES CHARGED BY RCHES IN HONG KONG

Generally, private RCHEs that charge towards low end of the fee range consist of those where six or seven residents are placed in a single room in a private RCHE. On the other hand, those private RCHEs that charge towards the high end of the fee range will enable residents to enjoy a single occupancy room. In 2011, the minimum fee charged by a private RCHE was HK$3,800 per month. In 2015, the minimum fee in this category was HK$4,700 per month.

The private RCHEs which target Hong Kong's middle class tend to charge a more expensive fees in the range of maximum fee between HK$7,500 and HK$13,500 per month in 2015. In 2011, the upper boundary of this majority class was HK$9,500 per month and this increased to HK$13,500 per month in 2015. There are a small number of private RCHEs which target the wealthy elderly people and the fee charged for a place in those RCHEs is in the range of maximum fee between HK$13,500 and HK$20,000 per month in 2015. The following chart shows the range of maximum fee of private RCHEs in Hong Kong from 2011 to 2015:

Range of average maximum price of private RCHEs in Hong Kong from 2011 to 2015



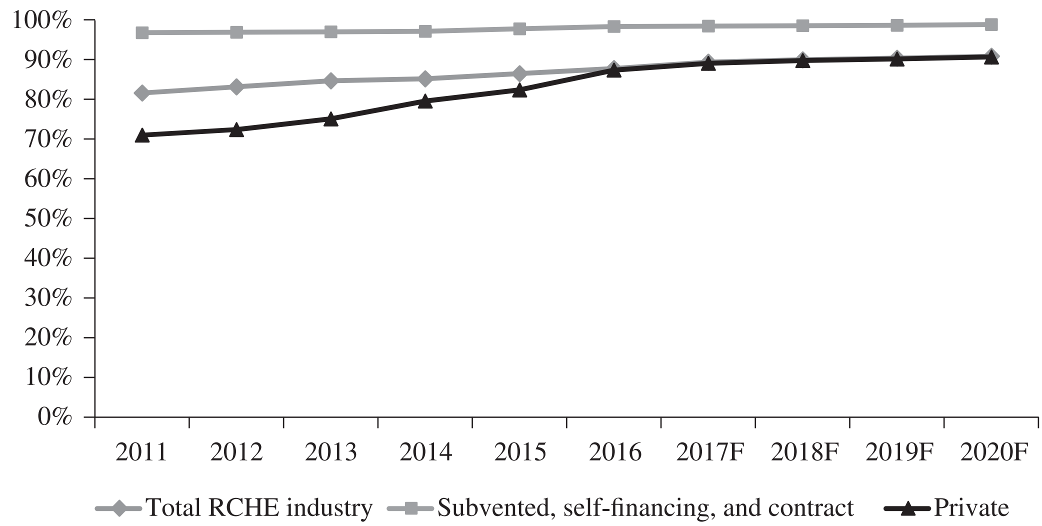
Note: Price range only includes fees for a RCHE place and does not include fees for additional care

Sources: SWD and Ipsos Report

AVERAGE OCCUPANCY RATE OF THE RCHE INDUSTRY IN HONG KONG

The ageing population in Hong Kong has resulted in a continuous increase in the demand for a place in a RCHE and subsequently raising the occupancy rates in the RCHEs. The occupancy rate in the non-private RCHEs has been close to full occupancy throughout 2011 to 2016 and it is expected to remain the same up to 2020. The occupancy rate at private RCHEs has been on the rise due to substantial efforts by the HK Government to encourage the private home operators to participate in the EBPS and at the same time, the HK Government has been leasing more places under the EBPS. Encouraging more private homes to participate in the EBPS has also resulted in an upgrade in the service standards of the participating private RCHEs making them more attractive to elderly applicants. Since 2011, due to a substantial increase in operating costs, particularly the rental, some private RCHEs have had to cease operations. Residents of these homes would have had to be relocated to other homes and this consolidation has also contributed to an increase in the occupancy rate in the remaining private RCHEs that are still in operation. The following diagram shows the average occupancy rate of RCHEs in Hong Kong from 2011 to 2020:

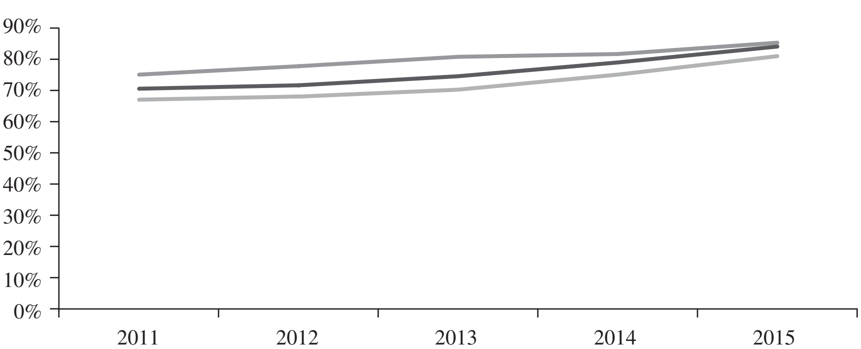
Average occupancy rate of RCHEs in Hong Kong from 2011 to 2020



Sources: SWD and Ipsos Report

The most noteworthy increase in occupancy rate is in the private RCHEs with places that are priced above the average maximum price range. Even though the price of these places has increased over the years, there has been an increasing preference and ability to pay by elderly residents as evidenced by the increasing occupancy rate. The diagram and table below show the occupancy rate of private RCHEs in Hong Kong by maximum price range from 2011 to 2015:

Occupancy rate of private RCHEs in Hong Kong from 2011 to 2015 (by maximum price range)



		2011	2012	2013	2014	2015
—	Below average maximum price (HK$)	<6,000	<6,500	<6,800	<7,100	<7,500
—	Average maximum price range (HK$)	6,000-9,500	6,500-10,000	6,800-12,000	7,100-13,000	7,500-13,500
—	Above average maximum price (HK$)	>9,500	>10,000	>12,000	>13,000	>13,500

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

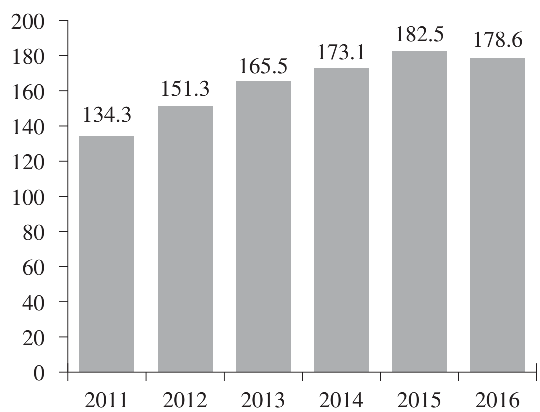
Sources: SWD and Ipsos Report

HISTORICAL RENTAL INDICES AND WAGES OF WORKERS OF THE RCHE INDUSTRY IN HONG KONG

Rental prices of office premises saw strong rental growth between 2011 and 2016 driven by demand of mainland companies looking to expand in Hong Kong. The rental indices rose by more than 50 points from 169.9 points in 2011 to 232.3 points in 2016.

The following tables demonstrate (i) rental indices of private retail and (ii) average monthly wages of workers in elderly homes in Hong Kong from 2011 to 2016:

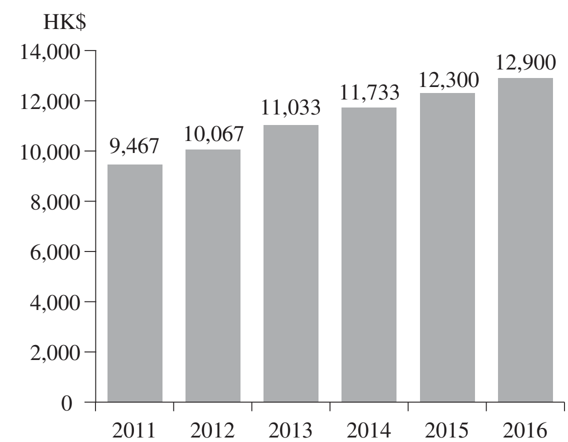
Rental indices of private retail in Hong Kong from 2011 to 2016



Note: the index in 1999 is 100

Sources: Rating and Valuation Department, HK Government and Ipsos Report

Average monthly wages of workers in elderly homes in Hong Kong from 2011 to 2016



Sources: Census and Statistics Department, HK Government and Ipsos Report

Monthly wages of workers in elderly homes have also experienced growth, the monthly wages of workers in elderly homes in 2011 ranged between HK$8,000 and HK$11,300, which increased to a range between HK$10,800 to HK$15,300 in 2016.

COMPETITIVE LANDSCAPE OF THE RCHE INDUSTRY

The RCHE industry in Hong Kong began in 1960s and is a mature but fragmented market, where the top five RCHE operators take up a market share of less than 20% of the total revenue. In the private RCHE industry, there are many small independent operators which operate a single home. The subvented/self-financing RCHEs are more consolidated with a few large operators such as Tung Wah Group of Hospitals (T.W.G.H.), Po Leung Kok, and Caritas Hong Kong.

The non-private RCHEs are generally larger than the private RCHEs whereby the average number of residential care places in a non-private RCHE is about 130 while in a private RCHE, the average is about 80 residential care places.

The RCHE operators are largely classified by monthly fees into lower-end private RCHEs (monthly fee ranging from HK$5,000 to HK$8,000), the higher end private RCHEs (monthly fee ranging from HK$8,000 to HK$13,000) and the premium private RCHEs (monthly fee ranging from HK$13,000 to HK$20,000) per month in 2015. The major factors of competition in the RCHE industry in Hong Kong include prices, condition and location of premises, number of care takers to elderly and availability and quality of basic facilities. With the increasingly higher standard of living and increased level of education of the elderly's family members, more focus is placed on the quality of care.

The following table shows the five largest private RCHE operators in Hong Kong in terms of revenue in 2016:

No.	Operator	Revenue *(Note 1)*	Market share	Number of homes	Number of places	Number of residents	Revenue per resident per month
		(HK$ million)	*(%)*				*(HK$)*
1.	Player A	225.4	4.7	17	2,304	2,126	8,837.7
2.	Player B	146.9	3.0	9	1,218	1,148	10,669.9
3.	Player C	71.1	1.5	4	596	572	10,358.4
4.	Player D	54.4	1.1	3	650	579	11,749.5
5.	Player E	53.3	1.1	4	660	593	8,986.3
X.	Our Group	48.9	1.0	5	589	562	7,247.0 *(Note 2)*

Notes:

1. The revenue was estimated based on fee per residential place, the number of elderly residents and the number of elderly residential care homes, and did not include fees for additional care.

2. The revenue of our Group for the year ended 31 December 2016 only takes into account the revenue of Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) generated from the dates when they became our subsidiaries and up to 31 December 2016. The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2016, respectively. The revenue per resident per month is calculated based on the total revenue of our Group for the year ended 31 December 2016 divided by the number of our residents as at 31 December 2016.

Sources: SWD, HK Government and Ipsos Report

According to the Ipsos Report, the five largest private RCHE operators in Hong Kong in terms of revenue in 2016 (in alphabetical order) include Cambridge Nursing Home Limited, Kei Tak Home For The Aged Limited, Oi Tak Old People's Home Limited, Pine Care Group Limited (a publicly listed company on the Stock Exchange (stock code: 1989) which operated private RCHEs) and SkyOcean International Holdings Limited (a publicly listed company on the Stock Exchange (stock code: 593) which operated private RCHEs).

MARKET DRIVERS AND ENTRY BARRIERS TO THE RCHE INDUSTRY IN HONG KONG

The market drivers to the RCHE industry in Hong Kong include:

- increase in focus by the HK Government has to expedite the provision and quality improvement of residential care places for the elderly;

- surging demand for residential care home services in RCHEs in Hong Kong; and

- increase in HK Government initiatives in providing training for RCHE operators, management and staff to enrich their knowledge and skills in taking care of elderly residents.

The entry barriers to the RCHE industry in Hong Kong include:

- shortage of land and labour in Hong Kong; and
- high capital requirements due to increasing operating costs.

FUTURE OPPORTUNITIES, THREATS AND/OR CHALLENGES TO THE RCHE INDUSTRY IN HONG KONG

The future opportunities to the RCHE industry in Hong Kong include:

- rising standards of living will drive demand for better quality residential care home services which is in line with Hong Kong's positive GDP capital trend. There has been a steady increase in the average annual household disposable income; therefore, driving the ability of Hong Kong families to spend on RCHEs; and
- the HK Government will continue to increase the number of subsidised private RCHE places through EBPS. Additional resources were provided by the HK Government to purchase more places under the EBPS from private RCHEs. It is expected that non-private RCHEs places are unlikely to accommodate the growing demand by the applicants on the CWL.

The threats and challenges in the RCHE industry in Hong Kong include:

- negative reports about elder abuse cases in private RCHEs. Negative news and media exposure of abuse cases may result in negative perception about the quality of private RCHEs and cast doubt on effectiveness of inspection and licensing system for monitoring private RCHEs; and
- new alternatives by the HK Government to address the shortage of subsidised RCHE places might induce more elderly choosing to retire in the mainland. For instance, the pilot residential care home services scheme in the Guangdong Province introduced in 2014 provides an option for elderly to consider choosing to live in RCHEs in the mainland. The portable comprehensive social security assistance scheme enables elderly recipients to continue receive cash assistance under the CSSA Scheme if they choose to take up permanent residency in the Guangdong Province or the Fujian Province, the PRC.

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 the care and attention homes, a type of RCHE pursuant to the classification of elderly residential care home under the Code of Practice for Residential Care Homes (Elderly Persons). They are chiefly 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 governing of 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 Home (Elderly Persons) Ordinance;
2. Residential Care Home (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 Home (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 stipulates, among other things, that any person who on any occasion operates, keeps, manages or otherwise has control of a RCHE commits an offence liable for fine and imprisonment unless such person possesses a valid (a) 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 elderly residential care homes fall within the definition of RCHEs, therefore, they are subject to RCH(EP)O. As at the Latest Practicable Date, licences under RCH(EP)O have been issued or renewed to all of the members of our Group operating elderly residential care homes.

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.

As at the Latest Practicable Date, our Directors were not aware of any non-compliance of the Code of Practice for Residential Care Homes (Elderly Persons) or the RCH(EP)O with respect to the use or change of name by all of our elderly residential care homes.

2. Residential Care Home (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, 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 providing to the residents, namely:

(a) a "care and attention home (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 "hostel for the elderly (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.

Depending on the types of the RCHE, the requirements under the RCH(EP)R for the number of ancillary workers, care workers, health workers and nurses to be employed for that RCHE vary.

Further, "health workers" defined under Sections 4 and 6 of the RCH(EP)R employed to work in RCHEs shall be registered with the SWD. To be eligible to register with the SWD as a "health worker", he/she shall, among other things:

(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 competent, fit and proper.

As at the Latest Practicable Date, 30 qualified and registered health workers were employed by our Group in our elderly residential care homes, and all of them were qualified under Sections 4 and 6 of the RCH(EP)R and registered in the register of health workers maintained by the SWD.

The RCH(EP)R also stipulates the location, design and safety of RCHEs, including:

(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.

Subject to the individual circumstances, 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, depending on the provision which has not been complied with.

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

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

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

(b) regulations in relation to management of RCHEs, including procedures for admission of residents to RCHE; 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 a RCHE, 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.

Subject to the individual circumstances, non-compliance of the RCHE Code of Practice coupling with the failure of timely rectification may lead to the SWD initiating prosecution, canceling, suspending or refusing to renew the licence in respect of the RCHE, or amend or vary any condition of the licence.

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 control 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, as the case may be.

By way of background, 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 and unscheduled inspections at RCHEs indiscriminately assigned to them to ensure the quality and fairness of inspections.

In order to ensure the timely rectification of the non-compliant items, a risk-based approach is adopted by LORCHE in conducting inspections and prioritise complaints handling. 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 items 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 even 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. Prosecution of the RCHE may occur if it fails to comply with the direction given.

Save as disclosed under the paragraphs headed "Business — Legal compliance — 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 elderly residential care homes; (b) any material non-compliance with the RCH(EP)O, RCH(EP)R and the RCHE Code of Practice during the Track Record Period by our elderly residential care 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 leased residential care places for the elderly from private RCHEs under the EBPS since 1998, in order to provide competition and improve the service standard of the RCHEs through enhanced service requirements in terms of staffing and space standards. The EBPS is sub-divided into two categories, namely, EA1 and EA2. The 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 spacing requirements) will apply to the entire residential care (including non-subsidised residential care places), hence making the EBPS an effective means of encouraging private RCHEs to improve and advance 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 will enter into a fixed term EBPS Agreement with the RCHEs that can meet the requirements under EA1 or EA2, and will offer residential care places for lease by the SWD. The EBPS Agreement stipulates clearly the minimum staffing requirements applicable to the RCHE, which shall be higher than the minimum 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 elderly residential care home on the basis of eight working hours each staff daily) for EA1 RCHEs and EA2 RCHEs, which is also subject to the staffing requirements provided specifically under the EBPS Agreement.

	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 — Terms of the EBPS Agreements" in this prospectus.

Pursuant to the EBPS, the SWD determines the prices for the various types of residential care places in RCHEs participating in the EBPS. The price is determined based on two factors: (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 the accepted mechanism and policy. The table below sets forth the monthly residential fees payable by the SWD and the resident for a residential care place under the EBPS (applicable as at the Latest Practicable Date):

Classification	**SWD**	**Resident**
	HK$	***HK$***
EA1 (Urban)	10,902	1,707
EA1 (New Territories)	10,329	1,707
EA2 (Urban)	8,404	1,603
EA2 (New Territories)	7,924	1,603

As at the Latest Practicable Date, two of our elderly residential care homes participated in the EBPS. Details of the classification of residential care places in our elderly residential care homes under the EBPS are set out in the paragraphs headed "Business — Our elderly residential care homes" in this prospectus.

Since 2003, the SWD has begun to only lease up to 50% of the EBPS places from the recognised residential care place capacity of the private RCHEs (the "**50% cap requirement**"). Such requirement was decided for new participants of the EBPS 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 improve and advance the service standard of private RCHEs.

Subject to the individual circumstances, breaching the terms and conditions of the EBPS Agreement coupling with the failure of timely rectification 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 leased 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 after medical examination.

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

As at the Latest Practicable Date, two of our elderly residential care homes 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 RCHEs can reach the applicable level of fire safety in buildings.

In addition, the RCHEs are subject to the scrutiny by the Independent Checking Unit (the "**ICU**"). The establishment of the ICU and its responsibilities are as follows. Since the Housing Authority's (the "**HA**") construction projects are exempted 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 they reach the applicable standards and comply with the applicable laws and regulations, the ICU was established to strengthen the scrutiny of the building proposals and the execution of the construction works.

The ICU comprises the following teams, which inspect the RCHEs from time to time to ensure the compliance of the applicable regulations and schemes:

(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 new projects and alteration and addition works of existing buildings against the BO, site monitoring, issue of consent to the commencement of works, approval of plans, final inspections and the issue of an occupation permits for building projects;

(c) Existing Building Team — carrying out building control under the delegation of 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 and 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) our elderly residential care homes being involved in any material non-compliance with the BO, its subsidiary legislations and the Code of Practice for Fire Safety in Buildings as well as 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 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 and the Testing and Maintenance of Installations and Equipment issued by the Fire Services Department stipulates the requirements and specifications on fire service installations and equipment to be provided for the RCHEs from time to time.

Pursuant to Fire Service (Installations and Equipment) Regulation (Chapter 95B of the Laws of Hong Kong), all fire service installations and equipment installed in a RCHE 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) our elderly residential care homes being involved in any material non-compliance with the Codes of Practice for Minimum Fire Service Installations and Equipment and Inspection, the Testing and Maintenance of Installations and Equipment and the Fire Service (Installations and Equipment) Regulation; or (b) with respect to the fire service installations and equipment in our elderly residential care 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. Having said that, 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 elderly residential care homes, we store and distribute the medicines (which may include pharmaceutical products and dangerous drugs) prescribed by registered medical practitioners for our residents. 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:

1. Waste Disposal Ordinance;

2. Waste Disposal (Chemical Waste) (General) Regulation; and

3. Waste Disposal (Clinical Waste) (General) Regulation.

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

The WDO, the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong, the "**WD(CW)(G)R**") and the Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong, the "**Clinical Waste Regulation**") stipulate, among other things, the control and regulation of the production, storage, collection and disposal of (a) chemical waste and (b) clinical waste.

(a) Chemical waste

Chemical waste is defined under the WDO and the WD(CW)(G)R as any substance or thing being:

(i) scrap material;

(ii) effluent; or

(iii) 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 WD(CW)(G)R; 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 WD(CW)(G)R 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 WD(CW)(G)R also stipulates 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 WD(CW)(G)R.

Chemical waste producers are required under the WD(CW)(G)R 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 in question. 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 elderly residential care home is subject to WDO and the WD(CW)(G)R in respect of the production, storage, collection and disposal of chemical wastes.

During the Track Record Period and up to the Latest Practicable Date, Shui Hing, Shui On (Hing Wah), Shui On (Shun On) and Shui On (Sun Tin Wai) did not fully comply with the requirements under WD(CW)(G)R. Please refer to the relevant disclosure under the paragraphs headed "Business — Legal compliance — Compliance with laws and regulations" in this prospectus for further details. As at the Latest Practicable Date, all of Shui On (Shun On), Shui Hing, Shui On (Hing Wah), Shui On (Sun Tin Wai) and Shui On (Kwai Shing E.) had been registered with the Environmental Protection Department as chemical waste producers. 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 WD(CW)(G)R.

(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:

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

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

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

(iv) 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:

(i) used or contaminated sharps;

(ii) laboratory waste;

(iii) human and animal tissues;

(iv) infectious materials;

(v) dressings; and

(vi) 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 fulfill the duty of proper disposal of clinical waste by:

(i) 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;

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

(iii) 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 which include 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 from overseas, in which (a) the Immigration Ordinance and (b) the Supplementary Labour Scheme will be relevant.

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

Generally speaking, under the IO, a person requires a visa/entry permit to work in Hong Kong unless the person 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 administrated by the Labour Department whose 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 and the SLS will not be applicable unless the two following fundamental principles uphold:

(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 fill available job vacancies with local workers and make active efforts to train up local workers for the vacancies. Sanctions will also be taken by the HK Government against unscrupulous employers who are found to have breached the conditions of the SLS.

Under the SLS and the applicable labour laws, 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 amount of wages offered must be in compliance with the statutory minimum wage requirements. They shall strictly comply with the terms and conditions provided 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 on 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 employ the imported workers upon the expiry of their contracts again is required to submit a new application to the Labour Department, and the 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 to 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, which makes a recommendation to the Labour Advisory Board, the board monitoring the operation of the SLS. The application recommended will be further approved by the Labour Advisory Board before its submission to the HK Government for approval or otherwise.

Upon the advice of the Labour Advisory Board, the HK Government will consider the application with its own merits, including the genuine need for importation of labour, the activeness in business and financial situation of such 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 44 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:

1. Nurses Registration Ordinance; and

2. 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 moral 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 moral 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 registered or an enrolled nurse cannot practise nursing 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). The Nurse Code of Ethics 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 in Hong Kong 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 nine registered nurses and 16 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 residential care 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:

1. Supplementary Medical Professions Ordinance;

2. Physiotherapists (Registration and Disciplinary Procedure) Regulation; and

3. 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 defines "profession" as "any profession specified in the second column in the Schedule". The said Section together with the said 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 be holders of a practising certificate.

It is allowed under for Section 20 of the SMPO companies to carry on the profession as physiotherapists by way of trade or business.

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 (Chapter 359J of the Laws of Hong Kong) 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 those whom we engaged from an external physiotherapy service provider) to provide physiotherapy services at our elderly residential care homes. As at the Latest Practicable Date, we employed one registered physiotherapists and engaged four registered physiotherapists from external physiotherapy service providers. 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.

APPROVAL FOR THE LISTING

Save for the approval from the Stock Exchange, there is no other regulatory approval required for the Listing which has not been obtained. We have obtained the relevant Shareholders' approvals for the Listing. Details of the Shareholders' approval are set out in the paragraphs headed "Statutory and general information — A. Further information about our Company and our subsidiaries — 3. Written resolutions of our Shareholders passed on 21 June 2017" in Appendix IV to this prospectus.

HISTORY AND DEVELOPMENT

Our history and origin

Mr. TC Yik, being our Chairman, executive Director, chief executive officer, founder and one of our Controlling Shareholders, first became associated with a "Shui On 瑞安" branded elderly residential care home when he co-founded Shui On Aged Home (Prince Edward Road), a private elderly residential care home located in Kowloon, with his sister, namely Ms. WH Yik, in 1993 after he followed the footsteps of his sister who was involved in the establishment of Shui On Aged Home in 1989 and Kowloon Tong Shui On Convalescent Home in 1991. Since then, Mr. TC Yik has started gaining experiences in the operation and management of elderly residential care homes. Leveraging on his experience gained in the elderly residential care home business, Mr. TC Yik went on to establish Wan Tsui, our then associate, which commenced operation of an elderly residential care home in Wan Tsui Shopping Centre, Chai Wan in 2004.

In 2006, in view of the surging demand for residential care home services due to an ageing population in Hong Kong, Mr. TC Yik, Ms. WH Yik and some of their family members (collectively known as the "**Yik Family**"), together with several business partners who were their then independent third parties, had established three of our current subsidiaries, namely Shui On (Shun On), Shui On (Sun Tin Wai) and Shui On (Kwai Shing E.), which operate elderly residential care homes in each of Kwun Tong, Shatin and Kwai Chung, respectively. Since June 2010, Shui On (Shun On) has become our wholly owned subsidiary. Shui On (Sun Tin Wai) became our wholly owned subsidiary in September 2016 when Shui On Holdings (HK), an indirect wholly owned subsidiary of our Company, completed the acquisition of the entire interest in Shui On (Sun Tin Wai) from Jumbo Sino, a company wholly owned by Ms. Wu, and our Group gained a majority control in Shui On (Kwai Shing E.) when Shui On Holdings (HK) acquired approximately 66.67% interest in Shui On (Kwai Shing E.) from Mr. TC Yik in August 2016.

In 2007, Shui On (Hing Wah) was incorporated to operate an elderly residential care home located in Hing Wah (I) Estate, Chai Wan.

In 2008, the Yik Family established Shui Hing, one of our current subsidiaries, which operates an elderly residential care home located in Shun On Shopping Centre, Kwun Tong under the new brand name known as "Shui Hing 瑞興".

In June 2016, our Group disposed of its entire interest in Wan Tsui, representing 76% of the entire issued share capital of Wan Tsui, to an Independent Third Party.

As at the Latest Practicable Date, our Group operated four elderly residential care homes, namely Shui On (Shun On), Shui On (Hing Wah), Shui On (Sun Tin Wai) and Shui On (Kwai Shing E.) in each of Kwun Tong, Chai Wan, Shatin and Kwai Chung under the brand name of "Shui On 瑞安", and an elderly residential care home, namely Shui Hing in Kwun Tong under the brand name of "Shui Hing 瑞興", with a total of 589 residential care places.

Milestones of our Group

The following table summarises the key events of our Group's development:

2006	Shui On (Shun On) was incorporated to operate an elderly residential care home in Shun On Shopping Centre, Kwun Tong.
	Shui On (Sun Tin Wai) was incorporated to operate an elderly residential care home in Sun Tin Wai Estate, Shatin.
	Shui On (Kwai Shing E.) was incorporated to operate an elderly residential care home in Kwai Shing East Estate, Kwai Chung.
2007	Shui On (Hing Wah) was incorporated to operate an elderly residential care home in Hing Wah (I) Estate, Chai Wan.
2008	Shui Hing was incorporated to operate an elderly residential care home in Shun On Shopping Centre, Kwun Tong.
2012	Shui On (Shun On) was accredited by the Hong Kong Association of Gerontology under the Residential Aged Care Accreditation Scheme.
2016	Our Group gained a majority control in Shui On (Kwai Shing E.) when Shui On Holdings (HK) acquired approximately 66.67% interest in Shui On (Kwai Shing E.) from Mr. TC Yik.
	Shui On (Sun Tin Wai) became our wholly owned subsidiary when Shui On Holdings (HK) acquired the entire interest in Shui On (Sun Tin Wai) from Jumbo Sino.
As at the Latest Practicable Date	Our Group operated four elderly residential care homes, namely Shui On (Shun On), Shui On (Hing Wah), Shui On (Sun Tin Wai) and Shui On (Kwai Shing E.) in each of Kwun Tong, Chai Wan, Kwai Chung and Shatin under the brand name of "Shui On 瑞安", and an elderly residential care home, namely Shui Hing in Kwun Tong under the brand name of "Shui Hing 瑞興", with a total of 589 residential care places.

CORPORATE HISTORY

The direct and indirect subsidiaries of our Company as at the Latest Practicable Date are set out below:

Company name	Place of incorporation	Date of incorporation	Type of legal entity	Issued and fully paid share capital as at the Latest Practicable Date	Attributable interest as at the Latest Practicable Date: Directly held	Attributable interest as at the Latest Practicable Date: Indirectly held	Principal activities as at the Latest Practicable Date
Shui On (BVI)	BVI	25 June 2015	Limited liability company	US$62,353	100%	–	Investment holding
Shui On Holdings (HK)	HK	11 September 2009	Limited liability company	HK$5,300	–	100%	Investment holding
Shui On (Shun On)	HK	2 March 2006	Limited liability company	HK$10,000	–	100%	Operation of an elderly residential care home
Shui Hing	HK	14 November 2008	Limited liability company	HK$10,000	–	100%	Operation of an elderly residential care home
Shui On (Hing Wah)	HK	13 November 2007	Limited liability company	HK$10,000	–	100%	Operation of an elderly residential care home
Shui On (Sun Tin Wai)	HK	2 November 2006	Limited liability company	HK$15,000	–	100%	Operation of an elderly residential care home
Shui On (Kwai Shing E.)	HK	12 December 2006	Limited liability company	HK$3,760,000	–	66.67% *(Note)*	Operation of an elderly residential care home

Note: As at the Latest Practicable Date, the remaining 33.33% interest in Shui On (Kwai Shing E.) was owned by Glory Crest which was indirectly owned as to 60% by Jun Pak, a company wholly owned by Mr. Lui, and 40% by Savills Guardian (Holdings) Limited, an Independent Third Party.

Shui On (Shun On)

Shui On (Shun On) was incorporated with limited liability in Hong Kong on 2 March 2006. It principally engages in the operation of an elderly residential care home in Kwun Tong, Hong Kong.

Since July 2013, Shui On (Shun On) had been a direct wholly owned subsidiary of Shui On Holdings (HK).

Shui Hing

Shui Hing was incorporated with limited liability in Hong Kong on 14 November 2008. It principally engages in the operation of an elderly residential care home in Kwun Tong, Hong Kong.

Since July 2013, Shui Hing had been a direct wholly owned subsidiary of Shui On Holdings (HK).

Shui On (Hing Wah)

Shui On (Hing Wah) was incorporated with limited liability in Hong Kong on 13 November 2007. It principally engages in the operation of an elderly residential care home in Chai Wan, Hong Kong.

Since July 2013 and until 18 August 2016, Shui On (Hing Wah) had been owned as to 76% by Shui On Holdings (HK) and 24% by Chan's Investment.

On 19 August 2016, Shui On Holdings (HK) acquired 2,400 shares in Shui On (Hing Wah), which represented 24% of its entire issued share capital, from Chan's Investment at a consideration of approximately HK$1,813,000. The consideration for such acquisition was determined at an arm's length negotiation between the parties by taking into account the scale of operation and the potential prospect of the elderly residential care home operated by Shui On (Hing Wah). The aforesaid transfer was properly and legally completed and settled on the same date. Following the acquisition, Shui On (Hing Wah) became a direct wholly owned subsidiary of Shui On Holdings (HK).

Shui On Holdings (HK)

Shui On Holdings (HK) was incorporated with limited liability in Hong Kong on 11 September 2009. It principally engages in investment holding.

As at the commencement of the Track Record Period, the then shareholding structure of Shui On Holdings (HK) is set forth below:

Name of shareholder	Approximate percentage of shareholding
	(%)
Hang Chi	23.90
Ms. WH Yik	19.58
Mr. Lui	18.58
Mr. TC Yik	15.30
Ms. Chung	4.04
Ms. Wong	3.74
Mr. Chung	3.31
Ms. WT Yi	2.53
Ms. WJ Yi	2.11
Ms. Zhong	1.90
Mr. DR Yi	1.00
Mr. SG Yi	1.00
Mr. ST Yik	1.00
Ms. WQ Yi	0.99
Ms. Huang	0.51
Mr. Zheng	0.51
Total	**100.00**

On 26 June 2015, in order to further streamline the corporate structure and consolidate the shareholding, each of the then shareholders of Shui On Holdings (HK) transferred his/her/its entire interest in Shui On Holdings (HK) to Shui On (BVI), in return, Shui On (BVI) allotted and issued (a) 9,846 shares to Mr. Lui, (b) 7,582 shares to Will Peace at the direction of Ms. Wong, Ms. WT Yi, Ms. WJ Yi, Ms. Zhong, Mr. Zheng, Mr. SG Yi, Mr. ST Yik, Ms. WQ Yi and Ms. Huang and (c) 35,571 shares to Lucky Expert at the direction of Mr. TC Yik, Hang Chi, Ms. WH Yik, Ms. Chung, Mr. Chung and Mr. DR Yi. The aforesaid transfers were properly and legally completed and settled on the same date. Upon completion of the aforesaid transfers, Shui On Holdings (HK) became a direct wholly owned subsidiary of Shui On (BVI).

Shui On (BVI)

Shui On (BVI) was incorporated with limited liability under the laws of the BVI on 25 June 2015 and is authorised to issue a maximum of 1,000,000 shares with a par value of US$1.00 each. Upon incorporation, one share in Shui On (BVI) was allotted and issued to Mr. TC Yik at par.

On 26 June 2015, Shui On (BVI) acquired the entire issued share capital of Shui On Holdings (HK) and in return, it allotted and issued 9,846 shares to Mr. Lui, 7,582 shares to Will Peace and 35,571 shares to Lucky Expert at par, respectively. On the same date, as part of the Yik Family's asset arrangements, (a) Mr. TC Yik transferred his one share in Shui On (BVI) to Lucky Expert at par, (b) Mr. Lui transferred 8,117 shares in Shui On (BVI) to Lucky Expert at a consideration of approximately US$3,171,000 (equivalent to approximately HK$24,719,000) and 1,729 shares in Shui On (BVI) to Will Peace at a consideration of approximately US$675,000 (equivalent to approximately HK$5,281,000). The consideration was determined at an arm's length negotiation between the parties with reference to the earnings of our Group for the year ended 31 December 2014 and the four months ended 30 April 2015. The aforesaid transfers were properly and legally completed and settled on the same date. Upon completion of the aforesaid transfers, Shui On (BVI) was owned as to approximately 82.43% by Lucky Expert and 17.57% by Will Peace. At the time of the aforesaid transfers, (a) Lucky Expert was held as to 59.88% by Hang Chi, 29.17% by Ms. WH Yik, 6.02% by Ms. Chung and 4.93% by Mr. Chung; and (b) Will Peace was wholly owned by eight relatives of Mr. TC Yik.

On 15 October 2015, Will Peace transferred 3,975 shares in Shui On (BVI), representing approximately 7.5% of its then issued share capital, to Jumbo Sino at a consideration of approximately US$1,282,000 (equivalent to approximately HK$9,994,000).

The consideration was determined at an arm's length negotiation between the parties with reference to the earnings of our Group for the year ended 31 December 2014 and the four months ended 30 April 2015 and having taken into account the prospect of our Group. The aforesaid transfers were properly and legally completed and settled. Upon completion of the aforesaid transfers, Shui On (BVI) was owned as to approximately 82.43% by Lucky Expert, 10.07% by Will Peace and 7.5% by Jumbo Sino.

On 11 December 2015, Top Champ entered into the Subscription Agreement with Shui On (BVI) and Mr. TC Yik, pursuant to which, Top Champ agreed to subscribe for 9,353 shares in Shui On (BVI), representing 15% of its issued share capital as enlarged by such subscription, at a consideration of HK$12,000,000. Such consideration was determined at an arm's length negotiation between the parties with reference to the total earnings of our Group for the year ended 31 December 2014 and the four months ended 30 April 2015. The subscription had been properly and legally completed and settled on 21 December 2015. Upon completion of the Subscription Agreement and prior to the Reorganisation, Shui On (BVI) had been owned as to approximately 70.07% by Lucky Expert, 8.56% by Will Peace, 6.37% by Jumbo Sino and 15.00% by Top Champ. For details of Top Champ's investment in Shui On (BVI), please refer to the paragraphs headed "Pre-IPO Investment" below in this section.

On 25 August 2016, as part of the Reorganisation, our Company acquired the shares in Shui On (BVI) held by each of Lucky Expert, Will Peace, Jumbo Sino and Top Champ. In consideration thereof, (a) the one nil paid subscriber Share held by Mr. TC Yik was credited as fully paid; and (b) our Company allotted and issued as fully paid 4,118 Shares to Shui Wah, as directed by Lucky Expert and Will Peace respectively, 334 Shares to Jumbo Sino and 786 Shares to Top Champ. The said transfers had been properly and legally completed and settled on the same date. After completion of the said transfers, Shui On (BVI) became a direct wholly owned subsidiary of our Company.

Subsidiaries acquired by our Group during the Track Record Period

Shui On (Sun Tin Wai)

Shui On (Sun Tin Wai) was incorporated with limited liability in Hong Kong on 2 November 2006. It principally engages in the operation of an elderly residential care home in Shatin, Hong Kong.

Shui On Holdings (HK) acquired the entire interest in Shui On (Sun Tin Wai) from Jumbo Sino. For details of the acquisition of the entire issued share capital of Shui On (Sun Tin Wai) by Shui On Holdings (HK), please refer to the paragraphs headed "Business — Acquisitions and disposals by our Group during the Track Record Period — Acquisition of Shui On (Sun Tin Wai)" in this prospectus.

Shui On (Kwai Shing E.)

Shui On (Kwai Shing E.) was incorporated with limited liability in Hong Kong on 12 December 2006. It principally engages in the operation of an elderly residential care home in Kwai Chung, Hong Kong.

As at the commencement of the Track Record Period, Shui On (Kwai Shing E.) was owned as to approximately 33.33% by Glory Crest, 33.33% by Shui On Holdings (HK) and 33.33% by Wisdom Toprich, a company then owned as to 60% by First Vanguard and 40% by Shui On Holdings (HK). To the best of our Directors' knowledge, First Vanguard principally engages in investment holding of elderly residential care home businesses and is an Independent Third Party. At the time, Glory Crest was wholly owned by Guardian Home which was also held as to 60% by First Vanguard and 40% by Savills Guardian (Holdings) Limited, an Independent Third Party. As such, First Vanguard, through its direct interests in Wisdom Toprich and indirect interests in Glory Crest, controlled approximately 66.67% interest in Shui On (Kwai Shing E.) at the commencement of the Track Record Period and prior to the completion of the disposal of its beneficial interests in Shui On (Kwai Shing E.) in June 2016.

Due to certain commercial rationale of our Group, our Group disposed of our minority interest in Shui On (Kwai Shing E.) but subsequently acquired the majority interest in Shui On (Kwai Shing E.) during the Track Record Period. Upon completion of these disposal and acquisition, our Company, through Shui On Holdings (HK), was interested in approximately 66.67% of the issued share capital of Shui On (Kwai Shing E.). For details of the said disposal and acquisition, please refer to the paragraphs headed "Business — Acquisitions and disposals by our Group during the Track Record Period — Disposal of minority interests and acquisition of majority interests in Shui On (Kwai Shing E.)" in this prospectus.

Wan Tsui (an associate disposed of by our Group during the Track Record Period)

Wan Tsui was incorporated with limited liability in Hong Kong on 23 July 2003. It engaged in the operation of an elderly residential care home in Chai Wan, Hong Kong.

Since the establishment of Wan Tsui elderly residential care home in December 2004 and up to the time of the Wan Tsui Disposal in June 2016, members of the Chan's Family, being the minority shareholder of Wan Tsui, had taken up the rights to operate Wan Tsui under the subcontracting arrangement. At the time when the Subcontracting Agreement was entered into in August 2013 between Shui On Holdings (HK) and Mr. Chan Yuk Kam, Wan Tsui was owned as to 76% by Shui On Holdings (HK) and 12% by each of Mr. Chan Yuk Kam and Mr. Chan Yuk Lee, both of whom are members of Chan's Family.

As Wan Tsui was operated by its minority shareholder under the Subcontracting Agreement, and as our Group had significant influence over Wan Tsui prior to the Wan Tsui Disposal, our Group had applied the equity method to account for our investment in Wan Tsui as an associate. For details, please see note 15 to the Accountants' Report in Appendix I to this prospectus.

On 23 June 2016, Shui On Holdings (HK) and Ms. Woo, an Independent Third Party, entered into a sale and purchase agreement, pursuant to which Shui On Holdings (HK) agreed to transfer 7,600 shares in Wan Tsui, representing 76% of the issued share capital of Wan Tsui, to Ms. Woo or a company nominated by her at a consideration of HK$2,280,000. The consideration was determined by taking into account the number of residential care places available in the residential care home operated by Wan Tsui. The said

7,600 shares in Wan Tsui were subsequently transferred to Cheong Wah Enterprise Development Limited, an Independent Third Party, as directed by Ms. Woo, on 28 June 2016, and was legally completed and settled on the same date. Following the Wan Tsui Disposal, our Group ceased to have any interests in Wan Tsui. For details of the Wan Tsui Disposal, please refer to the paragraphs headed "Business — Acquisitions and disposals by our Group during the Track Record Period — Wan Tsui Disposal during the Track Record Period" in this prospectus.

PRE-IPO INVESTMENT

Subscription of shares in Shui On (BVI) by Top Champ

The Subscription Agreement

On 11 December 2015, Top Champ entered into the Subscription Agreement with Shui On (BVI) and Mr. TC Yik. Pursuant to the Subscription Agreement, Shui On (BVI) shall allot and Top Champ shall subscribe for 9,353 shares in Shui On (BVI) (the "**Subscription Shares**") at the subscription price of HK$12,000,000 which was irrevocably settled and paid in full on 21 December 2015. Upon completion of the subscription, Shui On (BVI) was owned as to approximately 70.07% by Lucky Expert, 8.56% by Will Peace, 6.37% by Jumbo Sino and 15.00% by Top Champ. Pursuant to the Subscription Agreement, Top Champ also has the right to require Shui On (BVI) or Mr. TC Yik to purchase all the Subscription Shares or, if the Reorganisation has already been completed pursuant to the Reorganisation Agreement, the Shares held by Top Champ, at a maximum of the purchase price paid by Top Champ if the Listing does not take place by 30 June 2017.

The Supplemental Deed

On 31 December 2016, Top Champ, Shui On (BVI) and Mr. TC Yik entered into the Supplemental Deed to amend the Subscription Agreement. Pursuant to the Supplemental Deed, the put option granted to Top Champ to require our Company to repurchase the Shares held by Top Champ was removed and Top Champ shall be entitled to an exclusive right to require Mr. TC Yik to purchase the Shares held by Top Champ if the Listing does not take place before 31 December 2017.

The put option and the call option

Under the Pre-IPO Investment Agreement, (a) Mr. TC Yik exclusively granted to Top Champ a put option (the "**Put Option**"), pursuant to which Top Champ was granted a right to sell to Mr. TC Yik all the Subscription Shares or, if the Reorganisation has already been completed, all the Shares held by Top Champ; and (b) Top Champ exclusively granted to Mr. TC Yik a call option (the "**Call Option**"), pursuant to which Mr. TC Yik was granted a right to purchase from Top Champ the Subscription Shares or, if the Reorganisation has already been completed pursuant to the Reorganisation Agreement, the Shares held by Top Champ (the "**Relevant Pre-IPO Investment Shares**"). The Put Option or the Call Option shall only be exercised in the following conditions:

(i) our Company terminates our plan of Listing because of force majeure circumstances and consequently, the Listing (or listing on other public stock exchange as agreed between the parties thereto) does not take place before 31 December 2017. If that happens, the option purchase price for the Relevant Pre-IPO Investment Shares under the Put Option or the Call Option (as the case may be) (the "**Option Purchase Price**") shall be HK$12,000,000 minus 40% of the expenses and administration fees incurred by our Group in relation to the Listing;

(ii) either our Group or Mr. TC Yik breaches the terms and conditions of the Pre-IPO Investment Agreement or unilaterally decides to terminate our plan of Listing and consequently, the Listing (or listing on other public stock exchange as agreed between the parties thereto) does not take place before 31 December 2017. If that happens, the option purchase price shall be HK$12,000,000; or

(iii) Top Champ unilaterally breaches the terms and conditions of the Pre-IPO Investment Agreement and consequently, the Listing (or listing on other public stock exchange as agreed between the parties thereto) does not take place before 31 December 2017. If that happens, the Option Purchase Price shall be HK$12,000,000 and Top Champ shall be responsible for all of the expenses and administration fees (the amounts of which have already been agreed by Top Champ previously) incurred by our Group.

The transfer of the Subscription Shares or the Shares held by Top Champ from Top Champ to Mr. TC Yik shall be completed within 60 days from the date of issuing the notice to exercise the Put Option or the Call Option, as the case may be. Both the Put Option and the Call Option shall cease to have effect on the date of Listing if the Listing takes place before 31 December 2017.

Further details of the Pre-IPO Investment are set out below:

Name of the pre-IPO investor	Top Champ
Background of the pre-IPO investor	Top Champ is an investment holding company incorporated in the BVI with limited liability on 31 March 2015. The entire issued share capital of Top Champ is beneficially and wholly owned by Mr. Mok, who is also the sole director of Top Champ. Mr. Mok is a private investor and possesses expertise in various insurance products. Our Group became acquainted with Mr. Mok through the provision of insurance advices and services by Mr. Mok to our Group in the past few years. To the best knowledge and belief of our Directors, Top Champ decided to invest in our Group in view of the prospects and growth potential of our Group. The source of funding of Top Champ's investment in our Group was from the personal resources of Mr. Mok.
Relationship with our Group	Save as disclosed above and prior to its investment in our Group and up to the Latest Practicable Date, Top Champ, Mr. Mok and their associates were Independent Third Parties and did not have any other past or present relationships, including but not limited to family, trust, business, employment relationships, or any agreements, arrangements or understanding with our Group and/or its connected persons apart from the Pre-IPO Investment.
Relevant pre-IPO investment agreement	The Pre-IPO Investment Agreement

Date of the Pre-IPO Investment Agreement	11 December 2015 (31 December 2016 being the date of the Supplemental Deed)
Consideration paid	HK$12,000,000
Basis of determination of consideration	The consideration was determined based on arm's length negotiations between the parties with reference to the total earnings of our Group for the year ended 31 December 2014 and the four months ended 30 April 2015.
Date of payment of consideration	21 December 2015
Cost per Share paid under Pre-IPO Investment *(Note 1)*	HK$0.33
Discount to the Offer Price range	Between 52.86% and 58.75%
Shareholding in our Company upon Listing	36,000,000 Shares, representing 9% of the issued share capital of our Company immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme).
Special rights *(Note 2)*	(a) Prior approval rights Subject to any applicable laws and the provisions of the Pre-IPO Investment Agreement, our Group shall not take, and shall not be permitted to take, certain actions including but not limited to modification of the memorandum and articles of association, creation of new shares, variation of rights attached to the shares, create charge or mortgage over the assets of our Group, grant of loan to or provide guarantee in favour of any third party, and declaration or payment of any dividend, unless with prior consent of Top Champ. (b) Right to appoint a non-executive Director Subject to compliance with all applicable laws and/or regulations of all applicable jurisdictions and the Stock Exchange, Top Champ shall be entitled to appoint or nominate one non-executive Director to our Company upon completion of the subscription under the Pre-IPO Investment Agreement. As at the Latest Practicable Date, Top Champ did not nominate any non-executive Director to our Company. (c) The Put Option and the Call Option

Use of proceeds from the Pre-IPO Investment	For payment of part of the expenses in relation to our Listing. As at the Latest Practicable Date, HK$3 million of the proceeds had been utilised for payment of part of the expenses in relation to our Listing.
Strategic benefits of the Pre-IPO Investment	Our Directors are of the view that our Company can benefit from the additional capital provided by Top Champ, as well as Top Champ's commitment to our Group, as its investment demonstrates its confidence in the development and prospect of our Group.
Lock-up	None
Public float	As (i) Top Champ is not a core connected person of our Company; (ii) the acquisition of its interests in the Shares was not financed directly or indirectly by any core connected person of our Company; and (iii) Top Champ is not accustomed to take instructions from a core connected person in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in its name or otherwise held by it, the Shares held by Top Champ upon the Listing are considered as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules.

Notes:

1. This is derived based on the assumption that 36,000,000 Shares will be held by Top Champ upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme).

2. These special rights granted to Top Champ shall cease to have any effect upon the Listing (or listing on other public stock exchange as agreed between the parties to the Pre-IPO Investment Agreement) if the Listing will take place before 31 December 2017.

Sole Sponsor's confirmation

Given that (a) our Directors having confirmed that the terms of the Pre-IPO Investment by Top Champ (including the consideration under the Pre-IPO Investment Agreement) were determined on an arm's length basis with reference to the total earnings of our Group for the year ended 31 December 2014 and the four months ended 30 April 2015; and (b) the consideration under the Pre-IPO Investment Agreement was settled on 21 December 2015, which was more than 28 clear days before the date of the first submission of our Company's application for the Listing to the Stock Exchange, the Sole Sponsor is of the view that the Pre-IPO Investment by Top Champ is in compliance with the "Interim Guidance on Pre-IPO Investments" (HKEx-GL29-12) and the "Guidance on Pre-IPO Investments" (HKEx-GL43-12) issued by the Stock Exchange.

PARTIES ACTING IN CONCERT

On 13 December 2016, Mr. TC Yik, Multifield, Hang Chi and Ms. WH Yik entered into the Acting In Concert Agreement, whereby:

(a) they acknowledged and confirmed that, they were parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in respect of each of the members of our Group (the "**Relevant Companies**") from 31 July 2013, being the date of which both Mr. TC Yik and Ms. WH Yik became the shareholders of Shui On Holdings (HK);

(b) Ms. WH Yik acknowledged and confirmed that, during the Track Record Period, when exercising her voting rights in the shareholders' meetings of each of the Relevant Companies, she had followed the decisions of Mr. TC Yik, Multifield and Hang Chi on issues relating to the operation, management, accounting and personnel arrangement of the Relevant Companies;

(c) Ms. WH Yik agreed to continue the above arrangement in order to assist Mr. TC Yik, Multifield and Hang Chi to control and manage the Relevant Companies until such arrangement is terminated in writing by all of the parties to the Acting In Concert Agreement; and

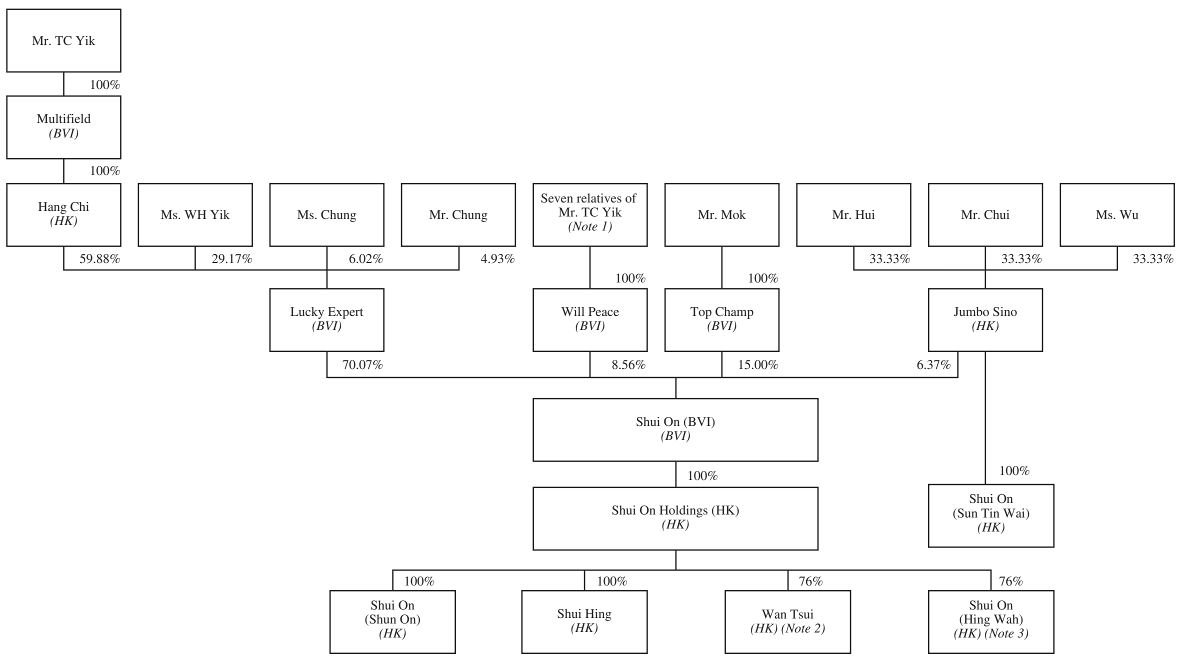
(d) they agreed to obtain written consent from all of the parties to the Acting In Concert Agreement in advance of transferring, pledging or creating any right to acquire or dispose of any securities of the Relevant Companies.

Hence, by virtue of the Acting In Concert Agreement, Mr. TC Yik, Multifield, Hang Chi, and Ms. WH Yik will be entitled to exercise and control 62.175% of the entire issued share capital of our Company upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme).

Pursuant to the Guidance Letter HKEx GL89-16 ("**Guidance Letter**") issued by the Stock Exchange, Ms. WH Yik shall also be regarded as a Controlling Shareholder, given that Ms. WH Yik has decided to hold her interests in our Group through a common investment holding company (i.e. Shui Wah). Considering that the Acting In Concert Agreement is for accounting purpose to: (i) record, acknowledge and confirm the acting in concert arrangement amongst Mr. TC Yik, Multifield, Hang Chi and Ms. WH Yik in respect of the Relevant Companies from the date of which both Mr. TC Yik and Ms. WH Yik became shareholders of Shui On Holdings (HK); and (ii) secure an undertaking from Ms. WH Yik that the said acting in concert arrangement will be continued in order to assist Mr. TC Yik, Multifield and Hang Chi to control and manage the aforementioned companies until such arrangement is terminated in writing, the Acting In Concert Agreement is consistent with the Guidance Letter on the basis that it restates and reinforces the position of Ms. WH Yik as a Controlling Shareholder.

REORGANISATION

The following chart sets forth the corporate and shareholding structure of our Group immediately prior to the Reorganisation:



Notes:

1. The seven individual shareholders of Will Peace comprise:

   (i) Ms. Wong, who holds 26.15% interest;

   (ii) Ms. WJ Yi, who holds 21.68% interest;

   (iii) Ms. Huang, who holds 21.29% interest;

   (iv) Ms. Zhong, who holds 13.31% interest;

   (v) Mr. SG Yi, who holds 6.99% interest;

   (vi) Mr. ST Yik, who holds 6.99% interest; and

   (vii) Mr. Zheng, who holds 3.59% interest.

2, Prior to the Reorganisation, the remaining 24% interest in Wan Tsui was owned by Chan's Investment.

3. Prior to the Reorganisation, the remaining 24% interest in Shui On (Hing Wah) was owned by Chan's Investment.

Our Group underwent the Reorganisation in preparation for the Listing. The principal steps involved in the Reorganisation are summarised below:

(a) Shui Wah was incorporated under the laws of the BVI with limited liability on 11 February 2016 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. Upon incorporation, 8,911 shares and 1,089 shares, credited as fully paid at par, were respectively allotted and issued to Lucky Expert and Will Peace. At the time of the incorporation of Shui Wah, (i) Lucky Expert was held as to 59.88% by Hang Chi, 29.17% by Ms. WH Yik, 6.02% by Ms. Chung and 4.93% by Mr. Chung and (ii) Will Peace was wholly owned by seven individuals who are relatives of Mr. TC Yik.

(b) Our Company was incorporated as an exempted company in the Cayman Islands on 16 February 2016 with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. One nil paid subscriber Share was initially allotted and issued to the subscriber, and was then transferred to Mr. TC Yik on the same date.

(c) On 15 August 2016, Jumbo Sino as vendor, Shui On Holdings (HK) as purchaser and Ms. Wu, Mr. Hui and Mr. Chui as guarantors entered into a sale and purchase agreement, pursuant to which, Jumbo Sino agreed to sell and Shui On Holdings (HK) agreed to acquire 15,000 shares in Shui On (Sun Tin Wai), being the entire issued share capital of Shui On (Sun Tin Wai), at a consideration of HK$12,300,000. The consideration was determined at arm's length negotiations between the parties with reference to the earnings of Shui On (Sun Tin Wai) for the year ended 31 December 2015 and the six months ended 30 June 2016. This acquisition was completed by two stages: (i) 14,999 shares in Shui On (Sun Tin Wai) were transferred to Shui On Holdings (HK) on 15 August 2016; and (ii) the remaining one share in Shui On (Sun Tin Wai) was transferred to Shui On Holdings (HK) on 20 September 2016. The aforesaid transfers of 15,000 shares in Shui On (Sun Tin Wai) were legally completed and settled by 20 September 2016. Following the completion of the acquisition, Shui On (Sun Tin Wai) became a direct wholly owned subsidiary of Shui On Holdings (HK).

(d) In order to further consolidate our Group's interests in Shui On (Hing Wah), on 19 August 2016, Shui On Holdings (HK) acquired 2,400 shares in Shui On (Hing Wah), which represented 24% of the entire issued share capital of Shui On (Hing Wah), from Chan's Investment at a consideration of approximately HK$1,813,000. The consideration was determined at arm's length negotiations between the parties by taking into account the scale of operation and the potential prospect of Shui On (Hing Wah). The aforesaid transfer was properly and legally completed and settled on the same date. Following the completion of the acquisition, Shui On (Hing Wah) became a direct wholly owned subsidiary of Shui On Holdings (HK).

(e) On 25 August 2016, pursuant to the Reorganisation Agreement, our Company acquired the entire issued share capital of Shui On (BVI) from Lucky Expert, Will Peace, Jumbo Sino and Top Champ and in consideration thereto:

    (i) the one nil paid subscriber Share that was previously transferred to Mr. TC Yik was credited as fully paid; and

    (ii) our Company issued and allotted, credited as fully paid, 3,670 Shares to Shui Wah (as directed by Lucky Expert), 448 Shares to Shui Wah (as directed by Will Peace), 334 Shares to Jumbo Sino and 786 Shares to Top Champ, respectively.

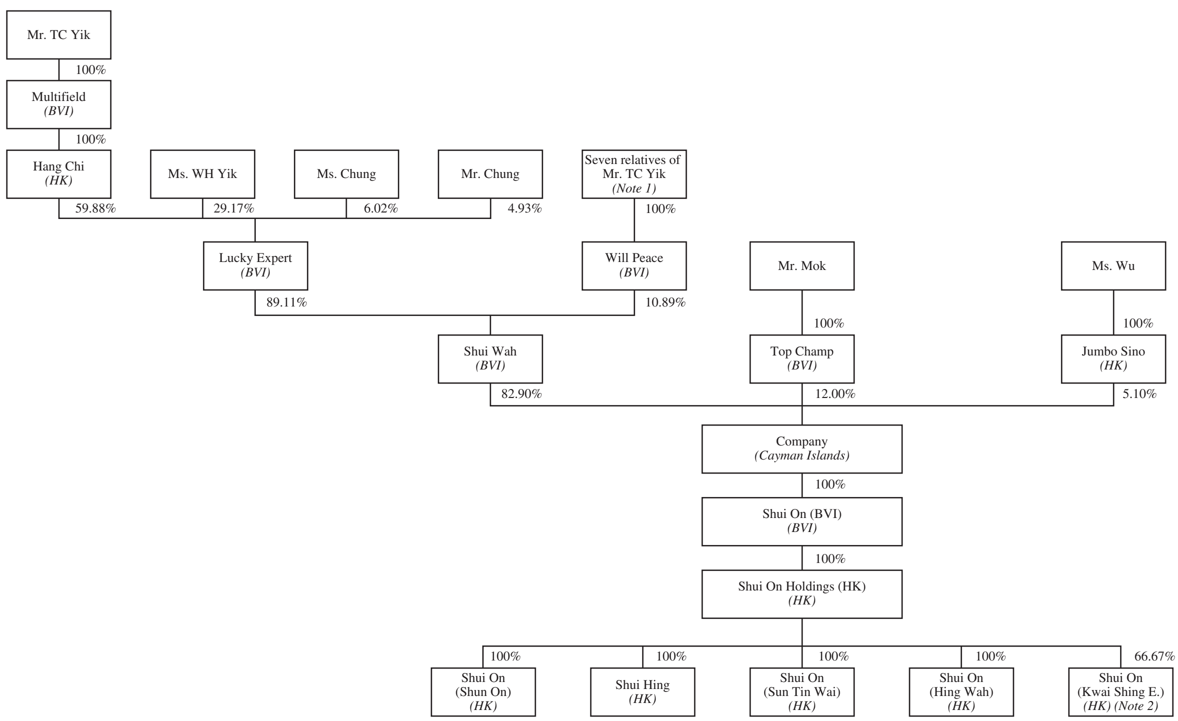
    The aforesaid acquisition was properly and legally completed and settled on the same date.

(f) On 25 August 2016, Mr. TC Yik transferred his one fully-paid subscriber Share in our Company to Shui Wah at a consideration of HK$1 and such transfer was properly and legally completed and settled on the same date.

Regulatory approval

We are not required to obtain any regulatory approval for the Reorganisation in Hong Kong.

Upon completion of the Reorganisation set out above, our Company became the holding company of our Group. The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme):



Notes:

1. The seven individual shareholders of Will Peace comprise:

    (i) Ms. Wong, who holds 26.15% interest;

    (ii) Ms. WJ Yi, who holds 21.68% interest;

    (iii) Ms. Huang, who holds 21.29% interest;

    (iv) Ms. Zhong, who holds 13.31% interest;

    (v) Mr. SG Yi, who holds 6.99% interest;

    (vi) Mr. ST Yik, who holds 6.99% interest; and

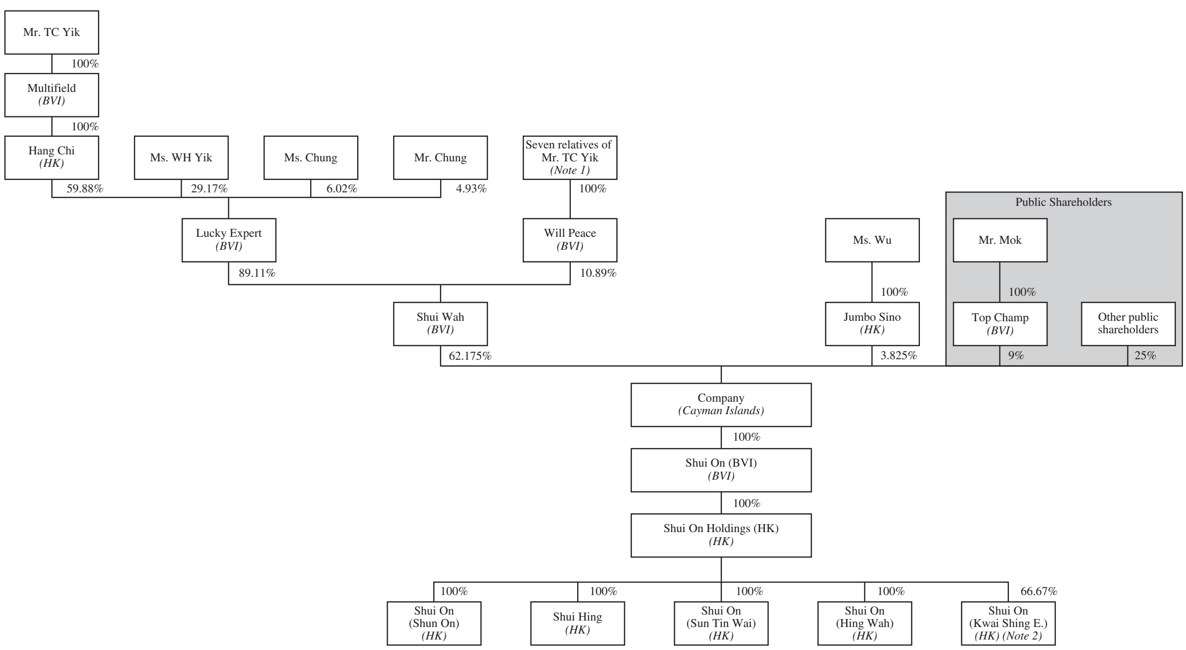
    (vii) Mr. Zheng, who holds 3.59% interest.

2. Upon completion of the Reorganisation, Shui On (Kwai Shing E.) was held as to approximately 66.67% by Shui On Holdings (HK) and approximately 33.33% by Glory Crest which is indirectly owned as to 60% by Jun Pak and 40% by Savills Guardian (Holdings) Limited, an Independent Third Party.

CAPITALISATION ISSUE

Pursuant to the resolutions in writing of our Shareholders passed on 21 June 2017, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to allot and issue a total of 299,993,450 Shares to the holders of shares on the register of members of our Company at the close of business on 21 June 2017 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share), credited as fully paid at par by way of capitalisation of the sum of HK$2,999,934.50 standing to the credit of the share premium account of our Company, comprising 248,694,570 Shares to Shui Wah, 35,999,214 Shares to Top Champ and 15,299,666 Shares to Jumbo Sino, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the Shares in issue (save for the right to participate in the Capitalisation Issue).

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



Notes:

1. The seven individual shareholders of Will Peace include:

   (i) Ms. Wong, who holds 26.15% interest;

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   (iv) Ms. Zhong, who holds 13.31% interest;

   (v) Mr. SG Yi, who holds 6.99% interest;

   (vi) Mr. ST Yik, who holds 6.99% interest; and

   (vii) Mr. Zheng, who holds 3.59% interest.

2. Upon completion of the Reorganisation, Shui On (Kwai Shing E.) was held as to approximately 66.67% by Shui On Holdings (HK) and approximately 33.33% by Glory Crest which is indirectly owned as to 60% by Jun Pak and 40% by Savills Guardian (Holdings) Limited, an Independent Third Party.

OVERVIEW

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

As at the Latest Practicable Date, we owned and operated four "Shui On 瑞安" and one "Shui Hing 瑞興" branded elderly residential care homes across the Kwun Tong, Shatin, Eastern and Kwai Tsing districts in Hong Kong with a total of 589 residential care places. Our elderly residential care homes are strategically situated in the vicinity of public housing estates and residential areas with a high density of potential customers nearby as well as shopping malls and public transport and other public facilities.

According to the Ipsos Report, a number of factors in Hong Kong contribute to the surging demand for residential care home services such as the sizeable and ageing population and the increase in the life expectancy of the Hong Kong people, an increase in the prevalence of chronic diseases among the elderly and a relatively high institutionalisation rate in Hong Kong due to inability of families to take care of frail elderly family members at home. As such, we have experienced a strong and growing demand for our residential care home services. Our management expects that this trend will continue and will be one of the main drivers for growth in the elderly residential care home industry.

We are committed in providing quality residential care home services to our elderly residents. As part of our on-going effort to maintain the quality of our services, our senior management would ensure that quality control processes and procedures are kept up-to-date with the latest laws and regulations in Hong Kong and the requirements and policies set out by the relevant government departments including the SWD. We also provide regular training courses to our employees and on-the-job training. We regularly review and monitor the quality of our elderly residential care homes, supervise our home managers in the follow-up investigations of all complaints received and ensure that all remedial actions are taken. For further information, please refer to the paragraphs headed "Quality control" and "Legal compliance" below in this section.

As at the Latest Practicable Date, two of our elderly residential care 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 193 residential care places, representing approximately 32.8% of our total residential care places, at our two participating elderly residential care homes, both of which were classified as class EA1, the highest classification rated by the SWD under the EBPS.

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 elderly residential care homes, we believe that we are poised to reproduce the success of our elderly residential care homes to further capture new market opportunities driven by the strong demand for residential care home services in Hong Kong. Please see the paragraphs headed "Our strategies" below in this section for further details.

Our total revenue amounted to approximately HK$39.9 million and HK$59.0 million for the two years ended 31 December 2016, respectively. The following table sets forth a summary of our elderly residential care homes as at the Latest Practicable Date:

Summary statistics of our elderly residential care homes as at the Latest Practicable Date

	Shui On (Shun On)	Shui Hing	Shui On (Hing Wah)	Shui On (Sun Tin Wai)	Shui On (Kwai Shing E.)	
Address	Shop EH1, ground floor, Shun On Shopping Center, Shun On Estate, 1 Lee On Road, Kowloon, Hong Kong	Shop Nos. 1–4, ground floor and Shops Nos. 101–113, first floor, On Chak House, Shun On Shopping Center, Shun On Estate, 1 Lee On Road, Kowloon, Hong Kong	Unit No. A, 6/F., Car Park Block, Hing Wah (I) Estate, 11 Wan Tsui Road, Chai Wan, Hong Kong	Shop Nos. 1–4, fourth floor, Sun Tin Wai Shopping Centre, Sun Tin Wai Estate, Shatin, New Territories, Hong Kong Shop Nos. 30–33 and 40, fifth floor, Sun Tin Wai Shopping Centre, Sun Tin Wai Estate, Shatin, New Territories, Hong Kong	Unit Nos. G01, 101, 201, 301, 401 and 501, and Roof, Carpark Building, Shing Hei House, Kwai Shing East Estate, 63 Kwai Shing Circuit, Kwai Chung, New Territories, Hong Kong	
Year of commencement of operations by our Group	2007	2011	2008	2016 *(Note 1)*	2016 *(Note 1)*	
SFA *(sq.m.)*	1,122.3	906.8	522.6	718.9	2,563.8	
Number of residential care places						**Total**
Under the EBPS	59	—	—	—	134	193
For individual customers not under the EBPS	59	90	72	89	86	396
Total	118	90	72	89	220	589
Classification under the EBPS	EA1	—	—	—	EA1	
Range of monthly residential fee *(HK$)*	7,100–13,200	7,000–15,000	6,800–12,350	7,500–9,500	5,425–14,900	
Number of warning letters issued by the SWD during the Track Record Period and up to the Latest Practicable Date and the date of the relevant warning letters received	one (13 September 2016)	—	one (13 October 2016)	—	four (10 March 2016, *(Note 2)* 14 April 2016, 24 June 2016 and 13 March 2017)	

Notes:

1. The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2016, respectively.

2. The warning letter dated 10 March 2016 was issued to Shui On (Kwai Shing E.) during the term of the previous EBPS Agreement of Shui On (Kwai Shing E.) while the other three warning letters were issued during the term of the current EBPS Agreement.

For illustrative purpose, the adjusted net profit margin of our Group by excluding the effect of one-off gain on disposal of associates, share of profits/losses of associates, the effect of the listing expenses and finance costs was approximately 23.3% and 22.6% for the two years ended 31 December 2016, respectively.

OUR COMPETITIVE STRENGTHS

We believe that we possess the following competitive strengths, which differentiate us from our competitors:

As an established operator of elderly residential care homes in Hong Kong with an experienced senior management team led by Mr. TC Yik, our Chairman, executive Director, chief executive officer and founder, who possesses more than 23 years of industry experience, we are poised to benefit from the strong demand for residential care home services in Hong Kong

As population in Hong Kong and the elderly demographics as a percentage of the overall population continue to grow, the demand for elderly home care services is expected to grow at a significant rate. According to the Ipsos Report, the estimated elderly population will reach approximately 1.4 million in 2020 and the percentage of elderly to the working-age population will rise from approximately 21.8% in 2016 to approximately 26.5% in 2020. This growth in elderly population in Hong Kong has created and will continue to sustain a strong demand for residential care home services including quality residential care home services for the elderly. There is also a shortage in the supply of residential care home services in Hong Kong. As at 31 December 2016, there were approximately 736 elderly residential care homes in Hong Kong. Due to the shortage in the supply of elderly residential care homes, there were still more than 35,000 elderly persons under the Central Waiting List for subsidised RCHEs places awaiting with average waiting time of about 22 months. According to the Ipsos Report, because of the shortage of supply and the strong demand of residential care home services, the elderly residential care market in Hong Kong is one with immense growth potential, the revenue of which is expected to increase from approximately HK$8.8 billion in 2016 to approximately HK$11.5 billion in 2020, representing a CAGR of 7.0%.

In light of the strong demand for elderly residential care homes, the HK Government has devised policies to address the strong demand and shortage of supply of residential care homes and to encourage the development of the elderly residential care homes market. As the elderly population will continue to rise in the near future, our Directors believe that the demand for residential care home services in Hong Kong will remain to be strong in many years to come. For details of the HK Government's policies and initiatives, please refer to the section headed "Industry overview" in this prospectus.

Our Directors believe that given the size of our Group with five elderly residential care homes as at the Latest Practicable Date, Mr. TC Yik's extensive experience in establishing elderly residential care homes as well as our Directors' and senior management team's experience in operating and managing elderly residential care homes, we are poised to benefit from 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 help us to succeed in our expansion plans to deploy our residential care home services at our new elderly residential care homes.

We possess a recognised brand of elderly residential care home and a balanced portfolio of three non-EBPS participating private elderly residential care homes and two EBPS participating elderly residential care homes

Leveraging on Mr. TC Yik's extensive experience in the establishment and management of elderly residential care homes, we have established the "Shui On 瑞安" and "Shui Hing 瑞興" branded elderly residential care homes as a recognised elderly residential care home operators in Hong Kong. As at the Latest Practicable Date, we owned and operated five elderly care centres in Hong Kong with a capacity of approximately 589 residential care places. Our Directors believe that we have accumulated extensive experience in operating elderly residential care homes over the years and we have demonstrated our management capability in the operations of our elderly residential care homes. Due to our effort, our "Shui On 瑞安" brand is recognised as a quality residential elderly care service provider in Hong Kong.

As at the Latest Practicable Date, two of our elderly residential care homes participated in the EBPS and were classified as class EA1 by the SWD, which supported 193 residential care places (representing approximately 32.8% of our total number of residential care places). As at the Latest Practicable Date, the HK Government leased approximately 32.8% of our residential care places classified as class EA1 on a continuous basis; thereby providing us with a steady stream of income. The HK Government's recognition of the quality of these two elderly residential care homes enhances our reputation in the elderly residential care home industry, which in turn attracts elderly residents to our elderly residential care homes.

Furthermore, our average monthly occupancy rate remained at a level of over 84.9% at each of our elderly residential care homes not participating in the EBPS during the Track Record Period. Since the rest of our private elderly residential care homes which do not participate in the EBPS are not subject to the terms and requirements of the EBPS, our Directors believe that we benefit from a reasonable profit margin and the flexibility of our private elderly residential care homes in offering more residential care places that are not subject to the terms and requirements of the EBPS. Meanwhile, we receive a steady stream of income from our elderly residential care homes under the EBPS.

We provide quality elderly home care services to our customers at our elderly residential care 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 elderly residential care homes are some of the key features that provide us with competitive advantages over other market players. 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 elderly residential care homes and to ensure that quality services are offered at all of our elderly residential care homes, we follow a set of standardised quality standards at all of our elderly residential care 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.

Our elderly residential care homes are strategically located in the vicinity of affordable private and public residential areas 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. 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 elderly residential care homes	District	Location
Shui On (Shun On)	Kwun Tong	Shun On Estate
Shui Hing	Kwun Tong	Shun On Estate
Shui On (Hing Wah)	Chai Wan	Hing Wah Estate
Shui On (Sun Tin Wai)	Shatin	Sun Tin Wai Estate
Shui On (Kwai Shing E.)	Kwai Tsing	Kwai Shing East Estate

Our Group is supported by a management team with extensive experience in the elderly home care services 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 residential elderly care market 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, each member of our management has more than 10 years of experience in the elderly care service industry and has an in-depth understanding of the trends and policies of the elderly residential care home industry.

For instance, Mr. TC Yik, our Chairman, executive Director, chief executive officer and founder, has accumulated more than 23 years of experience in the operation and management of elderly residential care homes. Mr. TC Yik has performed a leadership role for our Group in making major decisions on the development of our new elderly residential care homes and strategically positioned our Group in the market. Mr. Chung, our business development and administration director, is a registered social worker and has worked in the elderly care service industry for over 14 years. Mr. Chung is primarily responsible for human resources, management and training of our Group and the operation of our elderly residential care homes. Ms. Chung is a registered nurse and currently our nursing service director. Ms. Chung oversees our nursing care services and is responsible for the administration support of our Group. As at the Latest Practicable Date, Ms. Chung possessed 17 years of working experience in gerontology at hospitals and 10 years of clinical experience working at elderly care homes.

As at the Latest Practicable Date, we employed a team of healthcare professionals comprising nine registered nurses and 16 enrolled nurses, one physiotherapist, two social workers and 30 health workers and 96 care workers who provide 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

We intend to achieve our objective in expanding our market share in the residential care home market by implementing the following strategies:

Expand the network of our elderly residential care homes in strategic locations in Hong Kong

We intend to expand the network of our elderly residential care homes to provide our services to more people in Hong Kong and leverage our industry experience and proven track record in the management of our elderly residential care homes in strategic locations in Hong Kong. We intend to implement this expansion plan by (i) acquiring an existing elderly residential care home that is currently in operation; and (ii) establishing a new elderly residential care home at a suitable location. The new elderly residential care home will provide residential care home services similar to those offered at our existing elderly residential care homes. As with our existing locations of our elderly residential care homes, we will consider locations that are proximal to densely populated residential areas with convenient access to public transport and potential customers.

Acquire an existing elderly residential care home that is currently in operation

We intend to quickly deploy our residential care home services to elderly persons, capture a bigger market share and increase our brand's awareness in areas where there is a strong demand for residential care home services by acquiring an existing elderly residential care home that is currently in operation. We consider districts in Hong Kong such as East Kowloon to be strategic to the expansion and overall distribution of our elderly residential care home network as two of our operational elderly residential care homes already situate in Kwun Tong, which are able to provide staff support and would allow us to share and allocate our resources.

We estimate that the acquisition cost of an operating elderly residential care home which can accommodate a maximum of 250 residential care places to be approximately HK$34.0 million. Assuming that the target elderly residential care home had 250 residential care places, such total acquisition cost would be equivalent to an acquisition cost per residential care place of approximately HK$136,000 which is comparable to the acquisition cost per residential care place of approximately HK$138,000 in relation to our acquisition of the entire interest in Shui On (Sun Tin Wai) with 89 residential care places but lower than the acquisition cost per residential care place of approximately HK$259,000 in relation to our acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) with 220 residential care places during the Track Record Period. The difference in acquisition cost per residential care place above was primarily due to the fact that Shui On (Sun Tin Wai) was not an EBPS participant and an EBPS participating elderly residential care home generally has higher earnings due to the higher residential fee.

The acquisition cost is estimated based on the number of residential care places available in such elderly residential care home, the general demand for elderly residential care homes in that area, the amount of expected income that can be generated per residential care place as well as the expected occupancy rate, the physical conditions and the facilities of the potential elderly residential care home. We will take into account a number of factors when selecting a suitable elderly residential care home as an acquisition target, including (i) the ability to accommodate our estimated number of 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) the existing customer base and its profitability and whether it participates in the EBPS; (v) whether licensing requirements of the LORCHE can be met; and (vi) its compliance record. We believe that the acquisition cost, if calculated on a per-residential-care-place basis, would vary depending on a number of different factors (such as its location, profitability, and whether it is an EBPS participating elderly residential care home) apart from the size of its operations in terms of number of residential care places that we will take into account when we consider an acquisition opportunity.

We intend to allow ourselves flexibility in the selection of potential acquisition targets. In the event that the future acquisition target is a class EA1 elderly residential care home and has an average monthly residential fee similar to that of Shui On (Kwai Shing E.), we would expect that the estimated acquisition cost per residential care place in relation to such acquisition target to be higher than HK$136,000 as (i) the acquisition cost per residential care place for an EBPS participating elderly residential care home is generally higher than that for a private non-EBPS participating elderly residential care home with a similar size and occupancy rate; and (ii) EBPS participating elderly residential carehome generally has a higher profitability level.

As at the Latest Practicable Date, there were 28 private elderly residential care homes situated in different districts in Hong Kong that had a capacity between 200 and 250 residential care places and could be considered as potential acquisition targets and we had not identified any specific acquisition target, nor had we entered into any definitive agreement with any potential target.

We expect to finance the acquisition cost of the target operating elderly residential care home of approximately HK$34.0 million in the following manner: (i) as to approximately HK$25.0 million (representing approximately 50.8% of the net proceeds from the Share Offer) from the net proceeds from the Share Offer; and (ii) as to the remaining balance of approximately HK$9.0 million from our internal resources. After payment of the acquisition cost of HK$34.0 million, we currently expect that we will incur additional capital expenditures of approximately HK$6.8 million, the majority of which will be spent on renovation of the target operating elderly residential care home.

Based on the expected demand of the residential care places in Hong Kong and our Directors' experience in acquiring and operating existing elderly residential care homes in Hong Kong, we expect that the newly acquired elderly residential care home will break even upon or shortly after completion of our acquisition as it already has an ongoing operation at the time of acquisition. However, acquisition of an elderly residential care home with existing elderly residents would require us to pay for an acquisition price which may be substantial depending on the aforementioned factors including its size, location and profitability. Assuming that the target elderly home is a non-EBPS home with 250 residential care places, we estimate that the investment payback period to cover acquisition cost together with the renovation cost to be approximately 57 months.

Our Directors are of the view that having a short period to achieve breakeven or no breakeven period is one of the benefits of an existing elderly home acquisition as apposed to the establishment of a new elderly residential care home. For details relating to the timetable and capital commitment of our expansion plan, please refer to the section headed "Statement of business objectives and use of proceeds" in this prospectus.

Establish a new elderly residential care home in Hong Kong by leveraging the success of our business model and proven track record in the management of our elderly residential care homes

We intend to replicate our success in the management of our elderly residential care homes and establish a new elderly residential care home which will provide residential care home services similar to those offered at our existing elderly residential care homes. As locating and converting suitable premises for an elderly residential care home and obtaining the requisite operating licence will require time and effort by the management, this development plan is expected to take approximately eight to 12 months after the Listing. As such, we expect that we will complete the implementation of this plan by June 2018 which is about 12 months following the Listing. As with our existing locations of our elderly residential care homes, we will consider locations that are proximal to densely populated residential areas with convenient access to public transport and potential customers, whether it is in the vicinity of our existing network of elderly residential care homes which allows staff support and better resource allocation. As at the Latest Practicable Date, we had not identified any specific location, nor had we entered into any definitive agreements with any landlord. From our previous experience in operating elderly residential care homes, we are more inclined to select premises with a SFA of approximately 15,000 to 20,000 sq.ft. and a capacity of 150 to 200 residential care places based on the spacing requirements for each residential care place/elderly resident.

We estimate that the total cost for establishment of a new elderly residential care home will amount to approximately HK$19.1 million based on the size of the premises to be converted into an elderly residential care home with an estimated number of residential care places to be between 150 and 200. We expect that such total cost will include an initial capital expenditure of approximately HK$10.7 million, representing approximately 56.0% of such total cost, 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 elderly residential care home was determined after taking into account the features of our existing elderly residential care homes and the prevailing market price of renovation, appliances and devices, property rent, wage, etc. which are essential to bringing the new elderly residential care home into operation. We expect to finance such total cost of approximately HK$19.1 million in the following manner: (i) as to approximately HK$17.5 million, or approximately 35.5%, of the net proceeds from the Share Offer; and (ii) as to the remaining balance of approximately HK$1.6 million from our internal resources. We will take into account a number of factors when selecting a suitable location to establish a new elderly residential care home, including (i) the ability to accommodate between 150 and 200 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 a potential customer base; and (v) the amount of work required to satisfy the licensing requirements of the LORCHE.

It generally takes a longer period of time for a newly established elderly residential care home to break even as it takes time to accumulate new elderly residents as opposed to a newly acquired existing elderly residential care home that already has existing elderly residents. Based on the historical records of new elderly residents admitted to our elderly residential care homes during the Track Record Period and the four months ended 30 April 2017, we expect that it will take around 17 months after commencement of its operation to ramp up its occupancy rate to over 55% (based on a total of 150 residential care places available) at which time, based on our expected operational performance, our operation may approach breakeven.

Based on our Directors' experience, our Director estimate that the investment payback period of establishing a new residential care home will be longer than acquiring an existing elderly residential care home. It is because it takes time and we will incur substantial costs to carry out renovation work for a newly established elderly home, and no revenue would be generated and yet pre-operating expenses such as rental expense may be incurred during the renovation period if the premises is a leased property; whereas an existing elderly residential care home with existing operations may give us an advantage of having to incur less renovation costs or no renovation costs at all depending on its conditions and size and may contribute revenue to us immediately after acquisition. As such, we estimate that the investment payback period for establishment of a new elderly residential care home with 150 residential care places covering initial setup costs (such as renovation cost and acquisition cost of relevant property, plant and equipment) is to be approximately 62 months, which is longer than that for acquisition of an elderly residential care home with existing operations. For details relating to the timetable and capital commitment of our expansion plan, please refer to the section headed "Statement of business objectives and use of proceeds" in this prospectus.

Our Directors believe that both of our expansion strategies by means of establishment and acquisition have their different advantages. As for the acquisition strategy, we will be able to utilise the target's existing customer base to generate profit immediately upon completion of acquisition and therefore, a shorter investment payback period and a shorter breakeven period or no breakeven period are generally expected. Besides, a smaller amount of renovation cost per residential care place of approximately HK$27,000 (calculated by having estimated total renovation cost of HK$6.8 million divided by 250 residential care places) is expected given the existing elderly residential care home has been in operation. However, acquisition of an elderly residential care home with existing operations will generally require us to pay the acquisition cost in cash (e.g. HK$34.0 million estimated for our acquisition strategy) which would significantly affect our cash position and liquidity if such cost is significant.

As for the establishment strategy, we will not be required to pay for an upfront acquisition cost but certain period of renovation and ramping-up will be required. As the premises for the new elderly residential care home may not have the necessary renovation and fixtures readily available for the operations of an elderly residential care home, a larger amount of renovation cost per residential care place of HK$50,000 (calculated by having the estimated total renovation cost of HK$7.5 million divided by 150 residential places) is expected. As mentioned above, we estimate a ramp-up period of 17 months after commencement of its operations to accumulate sufficient occupancy rate to achieve breakeven whereas there would be no breakeven period for an existing elderly home which is already profitable at the time of acquisition. Despite the aforesaid, we consider that the establishment strategy 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 elderly residential care homes to continue to adopt our existing management style and internal control system and train new staff (unlike existing elderly residential care home subject to acquisition which could have its persistent management style and work practice substantially different from ours, it could be time-consuming for its existing staff to adapt to ours).

Based on the above, our Directors also believe that our strategies to establish a new elderly residential care home and acquire an elderly residential care home with existing operations are complimentary to one another because such strategies offer our Group alternative ways to expand when both opportunities are available for our Group to consider at the same time. As such, our Directors consider that it is a balanced way in expanding our network of elderly residential care home.

Given that (i) Mr. TC Yik, our Chairman, executive Director, chief executive officer and founder, possesses extensive experience in founding elderly residential care homes and in-depth industry knowledge from operating and establishing elderly residential care homes since 1993 (particularly our Group's current subsidiaries founded from 2006 to 2008). For details on the development history of our Group and Mr. TC Yik's involvement, please see the paragraphs headed "History, Reorganisation and corporate structure — History and development" in this prospectus; (ii) our Group has gained experiences in the operation and management of elderly residential care homes, particularly we have been able to manage our newly established elderly residential care homes namely, Shui On (Shun On), Shui On (Sun Tin Wai) and Shui On (Kwai Shing E.) and achieve profitability and recognition of the SWD as evidenced by having two of our elderly residential care homes participating in the EBPS as class EA1; (iii) our Group has been providing a maximum of 589 residential care places to our customers with an overall average monthly occupancy rate of over 93.0% during the Track Record Period; (iv) our management team, including Mr. TC Yik and two of our executive Directors, namely Mr. Chung and Ms. Chung who joined our Group in March 2006 and November 2007 respectively, has been relatively stable during the Track Record Period; and (v) we intend to transfer certain of our existing experienced staff, such as home manager, nurses, health workers and care workers, to the newly established elderly residential care homes to ensure a smooth transition and operation. Based on the above, our Directors are of the view that, and the Sole Sponsor concurs, we possess the relevant expertise and experience to establish and operate a new elderly residential care home.

Strengthen our brand building effort by improving the quality of our services of our existing elderly residential care homes

We will continue to develop our "Shui On 瑞安" brand and reinforce its recognition by the promotion of our brand and our service capabilities through (i) upgrading our headquarters and establishing a training centre; and (ii) renewing our facilities at our network of elderly residential care homes. Our management believes that by improving and maintaining the quality of our services and providing a better environment to our elderly residents, not only will we be able to improve our overall brand image, but we will also be able to attract more new customers to our elderly residential care homes.

Upgrade our headquarters and establish a training centre

We plan to centralise our corporate management functions and activities at our new corporate headquarters and provide training facilities to our staff. We intend to lease a property in East Kowloon or New Territories, Hong Kong with SFA of approximately 3,000 sq.ft. and relocate our administrative, human resources and finance departments to our headquarters to enhance our integrated management, as well as establish a training centre to be dedicated to training and improving our healthcare professionals' expertise and knowledge to improve the overall quality of our services at our elderly residential care homes. Our management believes that by providing more regular training to our employees, we will be able to improve and better control the quality of our services. Our Directors anticipate that due to our planned expansion of our network of elderly residential care homes, we will have to provide additional on-going training to our existing and new employees. We also experience natural attrition when our employees quit and work for another employer. Thus, we strive to provide comprehensive training to all of our employees such that they are able to abide by our internal and quality policies and procedures. We intend to strengthen our training programs to improve the knowledge of our professional team and supporting staff. Our training programs will be in the form of courses, seminars, caretaking programs as well as on-the-job training given by senior members of our healthcare professionals and/or external consultants. As at the Latest Practicable Date, we had not identified any specified location, nor had we entered into any definitive agreements with any landlord.

We intend to incur approximately 4.1% of the net proceeds from the Share Offer, or approximately HK$2.0 million for the establishment cost of a new corporate headquarters with a training centre based on the expected size of the premises and its intended location. Such establishment cost will comprise rental deposit and other deposits and initial capital expenditure for setting up a new corporate headquarter with a training centre. We expect to incur initial capital expenditures of approximately HK$0.7 million, representing approximately 35.0% establishment cost of a new corporate headquarters with a training centre, the majority of which shall be on renovation. We intend to finance the rental of the premises for our headquarters and training centre from our working capital.

For details relating to the timetable and capital commitment of our expansion plan, please refer to the section headed "Statement of business objectives and use of proceeds" in this prospectus.

Renew the facilities and purchase of new equipment at our network of elderly residential care homes

We intend to renew our facilities at our existing elderly residential care homes, which will improve our elderly residential homes and brand image and enable us to be more competitive. As at the Latest Practicable Date, all equipment has been used on average for over seven years. We plan to purchase new electric nursing beds, undergo renovation for certain parts of our elderly residential care homes 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 elderly residential care home will depend upon the size and number of equipment and facilities required to be upgraded or purchased.

We intend to allocate approximately 4.1% of the net proceeds from the Share Offer, or approximately HK$2.0 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, please refer to the section headed "Statement of business objectives and use of proceeds" in this prospectus.

Enhance our information technology infrastructure and install and upgrade our information system which assists our management to stay abreast of the status of our business operations on a real-time basis

We intend to upgrade the information technology system at our elderly residential care homes to enhance our service quality and efficiency so as to help our staff to deal with the problems faced in the daily operation of our elderly residential care homes more effectively. With our experienced senior management team led by Mr. TC Yik who possesses more than 20 years of industry experience in establishing and managing elderly residential care homes, we recognise that frequent accidents that could potentially incur significant responsibilities in elderly residential care homes would happen when (i) elderly residents who suffered from dementia had gone missing; and/or (ii) medications and drugs had gone missing. Thus, we intend to install a visual alert system that warns us when elderly residents who suffer from dementia attempt to leave the premises and a management system for preventing drug missing incidents, which replaces manpower with technology in dealing with medical records, consultation follow-up arrangements, medication handling and health records of elderly residents to avoid or reduce the possibility of such accidents. Meanwhile, we will re-establish our elderly residential care homes' human resources system and accounting system, and connect the intranets between our elderly residential care homes to interconnect their respective information technology systems, including monitoring system for public area in our elderly residential care homes, accounting system, elderly residential care home management system and human resources system. In addition to enhancing synergy, we will also be able to strengthen information exchange and sharing of resources among our elderly residential care homes. We believe that the improved information systems will help us improve the quality of our elderly residential care homes effectively. We estimate that the cost of upgrading our information systems will be approximately HK$2.6 million (representing approximately 5.3% of the net proceeds from the Share Offer) which will be financed by the net proceeds from the Share Offer. For details relating to the timetable and capital commitment of our expansion plan, please refer to the section headed "Statement of business objectives and use of proceeds" in this prospectus.

BUSINESS MODEL

We are an elderly residential care home operator that provides residential, nursing, medical, rehabilitation, caretaking and other professional services of quality standard such as regular medical consultation, physiotherapy, psychological and social care services to elderly residents. Some of our elderly residents may also require assistance in coping daily activities in their daily lives. As at the Latest Practicable Date, our network of five elderly residential care homes spanned four districts, namely Kwun Tong, Chai Wan, Kwai Tsing and Shatin across the Hong Kong Island, Kowloon and the New Territories. Our services can be divided into six main areas: (i) residential care home services; (ii) nursing and personal caretaking services; (iii) health and medical services (provided through our engagement of registered medical practitioners as our external contractors); (iv) rehabilitation services; (v) meal preparation and nutritional management services; and (vi) social care services. Depending on the degree of care needed, our staff at our elderly residential care homes are generally able to care for most of the needs of our elderly residents in their daily lives.

During the Track Record Period and up to the Latest Practicable Date, we generated our revenue through (i) rendering of elderly home care services; and (ii) the sales of elderly related goods and provision of customisable add-on healthcare services.

Our residential care home services and healthcare services

(i) residential care home services

All of our elderly residents reside at our elderly residential care homes receive our professional care services. Thus, we provide accommodation and other services to our elderly residents and in return we receive residential care home services fees from our elderly residents. We charge the basic residential care home services fees based on the size of the bedrooms and the number of elderly residents in the bedrooms. The number and types of bedrooms offered are dependent on the size of each of our elderly residential care homes which range from single en-suite bedrooms, single bedrooms, double bedrooms, triple bedrooms, quadruple bedrooms, five-person bedrooms, six-person and seven-person bedrooms. The basic residential care home services fees vary from the least expensive seven-person bedrooms to our most expensive single en-suite bedrooms with window. The price of our residential service fees is based on the type of the bedroom and the amenities available and the demand for the bedroom. Other than the type and size of the bedrooms and the amenities that are installed inside the bedrooms, all of our elderly residents receive the same type of standard services at each of our elderly residential care homes such as meal preparation services for five times a day, nursing and personal caretaking services and basic medical, physiotherapy and social care services. Our bedrooms typically have air conditioners and basic amenities such as beds, cabinets and depending on individual design, sinks, shower stalls and toilet seats, installed for the convenience of our elderly residents, which are designed to be comfortable, cosy and homely for our elderly residents. As examples of our additional service charges, we typically charge an air conditioning fee from May to October, extra electricity fee to operate oxygen supply machines and beds with air mattress to cover the extra electricity utilised and a rental charge for special care and air mattress beds per month. For details of the number and types of bedrooms at each of our elderly residential care homes, please refer to the paragraphs headed "Our elderly residential care homes" below in this section.

(ii) Nursing and personal caretaking services

Our experienced registered and enrolled nurses, health workers and care workers at each of our elderly residential care homes assist our elderly residents with their daily lives from maintaining personal hygiene, recording personal health information, taking or injecting medicine, to assisting with their everyday activities. Common nursing and personal caretaking services such as medicine distribution and maintaining personal hygiene are offered as part of the standard services to all elderly residents. Our standard caretaking services include assistance with shower taking or cleaning, medicine taking, changing or dressing, eating, laundry and light housekeeping duties. We also provide car booking service to our elderly residents when these is a special need for using the motor vehicle. As the level of nursing and caretaking services provided to each elderly resident varies with the degree of assistance or care required, we charge an additional caretaking fee for services such as food feeding on a daily basis or extra elderly residential care due to personal medical conditions on a routine basis. For instance, we typically charge our elderly residents an additional caretaking service fee if (a) insulin injection is required on a daily basis; or (b) continuous extra mobility assistance is required; or (c) one-off special assistance is required such as name tagging services, television installation services and/or accompaniment of elderly residents to medical appointments.

As our nurses and health workers are qualified to handle medication drugs, they are responsible for storing, preparing and distributing medication drugs to our elderly residents and are required to strictly adhere to our medication distribution policy and the drug handling manual issued by relevant government authorities. Our nurses and health workers are required to follow the "five rights" checking procedures when distributing medication drugs to our elderly residents and to ensure consistency with the information stated in the medication administration records. Our team of healthcare professionals is responsible for reviewing whether the medication drugs have been properly administered. After the prescribed dosage of medication has been distributed to the elderly residents, our nurses or health workers would store unused medication drugs safely for our elderly residents.

(iii) Health and medical services

Both private medical doctors and doctors from nearby public hospitals provide regular on-site consultation and check-up services to our elderly residents typically twice a month. During the Track Record Period and up to the Latest Practicable Date, we cooperated with nearby public hospitals that supplied medical doctors to provide weekly on-site consulting services and engaged three private medical doctors as external contractors to provide on-site medical services to our elderly residents. The on-site provision of regular health check-up and medical consultation services by our visiting doctors who are external contractors is part of our standard services. Also, in addition to the supervision of our personnel at our elderly residential care homes, visiting nurses from nearby hospitals would also provide related healthcare services to our elderly residents such as checking the recovery progress of cuts and wounds, changing gastric tubes and urinary catheters. Medical consultation and check-ups are conducted in private medical consultation or service bedrooms. Furthermore, we maintain close relationships with nearby hospitals as we refer our elderly residents to these hospitals when our elderly residents require emergency medical attention.

(iv) Rehabilitation services

We provide regular physiotherapy and occupational therapy treatments to our elderly residents who experience or suffer from disabilities, injuries or chronic illnesses that restrict or prevent them from exercising full range of physical movements. The provision of regular rehabilitation services including physiotherapy and occupational therapy services is part of our standard services but additional one-on-one treatments that require extra elderly residential care from our physiotherapists and occupational therapists, we charge our elderly residents for the extra services rendered. In some of our elderly residential care homes, we also provide private physiotherapy rooms to our elderly residents as part of our facilities, which are conducive to rehabilitation. Please refer to the paragraphs headed "Our elderly residential care homes" for details relating to our physiotherapy equipment below in this section.

(v) Meal preparation services

As part of our standard services, dietician-managed meal plans are provided five times a day every day to our elderly residents. The meals are prepared with recipes designed by dietician consultants. As some of our elderly residents have dietary restrictions and specific requirements due to their medical conditions or personal needs, we typically prepare more than one set of meals on a daily basis to accommodate for different needs of our elderly residents. Dietitians may also design tailor-made nutritional management programs for our elderly residents if needed. As meal plans are part of our standard services that come with our residential care home services, we do not charge extra for our regular meal preparation services. Our dietitians regularly update our menus depending on the season and health conditions of our elderly residents. Furthermore, our nurses or health workers will also alert the care workers responsible for the elderly residents by following the instructions from the doctors or the customers or their family members if there are any specific requirements of each of our customer such as dietary restrictions, weight problems, vegetarian diet or other individual requests.

(vi) Social care services

Through interaction with our social care workers and the activities organised by them, we encourage our elderly residents to develop a balanced lifestyle with good mental and psychological health. As such, our social care services are provided as part of our standard services. We strive to enrich the lives of our elderly residents by organising regular social activities and outings such as interpersonal group activities including birthday parties, group activities organised with local volunteer groups and other activities such as playing mah-jong, singing karaoke and watching movies, acting in Cantonese opera performance, and participating in sightseeing trips to visit local attractions as well as going for dim sum at nearby Chinese restaurants.

Sale of elderly related goods

Our elderly residential care homes also engage in the sale of personal healthcare related products to our elderly residents. Examples of personal healthcare related products include adult nappies, nutritional milk, other medical consumable products and daily supplies. The sale of such items provides convenience to our elderly residents as it may not be easy for them to purchase certain daily consumable supplies on a frequent basis.

Sources of revenue

Our revenue is derived from (i) service fees from rendering of elderly home care services paid by each of the elderly residents of our elderly residential care homes and the SWD under the EBPS; and (ii) the sale of healthcare and medical consumable products and the provision of healthcare services.

The monthly residential care home services fee covers accommodation and services including dietician-managed meal plans, nursing and personal caretaking services, medical services, rehabilitation services and social care services as mentioned above.

We also generate revenue from the sale of healthcare and medical consumable products, such as adult nappies, milk powder and other personal care products and daily supplies. Our provision of healthcare services include the amount of disbursements for additional healthcare services which depends on the type and frequency of the services as well as the number of staff engaged in delivering or procuring the personalised services.

The following table sets forth our revenue from (i) rendering of elderly home care services; and (ii) sales of elderly related goods and provision of healthcare services for the years indicated:

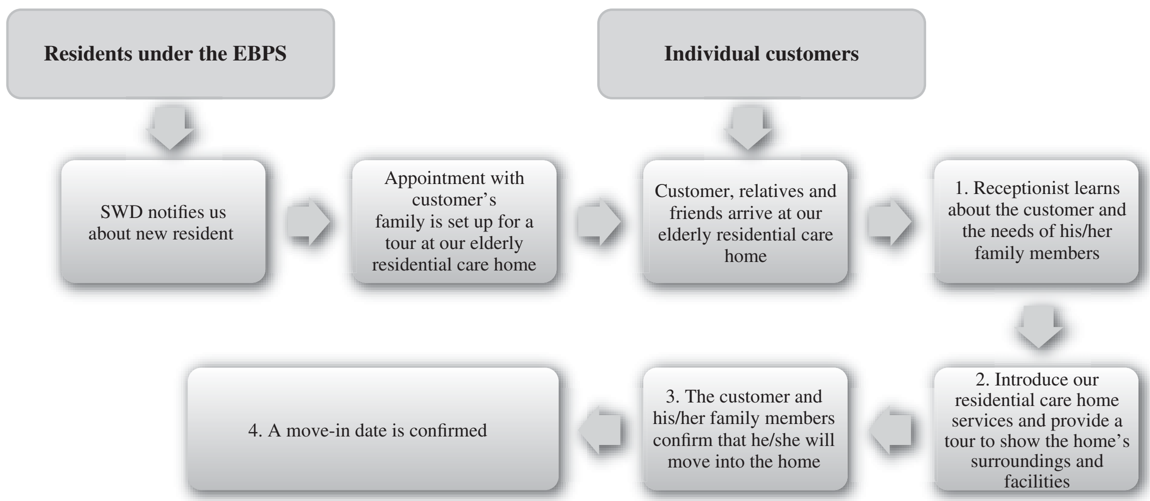
	For the year ended 31 December			
	2015		2016	
	HK$('000)	*%*	*HK$('000)*	*%*
Rendering of elderly home care services *(Note)*	33,582	84.1	48,874	82.9
Sales of elderly related goods and provision of healthcare services *(Note)*	6,355	15.9	10,101	17.1
Total	39,937	100.0	58,975	100.0

Note: The revenue generated by Wan Tsui was not included as part of our Group's revenue generated during the Track Record Period as Wan Tsui was considered as our associate prior to the Wan Tsui Disposal on 28 June 2016. For details of its accounting treatment, please see the paragraphs headed "Financial information — Share of profits and losses/gain on disposal of associates" in this prospectus and note 15 to the Accountants' Report as set out in Appendix I to this prospectus. The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2016, respectively. As such, our revenue for the year ended 31 December 2016 took into account our revenue generated from each of Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) elderly residential care homes during the periods between the dates when they became our subsidiaries and 31 December 2016.

Business process

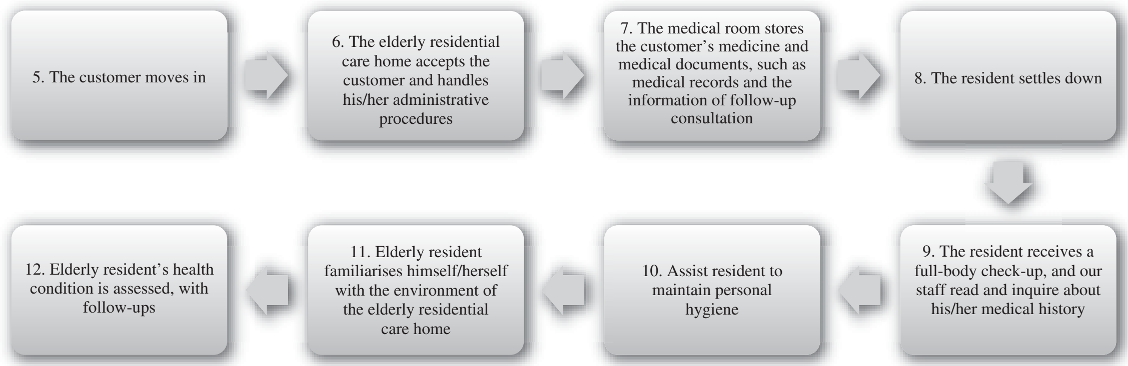
The following diagram illustrates the process of enrolment into our elderly residential care homes:

The following flow chart illustrates the initial stage of enrolment before our elderly residents move into our elderly residential care homes.



Step 1	The receptionist learns about basic information of the customer from the customer or his/her family members, including health conditions, habits, food preferences, necessary medical services, and other personal needs and requirements
Step 2	The receptionist introduces our residential care home services and our service fees, and the facilities at our elderly residential care home and provides a tour of our elderly residential care home
Step 3	Once the customer and his/her family members agree to move into our elderly residential care home, we would assist him/her to select a residential care place and the customer would pay for the reservation fee; the customer then submits registration information
Step 4	A move-in date is confirmed for accepting the customer

The following flow chart illustrates the steps typically involved for accepting a new elderly resident on the first day of moving into one of our elderly residential care homes.



Step 5	The customer moves into the elderly residential care home
Step 6	When the customer moves in, our elderly residential care home would handle administrative procedures and the customer pays a deposit, home charges and sundries, then he/she becomes a formal home resident
Step 7	The medical room stores the elderly resident's medications, drugs and medical documents, such as medical records and the information for follow-up consultations
Step 8	The elderly resident settles down with his/her personal belongings
Step 9	Our medical staff performs a full-body check-up for the elderly resident and learns about his/her medical history, as part of a preliminary assessment
Step 10	Our care workers assist the elderly resident to maintain his/her personal hygiene
Step 11	The elderly resident is guided to familiarise with the environment of the elderly residential care home
Step 12	The elderly resident's health condition is assessed with follow-ups by our doctors, social workers and physiotherapists

OUR ELDERLY RESIDENTIAL CARE HOMES

As at the Latest Practicable Date, we owned five elderly residential care homes across different areas of Hong Kong which were operated by our principal Hong Kong subsidiaries including Shui On (Shun On), Shui Hing, Shui On (Hing Wah), Shui On (Sun Tin Wai) and Shui On (Kwai Shing E.). Since the commencement of the Track Record Period and up to 28 June 2016, we also owned 76% of the interest in Wan Tsui which was considered as our associate. On 28 June 2016, we disposed of our entire interest in Wan Tsui to an Independent Third Party. The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2016, respectively. Apart from Wan Tsui which was not operated by us while it was considered as our associate prior to the Wan Tsui Disposal on 28 June 2016, we operated all of our elderly residential care homes during the Track Record Period and up to the Latest Practicable Date.

We established our first elderly residential care home in 2007 with a view to accommodate elderly persons who required assistance but might not receive adequate care from their families. We focus on delivering high-quality residential care home services. We believe such strategic positioning allows us to serve elderly residents who are willing to pay for quality services. All of our elderly residential care homes are classified as elderly residential care homes and two of our elderly residential care homes namely Shui On (Shun On) and Shui On (Kwai Shing E.), were categorised as class EA1 by the SWD during the Track Record Period and up to the Latest Practicable Date for meeting the stipulated minimum space and staff ratio requirements under the EBPS.

The table below sets forth essential information about our elderly residential care homes as at the Latest Practicable Date:

Our elderly residential care homes	Location	Year of commencement of operation by our Group (Note 1)	Total number of residential care places	Number of residential care places under the EBPS	Number of full-time employees (Note 2)	SFA	Classification under the EBPS	Average occupancy rate per month for the four months ended 30 April 2017	Monthly residential fee (under the EBPS) for the four months ended 30 April 2017	Range of monthly residential home fee (non-EBPS customers) as at the Latest Practicable Date (Note 3)
						(sq. m.)		*(%)*	*(HK$)*	*(HK$)*
Shui On (Shun On)	Kwun Tong	2007	118	59	46	1,122.3	EA1	95.8	12,743	7,100–13,200
Shui Hing	Kwun Tong	2011	90	–	25	906.8	–	94.4	–	7,000–15,000
Shui On (Hing Wah)	Eastern	2008	72	–	18	522.6	–	100.0	–	6,800–12,350
Shui On (Sun Tin Wai)	Shatin	2016	89	–	31	718.9	–	97.8	–	7,500–9,500
Shui On (Kwai Shing E.)	Kwai Tsing	2016	220	134	86	2,563.8	EA1	93.6	12,584	5,425–14,900
Total			589	193	206	5,834.4				

Notes:

1. The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2016, respectively.

2. The total number of employees as shown in the table above only took into account of the employees of each of our subsidiaries operating our elderly residential care homes but did not take into account our Directors and those of our Company at a company's level. Our Directors confirm that Shui On (Kwai Shing E.) and Shui On (Shun On) complied with the minimum staffing requirement throughout the Track Record Period.

3. Non-EBPS customers comprise individual customers and non-governmental organisations.

The monthly residential service fees payable for each class EA1 residential care place at our two class EA1 elderly residential care homes under the EBPS are as follows:

		From 1 January 2015 to 31 March 2015 (Previous EBPS Agreement) *(Note 2)*	From 1 April 2015 to 31 March 2016 (Previous EBPS Agreement) *(Note 2)*	From 1 April 2016 to 31 March 2017 (Current EBPS Agreement) *(Note 2)*	From 1 April 2017 to the Latest Practicable Date (Current EBPS Agreement) *(Note 2)*
		(HK$)	*(HK$)*	*(HK$)*	*(HK$)*
Shui On (Shun On) . .	Base rate (i.e. the subsidy) paid by the HK Government *(Note 1)*	9,978	10,427	10,709	10,902
	Monthly fee paid by each elderly resident under the EBPS	1,707	1,707	1,707	1,707

		From 1 January 2015 to 31 March 2015 (Previous EBPS Agreement) *(Note 3)*	From 1 April 2015 to 31 March 2016 (Previous EBPS Agreement) *(Note 3)*	From 1 April 2016 to 31 March 2017 (Current EBPS Agreement) *(Note 3)*	From 1 April 2017 to the Latest Practicable Date (Current EBPS Agreement) *(Note 3)*
		(HK$)	*(HK$)*	*(HK$)*	*(HK$)*
Shui On (Kwai Shing E.) . .	Base rate (i.e. the subsidy) paid by the HK Government *(Note 1)*	9,454	9,879	10,146	10,329
	Monthly fee paid by each elderly resident under the EBPS	1,707	1,707	1,707	1,707

Notes:

1. Base rate to be paid by the HK Government will be adjusted based on the prevailing rate of inflation.

2. The previous EBPS Agreement entered into between the HK Government and Shui On (Shun On) was valid for 24 months commencing from 1 April 2014. The current EBPS Agreement entered into between the HK Government and Shui On (Shun On) is valid for 24 months commencing from 1 April 2016.

3. The previous EBPS Agreement entered into between the HK Government and Shui On (Kwai Shing E.) was valid for 24 months commencing from 1 April 2014. The current EBPS Agreement entered into between the HK Government and Shui On (Kwai Shing E.) is valid for 24 months commencing from 1 April 2016.

The following table sets forth the breakdown of our revenue from rendering of elderly home care services by each of our elderly residential care homes during the Track Record Period:

	Year ended 31 December							
	2015				2016			
	Leased by the SWD	Leased by individual customers	Leased by non-governmental organisations	Total	Leased by the SWD	Leased by individual customers	Leased by non-governmental organisations	Total
	HK$('000)	*HK$('000)*	*HK$('000)*	*HK$('000)*	*HK$('000)*	*HK$('000)*	*HK$('000)*	*HK$('000)*
		(Note 1)		*(Note 3)*		*(Note 1)*		*(Note 3)*
Shui On (Shun On)	7,303	7,741	87	15,131	7,532	7,982	93	15,607
Shui Hing	–	11,063	–	11,063	–	11,487	–	11,487
Shui On (Hing Wah)	–	7,388	–	7,388	–	7,883	–	7,883
Shui On (Sun Tin Wai)	N/A	N/A	N/A	N/A	–	3,145	–	3,145 *(Note 2)*
Shui On (Kwai Shing E.)	N/A	N/A	N/A	N/A	5,789	4,917	46	10,752 *(Note 2)*
	7,303	26,192	87	33,582	13,321	35,414	139	48,874

Notes:

1. Such revenue was generated from individual customers and the unsubsidised portions paid by individual customers under the EBPS and the unsubsidised portions paid by individual customers referred to us by non-governmental organisations.

2. The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2016, respectively. As such our revenue generated from the rendering of elderly home care services for the year ended 31 December 2016 took into account our revenue generated from each of Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) elderly residential care homes during the periods between the dates when they became our subsidiaries and 31 December 2016.

3. The revenue generated by Wan Tsui was not included as part of our Group's revenue generated during the Track Record Period as Wan Tsui was considered as our associate prior to the Wan Tsui Disposal on 28 June 2016.

The following table sets forth the breakdown of our revenue from sales of elderly related goods and provision of healthcare services for the years indicated:

	Year ended 31 December	
	2015	2016
	HK$('000)	*HK$('000)*
Shui On (Shun On)	2,372	2,706
Shui Hing	2,269	2,591
Shui On (Hing Wah)	1,714	2,185
Subtotal	6,355	7,482
Shui On (Sun Tin Wai)	N/A	1,246
Shui On (Kwai Shing E.)	N/A	1,373
Total	6,355	10,101

Notes:

1. The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2016, respectively. The average spending on elderly related goods and provision of healthcare services per resident per year excluding Shui On (Sun Tin Wai) and Shui On (Kwai Shing E.) increased from HK$23,450 for the year ended 31 December 2015 to HK$27,711 for the year ended 31 December 2016, representing an increment of approximately HK$4,261 or 18.2%, which was mainly due to (i) the upward price adjustment of purchase of elderly related goods resulted from inflation in Hong Kong; and (ii) increase in healthcare service demand from our residents.

2. The revenue generated by Wan Tsui was not included as part of our Group's revenue generated during the Track Record Period as Wan Tsui was considered as our associate from the commencement of the Track Record Period to the date of Wan Tsui Disposal on 28 June 2016

The following table sets forth the services and amenities of each of our elderly residential care homes during the Track Record Period and up to the Latest Practicable Date:

Services and amenities	Shui On (Shun On)	Shui Hing	Shui On (Hing Wah)	Shui On (Sun Tin Wai)	Shui On (Kwai Shing E.)
On-site consultation by private visiting doctor	✓	✓	✓	✓	✓
On-site consultation by visiting doctor from public hospitals	✓	✓	✓	✓	✓
Physiotherapy room/area	✓	✓	✓	✓	✓
Movie theatre	✓	✗	✗	✗	✓
Haircut service	✓	✓	✓	✓	✓
Computer corner	✗	✗	✗	✗	✓
Medical service/ consultation room	✓	✓	✓	✓	✓
Garden	✗	✗	✓	✗	✓

The following table sets forth the average monthly residential care service fee of each of our elderly residential care homes for the years indicated:

Elderly residential care home	District	Classification under the EBPS	Average monthly residential fee range for non-EBPS customers *(Note)*		Average monthly residential fee under the EBPS	
			For the year ended 31 December		For the year ended 31 December	
			2015	2016	2015	2016
			(HK$)	*(HK$)*	*(HK$)*	*(HK$)*
Shui On (Shun On)	Kwun Tong	EA1	6,500–14,803	6,800–11,308	12,291	12,514
Shui Hing	Kwun Tong	N/A	5,650–19,013	7,000–18,950	N/A	N/A
Shui On (Hing Wah)	Eastern	N/A	6,800–15,583	7,500–17,112	N/A	N/A
Shui On (Sun Tin Wai)	Shatin	N/A	N/A	6,157–11,717	N/A	N/A
Shui On (Kwai Shing E.)	Kwai Tsing	EA1	N/A	5,508–15,144	N/A	12,008

Note: Non-EBPS customers comprise individual customers and non-governmental organisations.

Pricing of our services and payment terms

During the Track Record Period, with the exception of Wan Tsui, our elderly residential care homes were owned and operated by us and therefore we were generally entitled to set the prices of our services at our own discretion in line with market rate. The pricing of our fee depends on the type of the bedroom, the amenities available in the bedrooms and the level of demand for the bedrooms. To align with our goal in providing quality residential care home services to elderly residents and to compete effectively with other providers in the market, we set our residential care home services fees which, according to the Ipsos Report, were in the higher end of monthly fee (i.e. HK$8,000 to HK$13,000) in terms of our residential service fees which is between the lower end (i.e. HK$5,000 to HK$8,000) and the premium end (i.e. HK$13,000 to HK$20,000).

We generally review the pricing of our services annually. When determining our chargeable rates, our management takes into account factors such as cost of operations, cost of leasing of the premises, market price range charged by our competitors, and the prevailing inflation rate. When there is an increase in costs, we are generally able to pass on the cost increase to our customers by price adjustments.

The table below sets forth details of the average monthly occupancy rate of each of our elderly residential care homes during the Track Record Period:

	Overall average		Average for non-EBPS residential care places (individual customers and non-governmental organisations)		Average for residential care places under the EBPS	
	For the year ended 31 December		For the year ended 31 December		For the year ended 31 December	
Elderly residential care home	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**
	%	%	%	%	%	%
Shui On (Shun On)	95.8	94.9	94.9	91.5	98.3	98.3
Shui Hing *(Note 3)*	96.7	96.7	96.7	96.7	–	–
Shui On (Hing Wah) *(Note 3)*	98.6	98.6	98.6	98.6	–	–
Shui On (Sun Tin Wai) *(Notes 2 and 3)*	N/A	98.9	N/A	98.9	N/A	–
Shui On (Kwai Shing E.) *(Note 2)*	N/A	93.2	N/A	84.9	N/A	98.5

Notes:

1. The monthly occupancy rate is calculated by dividing the number of elderly residents as at the month end of each elderly residential care home by the number of residential care places available at that elderly residential care home. The average monthly occupancy rate is the average of all the monthly occupancy rates over the financial year.

2. The relevant periods for calculating the average monthly occupancy rates of Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) only cover the periods since the dates when they became our subsidiaries and up to 31 December 2016. The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2016, respectively.

3. The Shui Hing, Shui On (Hing Wah) and Shui On (Sun Tin Wai) elderly residential care homes do not participate in the EBPS. As such, the average monthly occupancy rate for places under the EBPS is not applicable to them.

The following is a summary of the background information of each of our elderly residential care homes:

Shui On (Shun On) elderly residential care home

Our Shui On (Shun On) elderly residential care home, which commenced operations in 2007, is operated by one of our wholly owned subsidiaries, namely, Shui On (Shun On). It is licensed to provide 172 residential care places with a SFA of 1,122.3 sq.m. It is classified as class EA1 by the SWD with 59 residential care places leased to the SWD under the EBPS. As at the Latest Practicable Date, it employed a total of 46 full-time employees, including one home manager, two registered nurses, six enrolled nurses, eight health workers, 19 care workers, nine ancillary workers and one physiotherapy assistant, providing 24-hour residential care home services to its elderly residents. Its facilities include a living room, an activity room, a medical service room, a physiotherapy room and a laundry room.

Shui Hing elderly residential care home

Our Shui Hing elderly residential care home, which commenced operations in 2011, is operated by one of our wholly owned subsidiaries, namely, Shui Hing. With a license to provide 139 residential care places and a SFA of 906.8 sq.m., it currently provides 90 residential care places to our elderly residents to provide a more spacious environment to our elderly residents. As at the Latest Practicable Date, it employed a total of 25 full-time employees, including one home manager, two registered nurses, three health workers, 14 care workers and five ancillary workers, providing 24-hour elderly residential care to its elderly residents. Its facilities include a living room, an activity room, a medical service room, a physiotherapy area and a laundry room.

Shui On (Hing Wah) elderly residential care home

Our Shi On (Hing Wah) elderly residential care home, which commenced operations in 2008, is operated by one of our wholly owned subsidiaries, namely, Shui On (Hing Wah) as at the Latest Practicable Date. With a license to provide 80 residential care places and a SFA of 522.6 sq.m., it currently provides 72 residential care places in order to foster a more spacious environment to our elderly residents. As at the Latest Practicable Date, it employed a total of 18 full-time employees, including one home manager, four health workers, 11 care workers and two ancillary workers providing 24-hour residential care home services to its residents. Its facilities include a living room, an activity room, a medical service room, a physiotherapy area, a laundry room and a penthouse garden on top of a connected building.

Shui On (Sun Tin Wai) elderly residential care home

Following completion of the acquisition of 15,000 shares of Shui On (Sun Tin Wai) from Jumbo Sino on 20 September 2016, our Group owned the entire issued capital of Shui On (Sun Tin Wai) through Shui On Holdings (HK). Our Shui On (Sun Tin Wai) elderly residential care home, which commenced operations in 2007, is operated by one of our wholly owned subsidiaries, namely, Shui On (Sun Tin Wai). It provides 89 residential care places even though it is licensed to provide 110 residential care places with a SFA of 718.9 sq.m. such that we are able to foster a more spacious environment to our elderly residents. As at the Latest Practicable Date, we employed a total of 31 full-time employees, including one home manager, one enrolled nurse, six health workers and 14 care workers and nine ancillary workers, providing 24-hour residential care home services to its elderly residents. Its facilities include a living room, an activities room, a medical service room, a physiotherapy area and a laundry room.

Shui On (Kwai Shing E.) elderly residential care home

Following completion of the acquisition of 10,000 shares of Shui On (Kwai Shing E.) from Mr. TC Yik on 31 August 2016, our Group owned approximately 66.7% of the entire issued share capital in Shui On (Kwai Shing E.) through Shui On Holdings (HK). Our Shui On (Kwai Shing E.) elderly residential care home, which commenced operations in 2007, is operated by one of our subsidiaries, namely, Shui On (Kwai Shing E.). It provides 220 residential care places even though it is licensed to provide 394 residential care places with a SFA of 2,563.8 sq.m. such that we are able to foster a more spacious environment to our elderly residents. It is classified as class EA1 by the SWD with 134 residential care places leased to the HK Government under the EBPS. As at the Latest Practicable Date, we employed a total of 86 full-time employees, including one home manager, five registered nurses, nine enrolled nurses, nine health workers, 38 care workers, 19 ancillary workers, one physiotherapist, two physiotherapy assistants and two social workers providing 24-hour residential care home services to its elderly residents. Its facilities include a living room, an activities room, a physiotherapy room, a laundry room, a penthouse garden, sensory treatment room and a medical consultation room.

Wan Tsui elderly residential care home (operated by a then minority shareholder of Wan Tsui)

Wan Tsui was owned by our Group as to 76% of its entire issued capital through Shui On Holdings (HK) from 31 July 2013 and prior to the disposal of its entire interest to an Independent Third Party on 28 June 2016. As such, our Group ceased to have any interests in Wan Tsui on 28 June 2016. From the commencement of the Track Record Period and prior to the date of disposal on 28 June 2016, the Wan Tsui elderly residential care home provided 119 residential care places across 23 single bedrooms, 10 double bedrooms and 19 quadruple bedrooms and it was licensed to provide 165 residential care places with a SFA of 1,154.0 sq.m.. During the aforesaid period, the daily operation of Wan Tsui was subcontracted to a then minority shareholder of Wan Tsui under the Subcontracting Agreement dated 15 August 2013 entered into between Shui On Holdings (HK) and the then minority shareholder of Wan Tsui. Our Group did not consolidate the results of Wan Tsui under IFRS 10 because our Group did not have power over Wan Tsui which gives us the ability to direct the activities that significantly affect Wan Tsui's returns. As our Group had significant influence over Wan Tsui, our Group had applied equity method to account for our investment in Wan Tsui as an associate. For details, please refer to the paragraphs headed "History, Reorganisation and corporate structure — Corporate history — Wan Tsui (an associate disposed of by our Group during the Track Record Period)" and "Business — Acquisitions and disposals by our Group during the Track Record Period" in this prospectus, and note 15 to the Accountants' Report set out in Appendix I to this prospectus.

EMPLOYEES

As at the Latest Practicable Date, the number of employees at each of our elderly residential care homes was as follows:

	Shui On (Shun On) *(Note)*	Shui Hing *(Note)*	Shui On (Hing Wah) *(Note)*	Shui On (Sun Tin Wai) *(Note)*	Shui On (Kwai Shing E.) *(Note)*	Total *(Note)*
Home managers	1	1	1	1	1	5
Registered nurses	2	2	–	–	5	9
Enrolled nurses	6	–	–	1	9	16
Physiotherapists	–	–	–	–	1	1
Physiotherapy assistants	1	–	–	–	2	3
Health workers	8	3	4	6	9	30
Care workers	19	14	11	14	38	96
Ancillary workers	9	5	2	9	19	44
Social workers	–	–	–	–	2	2
Total	46	25	18	31	86	206

Note: The number of employees only included full-time employees for each of our elderly residential care homes and did not take into account our Directors and those employees of our Company at a company's level. As at the Latest Practicable Date, all of our elderly residential care homes had met the standard, the number and type of employees required under the RCH(EP)R, the RCHE Code of Practice and our two elderly residential care homes participating under the EBPS have fulfilled the terms and conditions under the EBPS Agreement entered into between each of them and the HK Government.

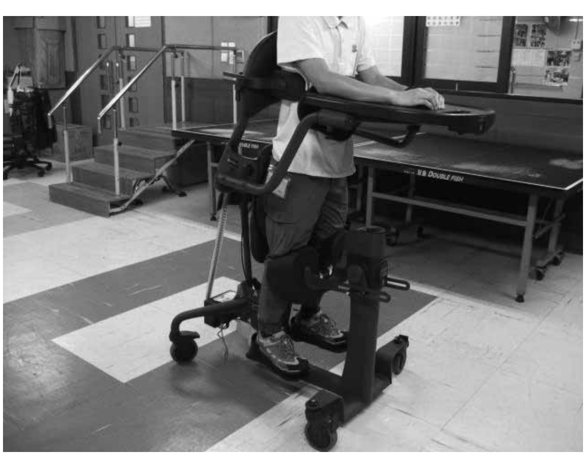
The following table sets forth the number and type of bedrooms available at each of our elderly residential care homes as at the Latest Practicable Date.

Elderly residential care home	Number of single en-suite bedrooms	Number of single bedrooms	Number of double bedrooms	Number of triple bedrooms	Number of quadruple bedrooms	Number of five-person bedrooms	Number of six-person bedrooms	Number of seven-person bedrooms	Total number of residential care places
Shui On (Shun On)	–	15	9	1	17	–	–	2	118
Shui Hing	–	55	13	3	–	–	–	–	90
Shui On (Hing Wah)	–	9	5	–	10	–	1	1	72
Shui On (Sun Tin Wai)	–	8	17	4	3	1	3	–	89
Shui On (Kwai Shing E.)	2	100	19	6	13	2	–	–	220
Total	2	187	63	14	43	3	4	3	589

OUR FACILITIES AND EQUIPMENT

We strive to provide high-quality residential care home services to our elderly residents in a comfortable environment, which we believe distinguishes us from many of our competitors. Our elderly residential care homes are equipped with adequate equipment and facilities, which enable our elderly residents to receive basic medical or rehabilitation care and support at our elderly residential care homes. Our physiotherapy equipment includes interferential therapy and ultrasound machine, electrical examination bed, infra-red therapy, stairs with rails, wall bar, upper limb urgometer, shoulder arc, pulley, standing assistance frame, hoist for patient transfer and traction machine. We also leased one motor vehicle which supports the use of wheelchairs and elderly residents who require assistance during the Track Record Period. Most of our elderly residential care homes contain a medical service/consultation room and a physiotherapy room/area, which provide privacy during treatment. Apart from the provision of adequate medical support and care, we have installed other general amenities and facilities at each of our elderly residential care homes in an effort to furnish a comfortable, convenient and enjoyable environment, one which is suited to the needs of our elderly residents. For our elderly residents' convenience, we have installed a calling alarm at each of our residential care places. Basic amenities such as air conditioning are also available at each of our elderly residential care homes.

In order to provide better services to our residents, we plan to continuously improve and upgrade our equipment, facilities and amenities up-to-date equipment with better and/or more features. For further details, please see the section headed "Statement of business objectives and use of proceeds" in this prospectus.



MANAGEMENT AND OPERATION OF OUR ELDERLY RESIDENTIAL CARE HOMES

We have implemented standardised management and operational procedures across our network of elderly residential care homes to ensure consistency in the quality of our services and to enhance the elderly residents' comfort and experience. Our senior management team is responsible for overseeing major decisions on operations and strategies of our elderly residential care homes and matters that concern our Group as a whole, ensuring that our management and operational procedures comply with relevant laws and regulations and continuously review and improving our processes for operational efficiency and safety on a continual basis.

All day-to-day management and operation supervision of each of our elderly residential care homes are supervised by its home manager. Each elderly residential care home's cash flow and budgeting management is directly supervised by our accounting officers led by on chief financial officer. In addition, each elderly residential care home is also responsible for its own sales and marketing. Procurement is managed individually by the procurement team of each elderly residential care home according to the particular needs and demands at each elderly residential care home. For details of our procurement arrangements, please see the paragraphs headed "Suppliers and procurement" below in this section.

Our home manager at each of our elderly residential care homes is also responsible for formulating routine programme schedules and timetables for daily activities of our elderly residents and posting them at common area for visitors or residents or reception area at our elderly residential care homes. In addition, our home managers are responsible for maintaining and updating our record system for record keeping of for our staff and our customers such as staff employment record, staff duty roster, attendance record and outdoor duty record as well as medical record and other personal information of our customers. Our management also ensures the compliance with the requirements under the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) in handling personal data of our staff and our elderly residents. In respect of medical management, each elderly residential care home has to strictly follow standardised operational procedures as set out in our house manual, the rules of which are based on local laws, regulations and industry practice. Such standardised operational procedures help to ensure consistent quality of service and operational efficiency among our elderly residential care homes.

We conduct regular evaluations and performance reviews of the performances of our elderly residential care homes and our staff to ensure that our standardised operational procedures are complied with in delivering services to our elderly residents. As preferences and background of the elderly residents vary, the needs and demand of elderly residents at each of our elderly residential care homes may also differ. In order to accommodate such differences, the management of each of our elderly residential care homes manages its own healthcare professionals and supporting staff.

Although each of our elderly residential care homes is responsible for its own management, operations and supervision, we encourage the management of our elderly residential care homes to share their management and operational experience with each other so as to ensure consistent quality of service and operational efficiency among our elderly residential care homes. To this end, we conduct regular meetings with home managers to communicate and share experience, information and other resources.

OUR TEAM OF HEALTHCARE PROFESSIONALS

Our team of healthcare professionals comprised mostly full-time registered nurses, enrolled nurses, physiotherapists, health workers and social workers. The qualifications and experience of our professional staff are vital to the quality of our residential care home services provided at our elderly residential care homes. We place significant emphasis on recruiting, training and retaining our staff. Many members of our team had practiced at hospitals, medical centres or elderly residential care homes before joining us, and therefore have sufficient experience in providing care and rehabilitation services. Members of our team of healthcare professionals comprised both local workers and foreign workers with permits to work in Hong Kong.

During the Track Record Period, all of the registered nurses employed by us were registered with the Nursing Council of Hong Kong as required under the Nurses Registration Ordinance (Chapter 164 of the Laws of Hong Kong); all of our health workers were also registered on the register maintained by the Director of Social Welfare under section 5 of the RCH(EP)R; all of our physiotherapists were registered with the Board of Physiotherapists and holders of valid practising certificates; and all of our social workers were registered under the Social Workers Registration Ordinance.

We assess whether potential recruits are suitable by evaluating their qualifications, experience, reputation and previous compliance records. Our managers of our elderly residential care homes conduct regular interviews for hiring new recruits and verify the background and qualification of our potential candidates.

The following table sets forth a breakdown of our healthcare professionals by type as at the dates indicated:

	As at 31 December 2015	As at 31 December 2016	As at Latest Practicable Date
Registered nurses	4	9	9
Enrolled nurses	6	20	16
Physiotherapists	–	1	1
Physiotherapist assistants	1	3	3
Health workers	13	29	30
Social workers	–	1	2
Total	24	63	61

Note: As the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2016, respectively, the number of our healthcare professionals as at 31 December 2016 was increased substantially.

OUR EMPLOYEES

As at the Latest Practicable Date, our Group employed 209 full-time employees in Hong Kong. The table below sets forth the total number of our employees by function as at the Latest Practicable Date:

Function	Number of employees	Percentage of employees (%)
Home managers	5	2.4
Registered nurses	9	4.3
Enrolled nurses	16	7.7
Physiotherapists	1	0.5
Physiotherapist assistants	3	1.4
Health workers	30	14.4
Care workers	96	45.9
Ancillary workers	44	21.1
Social workers	2	1.0
Management (employed by our Company)	3	1.4
Total	209	100.0

Set forth below are the turnover rates of the different types of our employees during the Track Record Period:

	Employee turnover rate (Note)			
	Year ended 31 December			
	2015		2016	
	Number of employees who left our Group	*%*	*Number of employees who left our Group*	*%*
Home manager				
Home managers	–	–	1	20.0
Healthcare professional				
Registered nurses	–	–	3	33.3
Enrolled nurses	1	16.7	2	10.0
Physiotherapists	–	–	–	–
Physiotherapy assistants	–	–	–	–
Health workers	2	15.4	7	24.1
Social workers	–	–	–	–
Others				
Care workers	5	12.5	9	10.0
Ancillary workers	–	–	4	9.5
Total	8		26	

Note: The employee turnover rate is the total number of employees who left our Group during the year (excluding those who were employed for less than one year) as a percentage of the total number of our employees as at year end.

We have maintained good relationships with our employees. During the Track Record Period, we did not experience any significant staff turnover or any disruption to our business operation due to labour disputes. During the Track Record Period, although our turnover rates appear to be high we experienced attrition of nil and one person of our home managers, three and 12 persons of our healthcare professionals, and five and 13 persons of other staff. During the Track Record Period, in addition to hiring externally, we are also able to promote our internal personnel to fulfil our vacancy positions such as for the home manager position. Each of our elderly residential care homes is responsible for hiring its own staff. Our home managers are responsible for conducting interviews. We do not generally use employment agencies for the hiring of employees. Our Directors confirm that we did not experience any significant issue with the hiring of employees for our elderly residential care homes during the Track Record Period.

We enter into employment contracts with our full-time and part-time employees. Each elderly residential care home enters into employment contracts with its employees and each elderly residential care home is responsible for managing its own recruitment, providing wages and employee benefits within its annual budget, hiring part-time employee as needed and conducts employee performance appraisals by following the overall framework and standards adopted by our senior management. Remuneration packages for our employees mainly comprise base salary, overtime allowance and discretionary allowance. We set performance targets for our employees based on their respective position and department and review their performance on a regular basis. The review results are then used to determine our employees' salary and promotion appraisals. We contribute to employee benefit plans in accordance with the applicable laws and regulations. Our employees are not represented by any labour union. All labour disputes are handled in accordance with applicable laws, rules and regulations by the management at our elderly residential care homes with support from our senior management.

Our Group provides on-going training to our employees. Our healthcare professionals receive regular technical training on the operation of medical devices, treatment procedures and caretaking skills. For details on our healthcare professionals, please see the paragraphs headed "Our team of healthcare professionals" above in this section. We will make comparison to various aspects such as occupancy rate, profits, results of surprise inspection by the SWD and number of complaints of our residential care homes, and we will conduct review on the management of our residential care homes based on the above factors.

During the Track Record Period, all of our elderly residential care homes complied with applicable laws and regulations related to labour and employee benefit plans in all material aspects.

QUALITY CONTROL

We strive to provide our elderly residents with high-quality and all-rounded residential care home services to provide a comfortable and safe environment at our elderly residential care homes. We instill and promote a corporate culture to serve our elderly residents with love and care and the provision of quality residential care home services is one of our Group's management priorities. To this end, we have adopted a set of internal quality control policies and procedures as part of our quality assurance programme to ensure compliance with the relevant rules, regulations and guidelines as imposed by the relevant department of HK Government and to ensure that the quality of our services is maintained. We believe that the adoption of standard operational procedures and continuous training would ensure consistency in the quality our services and in turn enhance our reputation and strengthen our market position. As a measure to improve service quality and residents' loyalty, we have also set up a complaint handling mechanism to ensure all quality issues are handled and resolved appropriately and efficiently.

Internal quality control policies

Our senior management team oversees all operations of our elderly residential care homes and is responsible for devising our quality manuals which set out the responsibilities and roles of different employees, standard operational procedures and reporting structure to ensure accountability of each level of our staff. Our quality manual is kept up-to-date with and incorporates some of the requirements under the rules and regulations imposed by the RCHE Code of Practice, including the requirements on licensing, accommodation, safety, management and service provision. All of our home managers, healthcare professionals and other employees are responsible for abiding by our quality manuals and ensuring procedures and guidelines are properly executed. Our home managers and social workers are responsible for keeping our quality manuals up-to-date with the latest development in the laws and regulations. Lastly, we conduct regular evaluation on all levels of our staff to ensure that quality services are provided consistently and properly.

Complaint handling mechanism

We have adopted a complaint mechanism to handle customer complaints which enables our senior management to consider customer feedbacks and allows us to resolve issues quickly. When we receive complaints raised by our elderly residents or their families, the home managers or personnel in charge will contact the aggrieved customers and offer comfort to them at the first instance. Depending on the severity of the complaint, the relevant personnel may report to the home managers. The home managers will then initiate an investigation into the incident and analyse the complaints. In any event, the home managers will try to resolve the matter amicably. Our home managers are required under the standard procedures to maintain detailed records of the disputes and report the incidents to our executive Directors and inform the family of the concerned elderly resident.

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

During the two years ended 31 December 2016, and the period from 1 January 2017 and up to the Latest Practicable Date, a total of five, three and nil complaints were lodged directly with our elderly residential care homes, respectively. The complaints generally concerned the service quality of our staff, such as not providing timely and/or satisfactory responses or follow-ups, and new payment items and methods, all of which had been followed up and resolved by our Group.

Our Directors confirm that there were no complaints lodged with the SWD against our elderly residential care homes and found to be substantiated by the SWD after its inspection during the year ended 31 December 2015, however, there was a total of four and four complaints lodged with the SWD against our Shui On (Kwai Shing E.) elderly residential care home and found to be substantiated by the SWD after its inspection during the year ended 31 December 2016 and the period from 1 January 2017 and up to the Latest Practicable Date, respectively.

Our Directors confirm that the incidents relating to the four substantiated complaints lodged against Shui On (Kwai Shing E.) elderly residential care home in 2016 took place prior to completion of our acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) in August 2016. As such, the lodging of these four substantiated complaints took place before Shui On (Kwai Shing E.) elderly residential care home was first being operated by our Group in August 2016. Nevertheless, two of these four substantiated complaints had led to the issue of two warning letters on 10 March 2016 and 24 June 2016, respectively, which became part of our Group's compliance record after Shui On (Kwai Shing E.) became one of our subsidiaries upon completion of our acquisition of its approximately 66.7% interest in August 2016. For details of these warning letters, please refer to the paragraphs headed "Non-compliance with the RCH(EP)R and RCHE Code of Practice" below in this section.

Our Directors further confirm that one of the four substantiated complaints during the period from 1 January 2017 and up to the Latest Practicable Date had led to the issue of a warning letter on 13 March 2017 against Shui On (Kwai Shing E.) elderly residential care home. For details about this warning letter, please refer to the paragraphs headed "Non-compliance with the RCH(EP)R and RCHE Code of Practice" below in this section.

Of the four substantiated complaints received during the year ended 31 December 2016 and the period from 1 January 2017 and up to the Latest Practicable Date, respectively, the SWD did not take further actions against our Shui On (Kwai Shing E.) elderly residential care home in respect of the remaining two and three substantiated complaints after it recommended some follow-up actions. Our Directors confirm that our Group has taken the follow-up actions recommended by the SWD.

Food safety

We believe that ensuring food safety is a critical part of our service. We have established quality control procedures relating to food preparation and storage, maintenance of kitchen facilities and conduct of kitchen staff. In terms of quality control of raw food materials, our quality inspection teams, consisting of the chef and kitchen staff at each of our elderly residential care homes, are responsible for inspecting our food ingredients and supplies. We provide training and food and environmental hygiene guideline to our chefs and kitchen assistants, we believe that our quality inspection teams are equipped with the knowledge and skills to examine the quality of all food ingredients in preparing meals for our elderly residents.

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

Collection, storage and dispensation of chemicals

In respect of the collection, storage and dispensation of chemicals, each of our elderly residential care homes has to strictly follow operational procedures set out in our in-house manual. Such operational procedures provide guidance in respect of, among other things, the preparation, handling and administration of medication and a summary of the relevant procedures is as follows:

- upon admission to our elderly residential care homes, we will check the medication required to be taken by our residents and record details of their medication;
- normally, drugs shall not be kept by the residents themselves unless our caretakers have evaluated them to be able to understand their doctors' prescription and to intake drugs on time and that there is no risk of such drugs being taken mistakenly by neighbouring residents. When collecting the drugs, whether from clinics or our residents, patient name, nature, intake instructions printed on the labels will be recorded and verified. After collection, we sort the drugs according to their nature and residents. We place the drugs in locked cabinets or other specified places in accordance with the relevant instructions stated on the package;
- before distribution and administration, we implement "three checks five rights" (三核五對), namely (a) after taking out the drugs from the cabinet; (b) before collecting the drugs from the drug bottle or package; and (c) at the time of putting back the drugs into the cabinet and to check the (i) right resident; (ii) right drugs; (iii) right time; (iv) right route; and (v) right dosage, for three times;
- if there is any change in the medication of the residents, we will record accordingly in the relevant residents' records;
- medical wastage, such as used syringe and cotton pads, shall be disposed in designated containers which shall be sealed for storage when 70% of the capacity is utilised;
- all wastage are kept in locked rooms or containers with restricted access prior to disposal. Drugs under regulation are separately recorded and listed for disposal; and
- as confirmed by our Directors, save as disclosed under the paragraphs headed "Legal compliance — Compliance with laws and regulations" below in this section, as at the Latest Practicable Date, all of Shui On (Shun On), Shui Hing, Shui On (Hing Wah), Shui On (Sun Tin Wai) and Shui On (Kwai Shing E.) had been registered with the Environmental Protection Department as chemical waste producers.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any complaints from customers concerning the collection, storage and dispensation of medication that had any material adverse impact on our brand, our business and results of operations.

Cash management

We generally keep a small amount of cash between HK$6,000 to HK$10,000 in each of our elderly residential care homes for the payment of expenses including expenses to be paid by us on behalf of our elderly residents, transportation costs, consultation fees and shopping in small amounts.

We also occasionally receive the first instalment of payment of monthly residential care home services fee from our new elderly residents and payment of monthly residential care home services fee from our existing elderly residents by cash. The administrative clerks of our elderly residential care homes are responsible for the safekeeping of cash. Prior approval from authorised persons is typically required before cash is allowed to be used. To prevent misuse of our cash, we keep a record of the uses of our cash as well as the relevant bills and invoices as our supporting documents. Typically, we deposit the cash we receive from our elderly residents into our bank accounts on a daily basis. On the last day of each month, we check the balance of our cash against the receipts on record. Our accounting department is responsible for issuing cheques to replenish cash at our elderly residential care homes after verifying receipts.

SALES AND MARKETING

With our long established reputation in the residential care service market, we have been successful in obtaining new referrals from our customers. As such, we only promoted our services by advertising on a billboard during the Track Record Period. Our home managers have the discretion to offer discount of up to 10% of the quoted monthly residential service fees subject to the approval of one director of that relevant subsidiary operating the elderly residential care home.

OUR CUSTOMERS

During the Track Record Period, our Group primarily generated revenue from three types of customers: (i) the SWD which leased a fixed number of residential care places at two of our elderly residential care homes under the EBPS Agreements; (ii) the individual customers whether or not subsidised under the EBPS; and (iii) non-governmental organisations which leased a few residential care places at our elderly residential care homes.

Revenue generated from the SWD in respect of the base rate under the EBPS for the two years ended 31 December 2016 represented approximately 18.3% and 22.6% of our total revenue, respectively. Revenue generated from the individual customers whether or not subsidised by the SWD in relation to rendering of elderly home care services and sales of elderly related goods and provision of healthcare services for the same year represented approximately 81.5% and 77.2% of our total revenue, respectively. Revenue generated from non-governmental organisations in respect of residential fee for the same year represented approximately 0.2% and 0.2% of our total revenue, respectively.

Five largest customers

Our five largest customers during the Track Record Period were the SWD and four individual customers. For the two years ended 31 December 2016, revenue from our five largest customers accounted for approximately 19.8% and 23.7% of the total revenue, respectively. For the same periods, revenue attributable to the SWD, our largest customer, accounted for approximately 18.3% and 22.6% of our total revenue, respectively. Our five largest customers during the Track Record Period have been customers of our Group for a period ranging from approximately one to seven years up to the Latest Practicable Date.

Our five largest customers during the Track Record Period were Independent Third Parties. To the best knowledge and belief of our Directors, none of our Directors, their close associates or any Shareholders (who beneficially own more than 5% of our Company) had any interests in any of our five largest customers during the Track Record Period. During the Track Record Period, none of our Group's major customers were also our major suppliers and vice versa.

During the Track Record Period, we had maintained a good relationship with our customers and we did not have any material disputes with any of them. Since the establishment of our first elderly in residential care homes in 2007, we have established a reputation in the industry for our comprehensive and high quality services, which in turn enable us to maintain customer loyalty during the Track Record Period.

The SWD

During the Track Record Period, two of our elderly residential care homes, namely, Shui On (Shun On) and Shui On (Kwai Shing E.), participated in the EBPS. As such, the SWD was our largest customer during the Track Record Period. For the two years ended 31 December 2016, the revenue generated from the SWD's payment for the base rate (i.e. subsidy) of the residential care places amounted to approximately HK$7.3 million and HK$13.3 million, respectively, representing approximately 18.3% and 22.6% of our total revenue, respectively. For the two years ended 31 December 2016, the revenue from the residents' monthly residential fee payments under the EBPS (not including any additional residential or service fees) amounted to approximately HK$1.2 million and HK$2.2 million, representing approximately 3.0% and 3.7% of our total revenue, respectively. As such, the aggregate revenue from the SWD and the residents participating in the EBPS for the two years ended 31 December 2016 was approximately 21.3% and 26.3% of our total revenue, respectively.

Both of our two participating elderly residential care homes under the EBPS, namely Shui On (Kwai Shing E.) and Shui On (Shun On), entered into their respective EBPS Agreement with the SWD in February 2016 in relation to the provision of residential care home services to eligible elderly persons nominated by the SWD for a term of two years commencing from April 2016.

Under the EBPS Agreements, our Shui On (Kwai Shing E.) and Shui On (Shun On) elderly residential care homes are committed to provide 134 and 59 residential care places to the SWD with a predetermined base rate per resident.

The table below sets forth the number of our residential care places committed under the EBPS, the number of residential places available and the percentage of residential care places under the EBPS as a total of available residential care places of each participating elderly residential care homes.

	Shui On (Shun On)	Shui On (Kwai Shing E.)
First year under the EBPS	2010	2010
Maximum number of residential care places allowed in the relevant class EA1 elderly residential care home	118	269
Percentage cap under the EBPS	50%	50%
Number of committed residential care places under the EBPS	59	134
Percentage of residential care places under the EBPS (Number of committed residential care places under the EBPS divided by the maximum number of residential care places allowed in the relevant class EA1 elderly residential care home)	50.0%	49.8%

As at the Latest Practicable Date, we committed 193 residential care places in our two class EA1 elderly residential care homes, namely Shui On (Shun On) and Shui On (Kwai Shing E.), under the EBPS, representing approximately 32.8% of our total residential care places.

Terms of the EBPS Agreements

The salient terms of the EBPS Agreements entered into with the HK Government are as follows:

- current agreements are provided for a fixed term of 24 months from 1 April 2016 to 31 March 2018;
- we are obligated to provide residential care home services to a specified number of elderly residents to be nominated by the SWD;
- we are obligated to comply with certain service requirements including but not limited to requirements for minimum living space of 9.5 sq.m., minimum number and types of personnel to operate our elderly residential care homes, minimum number of residential care places, minimum number of personnel to operate our elderly residential care homes, the elderly residential care homes operate seven days a week and minimum training requirements of our staff;
- the HK Government is obligated to pay a monthly fee calculated based on the specified number of residential care places committed by the SWD multiplied by the applicable base monthly rate of charge before the 28th of each month;
- the HK Government may reduce the specified number of residential care places committed by giving 14 days prior notice and adjust the residential fees payable with reference to the average monthly consumer price index once a year;
- the monthly fee payable by the SWD pursuant to the EBPS is subject to an annual inflation adjustments in 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 or 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 agreements may be terminated 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 our Group or the SWD may give the other party three months' prior written notice to terminate the agreements.

Renewal of EBPS Agreements

The LORCHE is responsible for conducting inspection in respect of building safety, fire safety, healthcare and social work at our elderly residential care homes prior to the end of the term of our existing EBPS Agreements. Based on the understanding of our Directors and in light of the fact that we have successfully renewed the EBPS Agreement of Shui On (Shun On) and that the EBPS Agreement of Shui On (Kwai Shing E.) was renewed prior to Shui On (Kwai Shing E.) becoming our subsidiary upon completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) by the end of August 2016, if there is no material adverse finding during inspections, the SWD would continue to renew our EBPS Agreements.

However, if irregularities are found during inspections, the SWD may issue warning letters to the elderly residential care homes. Under the RCH(EP)O, the SWD may issue a direction to the elderly residential care homes to direct remedial measures. The elderly residential care home may be subject to prosecution if it fails to comply with any direction given.

During the Track Record Period and up to the Latest Practicable Date, the SWD issued one warning letter to Shui On (Shun On), one warning letter to Shui On (Hing Wah) and four warning letters to the Shui On (Kwai Shing E.). Out of the four warning letters issued to Shui On (Kwai Shing E.), one was issued in March 2016 which was during the term of the previous EBPS Agreement of Shui On (Kwai Shing E.) and the other three were issued during the term of the current EBPS Agreement of Shui On (Kwai Shing E.). For details, please refer to the paragraphs headed "Non-compliance with the RCH(EP)R and RCHE Code of Practice" below in this section. The subject matter as referred to under the aforesaid paragraphs has been followed up with an improvement report and the improvements have been implemented. We have informed the SWD that we have taken necessary remedial actions and no further action had been taken by the SWD against us in respect of these warning letters.

Our management considers that our Group has not been overly reliant on our largest customer, the SWD, and our business is sustainable based on the following factors and reasons:

- The percentage of our residential care places leased to the SWD at the two EBPS participating elderly residential care homes out of all total residential care places of our Group as at the Latest Practicable Date is 32.8%, which is not significant. Even though the percentage of our residential care places under the EBPS increased from 16.0% to 32.8% after the acquisition of Shui On (Kwai Shing E.), our occupancy rate of our non-EBPS care places was maintained at a level over 84.9% during the Track Record Period. Thus, our management considers that the residential care places leased by the SWD under the EBPS could be substituted by individual customers.

- The SWD leased residential care places from 142 EBPS participating elderly residential care home operators as at 31 December 2016, it is unlikely for other market participants to terminate their participation under the EBPS if their EBPS Agreements have not expired.

- The relationship between the SWD and our Group is mutual and beneficial as for the elderly residential care homes that participate in the EBPS, our staffing and spacing requirements are higher than those of non-EBPS participating residential care homes; it is also beneficial for the SWD and the HK Government as by subsidising more residential care home operators to participate under the EBPS, the wait time could potentially be reduced further. In addition, our reputation in the industry through our participation under the EBPS is enhanced and we are given a good opportunity to fulfil social responsibility towards the Hong Kong society given the demand from the elderly in Hong Kong.

- According to the Ipsos Report, the demand will remain to be strong, given the continuous demand for residential care home services, our management is of the view that the EBPS Agreements will provide a steady stream of income for our Group. Over the past few years, the HK Government has also provided additional resources to purchase more residential care places under the EBPS from private RCHEs. Given the genuine demand for residential care places from the society in Hong Kong, the long waiting time for a residential care place in a private RCHE under the EBPS, the long history of implementation of the EBPS by the HK Government for 18 years under which the SWD has leased residential care places from private homes for the elderly since 1998 and that one of the objectives is to increase the supply of the subsidised places so as to reduce elderly's waiting time for subsidised elderly residential care home places, our Directors believe the HK Government will continue to be supportive of the EBPS going forward.

Salient terms of our agreements with individual customers

For the two years ended 31 December 2016, our revenue derived from individual customers who (i) settled their own residential fees entirely by themselves, and those residents under the EBPS and non-governmental organisation who settled the unsubsidised portion by themselves; and (ii) paid for elderly related goods and provision of healthcare services amounted to approximately HK$32.5 million and HK$45.5 million, respectively, representing approximately 81.5% and 77.2% of our total revenue, respectively.

The salient terms of our agreements typically entered into with individual customers are as follows:

- residential care home services fee, professional service fee and disbursement shall be paid on the first day of each month; an additional 3% to 5% administrative fee will be charged if there is any late payment;

- a full monthly residential service fee will be payable if a customer uses our service for one day or more in a month;

- we are obligated to provide a 30-day prior notice to our customers if there is any adjustment of fees;
- the resident must provide a prior written notice one month in advance to our elderly residential care home if he/she wishes to terminate his/her agreement with our elderly residential care home;
- in respect of individual customers, while the relevant contracts do not contain provisions in relation to the giving of notice in relation to the possible relocation, pursuant to the RCHE Code of Practice, we may serve a notice in writing on any resident and on the guardian/guarantor/family members/relatives/contact persons of such resident, discharge that resident and require him/her to quit the residential care home before the expiry of such period being not less than 30 days as shall be indicated in the notice; and
- a registered medical practitioner will provide check-up service to our customers regularly; the customer is obligated to pay for any medication, doctor visits, or doctor fees if additional consultation service is needed.

Our elderly residents

As at the Latest Practicable Date, we had a total of 573 elderly residents, of which 1.4% were between 50 and 59 years old, 4.7% were between 60 and 69 years old, 16.9% were between 70 and 79 years old, 48.0% were between 80 and 89 years old, 26.2% were between 90 and 99 years old and 2.8% were 100 years old or above.

Some of our elderly residents typically suffer from and require assistance because of dementia, loss of mobility, and other chronic illnesses such as diabetes mellitus, hypertension and cerebrovascular disease. As at the Latest Practicable Date, in respect of our 573 elderly residents who were assessed by our nurses and/or health workers based on the Barthel Index, of which 6.8% were assessed to be completely independent, 6.8% were assessed to be mildly dependent, 16.1% were assessed to be moderately dependent, 18.8% were assessed to be severely dependent and 51.5% were assessed to be completely dependent.

As at the Latest Practicable Date, the average period that our elderly residents had resided at our elderly residential care homes was approximately two years and 10 months. For the two years ended 31 December 2016, the percentage of elderly residents that passed away out of the total number of elderly residents was approximately 23.7% and 22.1%, respectively.

Pricing of our services and payment terms for individual customers

We review and adjust the price of our residential service fees and other fees chargeable to our individual customers annually based on factors such as cost of operations including rental of the premises, salary of our employees and other expenses, the prevailing market price as well as inflation. We typically issue a monthly invoice to our individual customers. For residential care home services fees, all sums shall be settled by the 10th day in every month, otherwise an additional fee of 3% to 5% of total sums, shall be charged. For medical consumable products and healthcare services fees, the credit period is typically 10 days after the monthly invoice has been issued to the individual customer. The SWD typically settles the payment of the base rate (i.e. the subsidy) of the residential care home services fees under the EBPS in the middle of the month. Our customers primarily settle their payments by automatic bank transfer.

Non-governmental organisations

During the Track Record Period, we had entered into contractual arrangements with two non-governmental organisations pursuant to which residential care places were purchased from our Group.

Our principal terms of the arrangements with the non-governmental organisations are as follows:

- contract term usually lasts for a period of one year or three years;
- we are obligated to provide temporary stay and caretaking services for elderly arranged by the non-governmental organisations;
- monthly residential fee, the sum of which is adjustable by, among other things, (i) if the care places are actually occupied; and/or (ii) if additional care is required for the elderly, is payable to our Group irrespective of whether the committed residential care spaces are occupied or not;
- payment shall be made monthly; and
- any party who wishes to terminate the agreement before the end of the contractual term shall give two or six months' notice. One of the non-governmental organisations may also terminate the agreement immediately if our license is suspended by the SWD or warning is received in respect of our service quality.

SUPPLIERS AND PROCUREMENT

We primarily rely on our suppliers for healthcare services and medical consumable products, raw food materials, other general goods and groceries and referral service commission. Our suppliers include medical consumables distributor, supermarkets and grocery stores and wholesalers of groceries and pharmaceutical products.

Medical consumable products

We procure medical consumable products from medical consumable distributors. All of our suppliers are located in Hong Kong. Our management is in charge of approving qualified suppliers for all our elderly residential care homes to ensure that consistent quality and delivery standards are met. We conduct yearly reviews of our suppliers and will remove any suppliers who do not meet our supply standards or requirements from our list of approved suppliers.

Each elderly residential care home carries out its own inventory management. Typically, one procurement personnel is assigned to be responsible for placing orders with our approved suppliers. Our procurement personnel regularly monitors the level of our medical consumable goods to ensure there is sufficient stock level for approximately one month. Our procurement staff would perform a final check before purchase orders are placed. All medical consumable products are delivered directly to our elderly residential care homes. We usually settle payments to our suppliers on a monthly basis. Upon delivery, the bills will be reviewed by our procurement personnel and our finance department to ensure consistency with our purchase orders. Our finance department will settle payment according to credit terms. We are entitled to return any supplies that do not meet our standards upon inspection after delivery. During the Track Record Period, we did not experience any significant return of supplies that did not meet our standards or damages caused by quality issues of the supplies, nor did we experience significant fluctuation in the price of our medical consumable supplies.

We usually source from more than one supplier for each kind of supply to ensure that we maintain sufficient inventory level and bargaining power. We do not rely on any single supplier for any of our medical consumable products. Therefore, we do not enter into any long-term supply agreements with our suppliers. Such arrangement gives us the flexibility to procure our medical consumable supplies from any approved suppliers taking into account the price and quality they offer which enables us to effectively control our costs and maintain product quality.

For the two years ended 31 December 2016, the medical fee including the procurement costs for medical consumable products in aggregate accounted for 36.6% and 43.7% of our total purchases (which include medical fee, purchase of food, consumables and referral service commission incurred during the Track Record Period), respectively. During the Track Record Period, we were generally able to pass on the increase in cost of medical consumable products to our elderly residents and other customers. We also have in place standards and restrictions to prevent us from entering into kick-back arrangements or bribery schemes with our suppliers.

Raw food materials

As cooked meals are provided to the elderly residents five times per day at our elderly residential care homes, the supply of raw food materials is an important part of our service delivery. Our major food ingredients include rice, frozen or fresh meat and fresh vegetables. We select our suppliers based on the price, quality and past experience with the supplier. We do not enter into long-term supply agreements for the supply of raw food materials and the purchase prices with our suppliers of our raw food materials is set at the market price and we generally make payments on a monthly basis. During the Track Record Period, we did not experience significant fluctuations in the price of raw food materials.

Our chefs and kitchen staff at each elderly residential care home are responsible for the procurement of raw food materials and we manage our procurement strategy based on the categories of food and supply. Depending on the perishability of the food materials, we may purchase them on different frequency ranging from daily to weekly basis.

The procurement costs for food materials for the two years ended 31 December 2016 accounted for 35.9% and 34.5% of our total purchases, respectively. We believe that the increases in prices of our major food ingredients during the Track Record Period were reasonable and did not have a material adverse effect on our results of operations and financial condition.

General goods and groceries

We purchase goods and groceries at each of our elderly residential care homes. We typically source goods and groceries from nearby supermarkets and grocery stores and do not rely on designated supplier. We generally make payments in the form of cash. During the Track Record Period, we did not experience significant fluctuations in the price of general goods and groceries.

Our staff at each of our elderly residential care homes is responsible for the purchase of general goods and groceries. Typically, our designated personnel would purchase the required goods and groceries on a weekly basis. General goods and groceries accounted for 21.4% and 16.1% of our total purchases for the two years ended 31 December 2016, respectively.

Our Directors consider that it is generally not difficult to replace our existing suppliers given that there are a variety of alternative suppliers for the food ingredients required by us. During the Track Record Period, none of our major suppliers ceased or indicated that it would cease supply of food ingredients to us, and we did not experience any material delays or interruptions in securing the supply of food ingredients from our major suppliers. Please see the paragraphs headed "Risk factors — Risks relating to our business — We have limited control over the quality and quantity of the medications, drugs, food, groceries and other suppliers and we cannot guarantee that these suppliers are free from defects" in this prospectus.

Customer referral and consulting services

During the Track Record Period, we engaged a referral agent for its referral and consultancy services. As at the Latest Practicable Date, four of our elderly residential care homes entered into service agreements with the referral agent. For the two years ended 31 December 2016, the referral agent successfully referred a total of 19 and 23 elderly residents to our elderly residential care homes, respectively; and the revenue attributable to all elderly residents referred to our Group by such agent (including elderly residents referred to us by such agent in previous years) amounted to HK$0.9 million and HK$2.5 million, representing approximately 2.3% and 4.2% of our total revenue, respectively. The referral agent is an Independent Third Party that provides customer referral and consulting services to elderly residential care homes. According to the Ipsos Report, it is an industry practice to use referral agents although they do not account for a large proportion of new customers of private elderly residential care homes. In addition to referral agents, customers of private elderly residential care homes may originate from, among others, referrals by social workers, friends and relatives as well as the HK Government. Typically, the service agreement could be terminated after the first six months with one month prior notice. One of our elderly residential care homes engaged this service provider for more than six years. Services provided by the services provider include introduction of potential customers to our elderly residential care homes, introduction of our services and provision of additional information of our elderly residential care homes to the potential customers, assessment on the needs of the potential customers and follow-ups with the customers. Depending on the services required, the length of the stay of the customer referred and the number of customers successfully referred, the referral and consultancy fee is charged on certain proportion of our basic residential care fees payable monthly in several instalments for successful placement. The referral service commission accounted for 6.1% and 5.7% of our total purchases for the two years ended 31 December 2016, respectively.

Settlement of suppliers' purchases

Daily fixed purchases of our residential care homes are normally settled on a monthly basis, with the closing day set on the last day of each month. Our accounting staff is responsible for verifying receipts and the monthly statements issued by suppliers. All the purchases are paid by cheques from the relevant companies of our Group.

Five largest suppliers

For the two years ended 31 December 2016, purchases from our five largest suppliers accounted for approximately 63.4% and 66.0% of our total purchase respectively. For the same periods, purchases from our largest supplier accounted for approximately 29.5% and 27.0% of our total purchase incurred, respectively. Our five largest suppliers during the Track Record Period have been suppliers of our Group for a period ranging from approximately three to 10 years and included a wholesaler of medical consumable products and groceries, a frozen meat store, a produce shop, a pharmaceutical goods wholesaler, a referral agency and a physiotherapy contractor. Even though Mr. TC Yik holds approximately 6.6% interest in our largest supplier, our largest supplier is not a connected person of our Company. Our Directors confirm that all of our five largest suppliers during the Track Record Period were not connected persons of our Company. Except for supplier A, our largest supplier, of which Mr. TC Yik is a director and currently holds 6.6% interest, none of our Directors or their close associates or any Shareholders holding more than 5% of the total issued share capital of our Company had any interest in any of our five largest suppliers during the Track Record Period. During the Track Record Period, we did not experience any shortage of supplies that could materially and adversely affect our business, financial condition or results of operations.

Rank	Name of supplier	Principal business	Type of products purchased by our Group	Year in which our business relationship commenced	Typical credit term offered by our suppliers (after month end)	Payment method	Purchases	Percentage of our Group's total purchase
							HK$('000)	*%*
For the year ended 31 December 2015								
1.	Supplier A . .	Wholesale of groceries and related products and medical consumable products	Medical consumable products, nappies and groceries	2007	One month	By cheque	999	29.5
2.	Supplier B . .	Sale of processed meat, frozen meat	Frozen meat	2007	One month	By cheque	409	12.1
3.	Supplier C . .	Sale of produce and operation of food stall	Vegetable	2012	One month	By cheque	349	10.3
4.	Supplier D .	Wholesale of pharmaceutical goods	Dairy and medical consumable products	2014	One month	By cheque	203	6.0
5.	Supplier E . .	Providing referral and consultancy services regarding elderly residential care homes	Referral services	2010	One month	By cheque	189	5.5
For the year ended 31 December 2016								
1.	Supplier A . .	Wholesale of groceries and related products and medical consumable products	Medical consumable products, nappies and groceries	2007	One month	By cheque	1,424	27.0
2.	Supplier F . .	Providing physiotherapy, occupational therapy and nursing services	Physiotherapy services	2014	One month	By cheque	682	12.9
3.	Supplier B . .	Sale of processed meat, frozen meat	Frozen meat	2007	One month	By cheque	545	10.3
4.	Supplier C . .	Sale of produce and operation of food stall	Vegetable	2012	One month	By cheque	482	9.1
5.	Supplier D .	Wholesale of pharmaceutical goods	Dairy and medical consumable products	2014	One month	By cheque	349	6.7

INVENTORY CONTROL

Upon purchase of medical consumables and general goods and groceries, our designated staff would inspect the goods and place them in our storage room. We generally maintain a minimal inventory level and supplies are procured on an as-needed basis. We closely monitor the level of inventory at each elderly residential care home and identify obsolete inventories. We carry out regular physical inventory counts and shelf life examinations for our inventories and would safely dispose of those which have expired. We did not experience any significant write-offs of our inventories during the Track Record Period. Occasionally, our elderly residential care homes would transfer certain medical consumable products among themselves in order to maximise the utility of such resources.

OUR CONTRACTORS

As our elderly residential care homes primarily provide basic medical and caretaking services, in cases involving severe illnesses or when complex medical care is needed, we may engage external contractors, such as doctors and experts from hospitals, who possess the required skill and expertise to provide the appropriate medical services to our residents. We believe that such arrangement would enable us to provide a broad spectrum of medical services to our residents which could cater for residents with different degree of assistance required or care required, disabilities or illnesses. During the Track Record Period, we also engaged one shareholder of Wan Tsui as a contractor for the management of Wan Tsui.

For the two years ended 31 December 2016, we engaged one and three registered medical practitioners, respectively as external contractors for undertaking medical services, three external contractors for undertaking physiotherapy services and one external contractor for undertaking dietitian services. All of our contractors were Independent Third Parties during the Track Record Period. These contractors visit our elderly residential care homes periodically and provide consultation services to our elderly residents. We pay our contractors a fixed fee which is either a monthly fee or based on the number of hours of visit to our elderly residential care homes. We generally do not enter into long-term agreements with our contractors. We adopt an internal quality evaluation system for contractor selection and it is our policy to maintain a list of approved contractors for the provision of visiting medical or related services. We take into account a number of factors when selecting our contractors, including their (i) technical capability and expertise; (ii) track record and past working experience; and (iii) price of service. The length of service provided by such contractors ranged from half a year to nine years.

Pursuant to the Subcontracting Agreement, a then shareholder of Wan Tsui was responsible for the management and daily operations of Wan Tsui before the Wan Tsui Disposal. For details of the Subcontracting Agreement, please see the paragraphs headed "History, Reorganisation and corporate structure — Corporate history — Wan Tsui (an associate disposed of by our Group during the Track Record Period)" in this prospectus.

During the Track Record Period, we did not experience any situation where our contractors breached the terms of our agreement with them or failed to fulfil our requirements that had a material impact on us. To the best knowledge and belief of our Directors and after making all reasonable enquiries, none of our Directors or their respective close associates or any Shareholder who owned more than 5% of our Company's issued share capital as at the Latest Practicable Date had any interest in any of the contractors of our Group during the Track Record Period.

COMPETITION

The elderly residential care market in Hong Kong is a fragmented market with the top five elderly residential care home operators making up a market share of less than 20% in terms of revenue according to the Ipsos Report. In the private elderly residential care home industry, there are many small independent operators who operate a single home. According to the Ipsos Report, in 2016, there were approximately 736 elderly residential care homes comprising 545 private homes and 191 government-subvented, self-financing and contract homes.

We face competition primarily from other elderly residential care service providers in Hong Kong, in particular elderly residential care homes that target potential customers who are willing to pay more for a higher quality of service such as in the higher end of elderly residential care homes in the price range of HK$8,000 to HK$13,000 per month. We compete with our competitors in terms of service quality, price, condition of the premises, ratio of caretakers to elderly residents and facilities.

We believe to succeed in the market we operate in, we need to compete effectively with existing market players and new market entrants. We believe that, having sufficient human resources, capital investment, professional knowledge and experience, as well a deep understanding of local consumer behaviour are the prerequisites for entering into the residential elderly care market and compliance with stringent regulatory policies are some of the requirements to successfully manage and operate an elderly residential care home. We therefore believe that relatively high barriers are required to enter the residential elderly care market. Despite these high barriers of entry, we believe that the elderly residential care market will maintain a strong growth in the foreseeable future as a result of the increase in the demand for elderly home care services. For more details on our market position and the competitive landscape of the market which we operate in, please see the paragraphs headed "Industry overview — Competitive landscape of the RCHE industry" in this prospectus.

WORKPLACE HEALTH AND SAFETY

We are subject to the occupational health and safety requirements under Hong Kong law. We have put in place internal policies and systems with a view to implement and ensure strict compliance with such requirements and for recording and handling accidents and compliance records. During the Track Record Period, we did not experience any material accident in the course of our business operations. The liabilities that may arise from these accidents are covered by our insurance policy. In improving work safety and reducing accidents of our employees and customers, we are equipped with body-lifting equipment and other equipment to assist our nurses and health workers.

We recorded approximately one and four incidents of work injuries of our employees in total for the two years ended 31 December 2016, respectively; whereas based on our internal records, we recorded no incident of work injuries of our employees from 1 January 2017 and up to the Latest Practicable Date. Our Directors confirm that all workplace accidents had been reported to the Labour Department. For the two years ended 31 December 2016 and from 1 January 2017 and up to the Latest Practicable Date, the amount of compensation paid to the injured employees amounted to approximately HK$6,000, HK$8,000 and nil, respectively, which was covered by the relevant insurance maintained by us. During the Track Record Period and up to the Latest Practicable Date, we did not experience any accidents or material claims in relation to safety issues which had a material adverse impact on our financial performance and operational condition or were not involved in any accident causing death or serious injury in the course of our Group's business.

For details of the employee's compensation claims and personal injuries claims against our Group as at the Latest Practicable Date, please see the paragraphs headed "Legal proceedings" below in this section. For details of our internal control and safety management in relation to the safety of our elderly residents and staff, please see the paragraphs headed "Internal control, risk management and corporate governance — Safety of our elderly residents and staff" below in this section.

ENVIRONMENTAL MATTERS

Since our elderly residential care homes handle pharmaceutical products on a daily basis and will therefore need to dispose 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) and Waste Disposal (Clinical Waste) (General) Regulation (Chapter 345O of the Laws of Hong Kong) and engaged clinical waste collection service provider to dispose of our clinical waste. For details of our registration, please refer to the section headed "Regulatory overview" in this prospectus.

Our Group has 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.

INFORMATION TECHNOLOGY SYSTEM

Our information technology system mainly comprises video surveillance systems and the accounting system used at our elderly residential care homes. As part of our development strategy, we intend to upgrade our information technology system. With close cooperation with software providers, we intend to integrate our system across our elderly residential care homes by connecting the intranet between our elderly residential care homes. We will also upgrade the systems for accounting, human resources, visual alert and management of the elderly residential care 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 elderly residential care homes. As such, our management will be able to manage our elderly residential care 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. Our information and data protection policy which governs the collection, transfer, and subsequent processing of personal information ensures that our healthcare professionals and our employees would properly handle and dispose of information relating to our elderly residents. For further information, please refer to the paragraphs headed "Internal control, risk management and corporate governance — Protection of our elderly residents' personal information" below in this section.

We plan to integrate the accounting system at our elderly care centres, which is expected to be completed by the third quarter of 2017. For further details of our planned expenditures related to our information technology systems upgrade and expansion, please see the paragraphs headed "Our strategies — Enhance our information technology infrastructure and install and upgrade our information system which assists our management to stay abreast of the status of our business operations on a real-time basis" above in this section.

We have installed sensors in all our residential care homes to protect the elderly residents from leaving our premises without our knowledge. Upon such residents' departure from the elderly residential care homes, the transmitters that are installed inside the soles of their shoes would trigger an alarm. We intend to upgrade and replace this system with a visual alert system as part of our system upgrade plan.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we held two registered trademarks, "Shui On 瑞安" and "Shui Hing 瑞興", in Hong Kong which are material to our business. For details of our trademarks, please see the paragraph headed "Statutory and general information — B. Further information about the business of our Group — 2. Intellectual property rights" in Appendix IV to this prospectus. As at the Latest Practicable Date, we had four elderly residential care homes operating under the "Shui On 瑞安" trademarks and one elderly residential care home operating under the "Shui Hing 瑞興" trademarks.

We recognise the importance of our intellectual property rights and will protect and enforce our intellectual property rights if we discover any infringement on our rights. To this end, we have implemented a set of policies and procedures that would protect our trademark:

- our guidelines on trademark control procedures provide instructions for our home managers to supervise trademark application and use;

- we place a significant emphasis on the protection of our trademarks and our home managers and our Directors are responsible for monitoring the market for possible trademark infringements. If it is identified that a third-party application for the registration of a trademark and (i) the trademark being applied for is identical/similar to one of our trademarks, (ii) the services in relation to the trademark being applied for are identical/similar to ours, and/or (iii) the use of the trademark in relation to these services is likely to cause confusion on the part of the public, our legal advisers will file opposition actions or resort to legal action in accordance with the applicable laws and regulations to protect our rights under our registered trademarks; and

- any proposal for trademark licensing should be submitted to our legal advisers for analysis and approval from our Board and our Board will take further action if it discovers any improper or illegal use of our trademarks.

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 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 elderly residential care homes, which covered employment compensation, public liability insurance, public liability property damage, flood, other liabilities in line with industry practice. In addition to the standard insurance policies purchased by all of our elderly residential care homes, each of our elderly residential care homes also makes its own independent judgment as to the type and coverage of any additional insurance it would need. The insurance policy generally has a one-year term and renewed on an annual basis. Please refer to the paragraphs headed "Risk factors — Risks relating to our business — Our insurance may not cover all potential losses and claims" for details of risks relating to our insurance in this prospectus.

During the Track Record Period, we did not make any material claims under our insurance policies. For the two years ended 31 December 2016, our cost of insurance premium was approximately HK$0.4 million and HK$0.5 million, respectively. Our Directors confirmed that the insurance coverage for our elderly residential care homes was adequate as at the Latest Practicable Date.

ACQUISITIONS AND DISPOSALS BY OUR GROUP DURING THE TRACK RECORD PERIOD

During the Track Record Period, our Group implemented an expansion strategy with an aim to expand our business operations and increase our profitability by focusing on our core strength in the management of elderly residential care homes. Our Directors considered that gaining control over the management and operations of our elderly residential care homes and streamlining our portfolio to elderly residential care homes where our Group had control over the activities that significantly affect their service quality and return were crucial to the success of our expansion strategy. Set out below are the details of the acquisitions and disposals by our Group during the Track Record Period in implementing this strategy.

Wan Tsui Disposal during the Track Record Period

Since the establishment of Wan Tsui elderly residential care home in December 2004 and up to the date of the Wan Tsui Disposal in June 2016, members of the Chan's Family, being the then minority shareholders of Wan Tsui, had taken up the rights to operate Wan Tsui under the subcontracting arrangement. When the Subcontracting Agreement was entered into in August 2013, Wan Tsui was owned as to 76% by Shui On Holdings (HK) and 12% by each of Mr. Chan Yuk Kam and Mr. Chan Yuk Lee, both of whom are members of the Chan's Family.

Pursuant to the Subcontracting Agreement, the daily operations of the Wan Tsui elderly residential care home was to be fully managed by Mr. Chan Yuk Kam, who was one of the minority shareholders of Wan Tsui at that time, including payment of all the expenses incurred by the Wan Tsui elderly residential care home for the period from 1 July 2013 to 30 June 2016, at a fee of HK$97,175 per month payable by Mr. Chan Yuk Kam to Shui On Holdings (HK).

As Wan Tsui was operated by its minority shareholder under the Subcontracting Agreement, and as our Group only had significant influence over Wan Tsui from the commencement of the Track Record Period to the date of Wan Tsui Disposal on 28 June 2016, Wan Tsui was considered as our associate for accounting purposes and our Group applied the equity method to account for our investment in Wan Tsui as an associate. For details, please see note 15 to the Accountants' Report in Appendix I to this prospectus.

Since our investment in Wan Tsui as an associate at the time did not align with our business strategy mentioned above, on 23 June 2016, Shui On Holdings (HK) and Ms. Woo, an Independent Third Party, entered into a sale and purchase agreement, pursuant to which Shui On Holdings (HK) agreed to transfer 7,600 shares in Wan Tsui, representing 76% of the issued share capital of Wan Tsui, to Ms. Woo or a company nominated by her at a consideration of HK$2,280,000. The consideration was determined by taking into account the number of residential care places available in the residential care home operated by Wan Tsui. The said 7,600 shares in Wan Tsui were subsequently transferred to Cheong Wah Enterprise Development Limited, an Independent Third Party, as directed by Ms. Woo, on 28 June 2016, and was legally completed and settled on the same date. Following the Wan Tsui Disposal, our Group ceased to have any interests in Wan Tsui.

To the best knowledge and belief of our Directors, our Directors were not aware of any material non-compliance incident at Wan Tsui from the commencement of the Track Record Period to the date of Wan Tsui Disposal on 28 June 2016.

Acquisition of Shui On (Sun Tin Wai)

As part of our expansion strategy and in view of the profitability of Shui On (Sun Tin Wai), on 15 August 2016 Shui On Holdings (HK), as purchaser, entered into the sale and purchase agreement with

Jumbo Sino as vendor and Ms. Wu, Mr. Hui and Mr. Chui as guarantors to acquire 15,000 shares or the entire issued share capital of Shui On (Sun Tin Wai) at a consideration of HK$12,300,000 which was determined at arm's length negotiations between the parties with reference to the earnings of Shui On (Sun Tin Wai) for the year ended 31 December 2015 and the six months ended 30 June 2016.

Under the aforesaid sale and purchase agreement, the guarantors undertook that they would be liable for any damages suffered by the purchaser due to the representations, warranties and undertakings, or omission which led to non-performance, invalidity, illegality and breach of the vendor's warranties and compensate for any expenses, losses and liabilities of the purchaser.

Acquisition of Shui On (Hing Wah)

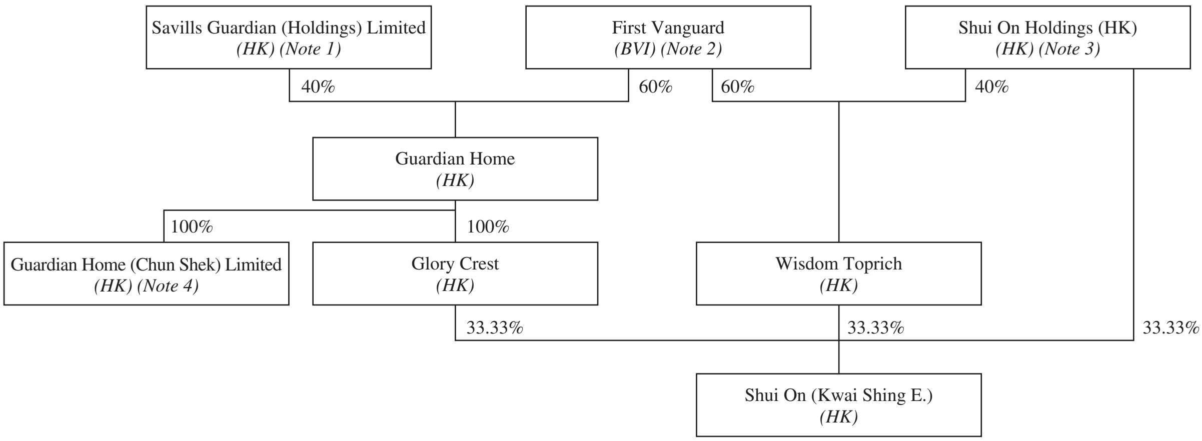
In order to further consolidate our Group's interests in Shui On (Hing Wah), on 19 August 2016 Shui On Holdings (HK) acquired 2,400 shares in Shui On (Hing Wah) or 24% of its entire issued share capital from Chan's Investment at a consideration of approximately HK$1,813,000. Such consideration was determined at an arm's length negotiation between the parties by taking into account the scale of operation and the potential prospect of the elderly residential care home operated by Shui On (Hing Wah). This transfer was completed and settled on the same date. Following the acquisition, Shui On (Hing Wah) became a direct wholly owned subsidiary of Shui On Holdings (HK).

Under the sale and purchase agreement dated 18 August 2016 entered into between Shui On Holdings (HK) as purchaser and Chan's Investment as vendor in relation to the shares of Shui On (Hing Wah), Chan's Investment made certain representations and warranties which would allow Shui On Holdings (HK) to sue Chan's Investment for breach of contract if the representations and warranties were found to be false. The vendor also warranted that there was no issue prior to the signing of the aforesaid sale and purchase agreement that would have a material adverse impact on the financial and operational conditions of Shui On (Hing Wah), cause Shui On (Hing Wah) be sued by a third party, or cause any abnormal or significant liabilities or restriction that would hinder the operations of Shui On (Hing Wah).

Disposal of minority interests and acquisition of majority interests in Shui On (Kwai Shing E.)

As at the commencement of the Track Record Period, Shui On (Kwai Shing E.) was an associate of our Group which was owned as to approximately 33.33% by Glory Crest, 33.33% by Shui On Holdings (HK) and 33.33% by Wisdom Toprich, a company then owned as to 60% by First Vanguard and 40% by Shui On Holdings (HK). At that time our Group did not have control over the management and operation of Shui On (Kwai Shing E.) and the then controlling shareholder, First Vanguard, did not intend to sell its beneficial interests in Shui On (Kwai Shing E.). As such, our investment in Shui On (Kwai Shing E.) as an associate of our Group at the time did not align with our business strategy to maintain control of the service quality and return of our elderly residential care homes. In June 2015, Shui On Holdings (HK) disposed of our minority interests in Shui On (Kwai Shing E.) to Jun Pak for a consideration of HK$30,005,000 which was determined at an arm's length negotiation between the parties with reference to the earnings of Shui On (Kwai Shing E.) for the year ended 31 December 2014 and the four months ended 30 April 2015. Subsequently in August 2016 as part of our Group's expansion strategy, our Group acquired 66.67% interest in Shui On (Kwai Shing E.) which was owned by Mr. TC Yik.

The shareholding structure of Shui On (Kwai Shing E.) immediately before the aforesaid transfers is set forth below:



Notes:

1. Immediately before the aforesaid transfers, the ultimate beneficial owners of Savills Guardian (Holdings) Limited were Independent Third Parties.

2. Immediately before the aforesaid transfers, the ultimate beneficial owners of First Vanguard were Independent Third Parties. To the best of our Directors' knowledge, First Vanguard was principally engaged in investment holding of elderly residential care home businesses and was an Independent Third Party.

3. For details of the shareholding structure of Shui On Holdings (HK) as at the commencement of the Track Record Period, please refer to the paragraphs headed "History, Reorganisation and corporate structure — Corporate history — Shui On Holdings (HK)" in this prospectus.

4. Our Group does not hold any interest in Guardian Home (Chun Shek) Limited and does not operate Guardian Home (Chun Shek) Integrated Nursing Home.

Steps relating to the disposal of minority interest in Shui On (Kwai Shing E.) by our Group

On 26 June 2015, the management of Shui On Holdings (HK) agreed to transfer its minority interests in Shui On (Kwai Shing E.), representing approximately 33.33% of the issued share capital of Shui On (Kwai Shing E.), and its 40% interest in Wisdom Toprich to Jun Pak, a company which was then held as to 50% by Mr. Lui and 50% by Mr. TC Yik, at an aggregate consideration of HK$30,005,000. The then directors of Shui On Holdings (HK) and Jun Pak had considered the profitability of Shui On (Kwai Shing E.) during the year ended 31 December 2014 and the four months ended 30 April 2015 and had agreed that the consideration for the transfer was to be determined with reference to the earnings of Shui On (Kwai Shing E.) for the year ended 31 December 2014 and the four months ended 30 April 2015. The aforesaid transfers were properly and legally completed and settled. Upon completion of the aforesaid transfers, Shui On (Kwai Shing E.) was owned as to approximately 33.33% by Glory Crest, 33.33% by Jun Pak and 33.33% by Wisdom Toprich (which was held as to 40% by Jun Pak and 60% by First Vanguard) respectively.

Transfer of majority interest in Shui On (Kwai Shing E.) from First Vanguard to Jun Pak after the disposal of minority interest in Shui On (Kwai Shing E.) by our Group

First Vanguard subsequently agreed to transfer its controlling interests in Shui On (Kwai Shing E.) to Jun Pak; on 30 June 2016, it transferred its 60% interest in Wisdom Toprich to Jun Pak, which was wholly owned by Mr. Lui, at consideration of HK$11,500,000 that was determined at an arm's length negotiation between the parties with reference to the earnings of Shui On (Kwai Shing E.) for the year ended 31 December 2015 and the four months ended 30 April 2016. On the same date, First Vanguard transferred its 60% interest in Guardian Home (which, through (i) Guardian Home; and (ii) Glory Crest, held 33.33% interest in Shui On (Kwai Shing E.)) to Jun Pak at a consideration of HK$31,678,000 which was determined at an arm's length negotiation between the parties based on the earnings of Guardian Home and its subsidiaries for the year ended 31 December 2015 and the four months ended 30 April 2016. As a result of the above transfers by First Vanguard, First Vanguard ceased to have any beneficial interests in Shui On (Kwai Shing E.), whereas Jun Pak became beneficially interested in an aggregate of approximately 66.67% interest in Shui On (Kwai Shing E.).

Transfer of majority interest in Shui On (Kwai Shing E.) from Jun Pak to Mr. TC Yik

In view of the then profitability and majority interests in Shui On (Kwai Shing E.) held by Jun Pak as a result of the above transfers, the directors of Shui On Holdings (HK) decided to obtain the control of the operation and management of Shui On (Kwai Shing E.). On 23 August 2016, each of Jun Pak and Wisdom Toprich transferred its approximately 33.33% interest in Shui On (Kwai Shing E.) to Mr. TC Yik at a consideration of approximately HK$19,167,000 each. Afterwards, Mr. TC Yik directly owned approximately 66.67% of the issued share capital of Shui On (Kwai Shing E.). The consideration for each of the acquisitions above was determined at arm's length negotiations between the parties with reference to the earnings of Shui On (Kwai Shing E.) for the year ended 31 December 2015 and the six months ended 30 June 2016. The acquisitions above were properly and legally completed and settled on 23 August 2016.

Steps relating to the acquisition of majority interests in Shui On (Kwai Shing E.) by our Group

On 31 August 2016, our Company, through Shui On Holdings (HK), acquired 10,000 shares in Shui On (Kwai Shing E.), representing approximately 66.67% of the issued share capital of Shui On (Kwai Shing E.), from Mr. TC Yik at a consideration of approximately HK$38,333,000, which was determined at arm's length negotiations between the parties with reference to the earnings of Shui On (Kwai Shing E.) as at 30 June 2016. The consideration was satisfied by the issue and allotment of 1,311 Shares by our Company, credited as fully paid, to Shui Wah (as directed by Mr. TC Yik). The aforesaid acquisition was properly and legally completed and settled on the same date. Following the completion of the acquisition, Shui On (Kwai Shing E.) was owned as to approximately 66.67% by Shui On Holdings (HK) and 33.33% by Glory Crest respectively.

Under the sale and purchase agreement dated 31 August 2016 entered into between Mr. TC Yik as vendor, our Company as purchaser and Shui On Holdings (HK) as nominee in relation to the shares of Shui On (Kwai Shing E.), the purchaser may sue the vendor for any breach of the representations and warranties under the agreement.

PROPERTIES

As at the Latest Practicable Date, all of the premises which are used by our five elderly residential care homes in connection with their respective business operations and used as our staff quarters and office in Hong Kong were leased by our Group.

Leased properties

As at the Latest Practicable Date, we entered into leases for all of our five elderly residential care homes in Hong Kong (with SFA ranging from 522.6 sq.m. to 2,563.8 sq.m.), under which the respective lease term ranged between three years to six years. The following table sets forth a summary of the properties leased by us for the operations of our elderly residential care homes:

No.	Address	Elderly residential care home	SFA	Term of lease (Number of years)	Expiry date	Length of business relationship up to the Latest Practicable Date	Notice period of early termination	Number of times of renewal since the date of the first tenancy agreement
			(sq.m.)					
1.	Shop EH1, ground floor, Shun On Shopping Center, Shun On Estate, 1 Lee On Road, Kowloon, Hong Kong	Shui On (Shun On)	1,122.3	Three	30 June 2018	Since July 2006 (10 years)	Note less than six months *(Note 1)*	Two
2.	Shop Nos. 1–4, ground floor and Shops Nos. 101–113, first floor, On Chak House, Shun On Shopping Center, Shun On Estate, 1 Lee On Road, Kowloon, Hong Kong	Shui Hing	906.8	Five	30 September 2019	Since December 2008 (eight years)	Note less than six months *(Note 1)*	One
3.	Unit No. A, 6/F., Car Park Block, Hing Wah (I) Estate, 11 Wan Tsui Road, Chai Wan, Hong Kong	Shui On (Hing Wah)	522.6	Six	31 March 2020	Since April 2008 (nine years)	Note less than six months *(Note 1)*	One
4A.	Shop Nos. 1–4, fourth floor, Sun Tin Wai Shopping Centre, Sun Tin Wai Estate, Shatin, New Territories, Hong Kong	Shui On (Sun Tin Wai)	718.9 *(Total SFA for no. 4A and 4B)*	Three	12 November 2019	Since February 2017 (four months) *(Note 2)*	Note less than six months *(Note 1)*	Nil
4B.	Shop Nos. 30–33 and 40, fifth floor, Sun Tin Wai Shopping Centre, Sun Tin Wai Estate, Shatin, New Territories, Hong Kong	Shui On (Sun Tin Wai)		Three	12 November 2019	Since February 2017 (four months) *(Note 2)*	Note less than six months *(Note 1)*	Nil
5.	Unit Nos. G01, 101, 201, 301, 401 and 501, and Roof, Carpark Building, Shing Hei House, Kwai Shing East Estate, 63 Kwai Shing Circuit, Kwai Chung, New Territories, Hong Kong	Shui On (Kwai Shing E.)	2,563.8	Three	31 March 2019	Since April 2007 (10 years)	Note less than six months *(Note 1)*	Two

Notes:

1. Save for the tenancy agreement for Shui Hing elderly residential care home, the landlords in all other leases are required to give not less than six months written notice to us for early termination if the landlords resolve to sell, redevelop, renovate or reinstate any part of the premises. The six months' notice period applies only when the landlord of Shui Hing elderly residential care home resolves to refurbish or renovate the premises.

2. On 14 February 2017, the former landlord of the premises of our Shui On (Sun Tin Wai) elderly residential care home completed the sale of and assigned the premises to a new landlord, an Independent Third Party, subject to the existing tenancy. Thus, the tenancy agreement entered into with the former landlord continued with the new landlord on the date of the assignment.

As at the Latest Practicable Date, among the above six leases of the five elderly residential care homes (with two leases for Shui On (Sun Tin Wai) elderly residential care home, and one lease for each of our other four elderly residential care homes), one lease will expire within one year and three months and five leases will expire in about two to three years.

As at the Latest Practicable Date, we also entered into five tenancy agreements in relation to our staff quarters and one tenancy agreement in relation to our ancillary office:

No.	Location	Leasee	SFA	Term of lease (Number of years)	Expiry date	Usage
			(sq.m.)			
1.	Kwun Tong	Shui On (Shun On)	44.4	Three	25 January 2019	Staff quarters
2.	Kwun Tong	Shui Hing	44.4	Two	16 April 2019	Staff quarters
3.	Chai Wan	Shui On (Hing Wah)	23.9	Two	5 February 2019	Staff quarters
4.	Shatin	Shui On (Sun Tin Wai)	32.6	Two	21 July 2018	Staff quarters
5.	Kwai Chung.......................	Shui On (Kwai Shing E.)	43.8	Two	14 March 2019	Staff quarters
6.	Kwun Tong	Shui On (Shun On)	45.1	Two	30 June 2018	Ancillary office

As at the Latest Practicable Date, all of the above six leases of staff quarters and ancillary office will expire within two years.

During the Track Record Period and up to the Latest Practicable Date, we leased all of our premises from Independent Third Parties. One of such Independent Third Parties is a subsidiary of a publicly listed real estate investment trust fund.

According to the Ipsos Report, (i) elderly residential care homes operated by private groups may either own or lease their premises; (ii) some groups of elderly residential care homes own parts of their premises and rent others; and (iii) there are cases where leases are not renewed, but these cases are rare, and the leases tend to be negotiated in long contract terms. As we lease all of the properties for the operation of our elderly residential care homes, we are subject to, among other things, risk of relocation. See "Risk Factors — Risks relating to our Business — As we lease all of the properties for the operation of our elderly residential care homes, there is no assurance that our leases and/or tenancy agreements will be successfully renewed or renewed on comparable terms or will not be early terminated and we are subject to risk of rental price fluctuation in the real estate market in Hong Kong" for details. To allow sufficient time for us to, among other things, identify existing elderly residential care homes or new sites for setting up new elderly residential homes for relocation, we generally require our landlords of subsisting tenancy agreements to give us written notice of not less than six months prior to the early termination of tenancy agreements and we would commence negotiation for the renewal of tenancy agreements nine to 12 months prior to the expiration dates. In addition, we have formulated a contingency plan to address risk of early termination or non-renewal of our leases. For instance, we would actively and periodically conduct survey on the elderly residential care home market and the leased property market so as to obtain up-to-date market information for the implementation of our contingency plans. During the Track Record Period, we did not experience any material difficulty in renewing our tenancy agreements or exploring new premises for our elderly residential care homes.

LICENCES AND PERMITS

We are required to obtain relevant licenses for the operation of our elderly residential care homes. For details of the relevant requirements, please see the section headed "Regulatory overview" in this prospectus. The following table sets forth the brief particulars of the licences of our elderly residential care homes as at the Latest Practicable Date:

Elderly residential care home	Licence	Effective date	Expiry date
Shui On (Shun On)	Licence of RCHE	1 June 2016	31 May 2018
Shui Hing	Licence of RCHE	1 April 2017	31 March 2019
Shui On (Hing Wah)	Licence of RCHE	1 June 2016	30 November 2017
Shui On (Sun Tin Wai)	Licence of RCHE	1 September 2016	31 August 2018
Shui On (Kwai Shing E.) . . .	Licence of RCHE	1 May 2017	31 October 2018

During the Track Record Period and up to the Latest Practicable Date, our Group (i) had obtained all material licences and permits necessary for the operation of our business in Hong Kong and such licences and permits are still valid and in force; and (ii) had not experienced any refusal of the renewal of application of material licences and permits necessary for the operation of our elderly residential care homes.

AWARDS AND RECOGNITION

We strive to cultivate a homely, caring environment which facilitates our elderly residents to adopt a healthy living, maintain mental wellness and self-care abilities as well as participate in meaningful interactions and social activities. We believe that our quality and customer-oriented services have earned us a prominent reputation among our residents and in the residential care service industry. The following table sets forth the awards and achievements our Group received during the Track Record Period:

Elderly residential care homes	Awards	Awarding organisation	Year(s) of award
Shui On (Shun On)	Certificate for passing the Residential Aged Care Accreditation Scheme	Hong Kong Association of Gerontology	2012 (for one year), 2013 (for one year), 2014 (for one year), 2015 (for three years from March 2015 to March 2018)

INTERNAL CONTROL, RISK MANAGEMENT AND CORPORATE GOVERNANCE

We are dedicated to the establishment and maintenance of a robust internal control and risk management system which would mitigate risks in our operations. We have put in place internal control procedures, comprehensive risk management system and corporate governance measures in various aspects of our business operations. Our employees receive regular mandatory training on our policies, standards and procedures and are required to strictly adhere to them during the daily operations.

Safety of our elderly residents and staff

We strive to provide a safe working environment to our employees. We have implemented work safety guidelines for all our employees which sets out our work safety policies and promotes safety on work sites. In addition, our kitchen operation manual provides clear guidance on various occupational and safety matters which our kitchen staff are required to follow. Non-compliance with our work safety and internal control procedures are part of our performance evaluation which provide an incentive for our employees to abide by our safe working procedures. We believe these measures would help to reduce work injuries and the seriousness of such injuries of our employees and would adequately and effectively prevent serious work injuries.

Safety management of our elderly residents and staff is handled by key personnel at all levels and led by the home managers, who are responsible for the implementation and enforcement of our risk management and internal control policies and procedures. All staff members are responsible for ensuring the personal safety of our elderly residents. Our elderly residential care homes have adopted a set of stringent security protocols and fire and explosive protection procedures in case of emergency. Our maintenance division is in charge of responding to water, electricity and gas emergency situations, such as power outage or water leakage at our elderly residential care homes. We have installed emergency lighting systems in our residential care homes in accordance with the Fire Services Ordinance (Cap 95 of the Laws of Hong Kong) for safety and compliance. Our medical and cleaning division is responsible for the cleaning and disinfection of our elderly residential care homes and ensures that the cleaning protocols are properly followed by our staff.

The clerical staff at our elderly residential care homes are responsible for controlling the surveillance systems installed at our elderly residential care homes. We have installed electronic security and surveillance systems at our elderly residential care homes to monitor the premises and record emergency events and incidents, which may be used as evidence in case of disputes or investigations.

Our Directors, senior management and home managers ensure that our professional staff and employees strictly comply with the relevant laws, regulations, industrial standards and protocols while serving our elderly residents. Our quality control manuals, employee handbooks and guidelines are provided to staff at all levels whilst our management supervises the execution.

During the Track Record Period, as a result of our comprehensive safety management and internal control procedures, other than the incidents disclosed in the paragraphs headed "Workplace health and safety" above in this section, we did not encounter any material medical accidents or work-related injuries at our elderly residential care homes which could cause a material adverse effect on our business, financial condition or results of operations.

Financial reporting and treasury management

Our Group has adopted comprehensive accounting policies in connection with our financial reporting risk management and we have implemented a formalised financial reporting process for revenue recognition. We provide ongoing training to our finance staff to ensure that these policies are well-observed and effectively implemented.

As at the Latest Practicable Date, our finance department consisted of four employees and was headed by our chief financial officer, Ms. Leung Pui Shan, who is a member of the Hong Kong Institute of Certified Public Accountants and is responsible for accounting financial management and company secretarial matters of our Group. All senior members of our finance department have extensive experience in finance and accounting. We believe that they are equipped with the knowledge and experience when implementing our accounting policies and financial reporting process.

Human resource

We have adopted internal control policies aspects of human resource management, such as recruiting, training, work ethics, and legal compliance. To ensure that the new hiring meets our requirements and quality, we adopt high standards in recruitment and adhere to strict procedures. We provide on-the-job training for newly hired employees to ensure consistency in our service delivery. We believe that our training programmes are effective in equipping our new staff with the skill and work ethics that are required from our employees.

Our management also ensures that the minimum staffing requirements under the RCH(EP)R is complied with. During the Track Record Period and up to the Latest Practicable Date, we complied with the minimum staff requirements as required by the RCH(EP)R.

Our employee handbook sets out the relevant guidance, laws and regulations governing our business and industry, as well as contain guidelines as to best commercial practice, our corporate spirit, work ethics and prevention of fraud, negligence, anti-bribery and corruption. Each of our employees is given an employee handbook upon hiring and is required to observe the rules and guidelines throughout the course of his/her employment. An anonymous reporting channel is made available through which employees, residents and their family members could report actual or potential violations of our internal policies or illegal acts at all level of our Group to our management, so that our management could take appropriate measures to minimise damage.

Legal compliance

As the residential elderly care industry becomes increasingly regulated by the HK Government, legal compliance has become a major focus area of our operational risk management. Our management would monitor any changes in the laws and regulations of our industry and consult our legal advisers who provide legal advice in relation to our daily operations. Our legal advisers also ensure timely applications and filings for requisite licenses, permits and approvals for our operations and expansion plans.

In terms of implementation, our management and our home manager ensure our day-to-day operations complies with the relevant laws and regulations by regularly monitoring the performance of our elderly residential care homes.

Protection of our elderly residents' personal information

We have adopted policies on the protection of our elderly residents' personal data in accordance with relevant laws and regulations. To safeguard our elderly residents' right of data privacy, we have restricted access to our information systems to designated employees so that certain information can only be obtained on an as-needed basis. In addition, our employees and professional staff are required to sign confidentiality agreements with us under which they undertake to keep all personal data confidential.

Continuing measures to monitor the implementation of internal control policies

Our senior management monitors the implementation of our internal control policies across our Group on a continuing basis to ensure that our internal controls and risk management policies are effective in identifying, managing and mitigating risks involved in our operations.

Corporate governance

We are dedicated to a high standard of corporate governance and prudent management. We believe that exercising a high standard of corporate governance will enhance the interest of our Shareholders. Our Board has established procedures on corporate governance in accordance with the requirements of the Corporate Governance Code and Corporate Governance Practices in Appendix 15 to the GEM Listing Rules. For details on our compliance with the Corporate Governance Code and Corporate Governance Practices in Appendix 15 to the GEM Listing Rules, please see the paragraphs headed "Directors and senior management — Compliance with the corporate governance code" in this prospectus.

LEGAL COMPLIANCE

Compliance with laws and regulations

Save and except 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 which would have a material adverse effect on our business or financial condition taken as a whole.

The following table sets forth the details of the non-compliance incidents of our Group during the Track Record Period and up to the Latest Practicable Date:

Non-compliance with the RCH(EP)R and RCHE Code of Practice

During the Track Record Period and up to the Latest Practicable Date, Shui On (Shun On), Shui On (Hing Wah) and Shui On (Kwai Shing E.) had received one, one and four warning letters from the SWD, respectively. Out of the four warning letters issued to Shui On (Kwai Shing E.), one warning letter was issued during the term of the previous EBPS Agreement of Shui On (Kwai Shing E.), while the other three were issued during the term of the current EBPS Agreement of Shui On (Kwai Shing E.).

Details of the warning letters to Shui On (Shun On) and Shui On (Hing Wah) are set forth below.

RCHE involved	Particulars of the non-compliance	Underlying reasons for the non-compliance	Potential maximum penalty/fine or consequence	Remedial actions taken	Measures to prevent any future breaches and ensure on-going compliance and Directors' view on RCHE licence renewal
Shui On (Shun On)	(i) On 2 September 2016, a health inspector of LORCHE, during his inspection, identified that a staff of Shui On (Shun On) was applying restraints to a resident without making an assessment and obtaining prior written consents from a registered medical practitioner, the resident and/or his guardian/ guarantor/family members/relatives before applying restraints to that resident, contrary to the requirements under paragraph 11.6.2(g) of the RCHE Code of Practice. (ii) Subsequently, the SWD issued a warning letter against Shui On (Shun On) on 13 September 2016 for our failure to comply with paragraph 11.6.2(g) of the RCHE Code of Practice.	As the resident could not maintain a proper sitting posture and was prone to falling, we had to apply restraints to the resident. Our nurse had obtained the written consent from a registered medical practitioner, and informed the family member of the resident. Because of an inadvertent oversight of our nurse, she omitted to follow up with the resident's family member to obtain a written consent after a verbal consent was given by the resident's family member.	(i) Pursuant to the warning letter dated on 13 September 2016, if the relevant RCHE fails to rectify the non-compliance as soon as practicable, the SWD may initiate prosecution, or cancel, suspend or refuse to renew the licence in respect of the RCHE, or amend or vary any condition of the licence. (ii) As at the Latest Practicable Date, no further action had been initiated by the SWD against Shui On (Shun On) in respect of this warning.	(i) A special staff meeting was held on 2 September 2016 to remind our nurses, health workers, care workers and ancillary workers that a written consent must be obtained from a registered medical practitioner, the resident and/or his/her guardian/ guarantor/family members/relatives before applying restraints to the resident. If the family member of the resident gives a verbal consent, our nurses or health workers shall immediately follow up with the family member to obtain a written consent. (ii) We invited a representative of the Department of Health to give a talk to our nurses, health workers and care workers to remind them on the guidelines on safe use of restraints.	(i) Strictly following the requirements under paragraph 11.6.2(h) of the RCHE Code of Practice, the management of our Company will assess, on a half-yearly basis or when the situation of the relevant resident changes, whether it is necessary to (a) keep on applying the restraints to the relevant residents; (b) change the type of the restraints and/or (c) change the time of applying the restraints. Each of our elderly residential care home has maintained a written record of consent of restraint from the residents to whom the restraints need to be applied. Such written record of consent of restraint provides the time that a new assessment shall be made and the situation where consents from the resident, the home manager of the elderly residential care home, registered doctor/resident or the guardian/family members or relatives of the residents shall be obtained.

RCHE involved	Particulars of the non-compliance	Underlying reasons for the non-compliance	Potential maximum penalty/fine or consequence	Remedial actions taken	Measures to prevent any future breaches and ensure on-going compliance and Directors' view on RCHE licence renewal
					(ii) In addition, the home manager of each of our elderly residential care home will review and confirm, on a monthly basis, the particulars provided in the written record of consent of restraint to ensure that there is no missing consent and everything stated on such written record of consent of restraint is accurate and in order. (iii) Further, our elderly residential care home will assess and examine our care workers from time to time to ensure that they know and adopt the correct way to use the restraints. (iv) We have also reviewed and updated our internal guidelines to enhance the internal control measures to address this incident, pursuant to which: (a) our medical staff shall check and inspect all the restraints applied to the residents and maintain proper written records; (b) written record of consent of restraint shall be obtained from the relevant persons including the family member of the resident prior to applying restraints to our residents; and (c) our home manager shall conduct review on the records of application of restraints to the relevant residents every two weeks to ensure that such records of application correspond to the written record of consent of restraint from the relevant residents.

RCHE involved	Particulars of the non-compliance	Underlying reasons for the non-compliance	Potential maximum penalty/fine or consequence	Remedial actions taken	Measures to prevent any future breaches and ensure on-going compliance and Directors' view on RCHE licence renewal
					(v) The SWD has received the aforesaid updated internal guidelines and urged us to fully implement the measures mentioned therein and comply with the relevant provisions of the RCHE Code of Practice. (vi) Considering that (a) the rectification measures had been successfully implemented and adopted; (b) the SWD had not indicated that it would take further action against Shui On (Shun On) in respect of this warning as at the Latest Practicable Date; and (c) based on the historical records of our elderly residential care homes, as long as the matters specified in the warning letters had been rectified, the SWD generally would not take any further action against any of our elderly residential care homes despite issuing the warning letters, our Directors are of the view that this non-compliance incident will not affect the application of Shui On (Shun On) for RCHE licence renewal in the future, and the chance that the SWD will take further action against Shui On (Shun On) as a result of this non-compliance incident is remote.

RCHE involved	Particulars of the non-compliance	Underlying reasons for the non-compliance	Potential maximum penalty/fine or consequence	Remedial actions taken	Measures to prevent any future breaches and ensure on-going compliance and Directors' view on RCHE licence renewal
Shui On (Hing Wah) .	(i) On 12 October 2016, a health inspector of LORCHE, during his inspection, identified that Shui On (Hing Wah) failed to maintain the presence of the prescribed number of health workers, contrary to the requirements under Section 11 of and Schedule 1 to the RCH(EP)R. (ii) Subsequently, the SWD issued a warning letter against Shui On (Hing Wah) on 13 October 2016 for our failure to comply with Section 11 of and Schedule 1 to the RCH(EP)R.	(i) At the relevant time, there was a lack of two health workers being on duty in the relevant elderly residential care home. This was due to the fact that: (a) a health worker was assigned to accompany a resident to attend a medical appointment and (b) another health worker left the relevant elderly residential care home to purchase breakfast for a new resident. (ii) The two health workers were not regarded as being on duty by the SWD as they were not physically present in the RCHE at the relevant time.	(i) An operator of RCHE who fails to comply with Section 11 of RCH(EP)R commits an offence and is liable to a fine of HK$25,000. (ii) In addition, pursuant to the warning letter, if the RCHE fails to rectify the non-compliance as soon as practicable, the SWD may initiate prosecution, or cancel, suspend or refuse to renew the licence in respect of the RCHE, or amend or vary any condition of the licence. (iii) As at the Latest Practicable Date, no further action had been initiated by the SWD against Shui On (Hing Wah) in respect of this warning.	Two special meetings were held on 14 October 2016 and 2 November 2016 separately to emphasise and remind all of our staff to pay particular attention to Section 11 of and Schedule 1 to the RCH(EP)R, and remind all of our staff that they were not allowed to leave the RCHE without prior permission from the home managers when they were on duty.	(i) We will regularly remind our staff that they must not leave the elderly residential care home without prior permission from the home manager when they are on duty. We also post such reminder in the form of a notice on a conspicuous place of each of our elderly residential care homes. (ii) In addition, proper written records showing the staff who (including replacement staff) has reported to work and the one who has gone out to work at the material time have been maintained. (iii) The home manager of each of our elderly residential care homes will inspect and confirm, on a daily basis, whether the elderly residential care home maintains the presence of the prescribed number of health workers. We also have senior officers acting in the capacity of the home managers at night to inspect and confirm the same.

RCHE involved	Particulars of the non-compliance	Underlying reasons for the non-compliance	Potential maximum penalty/fine or consequence	Remedial actions taken	Measures to prevent any future breaches and ensure on-going compliance and Directors' view on RCHE licence renewal
					(iv) Considering that (a) the rectification measures had been successfully implemented and adopted; (b) the SWD had not indicated that it would take further action against Shui On (Hing Wah) in respect of this warning as at the Latest Practicable Date and (c) based on the historical records of our elderly residential care homes, as long as the matters specified in the warning letters had been rectified, the SWD generally would not take any further action against any of our elderly residential care homes despite issuing the warning letters, our Directors are of the view that this non-compliance incident will not affect the application of Shui On (Hing Wah) for RCHE licence renewal in the future, and the chance that the SWD will take further action against Shui On (Hing Wah) as a result of this non-compliance incident is remote.

RCHE involved	Particulars of the non-compliance	Underlying reasons for the non-compliance	Potential maximum penalty/fine or consequence	Remedial actions taken	Measures to prevent any future breaches and ensure on-going compliance and Directors' view on RCHE licence renewal
					(v) We have reviewed and updated our internal guidelines, pursuant to which we shall at all times maintain sufficient number of staff, including home managers, ancillary workers, care workers, health workers and nurses, being on duty in our elderly residential care homes in order to comply with the requirements under the RCH(EP)R. Before arranging for our staff to accompany our residents to attend medical appointments or to run errands for our residents, we will assess whether such arrangement will lead to a lack of staff being on duty in the relevant residential care home. If we foresee that such arrangement may result in a lack of our staff being on duty in the relevant elderly residential care home, we will use external escort service for out-patient visits or engage external service providers to supply relevant goods or services to us.

During the Track Record Period and up to the Latest Practicable Date, Shui On (Kwai Shing E.) had received four warning letters from the SWD, of which one was received during the term of the previous EBPS Agreement and the remaining three were received during the term of the current EPBS Agreement.

Among the aforementioned four warning letters, it was stated in both of the warning letter dated 24 June 2016 and the warning letter dated 13 March 2017 that if the RCHE has accumulated five warning letters or more, during the term of the EBPS Agreement, the SWD will have the right to reduce the number of residential places purchased under the EBPS. Having considered that (i) Shui On (Kwai Shing E.) received less than five warning letters during (a) the term of the previous EBPS Agreement; and (b) the period from the beginning of the term of of the current EBPS Agreement and up to the Latest Practicable Date; (ii) as at the Latest Practicable Date, no action had been initiated by the SWD against Shui On (Kwai Shing E.) regarding the aforementioned four warning letters; and (iii) we have successfully implemented and adopted the rectification measures to prevent future breaches and ensure on-going compliance with the RCH(EP)O, RCH(EP)R and RCHE Code of Practice, our Directors consider that the risk that the SWD would reduce the number of our EBPS places available at Shui On (Kwai Shing E.) would be low.

Based on the above reasons and considering that our Group successfully renewed the RCHE licence of Shui On (Kwai Shing E.) for the period between 1 May 2017 and 31 October 2018 after the issue of the above warning letters, our Directors are of the view that the above warning letters in respect of Shui On (Kwai Shing E.) will not materially affect the operations of the Shui On (Kwai Shing E.) elderly residential care home and the renewal of its RCHE licence in the future, and the chance that the SWD will take further action against Shui On (Kwai Shing E.) as a result of these non-compliance incidents is remote.

Based on the above reasons, the Sole Sponsor concurs with our Directors' view that the issue of the abovementioned warning letters to Shui On (Kwai Shing E.) will not materially affect the renewal of its RCHE licence.

Details of the abovementioned warning letters to Shui On (Kwai Shing E.) are set forth below.

RCHE involved	Particulars of the non-compliance	Underlying reasons for the non-compliance	Potential maximum penalty/fine or consequence	Remedial actions taken	Measures to prevent any future breaches and ensure on-going compliance
Shui On (Kwai Shing E.). . .	(i) On 20 June 2015, a resident of Shui On (Kwai Shing E.) fell over and was injured when he was bathing. The SWD received a complaint against Shui On (Kwai Shing E.). After receiving the complaint, a healthcare inspector of LORCHE conducted a surprise inspection of Shui On (Kwai Shing E.) on 15 July 2015. (ii) During the surprise inspection, the health inspector of LORCHE found that (a) the qualified staff failed to ensure that proper nursing and personal care were provided for when such resident was bathing; and (b) Shui On (Kwai Shing E.) failed to provide clear instructions to their staff on the bathing process for residents who have a risk of fall, contrary to the requirements under paragraph 11.1 of the RCHE Code of Practice. (iii) Subsequently, the SWD issued a warning letter against Shui On (Kwai Shing E.) on 10 March 2016 for our failure to comply with paragraph 11.1 of the RCHE Code of Practice.	This non-compliance incident was due to an inadvertent oversight of one of our care workers as she failed to follow our internal guidelines to ensure proper nursing and personal care being provided when the resident was bathing.	(i) Pursuant to the warning letter, if the RCHE fails to rectify the non-compliance as soon as practicable, the SWD may initiate prosecution, or cancel, suspend or refuse to renew the licence in respect of the RCHE, or amend or vary any condition of the licence. (ii) As at the Latest Practicable Date, no further action had been initiated by the SWD against Shui On (Kwai Shing E.) in respect of this warning, and no further action had been initiated by the resident's family member against our Group in respect of this incident. (iii) The warning letter was issued during the term of the previous EBPS Agreement of Shui On (Kwai Shing E.).	(i) A special staff meeting was held on 30 June 2015 to remind our care workers the importance of following internal guidelines when they assisted our residents in bathing, in particular, (a) wheels of shower wheelchairs shall be locked; (b) seat belt shall be fastened; (c) the core workers shall keep sight of the resident when bathing; and (d) two core workers shall work together to help the residents bathe if such residents have a high risk of fall; and (e) the residents shall be safely taken care of when bathing. (ii) We issued a warning letter to the care worker involved in this non-compliance incident. (iii) Immediately after the incident, our staff had conducted a complete check on and made necessary adjustment to the related equipment.	(i) A notice demonstrating the correct procedures and steps in assisting our residents in bathing was posted in the bathroom(s) of all of our elderly residential care homes to remind our care workers. (ii) Regular trainings and examinations on the correct procedures and steps in assisting our residents in bathing are provided to our care workers. (iii) We also regularly arrange our staff members to check and inspect the relevant bathing equipment and report the findings to the home managers of our elderly residential care homes.

RCHE involved	Particulars of the non-compliance	Underlying reasons for the non-compliance	Potential maximum penalty/fine or consequence	Remedial actions taken	Measures to prevent any future breaches and ensure on-going compliance
Shui On (Kwai Shing E.) . .	(i) On 12 April 2016, a fire safety inspector of LORCHE, during his inspection, identified that there were miscellaneous objects blocking the exit route of Shui On (Kwai Shing E.). (ii) Subsequently, the SWD issued a warning letter against Shui On (Kwai Shing E.) on 14 April 2016 for our failure to comply with Section 30 of the RCH(EP)R by failing to keep the fire exits and exit routes of the RCHE free from obstructions.	This non-compliance incident was due to an inadvertent oversight of certain staff members who failed to observe our safety guidelines.	(i) Pursuant to the warning letter, if the RCHE fails to rectify the non-compliance as soon as practicable, the SWD may initiate prosecution, or cancel, suspend or refuse to renew the licence in respect of the RCHE, or amend or vary any condition of the licence. (ii) As at the Latest Practicable Date, no further action had been initiated by the SWD against Shui On (Kwai Shing E.) in respect of this warning. (iii) The warning letter was issued during the term of the current EBPS Agreement of Shui On (Kwai Shing E.).	(i) The home manager had removed the obstruction immediately under the supervision of an officer of the Fire Services Department. (ii) A special meeting was held on 13 April 2016 to remind our staff members that the exits and exit routes of the RCHE must be free from obstruction.	(i) We have posted notices in exits and exit routes to remind our staff members that the exits and exit routes of the RCHE must be free from obstruction. (ii) We have also issued notice to our staff members to remind them that our safety guidelines must be strictly observed. (iii) We also regularly arrange our staff members to check and inspect all the fire exit routes, and report the findings to the home managers of our elderly residential care homes.

RCHE involved	Particulars of the non-compliance	Underlying reasons for the non-compliance	Remedial actions taken	Potential maximum penalty/fine or consequence	Measures to prevent any future breaches and ensure on-going compliance
Shui On (Kwai Shing E.)	(i) A complaint alleging that Shui On (Kwai Shing E.) wrongly requesting deposit from a resident was made to the SWD. After receiving the complaint, a social work inspector and a health inspector of LORCHE conducted surprise inspections at Shui On (Kwai Shing E.) on 30 October 2014 and 31 October 2014 respectively. (ii) During the surprise inspection, the inspectors found that in 2013, Shui On (Kwai Shing E.) charged a resident an additional fee of one month as deposit, contrary to clause 6.1 of the EBPS Agreement entered into between the SWD and Shui On (Kwai Shing E.). (iii) Subsequently, the SWD issued a warning letter against Shui On (Kwai Shing E.) on 24 June 2016 regarding the breach of clause 6.1 of the EBPS Agreement by Shui On (Kwai Shing E.) as they charged the resident an additional fee of one month as deposit in 2013.	(i) Shui On (Kwai Shing E.) has participated in the EBPS since 2010. When the resident involved in this incident was first admitted to the RCHE in July 2012, he had not yet been granted a subsidised residential care place under the EBPS, so he had to pay a deposit equivalent to one month's residential fee for his non-subsidised residential care place. Subsequently, in February 2013, the resident's application for a subsidised place under the EBPS was approved by the SWD. (ii) Due to an inadvertent oversight of our staff member that the resident had been changed from non-subsidised residential care place to subsidised place under the EBPS, we omitted to return the deposit to the family member of the resident until he passed away in September 2014.	(i) Pursuant to the warning letter, (a) the SWD may amend or vary or terminate the EBPS Agreement of Shui On (Kwai Shing E.), unless the non-compliance is rectified; and (b) if the RCHE has accumulated a total of five warnings, during the term of the EBPS Agreement (i.e. from 1 April 2016 to 31 March 2018), the SWD has the right to reduce the number of residential care places purchased at the RCHE under the EBPS immediately after giving notice to the operator of the RCHE. (ii) The warning letter was issued during the term of the current EBPS Agreement of Shui On (Kwai Shing E.).	We had returned the deposit to the family member of the resident immediately after the resident passed away in September 2014.	(i) We held a special staff meeting in June 2016 to remind our staff members to return the deposit to the resident paying for his non-subsidised residential care place forthwith when he/she is granted a subsidised place under the EBPS. (ii) In July 2016, we issued a guidance named "Guidance on procedures on application to accepting and withdrawing from the elderly residential care home service" for all of our staff members to follow, which specifically required them to timely refund the deposit to the relevant resident upon receiving an approval from the SWD that the status of such resident would be changed from non-subsidised to subsidised under the EBPS. Further, the aforesaid guidance also provided that an officer of our elderly residential care home shall be responsible for recording the refund of the deposit, and the record shall be submitted to the home manager of the relevant elderly residential care home for checking and verification purposes. The operation of the aforesaid procedures will be led by the home manager of our relevant elderly residential care home and our internal compliance team (see page 178 of this prospectus for its composition and duties) will be responsible for overseeing and checking the performance of the aforesaid guidance.

RCHE involved	Particulars of the non-compliance	Underlying reasons for the non-compliance	Potential maximum penalty/fine or consequence	Remedial actions taken	Measures to prevent any future breaches and ensure on-going compliance
Shui On (Kwai Shing E.) .	(i) The SWD issued a warning letter against Shui On (Kwai Shing E.) on 13 March 2017 regarding a breach of clause 6.1 of the EBPS Agreement entered into between the SWD and Shui On (Kwai Shing E.). According to clause 6.1 of the EBPS Agreement, the fee charged by the operator of the RCHE shall not exceed the monthly fee provided in the fourth column of the schedule thereto. (ii) Shui On (Kwai Shing E.) breached the above clause by charging the residents a fee for providing rehabilitation therapy in addition to the said monthly fee.	(i) Shui On (Kwai Shing E.) had been providing physiotherapy for its residents free of charge. (ii) As the health conditions of our residents had been substantially improved after receiving our free physiotherapy, they requested us to provide additional rehabilitation therapy for them. (iii) Considering that the number of qualified physiotherapists and physiotherapist assistants stationed in our elderly residential care home is limited, we arranged an external service provider to provide additional rehabilitation therapy to the requesting residents. (iv) Our residents or their family members had given us written consents that they had agreed to accept the additional rehabilitation therapy and pay for the said therapy. We merely act as an intermediary to receive fee from the requesting residents, which will be transferred in its entirety to the external service provider, save as one incident in December 2016 in which, due to an inadvertent oversight of our administrative clerk, we had charged a requesting resident for seven sessions of rehabilitation therapy but we had only provided six sessions to such resident.	(i) Pursuant to the warning letter, if the RCHE has accumulated a total of five or more warnings, during the term of the EBPS Agreement (i.e. from 1 April 2016 to 31 March 2018), the SWD has the right to reduce the number of residential care places purchased at the RCHE under the EBPS immediately after giving notice to the operator of the RCHE. (ii) The warning letter was issued during the term of the current EBPS Agreement of Shui On (Kwai Shing E.).	Upon discovery of the incident, we immediately returned the fee in full that we erroneously charged to such resident on 5 April 2016.	(i) We have established an internal compliance team which is responsible for, among others, observing and ensuring that our elderly residential care homes comply with the RCH(EP)O, RCH(EP)R and the RCHE Code of Practice. Our internal compliance team is also responsible for reviewing the daily operation of our elderly residential care homes as well as the incidents that already happened, including (a) handling complaints; (b) following up after the incidents; (c) the privacy issues of our residents; (d) complying with the minimum staffing requirements; and (d) filing and keeping written records and documents. (ii) The members of our internal compliance team will be collectively responsible for overseeing future compliance with the relevant laws and regulations applicable to the elderly residential care homes as well as the terms and conditions of the EPBS Agreement. See page 178 of this prospectus for the composition of our internal compliance team and see the section headed "Directors and senior management" in this prospectus for further details of the biographical information on some of the members of our internal compliance team.

RCHE involved	Particulars of the non-compliance	Underlying reasons for the non-compliance	Potential maximum penalty/fine or consequence	Remedial actions taken	Measures to prevent any future breaches and ensure on-going compliance
					(iii) In addition, our internal compliance team will regularly review the performance of Shui On (Kwai Shing E.) through, among other things, (a) considering the feedback from the questionnaires that we ask our residents to complete; (b) reviewing the fees that we charge our residents, to the effect that if there is a fee that may be contrary to the terms and conditions of the EPBS Agreement, we will seek advices from external legal advisers or other professional parties. Before obtaining a definitive reply from our advisers, such fee shall not be charged. We will also from time to time update the scope of review and supervision so that we will comply with the latest laws and regulations applicable to our elderly residential care home; and we shall only charge fees and expenses in accordance with the EBPS Agreement and the EBPS charging guidelines issued by the SWD. (iv) Upon consulting external legal advisers on this warning letter, a board resolution of Shui On (Kwai Shing E.) was passed on 21 March 2017, in which (a) we will not charge for providing rehabilitation therapy to our residents; and (b) the additional fee payable if the weight of the resident exceeded certain threshold was removed.

RCHE involved	Particulars of the non-compliance	Underlying reasons for the non-compliance	Potential maximum penalty/fine or consequence	Remedial actions taken	Measures to prevent any future breaches and ensure on-going compliance
					(v) In addition, a fee schedule clearly setting out the fees that we may charge according to the EPBS charging guidelines issued by the SWD is posted at a conspicuous place in all of our elderly residential care homes. Our staff members are also reminded that any request to the residents for additional fees, especially outside the scope of the fee schedule aforesaid, shall be agreed by the residents (if applicable) and pre-authorised by the home manager of the relevant elderly residential care home. (vi) We have prepared a record for each of our residents which clearly lists out all the fees and charges incurred by him/her. Such record will be reviewed and verified by the home manager of our elderly residential care home on a bi-weekly basis with reference to, among other things, the relevant requests by the residents, the EPBS charging guidelines and the relevant fee schedules. In the event that the payment to be made does not follow, among other things, the EPBS charging guidelines, the relevant fee schedule and the terms and conditions of the EBPS Agreement, an immediate refund to the relevant residents shall be made.

RCHE involved	Particulars of the non-compliance	Underlying reasons for the non-compliance	Potential maximum penalty/fine or consequence	Remedial actions taken	Measures to prevent any future breaches and ensure on-going compliance
					(vii) The aforesaid records which have been reviewed and verified by the home manager of our elderly residential care home will then be entered into our Group's accounting system on a monthly basis, and Ms. Leung Pui Shan, our chief financial officer and company secretary, will be responsible for checking, reconciling and approving such records.

Non-compliance with the WD(CW)(G)R and WDO

RCHEs involved	Particulars of the non-compliance	Underlying reasons for the non-compliance	Potential maximum penalty/ fine or consequence	Remedial actions taken	Measures to prevent any future breaches and ensure on-going compliance
Shui Hing; Shui On (Hing Wah); Shui On (Shun On); and Shui On (Sun Tin Wai) . .	At the relevant time, only Shui On (Kwai Shing E.) was registered as a chemical waste producer; and each of Shui Hing, Shui On (Hing Wah), Shui On (Shun On) and Shui On (Sun Tin Wai) failed to comply with Section 6(1) of WD(CW)(G)R by delivering chemical waste to Shui On (Kwai Shing E.) for further disposal but none of the aforesaid four RCHEs has been registered as a chemical waste producer under the relevant regulation.	Such non-compliance was not willful as Shui On (Kwai Shing E.) has been registered as a chemical waste producer under Section 2 of WD(CW)(G)R. Our Group mistakenly believed that the statutory requirements had been complied with by the effective registration of Shui On (Kwai Shing E.) as such.	(i) As advised by our Counsel, our Group may be liable to a maximum fine of HK$200,000. (ii) As further advised by our Counsel, given our Group's previous clear record, the sum of fine to be imposed, if prosecuted and convicted, would be expected to be around HK$10,000. (iii) Having considered the advice of our Counsel, our Directors are of the view that such non-compliance would not have material adverse impact on the business, financial position and result of operation of our Group as a whole.	Each of Shui Hing, Shui On (Hing Wah), Shui On (Shun On) and Shui On (Sun Tin Wai) had submitted the application for registration as a chemical waste producer to the Environmental Protection Department and all four registrations were completed on 2 February 2017.	We have updated our internal guidelines on chemical waste disposal which clearly defines chemical waste and clinical waste as well as the relevant handling procedures. It also specifically states that if a new RCHE is opened, it shall submit an application for registration as a chemical waste producer under the relevant regulation.

Our Board is responsible for establishing our internal control policies and system and reviewing their effectiveness. We have adopted procedures for developing and maintaining internal control systems on a continuous basis in accordance with the applicable laws and regulations. Our internal control systems cover operations, management, legal matters, corporate governance, finance and audit, in accordance with our needs. We are of the view that our internal control procedures and systems are sufficient in terms of comprehensiveness, practicability and effectiveness. However, we cannot guarantee that our employees will follow all of our internal control procedures at all times. We engaged an international reputable firm to act as our independent internal control reviewer ("**Internal Control Reviewer**"), in March 2016 to assist our Group in reviewing our internal control system and provide recommendations for improving our internal control system.

The Internal Control Reviewer has conducted a follow-up review in February and March 2017 for the follow-up actions carried out by our Group in relation to the non-compliance incidents. Our Group has implemented those internal measures as recommended by the Internal Control Reviewer to help prevent re-occurrence of deficiencies. 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 paragraphs headed "Legal compliance — Compliance with laws and regulations" above 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 GEM Listing Rules, provided by our legal advisers prior to the Listing. We will continue to arrange various trainings to be provided by the legal advisers 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 Ms. Leung Pui Shan as our company secretary. See "Directors and senior management" in this prospectus for further details of the biographical information of Ms. Leung Pui Shan. Our Directors believe that our Company will be able to draw on her expertise and experience with respect to compliance with applicable legal and financial reporting requirements;

(iii) we have established an internal compliance team in February 2017 which is responsible for, among others, overseeing our Group's compliance with the relevant laws and regulations applicable to our Group and the GEM Listing Rules, formulating internal control policies or rectification recommendations for our Group to implement, and monitoring the implementation of, the aforesaid internal control systems and policies and rectification of recommendations by our Group. Our internal compliance team, being led by Mr. Chung, our executive Director, comprises Ms. Chung, our executive Director and Ms. Leung Pui Shan, our chief financial officer and company secretary as well as the home managers of all of our elderly residential care homes. Mr. Chung has over 14 years of work experience in elderly residential care homes. He has been registered as a health worker by the SWD since October 2003 and a social worker registered with the Social Worker Registration Board in Hong Kong since October 2009. Mr. Chung accumulated his operational experience in the industry when he first became a health worker in the elderly residential care home in Hong Kong in 2003, and primarily assisted the nurses and physiotherapists in taking care of the elderly residents and handling administrative duties. He further obtained the relevant managerial experience in the elderly residential care home since he participated in the daily management of Shui On (Shun On) elderly residential care home in March 2006 and became the home manager in September 2007. Since then, Mr. Chung has been responsible for the daily management and operation of Shui On (Shun On) elderly residential care home, including (a) ensuring the compliance with EBPS Agreement and RCHE Code of Practice and (b) handling visits from the SWD as well as complaints or warning letters issued by the SWD. Therefore, Mr. Chung has acquired the necessary knowledge and experience to identify and resolve potential and future non-compliance issues. In addition, when necessary, Mr. Chung would seek advices from external legal advisers or other professional parties to advise on the internal control procedures recommended by the Internal Control Reviewer and the measures mentioned in this prospectus to, among others, ensure those procedures and measures are up-to-date on the latest applicable laws and regulations and suggest whether additional or enhanced procedures and measures shall be implemented to prevent future non-compliances from happening. Considering the above, our Directors are of the view that Mr. Chung possesses the relevant compliance experience and is competent to lead our internal compliance team. Please see the section headed "Directors and senior management" in this prospectus for further details of the biographical information of some of the members of our internal compliance team. We have also maintained a set of the relevant laws and regulations applicable to the operations of our Group which is distributed to all departments;

(iv) our internal compliance team would also ensure smooth implementation and on-going compliance of the internal control procedures as recommended by the Internal Control Reviewer and the measures mentioned in this prospectus to prevent any future non-compliances from happening;

(v) our internal compliance team will also be responsible for ensuring that all the fees and expenses charged to our residents will be made in accordance with, among other things, the EBPS Agreement and the EBPS charging guidelines issued by the SWD through, among others, the implementation and adoption of the following measures and procedures:

(a) reviewing the fees that we charge our residents, to the effect that if there is a fee that may be contrary to the terms and conditions of the EPBS Agreement, we will seek advices from external legal advisers or other professional parties. Before obtaining a definitive reply from our advisers, such fee shall not be charged;

(b) only charging the fees and expenses in accordance with the EBPS Agreement and the EBPS charging guidelines issued by the SWD;

(c) posting a fee schedule clearly setting out the fees that we may charge according to the EPBS charging guidelines issued by the SWD at a conspicuous place in all of our elderly residential care homes;

(d) reminding our staff members that any request to the residents for additional fees, especially outside the scope of the fee schedule aforesaid, shall be agreed by the residents (if applicable) and pre-authorised by the home manager of the relevant elderly residential care home;

(e) preparing a record for each of our resident which clearly lists out all the fees and charges incurred by him/her. Such record will be reviewed and verified by the home manager of our elderly residential care home on a bi-weekly basis with reference to, among other things, the relevant requests by the residents, the EPBS charging guidelines and the relevant fee schedules. In the event that the payment is made in contradiction to, among other things, the EPBS charging guidelines, the relevant fee schedule and the terms and conditions of the EBPS Agreement, an immediate refund to the relevant residents shall be made; and

(f) entering the records mentioned in sub-paragraph (e) above which have been reviewed and verified by the home manager of our elderly residential care home into our Group's accounting system on a monthly basis. Ms. Leung Pui Shan, our chief financial officer and company secretary, will be responsible for checking, reconciling and approving such records;

(vi) we engaged the Internal Control Reviewer in March 2016 to assist our Group in reviewing our internal control system and provide recommendations for improving our internal control system;

(vii) we have appointed Guotai Junan Capital Limited as our compliance adviser with effect from the date of Listing to advise on ongoing compliance with the GEM Listing Rules issues and other applicable securities laws and regulations in Hong Kong;

(viii) 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;

(ix) 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;

(x) we have updated our internal guidelines, pursuant to which: (a) our medical staff shall check and inspect all the restraints applied to the residents and maintain proper written records; (b) written consents shall be obtained from the relevant persons including the family member of the resident prior to applying restraints to our residents; (c) our home manager shall conduct review on the records of application of restraints to our residents every two weeks; (d) we shall at all times maintain sufficient number of staff, including home manager, ancillary workers, care workers, health workers and nurses, being on duty in our elderly residential care homes in order to comply with the requirements under the RCH(EP)R; and (e) if a new RCHE is opened, it will submit an application for registration as a chemical waste producer under the relevant regulation;

(xi) our internal compliance team will regularly review the performance of Shui On (Kwai Shing E.) and our other elderly residential care homes through, among other things, (a) considering the feedback from the questionnaires that we ask our residents to complete; (b) reviewing the fees that we charge our residents, to the effect that if there is a fee that may be contrary to the terms and conditions of the EPBS Agreement, we will seek advices from external legal advisers' or other professional parties. Before obtaining a definitive reply from our advisers, such fee shall not be charged. We will also from time to time update the scope of review and supervision so that we will comply with the latest laws and regulations applicable to our elderly residential care home; and

(xii) we have resolved not to charge when providing rehabilitation therapy to our residents and that the additional fee payable if the weight of the resident exceeded certain threshold was removed.

Our Directors confirmed that (i) as at the Latest Practicable Date, our Group had fully implemented all the above mentioned enhanced internal control measures to ensure compliance with requirements under the RCHE licenses of all of our elderly residential care homes and the EBPS Agreements entered into by each of Shui On (Shun On) and Shui On (Kwai Shing E.) with the HK Government; 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 aforesaid RCHE licenses and the EBPS Agreements.

VIEWS OF OUR DIRECTORS AND THE SOLE SPONSOR

Having considered the reasons above and the following, 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 and did not involve any element of fraud or dishonesty and we have taken all reasonable steps to establish a proper internal control system to prevent future non-compliance with the relevant laws and regulations and that such non-compliance incidents have not resulted, and are not expected to result, in any material impact on our financial conditions and results of operations.

(i) with the occurrence of these incidents, our Directors will remain vigilant to any issues that might result in any non-compliance;

(ii) since the implementation of the enhanced internal control measures including the specific policies and procedures adopted to prevent the recurrence of non-compliance incidents raised in the warning letters disclosed above and up to the Latest Practicable Date, our Directors confirmed that our Group had not been involved in any breach of applicable rules and regulations other than the non-compliance incidents as disclosed above. These specific policies and procedures were also reviewed by our Internal Control Reviewer and were consistent with its recommendations as such our Directors are of the view that, and the Sole Sponsor concurs, such policies and procedures are adequate and effective;

(iii) our Directors are aware of the requirements and obligations as directors of a listed issuer pursuant to the GEM Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations, our Directors are of the view, and the Sole Sponsor concurs, that our Company has taken reasonable steps to establish internal control system and procedures to enhance the control environment at both working and monitoring levels, and the enhanced internal control measures adopted by our Group are adequate and effective;

(iv) the warning letters issued to certain of our elderly residential care homes are related to non-compliances and irregularities detected during the SWD's inspection at these particular elderly residential care homes but not related to our other elderly residential care homes which had not received any warning letters as at the Latest Practicable Date. As such, the warning letters received by our elderly residential care homes will not have any impact on our other elderly residential care homes which had not received any warning letters;

(v) since the commencement of operation of our elderly residential care homes and up to the Latest Practicable Date, the SWD had not cancelled, nor temporarily suspended any of the RCHE licences held by our elderly residential care homes, nor refused to renew the RCHE licences, nor changed any of the conditions attached to the operating licences despite issuing the warning letters; and

(vi) for the two EBPS participating elderly residential care homes, namely, Shui On (Shun On) elderly residential care home and Shui On (Kwai Shing E.) elderly residential care home, if any one of them has accumulated 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 leased at the relevant elderly residential care home under the EBPS. As at the Latest Practicable Date, the SWD had not reduced the number of residential care places being leased at our two EBPS participating elderly residential care homes as neither of our two EBPS participating elderly residential care homes had received more than five warning letters from the SWD.

In addition, in light of the fact that during the Track Record Period and up to the Latest Practicable Date, our Group (i) had not experienced any prosecution, cancellation or temporary suspension of the relevant RCHE licence, refusal to renew the licence, nor change in any conditions attached to the RCHE licences; (ii) had experienced neither any reductions in the total number of residential care places purchased by the SWD pursuant to the EBPS in respect of two of our elderly residential care homes participating in the EBPS nor any refusal to renew the EBPS Agreements; (iii) had rectified the subject matters in all warning letters; (iv) all of our elderly residential care homes received less than five warning letters during (a) the term of the previous EBPS Agreements; and (b) the period from the beginning of the term of the current EBPS Agreements and up to the Latest Practicable Date; (v) as at the Latest Practicable Date, no action had been initiated by the SWD against our elderly residential care homes regarding the warning letters received by our Group prior to the Latest Practicable Date; (vi) we have successfully implemented and adopted the rectification measures to prevent future breaches and ensure on-going compliance with the RCH(EP)O, RCH(EP)R and RCHE Code of Practice, our Directors consider that the risk that the SWD would reduce the number of our EBPS places available at our EBPS participating elderly residential care homes would be low.

Based on the above reasons and considering that our Group had not been informed by the SWD that it had any concerns on the application for renewal of the RCHE licences, our Directors consider that, and the Sole Sponsor concurs, the issue of the warning letters to certain of our elderly residential care homes during the Track Record Period and up to the Latest Practicable Date will not materially affect the renewal of their RCHE licences and the EBPS Agreements. To our Directors' best knowledge, the SWD normally would not consider historical records of non-compliances of the elderly residential care homes currently operated by our Group as one of the factors for granting a new RCHE licence to a newly established elderly residential care home to be operated by our Group or an existing elderly residential care home to be acquired by our Group. As such, our Directors are of the view that our Group's historical record of non-compliance incidents (including the warning letters received by the elderly residential care homes currently operated by our Group) would not affect our expansion strategies in relation to establishing a new elderly residential care home and/or acquiring an existing elderly residential care home.

However, there is no assurance that any of our elderly residential care homes will not receive more warning letters from the SWD in the future. If any of any of our elderly residential care homes receives more warning letters from the SWD in the future, the SWD may take actions against them which may have a material adverse impact on our Group's operations.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, our Group had been involved in several claims and litigations related to employees' compensation and personal injuries, arising out of our ordinary and usual course of business. Set out below are the details of the aforesaid claims and litigations:

Employee's compensation claims and personal injuries claims against our Group as at the Latest Practicable Date

Date of the incident	Nature of the claims	Plaintiff(s)/Applicant(s)	Defendant(s)/Respondent(s)	Amount/estimated quantum of damages claimed	Status
1 September 2013	The injured individual, who was a care worker employed by Shui On (Kwai Shing E.), slipped and fell onto the floor and sustained injuries to, inter alia, her right lower limb, while she was working in the elderly residential care home. The injured individual had: (i) made an application under the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong); and (ii) filed a personal injury claim.	The injured individual	Shui On (Kwai Shing E.)	(i) The injured individual was awarded an employees' compensation in the amount of HK$312,678.4. (ii) The injured individual claimed an amount of HK$2,355,429.84, plus interest and costs, for the personal injury claim.	(i) The claim in relation to the Employees' Compensation Ordinance was concluded. (ii) The personal injury claim is ongoing, and the insurer has taken over conduct of the proceedings.

Date of the incident	Nature of the claims	Plaintiff(s)/Applicant(s)	Defendant(s)/Respondent(s)	Amount/estimated quantum of damages claimed	Status
18 September 2013 . . .	The injured individual, who was an ancillary worker employed by Shui On (Kwai Shing E.), suffered injury to her left ring finger while she attempted to stop the flipping and/or turn-over of the wheelchair on a rehabilitation bus operated by our Group. The injured individual had: (i) made an application under the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong); and (ii) filed a personal injury claim.	The injured individual	Shui On (Kwai Shing E.)	(i) The injured individual was awarded an employees' compensation in the amount of HK$105,866.29. (ii) The injured individual claimed an amount of HK$997,579, plus interest and costs, for the personal injury claim.	(i) The claim in relation to the Employees' Compensation Ordinance was concluded. (ii) The personal injury claim is ongoing, and the insurer has taken over conduct of the proceedings.

The settlement amounts in connection with the above employees' compensation claims were fully covered by the insurance company. During the Track Record Period and up to the Latest Practicable Date, there was no legal costs incurred for the above employees' compensation and personal injury claims. As at the Latest Practicable Date, there were two personal injury claims made against our Group, all of which were fully covered by insurance and the insurer had taken over conduct of the proceedings.

Given that the above claims for employees' compensation and personal injury claims against our Group are fully covered by insurance, our Directors consider that these claims have no material impact on the operations, financial position and reputation of our Group.

As at the Latest Practicable Date, neither our Group nor our Directors was engaged in any litigation or claim or arbitration of material importance, and to the best knowledge of our Directors, no litigation or claim or arbitration of material importance to our Group was known to our Directors to be pending or threatened against our Group or our Directors.

CONTROLLING SHAREHOLDERS

On 13 December 2016, Mr. TC Yik, Multifield, Hang Chi and Ms. WH Yik entered into the Acting In Concert Agreement. Details of the Acting In Concert Agreement are set out in the paragraphs headed "History, Reorganisation and corporate structure — Parties acting in concert" in this prospectus.

Immediately following completion of the Capitalisation Issue and the Share Offer, without taking into account Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, our Company will be owned as to 62.175% by Shui Wah, which is owned as to 89.11% by Lucky Expert and 10.89% by Will Peace. Each of the following persons and entities shall be regarded as a Controlling Shareholder within the meaning of the GEM Listing Rules:

(i) *Shui Wah:* Shui Wah is entitled to exercise 30% or more of the voting power at general meetings of our Company;

(ii) *Mr. TC Yik, Multifield, Hang Chi and Lucky Expert:* They control Shui Wah and hence Shui Wah's voting interests in our Company, by virtue of their direct or indirect holding of more than 50% of the voting interests of Shui Wah;

(iii) *Ms. WH Yik:* By virtue of the acting in concert arrangement set out in the Acting In Concert Agreement and Ms. WH Yik's decision to hold her interests in our Group through a common investment holding company, namely, Shui Wah, Ms. WH Yik is also regarded as a Controlling Shareholder; and

(iv) *Ms. Chung, Mr. Chung, Will Peace, Ms. Wong, Ms. WJ Yi, Ms. Huang, Ms. Zhong, Mr. SG Yi, Mr. ST Yik and Mr. Zheng:* They hold less than 50% of the voting interests of Shui Wah, they are not in a position to control Shui Wah's voting interests in our Company. However, as they have decided to hold their interests in our Company through a common investment holding company (i.e. Shui Wah), they are also regarded as a group of Controlling Shareholders.

COMPANIES OWNED BY OUR CONTROLLING SHAREHOLDERS BUT NOT INCLUDED IN OUR GROUP

Our Controlling Shareholders are also interested in a number of companies which are engaged in business activities that are different from our Group's businesses, all such businesses will not form part of our Group after the Listing.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS OF OUR COMPANY

Our Directors believe that our Group will be able to conduct our business independent from and without undue reliance on our Controlling Shareholders and their respective close associates after the Listing based on the following reasons:

Management independence

Our Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Our Board and our senior management team together perform the managerial role in our Group independently from our Controlling Shareholders. All material and important corporate acts of our Group are considered and determined by our Board as a whole.

None of our independent non-executive Directors is connected to our Controlling Shareholders or any of their respective close associates. Our Board is capable of making independent decisions on any matters even in the case of potential conflicts of interest and/or material interest for any executive Director.

Our Group has established a set of corporate governance procedures to protect the interest of and maximise the value of our Shareholders. Each of our Directors is fully aware of his/her fiduciary duties to our Company and will abstain from voting in respect of any matters involving conflicts of interest or potential conflicts of interest for him/her in accordance with the Articles and the GEM Listing Rules.

Our Board is supported by our senior management team in formulating the business plans and strategies of our Group. The day-to-day management and operation of our Company is independent from our Controlling Shareholders and their respective close associates.

Operational independence

We have established our own organisational structure, which comprises individual functional departments, and each department is assigned to specific areas of responsibilities. We are in possession of all necessary relevant licenses, approvals and certificates to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently. We have our own headcount of employees for our operations and management for human resources. We have also established a set of internal control guidelines to facilitate the operation of our business. We do not rely on our Controlling Shareholders or their respective close associates for our operations. Save for the related party transactions as disclosed in the paragraphs headed "Financial information — Related party transactions" in this prospectus, which were entered into between us and entities controlled by our Controlling Shareholders and/or members of the senior management, we have independent access to suppliers and customers and an independent management team to handle our daily operations.

Based on the above, our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders and our Group is able to operate independently from our Controlling Shareholders after the Listing.

Financial 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. During the Track Record Period, Mr. TC Yik had provided personal guarantee to secure our outstanding bank facility which amounted to HK$8.0 million. Such personal guarantee provided will be fully released before Listing. For details, please refer to the paragraphs headed "Financial information — Indebtedness" in this prospectus.

Our Directors believe that our Company is capable of obtaining financing from Independent Third Parties, if necessary, without reliance on our Controlling Shareholders. Our Directors therefore believe that our Company will have independent access to bank finance after the Listing through the provision of corporate guarantees and/or other security by our Group.

Based on the above, our Directors consider that our Company is able to maintain financial independence from our Controlling Shareholders.

RULE 11.04 OF THE GEM LISTING RULES

As at the Latest Practicable Date, each of our Controlling Shareholders, our Directors, our substantial Shareholders and their respective close associates did not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKINGS BY OUR CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders (collectively, the "**Covenantors**"), has given certain non-competition undertakings in favor of our Company (for itself and as trustee for each of our subsidiaries) under the Deed of Non-competition, pursuant to which each of the Covenantors, jointly and severally, warrants and undertakes with our Company that, from the Listing Date and ending on the occurrence of the earlier of,

(a) any of the Covenantors, and his/her/its close associates and/or successor, individually and/or collectively, cease to own 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as our Controlling Shareholder; or

(b) the Shares cease to be listed on the Stock Exchange (except for temporary suspension of the Shares due to any reason),

he/she/it will not, and will procure any of his/her/its close associates and any company directly or indirectly controlled by he/she/it (which for the purpose of the Deed of Non-competition, shall not include any member of our Group) not to (i) either on his/her/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or may compete with the business presently carried on by our Company or any of our subsidiaries or any other business that may be carried on by any of them from time to time during the term of the Deed of Non-competition, in Hong Kong and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including but not limited to operation of elderly residential care homes in Hong Kong (the "**Restricted Business**") and (ii) directly or indirectly take any action which constitutes an interference with or a disruption of the Restricted Business including, but not limited to, (aa) solicitation of any existing or then existing employees of our Group for employment by him/her/it or his/her/its close associates (excluding our Group); (bb) solicitation of any current or then current customers and/or suppliers and/or former customers and/or suppliers of our Group for the preceding six months at the relevant time away from our Group; and (cc) without the consent from our Company, making use of any information pertaining to the business of our Group which may have come to his/her/its knowledge in his/her/its capacity as a controlling shareholder for the purpose of engaging, investing or participating in any Restricted Business. Such non-competition undertakings do not apply to:

(i) the holding of Shares or other securities issued by our Company or any of our subsidiaries from time to time;

(ii) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognised stock exchange and the aggregate interest of the Covenantor and his/her/its close associates (as "interest" is construed in accordance with the provisions contained in Part XV of the SFO) does not amount to more than 5% of the relevant share capital of the company in question;

(iii) the contracts or other agreements entered into between our Group and the Covenantor and/or his/her/its close associates; and

(iv) the involvement, participation or engagement of the Covenantor and/or his/her/its close associates in the Restricted Business in relation to which our Company has agreed in writing to such involvement, participation or engagement, following a decision by our independent non-executive Directors to allow such involvement, participation or engagement subject to any conditions our independent non-executive Directors may require to be imposed.

New business opportunity

The Covenantors have further undertaken to procure that, any business investment or other commercial opportunity relating to the Restricted Business (the "**New Opportunity**") identified by or offered to the Covenantors and/or any of their close associates (other than members of our Group) (the "**Offeror**") is first referred to us in the following manner:

(a) the Covenantors are required to, and shall procure their close associates (other than members of our Group) to, refer, or procure the referral of, the New Opportunity to us, and shall give written notice to us of any New Opportunity containing all information reasonably necessary for us to consider whether (i) the New Opportunity would constitute competition with our core business and/or any other new business which our Group may undertake at the relevant time, and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "**Offer Notice**");

(b) the Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from us declining the New Opportunity and confirming that the New Opportunity would not constitute competition with our core business, or (ii) the Offeror has not received the notice from us within 10 Business Days from our receipt of the Offer Notice;

(c) if there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror will refer to the New Opportunity as so revised to us in the manner as set out above; and

(d) upon receipt of the Offer Notice, we will seek opinions and decisions from a committee of our Board consisting of Directors who do not have a material interest in the matter (the "**Independent Board Committee**") as to whether (i) such New Opportunity would constitute competition with our core business, and (ii) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunity.

General undertakings

To ensure the performance of the above non-competition undertakings given under the Deed of Non-competition, each of the Covenantors shall:

(a) when required by our Company, provide all information necessary for the Independent Board Committee to conduct annual examination with regard to the compliance of the terms of the Deed of Non-competition and the enforcement thereof;

(b) procure our Company to disclose to the public either in our annual report or issuing a public announcement in relation to any decisions made by the Independent Board Committee with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;

(c) where the Independent Board Committee shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-competition in our annual report, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-competition and the enforcement of it are in accordance with the requirements of the GEM Listing Rules;

(d) where the Independent Board Committee has rejected the New Opportunity referred to by the Offeror as stipulated above regardless of whether the Offeror would thereafter invest or participate in such New Opportunity, procure our Company to disclose to the public either in the annual or interim report of our Company or an announcement the decision of the Independent Board Committee regarding the decision on the New Opportunity and the basis thereof; and

(e) that during the period when the Deed of Non-competition is in force, fully and effectually indemnify our Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-competition.

In respect of the above undertakings, our Company confirms that, if the Independent Board Committee has rejected the New Opportunity referred to by the Offeror as stipulated above regardless of whether the Offeror would thereafter invest or participate in such New Opportunity, it will disclose to the public either in the annual or interim report of our Company or an announcement the decision of the Independent Board Committee regarding the decision on the New Opportunity and the basis thereof.

DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of seven Directors comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors have been appointed for a term of three years. One-third of our Directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) will be subject to re-election at each annual general meeting of our Company and every Director must be subject to re-election at an annual general meeting of our Company at least once every three years.

Members of our Board

The following table sets forth the information regarding the members of our Board.

Name	Age	Position	Joined our Group in	Date of appointment as Director	Roles and responsibilities in our Group	Relationship with the other Directors
Mr. Yik Tak Chi (易德智先生)	64	Chairman, executive Director and chief executive officer	April 1994	16 February 2016	Responsible for the overall management, strategic planning, business development and major decision-making of our Group Chairman of the Nomination Committee	Brother-in-law of Mr. Chung and Ms. Chung
Mr. Chung Kin Man (鍾建民先生)	53	Executive Director	March 2006	7 February 2017	Responsible for human resource management, staff training and daily operation of our Group	Brother-in-law of Mr. TC Yik and brother of Ms. Chung
Ms. Chung Wai Man (鍾慧敏女士)	51	Executive Director	November 2007	7 February 2017	Responsible for making healthcare policies, procedures, training programs for the medical staff at all levels in our Group	Sister-in-law of Mr. TC Yik and sister of Mr. Chung
Mr. Lau Joseph Wan Pui (劉允培先生)	65	Non-executive Director	First joined our Group in January 2008 and left our Group in March 2011. Re-joined our Group in February 2017	7 February 2017	Advising on the business strategies of our Group Chairman of the Remuneration Committee	N/A
Mr. Wong Wai Ho (黃偉豪先生)	67	Independent non-executive Director	21 June 2017	21 June 2017	Supervising and providing independent judgement to our Board Member of both of the Audit Committee and the Nomination Committee	N/A

Name	Age	Position	Joined our Group in	Date of appointment as Director	Roles and responsibilities in our Group	Relationship with the other Directors
Mr. Lau Tai Chim (劉大潛先生)	65	Independent non-executive Director	21 June 2017	21 June 2017	Supervising and providing independent judgement to our Board Member of both of the Remuneration Committee and the Nomination Committee	N/A
Mr. Kwok Chi Shing (郭志成先生)	54	Independent non-executive Director	21 June 2017	21 June 2017	Supervising and providing independent judgement to our Board Chairman of the Audit Committee and member of the Remuneration Committee	N/A

Senior management

The following table sets forth the information regarding our senior management:

Name	Age	Position	Joined our Group in	Date of appointment	Roles and responsibilities in our Group	Relationship with the Directors
Dr. Mak Kam Lun (麥錦麟醫生)	41	Director of medical Service	February 2017	16 February 2017	Responsible for the quality control of the elderly home care services provided by our Group	N/A
Ms. Gan Bee Lye (顏美麗女士)	48	Head of human resources	February 2017	10 February 2017	Responsible for the recruitment and human resources matters of our Group	Spouse of Mr. Chung
Ms. Leung Pui Shan (梁佩珊女士)	36	Chief financial officer and company secretary	December 2015	7 February 2017	Responsible for accounting, financial management and company secretarial matters of our Group	N/A

Executive Directors

Mr. Yik Tak Chi (易德智先生) ("Mr. TC Yik"), aged 64, was appointed as a Director on 16 February 2016, and was redesignated as the Chairman and an executive Director, and appointed as the chief executive officer on 7 February 2017. He is also the chairman of the Nomination Committee. He is the founder of our Group, who also serves as a director of all of the subsidiaries of our Company. Mr. TC Yik is responsible for the overall management, strategic planning, business development and major decision-making of our Group.

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

In 1993, Mr. TC Yik and his sister co-founded Shui On Aged Home (Prince Edward Road), a private elderly residential care home located in Kowloon. Since then, he has been actively involved in the planning and establishment, the daily management and operation of elderly residential care homes and has accumulated more than 23 years of experience in the operation and management of elderly residential care homes. Other than the elderly residential care homes of our Group, Mr. TC Yik also assisted in management and operation of three other elderly residential care homes before the establishment of our Group.

Mr. TC Yik had not been a director of any listed company during the three years preceding the date of this prospectus. Mr. TC Yik was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of the relevant company	Nature of principal business prior to the cessation of business	Date of dissolution	Means of dissolution	Reason for dissolution
Cypress Court Nursing Centre Limited 瑞柏苑護老中心有限公司	Providing service for the elderly	24 Aug 2012	Deregistration	Dormant
Luck World Limited 聯世有限公司	Investment holdings	22 Nov 2002	Striking off	Dormant
Prestige Healthcare Services Limited 優卓醫療服務有限公司	Physical therapy	2 Apr 2015	Deregistration	Dormant
Prudence Healthcare Services Management Limited 優越醫療服務管理有限公司	Health and medical	10 Jul 2015	Deregistration	Dormant
Shui On Nursing Centre (Wah Fu) Company Limited 瑞安護老中心(華富)有限公司	Providing service for the elderly	15 Jan 2010	Deregistration	Dormant
Yuen Fat Decoration Company Limited 源發裝飾工程有限公司	Providing renovation service	3 Aug 2012	Deregistration	Dormant
Lam Tin Consultant Limited 藍天顧問有限公司	Providing renovation service	18 Dec 2015	Deregistration	Dormant
Shui On Home Co., Limited 瑞安之家有限公司	Providing service for the disable	28 Nov 2008	Deregistration	Dormant

Each of the above companies was solvent prior to its dissolution, and has no outstanding claims, disputes or liabilities.

Mr. TC Yik is the brother-in-law of Mr. Chung and Ms. Chung.

Mr. Chung Kin Man (鍾建民先生), aged 53, was appointed as an executive Director on 7 February 2017. He is also a member of the Audit Committee. He holds the following positions in our Group:

Name of company	Position	Date of appointment
Shui On (Shun On)	Director	2 March 2006
	Home manager	3 September 2007
Shui Hing	Director	1 June 2011
Shui On Holdings (HK)	Director	30 June 2015

Mr. Chung is currently responsible for human resource management, staff training and daily operation of our Group. He also assists Mr. TC Yik in affairs such as corporate strategic planning and business development of our Group.

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

Mr. Chung has over 14 years of work experience in elderly residential care homes. Prior to joining our Group, Mr. Chung worked as a health worker in other elderly residential care homes, and primarily assisted the nurses and physiotherapists in taking care of the elderly residents and handling administrative duties.

Mr. Chung first joined our Group as the director of Shui On (Shun On) in March 2006 and became the home manager of Shui On (Shun On) in September 2007. He was responsible for the daily management and operation of Shui On (Shun On). In June 2011, Mr. Chung was further appointed as the director of Shui Hing and was responsible for staff training and daily operation of our Group in view of our expansion.

Mr. Chung had not been a director of any listed company during the three years preceding the date of this prospectus.

Mr. Chung is the brother-in-law of Mr. TC Yik and is the brother of Ms. Chung.

Ms. Chung Wai Man (鍾慧敏女士) (“Ms. Chung”), aged 51, was appointed as an executive Director on 7 February 2017. She holds the following positions in our Group:

Name of company	Position	Period
Shui On (Hing Wah)	Director (董事)	November 2007 – Present
Shui On (Shun On)	Director of Medical Service (醫務總監)	December 2007 – Present

Ms. Chung is currently responsible for making healthcare policies, procedures, training programs for the medical staff at all levels in our Group, and also responsible for allocating, distributing and supervising the medical and nursing work, and evaluating the work efficiency from time to time. She also assists Mr. TC Yik in recruiting, supervising and managing the medical staff at all levels in our Group.

Ms. Chung obtained a degree of Bachelor of Nursing from The University of Newcastle in Australia in April 1996 and a Post-Experience Diploma in Nursing Management from The Hong Kong Polytechnic University in November 1998. She has been a registered nurse registered with the Nursing Council of Hong Kong since December 1990.

Ms. Chung has approximately 25 years of experience as a registered nurse in Hong Kong specialising in geriatrics. Ms. Chung received nursing training in Kwong Wah Hospital from 1987 to 1990, and was employed as a registered nurse in Geriatrics of Caritas Medical Centre from 1991 to 1993. She then worked in Geriatrics and Hospice division in Tung Wah Group of Hospitals Wong Tai Sin Hospital from 1996 to 2006. Ms. Chung was subsequently employed as a registered nurse in Shui On Nursing Centre (Shatin) Limited. She joined our Group as a director of Shui On (Hing Wah) in November 2007.

Ms. Chung had not been a director of any listed company during the three years preceding the date of this prospectus. Ms. Chung was a director of the following company which was incorporated in Hong Kong prior to its dissolution:

Name of the relevant company	Nature of principal business prior to the cessation of business	Date of dissolution	Means of dissolution	Reason for dissolution
Shui On Nursing Centre (Wah Fu) Company Limited 瑞安護老中心(華富)有限公司	Providing service for the elderly	15 January 2010	Deregistration	Dormant

The above company was solvent prior to its dissolution, and has no outstanding claims, disputes or liabilities.

Ms. Chung is the sister-in-law of Mr. TC Yik and a sister of Mr. Chung.

Non-executive Director

Mr. Lau Joseph Wan Pui (劉允培先生) ("Mr. Joseph Lau"), aged 65, was appointed as a non-executive Director on 7 February 2017. He is also the chairman of the Remuneration Committee. Mr. Joseph Lau is currently responsible for providing advice on the business strategies of our Group.

Mr. Joseph Lau obtained a degree of Bachelor of Science from Concordia University in May 1975 and a degree of Master of Business Administration from The University of Ottawa in Canada in May 1997. He was a Dean's Advisory Board Member of Telfer School of Management of The University of Ottawa.

Mr. Joseph Lau has extensive experience in finance and planning, marketing and international business. He is currently chairman and co-founder of Rockhound Limited, a mineral professional firm. Mr. Joseph Lau was appointed as a non-executive director of Wealth Glory Holdings Limited from September 2013 to October 2016, the shares of which are listed on the GEM. He served as a director of Shui On (Kwai Shing E.) from January 2008 to March 2011.

From 2002 to 2004, Mr. Joseph Lau was appointed as an executive director and chief executive officer of WLS Holdings Limited (stock code: 8021), the shares of which are listed on the GEM. From 1997 to 1999, he was appointed as an executive director of Tse Sui Luen Jewellery (International)

Limited (stock code: 0417), the shares of which are listed on the Main Board. From 1995 to 1996, he was appointed as an executive director of Build King Holdings Limited (formerly known as Seapower International Holdings Limited) (stock code: 0240), the shares of which are listed on the Main Board. He also served as an independent non-executive director of Larry Jewelry International Company Limited (stock code: 8351) from 10 November 2012 to 1 June 2013, the shares of which are listed on the GEM, and re-designated as its non-executive director from 1 June 2013 to 3 December 2013.

Mr. Joseph Lau was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of the relevant company	Nature of principal business prior to the cessation of business	Date of dissolution	Means of dissolution	Reason for dissolution
Toyobi Jewellery Company Limited 丰美珠寶有限公司	Jewellery retail	7 December 2001	Deregistration	Dormant
University Of Ottawa Mba Alumni (Hk) Limited 渥太華大學工商管理碩士校友會(香港)有限公司	Alumni association	13 July 2007	Deregistration	Dormant
Interlock Technology (HK) Limited	IT business	5 November 2010	Deregistration	Dormant
Isolutions Limited	IT business	24 September 2010	Deregistration	Dormant
Ricon Enterprises Limited 力鏗實業有限公司	Investment holdings	16 May 2003	Deregistration	Dormant
Strategic Capital Partners (H.K.) Limited 策略資本有限公司	Advisory and consultancy	20 December 2002	Deregistration	Dormant

Each of the above companies was solvent prior to its dissolution, and has no outstanding claims, disputes or liabilities.

Independent non-executive Directors

Mr. Wong Wai Ho (黃偉豪先生) ("Mr. Wong"), aged 68, joined our Group and was appointed as an independent non-executive Director on 21 June 2017. He is also a member of both of the Audit Committee and the Nomination Committee.

Mr. Wong obtained a degree of Bachelor of Business Administration from The Chinese University of Hong Kong in October 1971 and a degree of Master of Law from The People's University of China (Beijing) (also known as Renmin University of China 中國人民大學) in June 2004.

Mr. Wong has served an independent non-executive director as well as a member of the audit committee and nomination committee of Road King Infrastructure Limited (路勁基建有限公司), a company whose shares are currently listed on the Main Board (stock code: 1098) since 2014, and he has been a consultant in Jumboland Resources Limited (珍寶投資有限公司) since 2012. Mr. Wong was an executive director of Proactive Technology Holdings Limited (currently known as Chinese Strategic Holdings Limited 華人策略控股有限公司) (stock code: 8089), a company whose shares are currently listed on GEM, from 2000 to 2006. Mr. Wong has also been actively involved and participated in the public services. He was a director of executive committee of The Canadian Chamber of Commerce in Hong Kong (香港加拿大商會) from 2013 to 2016. He was also a member of the board of trustees of Chung Chi College (崇基學院) in The Chinese University of Hong Kong, and he worked for Hong Kong Trade Development Council (香港貿易發展局) from 1976 to 1987 and from 1989 to 1992. As a director of Canada of the Hong Kong Trade Development Council, Mr. Wong provided secretarial supporting services to Hong Kong Canada Business Association (港加商會) from 1989 to 1992.

Mr. Wong was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of the relevant company	Nature of principal business prior to the cessation of business	Date of dissolution	Means of dissolution	Reason for dissolution
Dual Concept Limited 多創意有限公司	Trading business	19 August 2016	Deregistration	Dormant
ETek Machinery (H.K.) Limited 環寶機械(香港)有限公司	Machinery manufacturer	6 January 2012	Deregistration	Dormant
Guang Tai Company Limited	Non-stick coating materials manufacturer	17 June 2000	Members' Voluntary Winding Up	Dormant
Newton Polymer (China) Limited 牛頓高分子(中國)有限公司	Non-stick coating materials manufacturer	19 August 2005	Deregistration	Dormant
Proactive Holdings Limited	IT business	9 November 2001	Deregistration	Dormant

Each of the above companies was solvent prior to its dissolution, and has no outstanding claims, disputes or liabilities.

Mr. Lau Tai Chim (劉大潛先生) ("Mr. Lau"), aged 65, was appointed as an independent non-executive Director on 21 June 2017. He is also a member of the Nomination Committee.

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

Mr. Lau has been appointed as an independent non-executive director of Future Bright Mining Holdings Limited (高鵬礦業控股有限公司) since December 2014, the shares of which are listed on the

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

Mr. Lau was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of the relevant company	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution	Reason for dissolution
Ever Happy International Limited 永悦國際有限公司	Trading and investment holding	28 October 2005	Deregistration	Dormant
Fair King Limited 輝健有限公司	Trading and investment holding	04 April 2007	Deregistration	Dormant
Weathertex Holdings (HK) Limited	Trading and investment	30 April 2010	Deregistration	Dormant
Weathertex International (HK) Limited	Trading and investment	19 February 2010	Deregistration	Dormant
Forbes Enterprises Limited	Trading and investment	26 February 2016	Deregistration	Dormant

Each of the above companies was solvent prior to its dissolution, and has no outstanding claims, disputes or liabilities.

Mr. Kwok Chi Shing (郭志成先生) ("Mr. Kwok"), aged 55, was appointed as an independent non-executive Director on 21 June 2017. He is also the chairman of the Audit Committee and a member of the Remuneration Committee.

Mr. Kwok obtained a degree of Master of Arts in Economics with Accountancy from The University of Aberdeen in U.K. in July 1986. Mr. Kwok is a certified public accountant in Hong Kong. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants since January 1991 and a member of the Institute of Chartered Accountants of Scotland since November 1989. Mr. Kwok has also been a certified financial planner granted by The Institute of Financial Planners of Hong Kong since October 2001.

Mr. Kwok has extensive experience in corporate and financial management work especially for the real estate development and property management industries. Mr. Kwok is currently a director of BTC Management Consultants Limited (formerly known as Sun Sing Auto Company Limited and Wilson C. Kwok Management Consultants Limited). From 1992 to 1998, Mr. Kwok was a partner of Wong Lam Leung & Kwok CPA Limited. From 1999 to 2010, he was a partner of Lam, Kwok, Kwan & Cheng C.P.A. Limited. Since 2007, Mr. Kwok has been a director of LKKC CPA Limited.

Mr. Kwok has served as an independent non-executive director of Grand Ocean Advanced Resources Company Limited (弘海高新資源有限公司) (formerly known as DeTeam Company Limited and Angels Technology Company Limited) since 2006, a company whose shares were listed on the GEM until 19 June 2009 (stock code: 8112), and whose listing was transferred to the Main Board thereafter (stock code: 65).

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

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

Mr. Kwok was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of the relevant company	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution	Reason for dissolution
China Investment Consultants Limited 中國投資顧問有限公司	Consultancy	20/02/2004	Striking Off	Dormant
Core Corporate Communications (Greater China) Limited 確思傳信(大中華)有限公司	Consultancy	30/07/2004	Deregistration	Dormant
Financial Planning Standards Board (Hong Kong) Limited	Association	19/06/2015	Deregistration	Dormant
FPSB (HK) Limited	Association	27/03/2015	Deregistration	Dormant
HKU Professional Diploma In Real Estate Administration Alumni Limited 香港大學地產行政專業文憑校友會有限公司	Alumni association	26/03/2010	Striking Off	Dormant
Kwok & Lam CPA Limited 郭志成、林勝鴻會計師事務所有限公司	CPA Practice	13/10/2006	Deregistration	Dormant

Each of the above companies was solvent prior to its dissolution, and has no outstanding claims, disputes or liabilities.

Save as disclosed above, each of our Directors confirms with respect to him/her that: (i) he/she has not held any directorship in the three years prior to the Latest Practicable Date in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold other positions in our Company or other members of our Group; (c) he/she is independent from and he/she does not have any relationship with any other Directors, members of senior management, substantial shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; (d) he/she does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the paragraphs headed "Statutory and general information — C. Further information about Directors, senior management and staff" in Appendix IV to this prospectus; and (e) he/she does not have any interest in any business which competes or is likely to compete, directly or indirectly, with us, which is discloseable under the GEM Listing Rules.

Except as disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters that need to be brought to the attention of our Shareholders in connection with the appointment of our Directors, and there was no information relating to our Directors required to be disclosed under Rule 17.50(2) of the GEM Listing Rules as at the Latest Practicable Date.

Senior management

Dr. Mak Kam Lun (麥錦麟醫生) ("Dr. Mak"), aged 41, joined our Group as a director of medical service on 16 February 2017 and is currently responsible for the quality control of the elderly home care services provide by our Group.

Dr. Mak obtained a degree of Bachelor of Medicine and a degree of Bachelor of Surgery from The University of Hong Kong in December 1999, a Diploma of Child Health from The Royal College of Physicians of Ireland and Surgeons in Ireland in September 2001, a Professional Diploma in Diabetes Management and Education from The Chinese University of Hong Kong in August 2005, a Graduate Diploma in Family Medicine from The Monash University of Australia in November 2005 and a Diploma of Practical Dermatology in Cardiff University in July 2010. Besides, Dr. Mak has been a fellow member of Hong Kong College of Family Physicians since May 2010, and a fellow of The Royal Australian College of General Practitioners since May 2010.

Dr. Mak has been appointed as an Honorary Clinical Tutor in Family Medicine of The Chinese University of Hong Kong since 2016, and was an Honorary Clinical Assistant Professor in Family Medicine of The University of Hong Kong from 2012 to 2013. Dr. Mak also served as a manager of The Church of Christ in China Kei Primary School from 2008 to 2009, and worked as a resident of Hospital Authority (Tuen Mun Hospital) from 1999 to 2003.

Ms. Gan Bee Lye (顏美麗女士) ("Ms. Gan"), aged 48, joined our Group as the head of human resources on 10 February 2017 and is currently responsible for recruitment and human resources matters of our Group.

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

Ms. Gan has accumulated an extensive working experience in tutoring and teaching in various institutions and universities. Ms. Gan is currently a part-time lecturer in The Hong Kong Baptist University, and was also an instructor from 2001 to 2003 and in 2005 and a part-time lecturer from 2010 to 2011 and from 2015 to 2016 in the same university. She was also a part time tutor in The Open University of Hong Kong until January 2017. In addition, she also served as an economics instructor in

The Hong Kong Polytechnic University from January 2006 to June 2013, a part-time economics tutor in AMG Tutorial Centre from December 2005 to March 2008, and an economics teacher (Warwick University High Education Foundation Programme) in The British Council (Hong Kong) from September 2004 to June 2005 and was a lecturer in The Northern University of Malaysia from 1997 to 2001.

Ms. Gan is the spouse of Mr. Chung.

None of our senior management had been a director of any listed company during the three years preceding the date of this prospectus.

COMPANY SECRETARY

Ms. Leung Pui Shan (梁佩珊女士) ("**Ms. Leung**"), aged 36, joined our Group as the chief financial officer in Shui On Holdings (HK) in December 2015 and was appointed as the chief financial officer and company secretary of our Company on 7 February 2017. She is currently responsible for accounting, financial management and company secretarial matters of our Group.

Ms. Leung obtained a degree of Bachelor of Accountancy and Management Information Systems from The City University of Hong Kong in November 2004, and a degree of master of Accountancy from The Hong Kong Polytechnic University in October 2011. She has been a member of the Hong Kong Institute of Certified Public Accountants since 2011.

Ms. Leung has over 12 years of experience in auditing, advisory accounting and financial management. For the period from May 2012 to April 2015, Ms. Leung served as a financial controller and company secretary of Manwell (China) Limited (萬華(中國)有限公司), a subsidiary of China Tianyi Holdings Limited (中國天溢控股有限公司) (stock code: 0756) (currently known as Tianyi (Summi) Holdings Limited (天溢(森美)控股有限公司)), a company whose shares are currently listed on the Main Board. Ms. Leung had worked in the field of audit in Ernst & Young from 2011 to 2012, Deloitte Touche Tohmatsu from 2006 to 2009 and K.W. Tam & Co from 2004 to 2005.

Ms. Leung had not been a director of any listed company during the three years preceding the date of this prospectus.

COMPENSATION

Members of our senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses with reference to their time commitment and performance of our Group. We also reimburse members of our senior management for expenses which are necessarily and reasonably incurred for provision of services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of members of our senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, and taking into account the respective responsibilities of members of our senior management and performance of our Group.

EMPLOYEES

For details of the employees of our Group, including staff benefits and incentive plans provided by our Group, please refer to the paragraphs headed "Business — Our employees" in this prospectus.

COMPLIANCE OFFICER

Mr. Chung, our executive Director, is also the compliance officer of our Company. Please refer to the paragraphs headed "Executive Directors" above in this section for details of his qualifications and experience.

REMUNERATION OF DIRECTORS

Our Group reimburses our Directors for expenses which are necessarily and reasonably incurred for providing services to our Group by executing their functions in relation to our Group's operations. Our Directors receive, in their capacity as our Group's employees, compensation in the form of salaries and other allowances, discretionary bonus and benefits in kind. For the two years ended 31 December 2016, the aggregate amount of salaries and other allowances and benefits in kind paid to our Directors were about HK$966,000 and HK$1,225,000, respectively.

Under the arrangements currently in force, the estimated aggregate remunerations, excluding discretionary bonus and share-based payments expense, if any, of our Directors for the year ending 31 December 2017 will be HK$2,016,000.

During the Track Record Period, the remuneration of our Directors was determined with reference to their respective experience, responsibilities with our Group and general market conditions. Any discretionary bonus (if any) payable to our Directors is linked to the performance of our Group and of that individual Director. Our Company intends to continue its remuneration policy after the Listing, subject to the review by and the recommendation of the Remuneration Committee. None of our Directors or the five highest paid individuals has been paid any sum of money for each of the two years ended 31 December 2016 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director in connection with the management of the affairs 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. There were no arrangements under which a Director has waived or agreed to waive any emoluments.

No Director has been paid in cash or shares or otherwise by any person either to induce him to become, or qualify him as a Director, or otherwise for service rendered by him in connection with the promotion or formation of our Company.

Further information on the remuneration of each Director during the Track Record Period as well as information on the highest paid individuals is set out in Notes 8 and 9 to the Accountants' Report set out in Appendix I to this prospectus.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on 21 June 2017 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules has been adopted. The primary duties of the Audit Committee are mainly to make recommendations to our Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee the risk management and internal control systems our Company. At present, the Audit Committee consists of three members who are Mr. Kwok Chi Shing, Mr. Chung and Mr. Wong Wai Ho. Mr. Kowk Chi Shing is the chairman of the Audit Committee.

Remuneration Committee

Our Company established the Remuneration Committee on 21 June 2017 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The Remuneration Committee consists of three members who are Mr. Lau Joseph Wan Pui, Mr. Lau Tai Chim and Mr. Kwok Chi Shing. Mr. Lau Joseph Wan Pui is the chairman of the Remuneration Committee.

Nomination Committee

Our Company established the Nomination Committee on 21 June 2017 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become members of our Board; access the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee consists of three members who are Mr. TC Yik, Mr. Lau Tai Chim and Mr. Wong Wai Ho. Mr. TC Yik is the chairman of the Nomination Committee.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Guotai Junan Capital Limited to be our compliance adviser, which will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;

(iii) where our Company proposes to use the proceeds from the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate (if any) or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is the earlier.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company places 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. We will comply with the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules after the Listing, except for paragraph A.2.1 of the Corporate Governance Code, which provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Currently, the roles of Chairman and chief executive officer of our Company are both assumed by Mr. TC Yik. We are of the view that as Mr. TC Yik has been providing strong and consistent leadership to our Group, having him performing both functions will provide a more effective strategic planning and overall management to our Group. Further, considering Mr. TC Yik's substantial experience in the industry, his personal background, his role in our Group and its historical development as disclosed in the section headed "History, Reorganisation and corporate structure" in this prospectus, we believe that it will benefit the business prospect of our Group if Mr. TC Yik acts as our Chairman and chief executive officer as well after the Listing. Therefore, our Company currently has no intention to separate the two functions.

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme), the following persons/entities will have an interest or a short position in the Shares or the underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, 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 any member of our Group:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held immediately after completion of the Capitalisation Issue and the Share Offer	Percentage of Shareholding held immediately after completion of the Capitalisation Issue and the Share Offer (%)
Mr. TC Yik	Interest in a controlled corporation *(Note 1)*	248,700,000	62.175
Multifield	Interest in a controlled corporation *(Note 1)*	248,700,000	62.175
Hang Chi	Interest in a controlled corporation *(Note 1)*	248,700,000	62.175
Lucky Expert	Interest in a controlled corporation *(Note 1)*	248,700,000	62.175
Shui Wah	Beneficial owner *(Note 1)*	248,700,000	62.175
Ms. WH Yik	Interest held jointly with another person *(Note 2)*	248,700,000	62.175
Ms. Chung Shuk Man	Interest of spouse *(Note 3)*	248,700,000	62.175

Notes:

(1) Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme), our Company will be owned as to 62.175% by Shui Wah. Shui Wah is owned as to 89.11% by Lucky Expert, which is in turn owned as to 59.88% by Hang Chi. Mr. TC Yik indirectly owns the entire issued share capital of Hang Chi through Multifield. Under the SFO, each of Mr. TC Yik, Multifield, Hang Chi and Lucky Expert is deemed to be interested in all the Shares which are beneficially owned by Shui Wah.

(2) On 13 December 2016, Mr. TC Yik, Multifield, Hang Chi and Ms. WH Yik entered into the Acting In Concert Agreement to acknowledge and confirm, among other things, that they are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in respect of each of the members of our Group during the Track Record Period and will continue to be parties acting in concert until such arrangement is terminated in writing by them pursuant to the Acting In Concert Agreement, details of which are set out in the paragraph headed "History, Reorganisation and corporate structure — Parties acting in concert" in this prospectus. As such, they are deemed to be interested in the Shares held by the others. Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any option that may be granted under the Share Option Scheme), Mr. TC Yik, Multifield, Hang Chi and Ms. WH Yik will control 62.175% of our issued share capital.

(3) Ms. Chung Shuk Man is the spouse of Mr. TC Yik. Under the SFO, Ms. Chung Shuk Man is deemed to be interested in the same number of Shares in which Mr. TC Yik is interested.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or the underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, 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 any member of our Group.

SHARE CAPITAL

The following table sets forth information with respect to the share capital of our Company immediately following the Capitalisation Issue and the Share Offer, without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme:

Authorised share capital:

		HK$
1,000,000,000	Shares	10,000,000.00

Shares in issue or to be issued, fully paid or credited as fully paid:

6,550	Shares in issue as at the date of this prospectus	65.50
299,993,450	Shares to be issued under the Capitalisation Issue	2,999,934.50
100,000,000	Shares to be issued under the Share Offer	1,000,000.00
400,000,000	**Total:**	**4,000,000.00**

Assumptions

The above table assumes the Capitalisation Issue and the Share Offer become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates granted to our Directors to allot and issue or repurchase Shares as referred to in the paragraphs headed "General mandate to issue Shares" or "General mandate to repurchase Shares" below in this section, as the case may be.

Minimum public float

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Offer Shares and the Shares which may be issued under the Offer Size Adjustment Option will rank *pari passu* in all respects with all other Shares now in issue or to be issued as mentioned in this prospectus, and will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares in respect of a record date which falls after the date of this prospectus save for any entitlement under the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions in writing of our Shareholders passed on 21 June 2017, subject to the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to allot and issue a total of 299,993,450 Shares to the holders of shares on the register of members of our Company at the close of business on 21 June 2017 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share), credited as fully paid at par by way of capitalisation of the sum of HK$2,999,934.50 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the Shares in issue (save for the right to participate in the Capitalisation Issue).

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the paragraphs headed "Statutory and general information — D. Share Option Scheme" in Appendix IV to this prospectus. As at the Latest Practicable Date, no option had been granted under the Share Option Scheme.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the paragraphs headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirements that the aggregate number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

(a) 20% of the aggregate number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and any Shares which may be granted under the Share Option Scheme); and

(b) the aggregate number of the Shares repurchased (if any) pursuant to the authority granted to our Directors as referred to in the paragraphs headed "General mandate to repurchase Shares" below in this section.

This mandate does not cover the Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until whichever is the earliest of:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or

(c) it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraphs headed "Statutory and general information — A. Further information about our Company and our subsidiaries — 3. Written resolutions of our Shareholders passed on 21 June 2017" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfillment of the conditions as stated in the paragraphs headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares with an aggregate number of not more than 10% of the aggregate number of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares may be listed as recognised by the SFC and the Stock Exchange for this purpose and made in connection with all applicable laws, rules and regulations and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraphs headed "Statutory and general information — A. Further information about our Company and our subsidiaries — 6. Repurchase by our Company of our own securities" in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or

(c) it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraphs headed "Statutory and general information — A. Further information about our Company and our subsidiaries — 3. Written resolutions of our Shareholders passed on 21 June 2017" in Appendix IV to this prospectus.

You should read this section in conjunction with our audited consolidated financial information as at and for the two years ended 31 December 2016, including the notes thereto, as set out in "Appendix I — Accountants' Report" to this prospectus. We have prepared our financial information in accordance with IFRS. You should read the whole of the Accountants' Report included as Appendix I to this prospectus and not rely merely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those anticipated in the forward-looking statements. Factors that might cause future results to differ significantly from those anticipated in the forward-looking statements include those discussed in "Risk Factors".

OVERVIEW

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

As at the Latest Practicable Date, we owned and operated four "Shui On 瑞安" and one "Shui Hing 瑞興" branded elderly residential care homes across the Kwun Tong, Shatin, Eastern and Kwai Tsing districts in Hong Kong with a total of 589 residential care places. Our elderly residential care homes are strategically situated in the vicinity of public housing estates and residential areas with a high density of potential customers nearby as well as shopping malls and public transport and other public facilities.

As at the Latest Practicable Date, two of our elderly residential care 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 193 residential care places (representing 32.8% of our total residential care places) at our two participating elderly residential care homes, both of which were classified as class EA1, the highest classification rated by the SWD under the EBPS.

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 elderly residential care homes, we believe that we are poised to reproduce the success of our elderly residential care homes to further capture new market opportunities driven by the strong demand for residential care home services in Hong Kong.

Our total revenue amounted to approximately HK$39.9 million and HK$59.0 million for the two years ended 31 December 2016, respectively. Our profit for the year was approximately HK$36.4 million and HK$7.6 million for the two years ended 31 December 2016, respectively. For illustrative purpose, by excluding the effect of the one-off gains on disposal of associates, the share of profits/losses of associates, listing expenses and finance costs, our adjusted net profit margin remained relatively stable at approximately 23.3% and 22.6% for the two years ended 31 December 2016, respectively.

BASIS OF PRESENTATION AND PREPARATION

Pursuant to the Reorganisation as more fully explained in the paragraphs headed "History, Reorganisation and corporate structure — Reorganisation" in the prospectus, our Company became the holding company of the companies now comprising our Group on 31 August 2016.

As the Reorganisation only involved inserting new holding companies at a top of an existing group and has not resulted in any changes of economic substance, the financial information has been presented as a continuation of the existing group using the pooling of interests method.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the two years ended 31 December 2016 are prepared as if the current group structure had been in existence throughout the period. The consolidated statements of financial position of our Group as at 31 December 2015 and 2016 present the assets and liabilities of the companies now comprising our Group, as if the current group structure had been in existence at that date.

All intra-group transactions and balances within our Group are eliminated in full on consolidation. For more information on the basis of presentation and preparation of our consolidated financial information for the two years ended 31 December 2016 included herein, please refer to notes 2.1 and 2.2 to the Accountants' Report in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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:

Reliance on the HK Government's EBPS

During the Track Record Period and up to the Latest Practicable Date, two of our elderly residential care homes participated in the EBPS, pursuant to which the SWD leased up to 193 of our 589 residential care places, representing approximately 32.8% of our total number of residential care places. For the two years ended 31 December 2016, our revenue generated from the residential care places leased under EBPS amounted to approximately HK$7.3 million and HK$13.3 million respectively, representing approximately 18.3% and 22.6% of our total revenue, respectively. Our revenue is affected by the number of elderly residential care places leased 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. Our two class EA1 elderly residential care homes will be subject to periodical assessments and will have to meet the requirements imposed by the SWD. Furthermore, we cannot guarantee that the SWD will continue to lease the residential care places or renew the EBPS Agreements when they expire. Further, we cannot assure you that the SWD will continue to lease the residential care places at an acceptable price or that it will be profitable for our business, or that the HK Government will continue to implement the EBPS in the future. For details, please refer to the paragraphs "Risk factors — The SWD was our largest customer during the Track Record Period and we expect that a portion of our revenue will continue to depend on the EBPS" in this prospectus.

Demand for operation of RCHE in Hong Kong

According to the Ipsos Report, it is expected that the trend of aging population and the old-age dependancy ratio will continue to grow and the CAGR for the elderly population would record a CAGR of

4.5% from 2017 to 2020. The old-age dependency ratio has increased from approximately 17.7% in 2011 to approximately 21.8% in 2016 and by 2020, it is forecasted that the old-age dependency ratio will reach approximately 26.5%. 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 96.8% and 95.6% for the two years ended 31 December 2016, respectively.

We believe that the demand for RCHE services and, hence, our revenue will continue to be affected by the above factors in the future. Thus, any changes to demand for operation of RCHE in Hong Kong may affect our revenue and results of operations.

Changes in HK Government policies and regulations relating to the elderly residential care industry

The elderly residential care industry is mainly regulated by the RCH(EP)O and its subsidiary legislation, the RCH(EP)R. 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 elderly residential care homes. Our operation is also subject to the compliance with certain rules and regulations in relation to fire safety, building safety, labour, registered medical staffs and chemical or chemical waste disposal. Any changes to the regulations or compliance standards may impose possible restrictions on our operation 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 section “Regulatory overview” in this prospectus for details of the legislations and regulations with respect to the RCHEs.

According to the Ipsos Report, 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 elderly residential care 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.

Competition

We compete with other operators of elderly residential care homes, such as operations of subvented homes, non-governmental organisations and private sector organisations. We will also compete with future market entrants as the potential of the elderly residential care 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 leased residential care places under the EBPS as well as other elderly residents primarily in terms of the range and the quality of services that we offer, our reputation, location of our elderly residential care homes and price. We cannot assure you that we will be able to successfully compete against the new or existing competitors, which could prevent us from increasing or maintaining our market share and subsequently result in a material adverse effect on our business, financial position and results of operations.

Our pricing policy in response to the changing market conditions

During the Track Record Period, our Group's customers primarily consisted of (i) the SWD which leased a number of residential care places from our Group under the EBPS; and (ii) individual customers whether or not subsidised under the EBPS or by non-governmental organisations; and (iii) non-governmental organisations which leased a few of residential care places from our Group. Our contracts with the SWD is on an agreed fixed rate with a cost fluctuation clause which provides for adjustments based on the inflation rate of Hong Kong. Residents enrolled under the EBPS were also required to pay a monthly residential fee, which amounts to HK$1,707 for class EA1 homes, during the Track Record Period.

We review and adjust the price of our residential service fees and other fees chargeable to our individual customers annually based on factors such as cost of operations including rental, staff costs and other expenses, the prevailing market price range changed by our competitors as well as inflation. The price of each of our elderly residential care homes also depends on the ability of our Group to pass on the cost increase to our residents by price adjustment. Further details of our pricing policy are set out in the paragraphs headed "Business — Our elderly residential care homes — Pricing of our services and payment terms" in this prospectus. If we fail to adjust our pricing strategy in response to the changing market environment, the operating results and financial performance of our Group could be affected.

Staff costs

Our operations are labour intensive. Our staff costs 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/enrolled nurses, physiotherapists, health workers and care workers, and ancillary workers under the relevant laws and regulations in Hong Kong. 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.

Our staff costs amounted to approximately HK$13.3 million and HK$22.2 million for the two years ended 31 December 2016, representing approximately 33.3% and 37.7% of our revenue, respectively. The increase in our staff costs for the year ended 31 December 2016 was mainly attributable to the increase in average number of staff resulting from the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) which took place by the end of August 2016 and September 2016, respectively.

According to the Ipsos Report, monthly wages for workers in the elderly residential home industry in Hong Kong had experienced growth in 2011 ranged between HK$8,000 and HK$11,300, which increased to a range between HK$10,800 to HK$15,300 in 2016. We believe the salary level in the RCHE industry in Hong Kong is expected to maintain an upward trend. We believe the resulting upward pressure on our staff costs as a percentage of total revenue could be mitigated by (i) increasing the productivity of our staff and enhancing our efficiency through providing various on-the-job training programs; and (ii) optimising staff mix by internal promotions, transfers and re-allocations of employees from our existing elderly residential care homes.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in staff costs with all other factors remain unchanged except for staff costs and the related income tax effect on (i) our profit before tax and (ii) our profit for the year during the Track Record Period. Hypothetical fluctuations are assumed to be within the range of 5% and 10% for the two years ended 31 December 2016, which correspond to the range of historical fluctuations of our staff costs for each of our elderly residential care homes without taking into account elderly residential care homes of Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) which became our subsidiaries in the year ended 31 December 2016 during the Track Record Period.

Hypothetical fluctuations	+/–5%	+/–10%
	HK$('000)	***HK$('000)***
Increase/decrease in staff costs		
Year ended 31 December 2015	+/–664	+/–1,328
Year ended 31 December 2016	+/–1,110	+/–2,221
Decrease/increase in profit before tax		
Year ended 31 December 2015	–/+664	–/+1,328
Year ended 31 December 2016	–/+1,110	–/+2,221
Decrease/increase in profit for the year		
Year ended 31 December 2015	–/+554	–/+1,109
Year ended 31 December 2016	–/+927	–/+1,854

Property rental and related expenses

During the Track Record Period and up to the Latest Practicable Date, we leased all of the properties for the operation of our five elderly residential care homes from Independent Third Parties. The costs of leasing and maintaining our elderly residential care homes, staff quarters and an ancillary office are reflected in our property rental and related expenses. Our property rental and related expenses amounted to approximately HK$6.2 million and HK$9.6 million for the two years ended 31 December 2016, respectively, representing approximately 15.4% and 16.2% of our revenue for the respective year. Property rental and related expenses are one of the largest components of our operating expenses incurred and vary depending on the size and location of our elderly residential care homes.

During the Track Record Period and up to the Latest Practicable Date, the rent under lease of one property for Shui Hing and two properties for Shui On (Sun Tin Wai) were equal to higher of a fixed rent or a contingent rent calculated based on a fixed percentage of 6% or 8% of the monthly turnover pursuant to the specific terms of the relevant lease agreements. For every lease that our Group considers to enter into, we will consider whether the rental expense is within the range acceptable by us, taking into account the expected revenue to be derived, total residential places and expected occupancy rate. As at the Latest Practicable Date, we entered into leases for all of our five elderly residential care homes in Hong Kong (with SFA ranging from 522.6 sq.m. to 2,563.8 sq.m.), under which the respective lease terms ranged between three to six years. As we intend to expand our network of elderly residential care homes in strategic locations in Hong Kong pursuant to our development plan, we expect our property rental and related expenses will continue to increase in the future.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in property rental and related expenses with all other factors are remain unchanged except for property rental and related expenses and related income tax effect on (i) our profit before tax and (ii) profit for the year during the Track Record Period. Hypothetical fluctuations are assumed to be within the range of 5%, 10% and 15% for the two years ended 31 December 2016, which correspond to the range of historical fluctuations of our property rental and related expenses for each of our elderly residential care homes (without taking into account elderly residential care homes of Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) which became our subsidiaries in the year ended 31 December 2016 incurred during the Track Record Period.

Hypothetical fluctuations	+/–5%	+/–10%	+/–15%
	HK$('000)	*HK$('000)*	*HK$('000)*
Increase/decrease in property rental and related expenses			
Year ended 31 December 2015	+/–308	+/–615	+/–923
Year ended 31 December 2016	+/–479	+/–958	+/–1,436
Decrease/increase in profit before tax			
Year ended 31 December 2015	–/+308	–/+615	–/+923
Year ended 31 December 2016	–/+479	–/+958	–/+1,436
Decrease/increase in profit for the year			
Year ended 31 December 2015	–/+257	–/+514	–/+771
Year ended 31 December 2016	–/+400	–/+800	–/+1,199

SIGNIFICANT ACCOUNTING POLICIES AND JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial information in accordance with IFRS. Some of our accounting policies involve subjective assumptions and estimates, as well as judgements relating to accounting items. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations are set forth in details in note 2.4 and 3 to the Accountants' Report in Appendix I to this prospectus. You should consider the following when reviewing our financial information: (i) our selection of accounting policy; (ii) the judgement and other uncertainties affecting the application of such policies; and (iii) the sensitivity to change in conditions and assumptions. Our estimates are based on historical experience, latest information and other assumptions that we believe to be reasonable under the circumstances. For our accounting estimates on useful lives of property, plant and equipment and intangible assets, impairment of goodwill and deferred tax assets, it had not been large relation of our estimates from the actual results during the Track Record Period. The method and assumptions on such estimates will unlikely be changed in the future. We believe the following accounting policies, estimates and judgements are of critical importance to us in the preparation of our consolidated financial statements.

RESULTS OF OPERATIONS

The following table summarises the selected items in our consolidated statements of profit or loss and other comprehensive income during the Track Record Period, extracted from the Accountants' Report in Appendix I to this prospectus.

	Year ended 31 December	
	2015	2016
	HK$('000)	*HK$('000)*
Revenue	39,937	58,975
Other income	2,066	2,643
Staff costs	(13,283)	(22,205)
Property rental and related expenses	(6,153)	(9,576)
Depreciation and amortisation	(3,752)	(2,851)
Food	(1,215)	(1,820)
Medical fees	(1,241)	(2,305)
Professional and legal fees	(1,118)	(1,213)
Utility expenses	(1,109)	(1,594)
Consumables	(724)	(849)
Other operating expenses	(2,184)	(3,042)
Listing expenses	(775)	(7,463)
Finance costs	–	(474)
Share of profits and losses of associates	1,072	206
Gain on disposal of associates	26,812	2,024
Profit before tax	38,333	10,456
Income tax expense	(1,926)	(2,848)
Profit for the year	36,407	7,608

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we generated our revenue from (i) rendering of elderly home care services; and (ii) sales of elderly related goods and provision of healthcare services in Hong Kong. Our revenue generated from rendering of elderly home care services during the Track Record Period was derived from the provision of, among others, residence, nursing and caretaking services, health and medical services, rehabilitation services, meal preparation services, and social care services in Hong Kong. Our revenue generated from sales of elderly related goods and provision of healthcare services during the Track Record Period was derived from sales of adult nappies, nutritional milk, other medical consumable products, daily supplies to our residents on an as-needed basis and additional healthcare services which depends on the type and frequency of the services as well as the number of staff engaged in delivering the personalised services. The following table sets forth the breakdown of our revenue by types of services for the years indicated.

	Year ended 31 December			
	2015		2016	
	Revenue	Percentage of segment revenue	Revenue	Percentage of segment revenue
	HK$('000)	*%*	*HK$('000)*	*%*
Rendering of elderly home care services *(Note 1)*				
— residential care places leased by the SWD under the EBPS	7,303	18.3	13,321	22.6
— residential care places leased by individual customers *(Note 2)*	26,192	65.6	35,414	60.1
— residential care places leased by non-governmental organisations *(Note 3)*	87	0.2	139	0.2
	33,582	84.1	48,874	82.9
Sales of elderly related goods and provision of healthcare services *(Note 1)*	6,355	15.9	10,101	17.1
Total	39,937	100.0	58,975	100.0

Notes:

1. The revenue generated by Wan Tsui was not included as part of our Group's revenue generated during the Track Record Period as Wan Tsui was considered as our associate prior to the Wan Tsui Disposal on 28 June 2016. The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2016, respectively. As such, our revenue for the year ended 31 December 2016 took into account our revenue generated from each of Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) elderly residential care homes during the periods between the dates when they became our subsidiaries and 31 December 2016.

2. Such revenue was generated from individual customers and the unsubsidised portions paid by individual customers under the EBPS and the unsubsidised portions paid by individual customers referred to us by the non-governmental organisations.

3. During the Track Record Period, our Group entered into a service agreement with each of the two non-governmental organisations and they together leased three and three residential care places for the two years ended 31 December 2016 respectively. Such non-governmental organisations may also obtain services from other elderly residential care homes to provide assistance to the elderly as part of their services.

Revenue from rendering of elderly home care services

Our revenue from rendering of elderly home care services was approximately HK$33.6 million and HK$48.9 million for the two years ended 31 December 2016, respectively, which represented approximately 84.1% and 82.9% of our total revenue for the respective year. During the Track Record Period, our Group's customers consisted of (i) the SWD which leased a fix number of residential care places at our elderly residential care homes under the EBPS; (ii) individual customers whether or not subsidised under the EBPS or by non-governmental organisations; and (iii) non-governmental organisations which leased a few residential care places from our Group.

During the Track Record Period, two of our elderly residential care homes, Shui On (Shun On) and Shui On (Kwai Shing E.), were classified as EA1 which participated in the EBPS. Under the EBPS, the SWD leased up to 193 of our 589 residential care places during the Track Record Period and up to the Latest Practicable Date. Participants of the EBPS are partially subsidised by the SWD. The monthly residential fees for our residents enrolled under the EBPS payable by the SWD were, pursuant to the relevant EBPS Agreements, (i) approximately HK$10,427 and HK$10,709 for Shui On (Shun On) for the two years ended 31 December 2016, respectively; and (ii) HK$10,146 for Shui On (Kwai Shing E.) for the year ended 31 December 2016. Revenue generated from the residential care fees payable by the SWD for residential care places under the EBPS accounted for approximately 18.3% and 22.6% of our total revenue for the two years ended 31 December 2016, respectively. Our residents enrolled under the EBPS were required to pay a monthly residential fee, which amounted to HK$1,707 during the Track Record Period.

Revenue from rendering of elderly home care services for individual customers, together with the unsubsidised portions paid by individual customers under the EBPS and non-governmental organisations referral, accounted for approximately 65.6% and 60.1% of our total revenue respectively for the two years ended 31 December 2016, respectively. Revenue generated from residential care fees payable by the non-governmental organisations both accounted for approximately 0.2% of our revenue for the two years ended 31 December 2016.

The following tables set forth the breakdown of our revenue from rendering of elderly home care services by each of our elderly residential care homes during the Track Record Period:

	Year ended 31 December							
	2015				2016			
	Leased by the SWD	Leased by individual customers	Leased by non-governmental organisations	Total	Leased by the SWD	Leased by individual customers	Leased by non-governmental organisations	Total
	HK$('000)	*HK$('000)* *(Note 1)*	*HK$('000)*	*HK$('000)* *(Note 3)*	*HK$('000)*	*HK$('000)* *(Note 1)*	*HK$('000)*	*HK$('000)* *(Note 3)*
Shui On (Shun On)	7,303	7,741	87	15,131	7,532	7,982	93	15,607
Shui Hing	–	11,063	–	11,063	–	11,487	–	11,487
Shui On (Hing Wah)	–	7,388	–	7,388	–	7,883	–	7,883
Shui On (Sun Tin Wai) . .	N/A	N/A	N/A	N/A	–	3,145	–	3,145 *(Note 2)*
Shui On (Kwai Shing E.) .	N/A	N/A	N/A	N/A	5,789	4,917	46	10,752 *(Note 2)*
	7,303	26,192	87	33,582	13,321	35,414	139	48,874

Notes:

1. Such revenue was generated from individual customers and the unsubsidised portions paid by individual customers under the EBPS and the unsubsidised portions paid by individual customers referred to us by the non-governmental organisations.

2. The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) took place by the end of August 2016 and September 2016, respectively. As such, our revenue generated from the rendering of elderly home care services for the year ended 31 December 2016 took into account our revenue generated from each of Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) elderly residential care homes during the periods between the dates when they became our subsidiaries and 31 December 2016.

3. The revenue generated by Wan Tsui was not included as part of our Group's revenue generated during the Track Record Period as Wan Tsui was considered as our associate prior to the Wan Tsui Disposal on 28 June 2016.

The following tables set forth the breakdown of information about each of our elderly residential care homes related to provision of elderly care home services during the Track Record Period:

For the year ended 31 December 2015

	Revenue	Total number of residential care place	Average monthly number of residents	Average monthly occupancy rate	Average monthly residential fee
	(HK$('000))			*(%)* *(Note 1)*	*(HK$)* *(Note 2)*
Shui On (Shun On)	15,131	118	113	95.8%	11,159
Shui Hing	11,063	90	87	96.7%	10,597
Shui On (Hing Wah)	7,388	72	71	98.6%	8,671
Total	33,582	280	271	96.8%	10,327

For the year ended 31 December 2016

	Revenue	Total number of residential care place	Average monthly number of residents	Average monthly occupancy rate*(Note 1)*	Average monthly residential fee*(Note 2)*
	(HK$('000))			*(%)*	*(HK$)*
Shui On (Shun On)	15,607	118	112	94.9%	11,612
Shui Hing	11,487	90	87	96.7%	11,003
Shui On (Hing Wah)	7,883	72	71	98.6%	9,252
Subtotal	34,977	280	270	96.4%	10,795
Shui On (Sun Tin Wai)	3,145	89	88	98.9%	7,914*(Note 3)*
Shui On (Kwai Shing E.)	10,752	220	205	93.2%	12,318*(Note 3)*
Total	48,874	589	563	95.6%	7,234*(Note 3)*

Notes:

1. The monthly occupancy rate is calculated by dividing the number of residents as at the month end of each elderly residential care home by the number of residential care places available at that elderly residential care home. The average monthly occupancy rate is the average of all the monthly occupancy rates over the financial year.

2. The average monthly residential fee is equal to the total revenue generated during the financial year divided by the average monthly number of residents in the same year or period contributed to revenue in that financial year.

3. The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2016, respectively. As such, our revenue generated from the rendering of elderly home care services for the year ended 31 December 2016 took into account our revenue generated from each of Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) elderly residential care homes during the periods between the dates they became our subsidiaries and 31 December 2016. Hence, the average total monthly residential fee of HK$7,234 for the year ended 31 December 2016, is relatively lower when compared to that for the year ended 31 December 2015 of HK$10,327 as Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) only contributed to the revenue for a short period of time over the full-year period in 2016.

4. The revenue generated by Wan Tsui was not included as part of our Group's revenue generated during the Track Record Period as Wan Tsui was considered as our associate prior to the Wan Tsui Disposal on 28 June 2016.

Our increase in revenue from rendering of elderly home care services by approximately HK$15.3 million or 45.5% from approximately HK$33.6 million for the year ended 31 December 2015 to approximately HK$48.9 million for the year ended 31 December 2016, which was mainly attributable to (i) additional revenue of approximately HK$13.9 million as a result of the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group which took place by the end of August 2016 and September 2016, respectively; and (ii) the remaining increment of approximately HK$1.4 million mainly resulted from the increase in average monthly residential fees charged for our other three elderly residential care homes with reference to inflation rate in Hong Kong.

As a result of the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group which took place by the end of August 2016 and September 2016, respectively, our total number of residential care places increased significantly from 280 for the year ended 31 December 2015 to 589 for the year ended 31 December 2016 while average monthly occupancy rate remained relatively stable at 96.8% and 95.6% for the two years ended 31 December 2016, respectively.

Our total average monthly residential fee without taking into account of Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) increased by approximately 4.5% from approximately HK$10,327 for the year ended 31 December 2015 to approximately HK$10,795 for the year ended 31 December 2016, mainly as a result of the upward price adjustment in our residential fee we charged with reference to inflation rate in Hong Kong.

Both Shui On (Shun On) and Shui On (Kwai Shing E.) during the Track Record Period charged higher average monthly residential fee compared with our other three elderly residential care homes as they were class EA1 homes which had to comply with higher staffing and spacing standards as required under the EBPS. Our average monthly residential fees for Shui On (Sun Tin Wai) was relatively lower mainly due to the local competition in the area where it was located. For the details of pricing of our residential fees, please refer to the paragraphs headed "Business — Our elderly residential care homes — Pricing of our services and payment terms" in this prospectus.

Revenue from sales of elderly related goods and provision of healthcare services

The following table sets forth the breakdown of our revenue *(Note 2)* from sales of elderly related goods and provision of healthcare services for the periods indicated:

	Year ended 31 December	
	2015	**2016**
	HK$('000)	***HK$('000)***
Shui On (Shun On)	2,372	2,706
Shui Hing	2,269	2,591
Shui On (Hing Wah)	1,714	2,185
Subtotal	6,355	7,482
Shui On (Sun Tin Wai)	N/A	1,246
Shui On (Kwai Shing E.)	N/A	1,373
Total	6,355	10,101
Average number of residents:		
– Excluding Shui On (Sun Tin Wai) and Shui On (Kwai Shing E.)	271	270
– Total	271	563
Average spending on elderly related goods and provision of healthcare services per resident per year		
– Excluding Shui On (Sun Tin Wai) and Shui On (Kwai Shing E.) (HK$)	23,450	27,711 *(Note 1)*
– Total (HK$)	23,450	17,941

Notes:

1. The completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group took place by the end of August 2016 and September 2016, respectively. The average spending on elderly related goods and provision of healthcare services per resident per year excluding Shui On (Sun Tin Wai) and Shui On (Kwai Shing E.) increased from HK$23,450 for the year ended 31 December 2015 to HK$27,711 for the year ended 31 December 2016, representing an increment of approximately HK$4,261 or 18.2%, which was mainly due to (i) the upward price adjustment of purchase of elderly related goods resulted from inflation in Hong Kong; and (ii) increase in healthcare service demand from our residents.

2. The revenue generated by Wan Tsui was not included as part of our Group's revenue generated during the Track Record Period as Wan Tsui was considered as our associate prior to the Wan Tsui Disposal on 28 June 2016.

Our revenue from sales of elderly related goods and provision of healthcare services amounted to approximately HK$6.4 million and HK$10.1 million for the two years ended 31 December 2016, which accounted for approximately 15.9% and 17.1% of our total revenue, respectively.

Other income

The following table sets forths the breakdown of our other income for the years indicated:

	Year ended 31 December	
	2015	2016
	HK$('000)	*HK$('000)*
Government grants	587	1,298
Sundry income	50	135
Rental income	257	391
Management fee income	1,142	610
Others	28	207
Bank interest income	2	2
	2,066	2,643

Our other income mainly comprises government grants, management fee income, rental income and sundry income. Government grants represent income received from the HK Government by Shui On (Shun On) and Shui On (Kwai Shing E.), which are qualified homes participated under the EBPS, for providing specialised training for our staffs to become professionals to serve our residents with Dementia pursuant to Dementia Supplement. Our government grants recognised during the Track Record Period were one-off in nature and had no future conditions or contingencies attached. Management fee income during the Track Record Period mainly included fees received from Wan Tsui, representing the net amounts of (i) the subcontracting fees related to management and daily operation of Wan Tsui payable by Chan's Investment to our Group; and (ii) the subcontracting fees related to management and daily operation of Shui On (Hing Wah) payable from our Group to Chan's Investment. Rental income represents income received from sub-leasing staff quarters to our staff under operating leases. Bank interest income represents income received from ordinary bank deposits.

Staff costs

The following table sets forths the breakdown of our staff costs for the years indicated:

	Year ended 31 December	
	2015	2016
	HK$('000)	*HK$('000)*
Wages and salaries	12,729	20,997
Other benefits and allowance	81	466
Pension scheme contributions	473	742
	13,283	22,205

Staff costs are the largest component of our operating expenses. Our staff costs comprise salaries and benefits, including wages, salaries, bonuses, long service payments, retirement benefit costs and other allowances and benefits payable to all our employees. For the two years ended 31 December 2016, our staff costs amounted to approximately HK$13.3 million and HK$22.2 million, representing approximately 33.3% and 37.7% of our revenue, respectively. Total average staff number was 87 and 196 for the two years ended 31 December 2016, respectively.

Property rental and related expenses

Our property rental and related expenses primarily represent the rental of our all elderly residential care homes, staff quarters and an ancillary office payments under operating leases in respect of leased properties for all our elderly residential care homes. Property rental and related expenses amounted to approximately HK$6.2 million and HK$9.6 million for the two years ended 31 December 2016, respectively, representing approximately 15.4% and 16.2% of our revenue for the respective year. For details of leased properties please refer to the paragraph headed "Business — Properties" in this prospectus.

The following table sets forth the breakdown of our property rental and related expenses by each of our elderly residential care homes during the years indicated:

	Year ended 31 December	
	2015	**2016**
	HK$('000)	***HK$('000)***
Shui On (Shun On)	2,757	3,190
Shui Hing	1,421	1,454
Shui On (Hing Wah)	1,975	2,012
Shui On (Sun Tin Wai)	N/A	647
Shui On (Kwai Shing E.)	N/A	2,273
	6,153	9,576

During the Track Record Period, lease of one property for Shui Hing and two properties for Shui On (Sun Tin Wai) were subject to contingent rent arrangement while the other leases were subject to fixed rent arrangements. The monthly rent under the lease of one property for Shui Hing and two properties for Shui On (Sun Tin Wai) were equal to higher of a fix rent or a contingent rent based on a fixed percentage of the monthly turnover pursuant to the specific terms of relevant lease agreement. We had not experienced any charge on the contingent rent during the Track Record Period.

The leases for our existing elderly residential care homes typically have an initial lease term of three to six years. In order to maintain our elderly home operations, we generally commence negotiation of tenancy renewal with our lessor around six months before the end of lease term. We have not experienced any failure in renewing our lease term for leased properties occupied during the Track Record Period.

Depreciation and amortisation

Our depreciation and amortisation mainly includes (i) depreciation charges for our property, plant and equipment including leasehold improvements, furniture and equipment, motor vehicles; and (ii) amortisation for intangible assets including trademarks and customer relationships. Our depreciation and amortisation amounted to approximately HK$3.8 million and HK$2.9 million for the two years ended 31 December 2016, respectively, representing approximately 9.4% and 4.8% of our revenue for the respective year.

Food

Our food costs primarily represent costs of all the food ingredients and beverages used for provision for meals by our residents in our operations of our elderly residential care homes. Our food costs amounted to approximately HK$1.2 million and HK$1.8 million for the two years ended 31 December 2016, respectively, representing approximately 3.0% and 3.1% of our revenue for respective year.

Medical fees

Our medical fees mainly represent expenses in relation to medial services provided by visiting registered medical practitioners or other external contractors to our residents including the service fees and medicine charges. Our medical fees amounted to approximately HK$1.2 million and HK$2.3 million respectively for the two years ended 31 December 2016, representing approximately 3.1% and 3.9% of our revenue for the respective year. During the Track Record Period, we engaged certain registered medical practitioners as external contractors for undertaking medical services and certain contractors for physiotherapy services and dietitian services to our residents. For details, please refer to the paragraphs headed "Business — Our contractors" in this prospectus.

Professional and legal fees

Our professional and legal fees comprises mainly the audit fees, valuation fees and other professional fees during the Track Record Period. Our professional and legal fees amounted to approximately HK$1.1 million and HK$1.2 million for the two years ended 31 December 2016, representing approximately 2.8% and 2.1% of our revenue for the respective year.

Utility expenses

Our utility expenses mainly represent total costs of water and electricity for our elderly residential care homes and office. Our utility expenses amounted to approximately HK$1.1 million and HK$1.6 million for the two years ended 31 December 2016, respectively, representing approximately 2.8% and 2.7% of our revenue for the respective year.

Consumables

Our consumables represent assets of all consumable materials used for our operations. Our consumables amounted to approximately HK$0.7 million and HK$0.8 million for the two years ended 31 December 2016, respectively, representing approximately 1.8% and 1.4% of our revenue for the respective year.

Other operating expenses

The following table sets forth the breakdown of other operating expenses for the periods indicated:

	Year ended 31 December	
	2015	2016
	HK$('000)	*HK$('000)*
Repair and maintenance	319	567
Insurance	369	452
Transportation	378	423
Referral service commission	208	300
Management fee	–	116
Stamp duty	470	182
Office administrative expenses	74	350
Others	366	652
	2,184	3,042

Our other operating expenses mainly consist of repair and maintenance, insurance expenses, transportation, stamp duty, referral service commission, office administrative expenses and others. Referral service commission mainly represents fees paid to an Independent Third Party agent for referral of individual residents to lease our elderly residential care home. For details, please see the paragraph headed "Business — Suppliers and procurement — Customer referral and consulting services" in this prospectus. Our stamp duty of approximately HK$0.5 million and HK$0.2 million for the two years ended 31 December 2016, respectively, represented the stamp duty paid for the share transfer for the Reorganisation. Others include bank charges and other miscellaneous expenses. Our other operating expenses amounted to approximately HK$2.2 million and HK$3.0 million for the two years ended 31 December 2016, respectively, representing approximately 5.5% and 5.2% of our revenue for the respective year.

Listing expenses

Listing expenses comprise professional and other expenses in relation to our Listing. Listing expenses of approximately HK$0.8 million and HK$7.5 million were recorded for the two years ended 31 December 2016, respectively.

Finance costs

We recorded finance costs of approximately HK$0.5 million for the year ended 31 December 2016, which represents the amortisation charged to finance costs for the Pre-IPO Investment.

Share of profits and losses/gain on disposal of associates

Wisdom Toprich and Shui On (Kwai Shing E.)

Wisdom Toprich and Shui On (Kwai Shing E.) were considered as associates of our Group and were both disposed in June 2015. Wisdom Toprich and Shui On (Kwai Shing E.) were engaged in investment holding and the operating of an elderly residential care home respectively. We recorded share of profits of associates of HK$1.1 million (via our 33.3% direct interests in Shui On (Kwai Shing E.) and 40% direct interests in Wisdom Toprich which held 33.3% interest in Shui On (Kwai Shing E.)) and gain on disposal of the aforesaid associates of HK$26.8 million for the year ended 31 December 2015. For details of our associates, please see note 15 to the Accountants' Report in Appendix I to this prospectus.

Wan Tsui

Wan Tsui was considered as an associate of our Group and our Group's entire interest were disposed in June 2016. In relation to Wan Tsui, we recorded share of losses of our associate of approximately HK$34,000 and profits of our associate of approximately HK$0.2 million for the two years ended 31 December 2016, respectively; and a gain on disposal of our associate of approximately HK$2.0 million for the year ended 31 December 2016. For details, please refer to the paragraphs headed "History, Reorganisation and corporate structure — Corporate history — Wan Tsui (an associate disposed of by our Group during the Track Record Period)" and "Business — Acquisitions and disposals by our Group during the Track Record Period", and note 15 to the Accountants' Report in Appendix I to this prospectus.

Certain income statement components

The table below sets forth certain income statement items of our Group's share of profits and losses of Wan Tsui:

Share of profits and losses of Wan Tsui	**Year ended 31 December 2015**	**Period from 1 January 2016 to 28 June 2016**
	HK$('000)	***HK$('000)***
Revenue	10,889	5,421
(Loss)/profit for the year/period	(34)	206

Our share of revenue of Wan Tsui amounted to HK$10.9 million and HK$5.4 million for the year ended 31 December 2015 and the period from 1 January 2016 to 28 June 2016 respectively.

For the year ended 31 December 2015, we recorded share of Wan Tsui's loss of approximately HK$34,000 and profit of approximately HK$0.2 million for the year ended 31 December 2015 and period from 1 January 2016 to 28 June 2016 respectively.

Certain statements of financial position items

The table below sets forth certain statements of financial position items of our Group's share of Wan Tsui's assets and liabilities.

Share of Wan Tsui's assets and liabilities	**As at 31 December 2015**
	HK$('000)
Current assets	2,041
Non-current assets	168
Current liabilities	(2,157)
Non-current liabilities	(2)
Net assets	50

Income tax expense

Our operations in Hong Kong are subject to Hong Kong profits tax of 16.5% on the estimated assessable profits arising in Hong Kong and we have no tax obligation arising from other jurisdictions during the Track Record Period.

For the two years ended 31 December 2016, our income tax expenses were HK$1.9 million and HK$2.8 million, respectively, and our effective tax rate for the same period was 5.0% and 27.2%, respectively. The relatively lower effective tax rate for the year ended 31 December 2015 was mainly attributable to the tax effect of non-taxable income of approximately HK$26.8 million arising from gain on disposal of associates, while the relatively high effective tax rate for the year ended 31 December 2016 was due to the effect of non-deductible expenses arising from listing expenses incurred.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities. For more details of our income tax expenses, please see note 10 to the Accountants' Report as set out in Appendix I to this prospectus.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue

Our revenue increased by approximately HK$19.1 million or 47.9% from approximately HK$39.9 million for the year ended 31 December 2015 to approximately HK$59.0 million for the year ended 31 December 2016. Such increase was driven by the increase in revenue from both rendering of elderly home care services and sales of elderly related goods and provision of healthcare services.

Revenue from rendering of elderly home care services

Our increase in revenue from rendering of elderly home care services by approximately HK$15.3 million or 45.5% from approximately HK$33.6 million for the year ended 31 December 2015 to approximately HK$48.9 million for the year ended 31 December 2016, which was mainly attributable to (i) additional revenue of approximately HK$13.9 million as a result of the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group which took place by the end of August 2016 and September 2016, respectively; and (ii) the remaining increment of approximately HK$1.4 million resulted from the increase in average monthly residential fees charged for our other three elderly residential care homes.

(i) Average monthly residential fee

Our increase in average monthly residential fee of Shui On (Shun On) for the year ended 31 December 2016 by 4.1% was mainly contributed by (i) the increase in the average monthly residential fee under the EBPS paid by the SWD by approximately 2.7%, from approximately HK$10,427 for the year ended 31 December 2015 to approximately HK$10,709 for the year ended 31 December 2016, which resulted from upward price adjustment as agreed pursuant to the relevant EBPS Agreements; and (ii) the slight upward adjustment on the average monthly residential fee for individual customers with reference to the inflation rate in Hong Kong.

Our average monthly residential fees for Shui Hing increased by approximately 3.8% from approximately HK$10,597 for the year ended 31 December 2015 to approximately HK$11,003 for the year ended 31 December 2016, which mainly resulted from the increase in the average monthly residential fee for individual customers with reference to the inflation rate in Hong Kong.

Our average monthly residential fees for Shui On (Hing Wah) increased by approximately 6.7% from approximately HK$8,671 for the year ended 31 December 2015 to approximately HK$9,252 for the year ended 31 December 2016 was mainly attributable to the demand for the elderly residential care home services in the Eastern District of Hong Kong and the relatively fewer elderly residential care homes in that district. Since Shui On (Hing Wah) was located in the Eastern District, where the proportion for elderly population was the highest, allowing us to have a greater upward price adjustment besides the inflation rate.

Our average monthly residential fees of Shui On (Shun On) and Shui On (Kwai Shing E.) were relatively higher than the others as they were class EA1 homes which had to comply with higher staffing and spacing standards as required under the EBPS.

We charged a relatively lower price for residential care fees for Shui On (Sun Tin Wai) for the Track Record Period in view of the relatively fierce competition in the area where it was located.

As a result of the above, our average monthly residential fee excluding Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) increased by approximately 4.5% from approximately HK$10,327 for the year ended 31 December 2015 to approximately HK$10,795 for the year ended 31 December 2016.

(ii) Total number of residential care places and average monthly occupancy rate

As a result of the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group which took place by the end of August 2016 and September 2016, respectively, our total number of residential care places increased significantly from 280 for the year ended 31 December 2015 to 589 for the year ended 31 December 2016 while average monthly occupancy rate remained relatively stable at 96.8% and 95.6% for the two years ended 31 December 2016, respectively.

Revenue from sales of elderly related goods and provision of healthcare services

Revenue from sales of elderly related goods and provision of healthcare services increased by approximately HK$3.7 million or 57.8% from approximately HK$6.4 million for the year ended 31 December 2015 to approximately HK$10.1 million for the year ended 31 December 2016, which mainly resulted from the increase in purchase of elderly related goods as a result of increased frequency of service provision and the upward adjustment on prices of elderly goods due to inflation.

Other income

Our other income increased by HK$0.5 million from approximately HK$2.1 million for the year ended 31 December 2015 to HK$2.6 million for the year ended 31 December 2016, which was mainly attributable to the government grants related to providing services to our residents with Dementia by Shui On (Kwai Shing E.) which became our subsidiary during the year ended 31 December 2016.

Staff costs

Our staff costs increased by approximately HK$8.9 million or 66.9% from approximately HK$13.3 million for the year ended 31 December 2015 to approximately HK$22.2 million for the year ended 31 December 2016. The increase was mainly due to (i) the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group which took place by the end of August 2016 and September 2016, respectively, resulting in the increase in average headcounts from 87 for the year ended 31 December 2015 to 196 for the year ended 31 December 2016; and (ii) our newly hired senior management since December 2015 with relatively higher salary during the year ended 31 December 2016.

Property rental and related expenses

Our property rental and related expenses increased by approximately HK$3.4 million or 54.8% from approximately HK$6.2 million for the year ended 31 December 2015 to approximately HK$9.6 million for the year ended 31 December 2016, which was mainly due to (i) the increase in rental expenses incurred by Shui On (Shun On) of approximately HK$0.4 million from the addition of two leased properties as a staff quarter and an ancillary office respectively; and (ii) rental expenses incurred, with the aggregate amount of approximately HK$2.9 million, by Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) which became our subsidiary in the year ended 31 December 2016.

Food

Our food expenses increased by approximately HK$0.6 million from approximately HK$1.2 million for the year ended 31 December 2015 to approximately HK$1.8 million for the year ended 31 December 2016, which mainly due to food expenses incurred for Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai), which became our subsidiaries during the year ended 31 December 2016.

Medical fees

Our medical fees increased by approximately HK$1.1 million from approximately HK$1.2 million for the year ended 31 December 2015 to approximately HK$2.3 million for the year ended 31 December 2016, which mainly due to the increase in medical fees incurred for Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) with an aggregate amount of approximately HK$0.9 million for the year ended 31 December 2016.

Professional and legal fees

Our professional and legal fees remained relatively stable at approximately HK$1.1 million and HK$1.2 million for the two years ended 31 December 2016, respectively.

Utility expenses

Our utility expenses increased by approximately HK$0.5 million from approximately HK$1.1 million for the year ended 31 December 2015 to approximately HK$1.6 million for the year ended 31 December 2016, which was mainly due to the utility expenses incurred for Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai), which became our subsidiaries during the year ended 31 December 2016.

Consumables

Our consumable expenses remained relatively stable at approximately HK$0.7 million and HK$0.8 million for the two years ended 31 December 2016, respectively.

Other operating expenses

Our other operating expenses increased by approximately HK$0.8 million from approximately HK$2.2 million for the year ended 31 December 2015 to approximately HK$3.0 million for the year ended 31 December 2016, such increment was mainly attributable to our other operating expenses amounted approximately HK$0.7 million incurred for Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) which became our subsidiaries during the year ended 31 December 2016.

Listing expenses

Our listing expenses increased from approximately HK$0.8 million for the year ended 31 December 2015 to HK$7.5 million for the year ended 31 December 2016, which was attributable to more professional and other expenses in relation to our Listing were incurred during the year ended 31 December 2016.

Finance costs

We incurred finance costs of approximately HK$0.5 million for the year ended 31 December 2016 related to amortisation charged to finance costs for the proceeds received from the Pre-IPO Investment.

Share of profits and losses/gain on disposal of associates

We recorded a share of profit of our associates, Wisdom Toprich and Shui On (Kwai Shing E.), of approximately HK$1.1 million and nil for the two years ended 31 December 2016 respectively as they were disposed in June 2015. As a result of disposal, we recorded a gain on disposal of associates of approximately HK$26.8 million for the year ended 31 December 2015.

We disposed of our entire interest in Wan Tsui in June 2016 and recorded a gain on disposal of an associate which amounted to HK$2.0 million for the year ended 31 December 2016. Our share of profits/losses of Wan Tsui remained insignificant at a loss of approximately HK$34,000 and a profit of HK$0.2 million for the two years ended 31 December 2016 respectively.

Income tax expense

Our income tax expense increased by approximately HK$0.9 million or 47.4% from approximately HK$1.9 million for the year ended 31 December 2015 to approximately HK$2.8 million for the year ended 31 December 2016. The increase was mainly due to the non-tax deductible expenses of approximately HK$7.5 million primarily attributable to the listing expenses incurred for the year ended 31 December 2016. Our effective tax rate increased from approximately 5.0% for the year ended 31 December 2015 to approximately 27.2% for the year ended 31 December 2016, primarily due to (i) the gain on disposal of associates of approximately HK$26.8 million for the year ended 31 December 2015 which was not subject to tax; and (ii) the non-tax deductible expenses of approximately HK$7.5 million incurred for the year ended 31 December 2016.

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately HK$28.8 million or 79.1% from approximately HK$36.4 million for the year ended 31 December 2015 to approximately HK$7.6 million for the year ended 31 December 2016. Our net profit margin of 91.2% for the year ended 31 December 2015 was substantially higher than our net profit margin of 12.9% for the year ended 31 December 2016. This was mainly due to the effect of the one-off gain on disposal of our then associates of approximately HK$26.8 million recognised by our Group in the year ended 31 December 2015, which increased our net profit and our net profit margin substantially for the same year. No such one-off gain was recorded by our Group for the year ended 31 December 2016. Furthermore, the listing expenses of approximately HK$7.5 million incurred by our Group for the year ended 31 December 2016 had an adverse effect on our net profit margin for the year ended 31 December 2016.

For illustrative purpose, by excluding the effect of the one-off gain on disposal of associates, the share of profits/losses of associates and the listing expenses and finance costs, our adjusted net profit margin remained relatively stable at approximately 23.3% and 22.6% for the two years ended 31 December 2016, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our use of cash primarily relates to operating activities. We have historically financed our operations primarily through a combination of cash flow generated from our operation and proceeds from the Pre-IPO Investment. We currently expect that there will not be any material change in the sources and uses of cash of our Group, except that we would have additional funds from proceeds of the Share Offer for implementing our future plans as detailed under the section headed "Statement of business objectives and use of proceeds" to this prospectus.

Cash Flow

The following table sets forth a summary of our consolidated cash flows for the years indicated:

	Year ended 31 December	
	2015	**2016**
	HK$('000)	*HK$('000)*
Net cash generated from operating activities	10,566	7,744
Net cash generated from/(used in) investing activities	2,270	(4,180)
Net cash generated from/(used in) financing activities	4,527	(6,313)
Net increase/(decrease) in cash and cash equivalents	17,363	(2,749)
Cash and cash equivalents at the beginning of the year	7,712	25,075
Cash and cash equivalents at the end of the year	25,075	22,326

Operating activities

The net cash flow from operating activities was principally derived from (i) rendering of elderly residential care home services; and (ii) sales of elderly related goods and provision of healthcare services. Our operating expenses primarily consisted of staff costs, property rental and related expenses, food and other operating expenses. During the Track Record Period, our net cash flow from operating activities represented profit before tax adjusted for depreciation and amortisation, finance costs, non-cash items and changes in working capital.

For the year ended 31 December 2016, our net cash flows generate from operating activities of approximately HK$7.7 million and profit before tax of approximately HK$10.5 million. Adjustments mainly represented depreciation and amortisation of approximately HK$2.9 million and gain on disposal of an associate of approximately HK$2.0 million. Changes in working capital was a net cash inflow of approximately HK$0.5 million, mainly due to decrease in amount due from an associate of HK$0.9 million following the completion of disposal in 28 June 2016, and increase in other payables and accruals of approximately HK$1.5 million. The effect was partially offset by the increase in prepayments, deposits and other receivables of approximately HK$2.0 million. During the year ended 31 December 2016, HK$4.3 million of income tax was paid.

For the year ended 31 December 2015, our net cash generate from operating activities of approximately HK$10.6 million and profit before tax of approximately HK$38.3 million. Adjustments mainly represented depreciation and amortisation of approximately HK$3.8 million, share of profits of and gain on disposal of associates amounted to approximately HK$1.1 million and HK$26.8 million respectively. Changes in working capital included a net cash outflow of approximately HK$0.3 million, mainly attributable to increase in prepayment, deposits and other receivables of approximately HK$1.0 million and increase in amount due from an associate of approximately HK$0.4 million. The effect was partly offset by the increase in other payables and accruals of approximately HK$0.8 million. During the year ended 31 December 2015, we paid Hong Kong Income Tax of approximately HK$3.4 million.

Investing activities

Our cash flow used in investing activities primarily included acquisition of subsidiaries, and purchases of property, plant and equipment for the Track Record Period. Our cash flow generated from investing activities mainly consisted of proceeds from disposal of an associate, and dividend received from associates.

For the year ended 31 December 2016, our net cash flow used in investing activities of approximately HK$4.2 million, which primarily represented (i) purchase of property, plant and equipment of HK$1.3 million; (ii) the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group which took place by the end of August 2016 and September 2016, respectively, of approximately HK$5.2 million. These cash outflows were partly offset by the proceeds from the disposal of our entire interest in Wan Tsui on 28 June 2016 of approximately HK$2.3 million during the year ended 31 December 2016.

For the year ended 31 December 2015, our net cash flow generated from investing activities of approximately HK$2.3 million, which primarily represented dividends received from associates of approximately HK$2.4 million. These cash inflows were partly offset by purchase of furniture and equipment of approximately HK$0.1 million.

Financing activities

Our cash inflow from financing activities primarily represented the proceeds received from a pre-IPO investor in December 2015. The cash flow used in investing activities mainly consisted of dividend paid for our Shareholders and to the then shareholder of a subsidiary acquired, and acquisition of a non-controlling interest.

Our net cash used in financing activities of HK$6.3 million for the year ended 31 December 2016 represented (i) dividend paid to the then shareholder of Shui On (Kwai Shing E.) of approximately HK$4.5 million; and (ii) acquisition of non-controlling interest in Shui On (Hing Wah) of approximately HK$1.8 million.

Our net cash flow generated from financing activities of approximately HK$4.5 million for the year ended 31 December 2015 represented the proceeds received from a pre-IPO investor of HK$12 million and partially offset by the dividends paid in the amount of HK$7.5 million during the same year.

Net current assets

We recorded net current assets of approximately HK$24.0 million, HK$17.7 million and HK$19.3 million as at 31 December 2015, 2016 and 30 April 2017, respectively. The table below sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As at 31 December		As at 30 April
	2015	2016	2017
	HK$('000)	*HK$('000)*	*HK$('000)*
			(Unaudited)
Current assets			
Trade receivables	21	70	85
Prepayments, deposits and other receivables	3,191	7,066	8,271
Amount due from an associate	908	–	–
Amount due from a related company	–	5	–
Tax recoverable	84	60	–
Cash and bank balances	25,075	22,326	24,041
Total current assets	29,279	29,527	32,397
Current liabilities			
Trade payables	330	677	686
Other payables and accruals	4,635	10,818	10,789
Amount due to a related company	92	180	167
Tax payables	259	123	1,411
Total current liabilities	5,316	11,798	13,053
Net current assets	23,963	17,729	19,344

Our net current assets decreased from approximately HK$24.0 million as at 31 December 2015 to approximately HK$17.7 million as at 31 December 2016. The decrease was primarily due to the increase in other payables and accruals mainly resulted from balances contributed from (i) the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group by the end of August and September 2016, respectively; and (ii) the increase in listing expenses payables of approximately HK$2.0 million as at 31 December 2016.

Our net current assets increased slightly from approximately HK$17.7 million as at 31 December 2016 to approximately HK$19.3 million as at 30 April 2017 which was mainly attributable to the increase in cash and bank balances as at 30 April 2017 resulting from our Group's business operation.

See "Description of selected items of consolidated statements of financial position as at 31 December 2015 and 2016" below in this section for discussion of various items of current assets and current liabilities.

Working capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including our cash generated from operations, available banking facilities and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements and for at least next 12 months from the date of this prospectus.

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 AND 2016

Property, plant and equipment

Our property, plant and equipment mainly comprised leasehold improvements, furniture and equipment and motor vehicles. The carrying amounts of property, plant and equipment amounted to approximately HK$1.9 million and HK$6.3 million respectively as at 31 December 2015 and 2016, representing approximately 60.2% and 10.9% of our total non-current assets as at the respective dates.

The property, plant and equipment increased by approximately HK$4.4 million or approximately 231.6% from approximately HK$1.9 million as at 31 December 2015 to HK$6.3 million as at 31 December 2016. The increment was mainly driven by the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group, which took place by the end of August 2016 and September 2016, respectively, with addition of leasehold improvements and furniture and equipment of approximately HK$3.1 million and HK$1.5 million respectively.

Intangible assets

Our intangible assets principally comprised of trademarks and customer relationships during the Track Record Period.

Our net carrying amount of intangible assets increased by approximately HK$6.4 million from approximately HK$0.5 million as at 31 December 2015 to approximately HK$6.9 million as at 31 December 2016, which was attributable to the intangible assets of approximately HK$7.6 million arising from the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group which took place by the end of August 2016 and September 2016, respectively, which was partially net off by the provision of amortisation made during the year of approximately HK$1.3 million. The intangible assets acquired are measured on initial recognition at cost based on the fair value at the date of business combination. Customer relationships are amortised in accordance to the economical useful lives assessed by valuer for each elderly residential care home of our Group.

Goodwill

Goodwill of approximately HK$33.5 million and HK$10.2 million mainly arose from the completion of our acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group, which took place by the end of August 2016 and September 2016, respectively, with a view to expand our market share of elderly residential care homes industry in Hong Kong. The goodwill was mainly attributable to the synergies expected from combining the operations of elderly residential care homes of Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai) with all our existing three elderly residential care homes. Goodwill is the residual value implied by the transaction price less the fair value of the identifiable net assets of acquired entity.

Goodwill acquired is allocated to the cash-generating unit of Shui On (Kwai Shing E.) and Shui On (Sun Tin Wai), respectively. Impairment reviews were performed by comparing the recoverable amounts against the carrying amount of the cash-generating units in order to assess whether any impairment is required. The recoverable amounts of the cash-generating units have been determined based on value-in-use calculations using cash flow projections covering a five-year period approved by senior management. The pre-tax discount rate applied to the two cash flow projection is 14.1%, which represents the weighted average cost of capital of the cash-generating units. The weighted average cost of capital reflects macroeconomic industry, and firm-specific factors in determining the degree of perceived risk associated with the projected cash flows. The cash flows of the two cash-generating units are projected using an annual growth rate of 3% to 5% during the five-year period and 3% beyond the five-year period, which were based on their historical growth rates and the long term average growth rate of the industry.

For Shui On (Kwai Shing E.), with all other variables held constant, the carrying amount of the cash-generating unit would exceed the recoverable amounts, when either (a) the annual growth rate of cash flows of the cash-generating unit of Shui On (Kwai Shing E.) adopted in the cash flow projections is below 0.2%; or (b) the pre-tax discount rate applied to the cash flow projections of the cash-generating unit of Shui On (Kwai Shing E.) is above 20.1%.

For Shui On (Sun Tin Wai), with all other variables held constant, the carrying amount of the cash-generating unit would exceed the recoverable amount, when either (a) the annual growth rate of cash flow projections is below -7.7%; or (b) the pre-tax discount rate applied to the cash flow projections of the cash-generating unit of Shui On (Sun Tin Wai) is above 30.6%.

As at 31 December 2016, the carrying amounts of goodwill were with an aggregate amount of approximately HK$43.7 million. No impairment was made during the Track Record Period.

In the opinion of our Directors, there is no reasonably possible change in the key assumptions on which the recoverable amount is based that would cause the cash generating units' carrying amounts to exceed the recoverable amounts. For further details of the impairment review of the goodwill, please refer to note 16 to the Accountants' Report set out in Appendix I to this prospectus.

Trade and other receivables

(i) Trade receivables

Our trade receivables mainly consisted of receivables due from our customers for monthly residential fees rendered in our elderly residential care homes. The residential fees were normally settled in advance before the month of such services rendered and a 3% extra fee will be charged if the amounts were not settled within 10 days. We recorded trade receivables of approximately HK$21,000 and HK$70,000 as at 31 December 2015 and 2016 respectively.

Our Group's customers settle their bills timely and therefore, our exposure to credit risks is insignificant. The aging of trade receivables as at the end of each of the Track Record Period, based on the date of service rendered, had maturity of less than three months, and no impairment loss was recognised.

Our policy for impairment on trade receivables due from third parties is based on an evaluation of collectability and aging analysis of the receivables that requires the use of judgment and estimates of our management. We closely review the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. Our customers normally settle their bills timely 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.

The table below sets forth our turnover days of trade receivables as at the dates indicated:

	Year ended 31 December	
	2015	2016
Turnover days of trade receivables*(Note)*	0.5	0.3

Note: Turnover days of trade receivables is calculated using the average balance of trade receivables divided by revenue for the relevant year and multiplied by number of days in the relevant year. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

The trade receivable turnover days of our Group remained stable at 0.5 days and 0.3 days for the two years ended 31 December 2016 respectively.

As at Latest Practicable Date, all of our trade receivables outstanding as at 31 December 2016 were settled.

(ii) Other receivables

The following table sets forth the components of our other receivables as of the dates indicated:

	As at 31 December	
	2015	2016
	HK$('000)	*HK$('000)*
Prepayments, deposits and other receivables		
Prepayments	902	349
Deposits	2,003	3,925
– rental deposits	1,813	3,465
– utility and other deposits	190	460
Other receivables	28	46
Deferred listing expenses	258	2,746
Total	3,191	7,066

Other receivables mainly consisted of prepayments, deposits and other receivables during the Track Record Period. Prepayments mainly included prepaid staff costs and insurance expenses. Our deposits mainly included rental and utility deposits. Deferred listing expenses represented expenses to be capitalised which was directly attributable to the issue of new shares pursuant to the Share Offer.

The decrease in our prepayments by approximately HK$0.6 million from approximately HK$0.9 million as at 31 December 2015 to approximately HK$0.3 million as at 31 December 2016 was mainly attributable to the prepayment of listing expenses being utilised during the year ended 31 December 2016.

The increase in our total deposits from approximately HK$2.0 million as at 31 December 2015 to approximately HK$3.9 million as at 31 December 2016 was mainly due to the rental deposits paid in relation to the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group which took place by the end of August 2016 and September 2016, respectively, and the addition of two leased premises during the year ended 31 December 2016.

Deferred listing expenses increased by approximately HK$2.4 million from approximately HK$0.3 million as at 31 December 2015 to approximately HK$2.7 million as at 31 December 2016, which was mainly attributable to the increase in listing expenses to be capitalised in relation to the issue of new shares pursuant to the Share Offer.

Amount due from an associate/a related company

Our amount due from an associate was unsecured, interest-free, repayment on demand and non-trade in nature. Our amount due from an associate amounted to approximately HK$0.9 million and nil as at 31 December 2015 and 2016 respectively.

Our amount due from a related company was unsecured, interest-free, repayment on demand and trade in nature. Our amounts due from a related company amounted to nil and approximately HK$5,000 as at 31 December 2015 and 2016.

Trade and other payables

(i) Trade payables

Our trade payables primarily consisted of payables for our purchases of food and supplies, consumables and our other operating expenses incurred. Our trade payables remained relatively stable at approximately HK$0.3 million and HK$0.7 million as at 31 December 2015 and 2016 respectively.

Our suppliers generally offer us trade credit periods between 30 to 60 days based on the invoice date. The table below sets forth, as of the end of reporting periods indicated, the aging analysis of our trade payables (based on invoice date):

	31 December	
	2015	2016
	HK$('000)	*HK$('000)*
Within one month	330	677

The following table sets out the average trade payables turnover days for the period indicated:

	Year ended 31 December	
	2015	2016
Average turnover days of trade payables *(Note)*	28.0	34.8

Note: Trade payables turnover days are calculated by dividing average trade payables by the sum of food costs, medical fees, consumables and referral service commission multiplied by number of days in the relevant year. Average trade payables are calculated by dividing by two the sum of trade payables at the beginning of the year and trade payables at the end of the year.

Our trade payables turnover days were 28.0 days and 34.8 days as at 31 December 2015 and 2016, respectively, which were in line with the credit period given by our suppliers.

As at Latest Practicable Date, all of our trade payables outstanding as at 31 December 2016 had been fully settled.

(ii) Other payables and accruals

The following table sets forth the components of our other payables as at the dates indicated:

	31 December	
	2015	2016
	HK$('000)	*HK$('000)*
Other payables and accruals		
Customer deposits	2,456	4,712
Accruals	1,244	3,573
Other payables	886	2,286
Receipt in advance	49	247
Total	4,635	10,818

Our other payables and accruals mainly include customer deposits, accruals, receipt in advance and other payables. Receipt in advance mainly included advances by our customers for elderly home care service fees. Customer deposits mainly represent deposits paid by our customers for our elderly home care services. Our accruals mainly include accrued expenses for staff costs and daily operating expenses.

Other payables and accruals increased by approximately HK$6.2 million or 134.8% from approximately HK$4.6 million as at 31 December 2015 to approximately HK$10.8 million as at 31 December 2016, which was mainly attributable to (i) the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group which took place by the end of August 2016 and September 2016, respectively, which resulted in (a) the increase in customer deposits of approximately HK$2.1 million in proportionate with the increase in total residential places; and (b) the increase in accruals of approximately HK$2.0 million mainly from accrued staff costs; and (ii) the increment from the listing expense payables of approximately HK$2.0 million recognised in other payables as at 31 December 2016.

Amounts due to a related company

Our amounts due to a related company amounted to approximately HK$92,000 and HK$0.2 million as at 31 December 2015 and 2016 respectively, which were unsecured, trade in nature, interest free and repayment on demand.

CAPITAL EXPENDITURE AND COMMITMENT

Capital expenditure

Our capital expenditure was approximately HK$0.1 million and HK$1.3 million for the two years ended 31 December 2016, respectively, which primarily related to purchase of office equipment. We have financed our capital expenditure primarily through cash flow generated from operating activities.

To our Directors' best estimation, we anticipate that our future capital expenditures will increase as we plan to acquire an operating residential care home, open a new elderly residential care home, establish an on-the-job training centre, renew the facilities of our current elderly residential homes and improve our IT infrastructure. Our projected capital expenditures for the two years ending 31 December 2018 are expected to be approximately HK$48.2 million and HK$10.7 million respectively. As such, the capital expenditure requirement for our Group's implementation plans is expected to amount to approximately HK$58.9 million, of which approximately HK$42.0 million, or 71.5% of the total capital expenditure requirement, is expected to be financed by the net proceeds from the Share Offer and the remaining balance of HK$16.9 million is expected to be financed from our available banking facilities and internal resources. We believe we have sufficient internal resources, including our cash and cash equivalents and cash flows derived from operating activities, to utilise for such actual capital expenditure. As at 31 December 2016, we had HK$22.3 million in cash and cash equivalents available and total net cash from operating activities of approximately HK$7.7 million for the year ended 31 December 2016.

From 1 January 2017 up to the Latest Practicable Date, we did not incur any capital expenditures for the aforementioned expansion plan. Our planned capital expenditures are projections only and are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We may make necessary adjustments depending on the existing market conditions and status of the various expansion plans. Please refer to the paragraph headed "Statement of business objectives and use of proceeds — Use of proceeds" in this prospectus for a detailed description of our expansion plans. We did not have any capital commitment as at 31 December 2016.

Operating lease commitments

As at the end of the reporting periods during the Track Record Period, we had commitments for future minimum lease payments in respect of leases for elderly home care homes, staff quarters and an ancillary office under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 December	
	2015	**2016**
	HK$('000)	***HK$('000)***
Within one year	5,223	13,818
In the second to fifth year inclusive	11,523	18,199
	16,746	32,017

In addition, the operating lease rentals of certain premises are based on the higher of a fixed rent and a contingent rent depending on the revenue of these residential care homes pursuant to the specific terms of the relevant lease agreements. As the future revenue of these elderly residential care homes could not be reliably determined as at 31 December 2015 and 2016, the relevant contingent rentals have not been included above and only the minimum lease commitments have been included in the above table.

INDEBTEDNESS

The following table sets forth our other borrowings as at the dates indicated:

	As at 31 December		As at 30 April
	2015	2016	2017
	HK$('000)	*HK$('000)*	*HK$('000)*
			(Unaudited)
Non-current			
Other liability	11,282	–	–

Other liability of approximately HK$11.3 million represented the fair value of the Pre-IPO Investment recognised as at 31 December 2015. As at 31 December 2016 and 30 April 2017, such other liability was transferred to our Group's equity because the put option granted to our pre-IPO investor, namely Top Champ, to require our Company to repurchase the Shares held by Top Champ was removed under the Supplemental Deed. For details of the Supplemental Deed and the Pre-IPO Investment, please refer to the paragraphs headed "History, Reorganisation and corporate structure — Pre-IPO Investment" in this prospectus.

At the close of business on 30 April 2017, being the latest practicable date for the purpose of this indebtedness statement, we had aggregate bank facilities of HK$8.0 million and which were unutilised. The bank facilities were guaranteed by Shui On (Shun On) and Mr. TC Yik and such guarantees provided will be fully released before Listing.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any delay or default in payment of trade and non-trade payables or bank borrowing or any defaults in material financial covenants and finance costs of other liability, or any difficulties in obtaining banking facilities with terms that are commercially acceptable to us. As of the date of this prospectus, we did not have any plan for material external debt financing.

Contingent liabilities

As at 30 April 2017, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as at the Latest Practicable Date, our Group did not have outstanding loan, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances trade receivables or acceptable credits, authorised debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees, material covenants, or other material contingent liabilities. As at the Latest Practicable Date, our Group did not have any external financing plans.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any material off-balance sheet arrangement.

RELATED PARTY TRANSACTIONS

For details of related party transactions, see note 32 to the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on normal commercial terms. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results non-reflective in the Track Record Period.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	For the year ended 31 December	
	2015	**2016**
Profitability ratios		
Net Profit Margin (%)(1)	91.2	12.9
Return on equity (%)(2)	238.0	10.7
Return on total assets (%)(3)	112.0	8.7

	As at/year ended 31 December	
	2015	**2016**
Liquidity ratio		
Current ratio (times)(4)	5.5	2.5
Capital sufficiency ratio		
Interest coverage (times)(5)	N/A	23.1
Gearing ratio (%)(6)	71.3	–
Net debt to equity ratio(7)	Net cash	Net cash

Notes:

1. Net profit margin was calculated by dividing profit for the year by revenue and multiplying the resulting value by 100%. Please refer to the paragraphs headed "Review of historical results of operations" above in this section for more details on the fluctuations of our net profit margin.

2. Return on equity equals profit for the year divided by the equity attributable to owners of the parent at the end of relevant year and multiplied the resulting value by 100%.

3. Return on total assets equals profit for the year divided by the total assets at the end of the relevant year and multiplied the resulting value by 100%.

4. Current ratio is calculated based on the total current assets at the end of the year divided by the total current liabilities at the end of the year.

5. Interest coverage equals profit before finance costs and tax divided by finance costs in the relevant year. Finance costs incurred for the year ended 31 December 2016 arose due to the imputed interest charged for the Pre-IPO Investment. Please see the paragraph headed "Financial information – Indebtedness" in this prospectus for further details of the Pre-IPO Investment as other liabilities.

6. Gearing ratio is calculated as the total debt at the end of the year divided by total equity at the end of the respective year and multiplied by 100%. Total debts includes payables incurred not in ordinary course of business (being other liabilities).

7. Net debt to equity ratio is calculated as total debts (other liabilities) net of cash and cash equivalents and restricted cash, and at the end of the year divided by total equity at the end of the respective year and multiplied by 100%.

Return on equity

Our Group recorded return on equity of approximately 238.0% and 10.7% for the two years ended 31 December 2016, respectively.

Our return on equity decreased from 238% for the year ended 31 December 2015 to 10.7% for the year ended 31 December 2016 primarily due to (i) the decrease in our net profit for year ended 31 December 2016 resulting from a much lower one-off gain on disposal of an associate of approximately HK$2.0 million for the year ended 31 December 2016 as compared to the one-off gain on disposal of associates of approximately HK$26.8 million for the year ended 31 December 2015; (ii) the increase in the listing expenses incurred for the year ended 31 December 2016; (iii) the deemed contribution from the ultimate controlling shareholders of approximately HK$38.3 million during the year ended 31 December 2016; and (iv) the dividends declared with an aggregate amount of approximately HK$37.5 million for the year ended 31 December 2015.

Return on total assets

Our Group recorded return on total assets of approximately 112.0% and 8.7% for the two years ended 31 December 2016, respectively.

Our return on total assets decreased from approximately 112.0% for the year ended 31 December 2015 to approximately 8.7% for the year ended 31 December 2016 primarily due to (i) the goodwill of approximately HK$43.7 million recognised from the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) by our Group which took place by August 2016 and September 2016, respectively; and (ii) the decrease in our net profit for the year ended 31 December 2016 as explained above.

Interest coverage

Our interest coverage increased from nil for the year ended 31 December 2015 to approximately 23.1 times for the year ended 31 December 2016. Such increase was mainly resulted from the finance costs arising from the Pre-IPO Investment.

Current ratio

Our Group recorded current ratios of approximately 5.5 and 2.5 respectively for the two years ended 31 December 2016, respectively. The decrease in our current ratio was mainly due to (i) the completion of the acquisition of approximately 66.7% interest in Shui On (Kwai Shing E.) and the entire interest in Shui On (Sun Tin Wai) took place by the end of August 2016 and September 2016, respectively, which resulted in (a) the increase in customer deposits of approximately HK$2.1 million in proportionate with the increase in total residential care places; and (b) the increase in accruals of approximately HK$2.0 million mainly from accrued staff costs; and (ii) the increment from the listing expense payables of approximately HK$2.0 million recognised in other payables as at 31 December 2016.

Gearing ratio

Our gearing ratios decreased from approximately 71.3% as at 31 December 2015 to nil as at 31 December 2016. Such decrease was mainly attributable to the Pre-IPO Investment as other liabilities as at 31 December 2015 were reclassified as equity as at 31 December 2016.

Net debt to equity ratio

Our net debt to equity ratio has net cash position during the Track Record Period.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as credit interest rate, equity price and liquidity.

For details, see note 35 to Accountants' Report as set out in Appendix I to this prospectus.

Credit risk

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

The credit risk of our Group's other financial assets, which comprise cash and bank balances, amounts due from an associate and a related company, prepayments, deposits and other receivables, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

In the management of the liquidity risk, our Group monitors a level of cash and cash equivalents deemed adequate by management to finance our Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

DIVIDENDS

During the Track Record Period, an aggregate amount of a dividend of approximately HK$37.5 million was declared in the year ended 31 December 2015. As at the Latest Practicable Date, such dividend had been fully settled by our cash flow generated from operations. Save for disclosed above, we have no plan to pay or declare any dividends prior to the Listing. We do not intend to pay or declare any dividends in relation to our accumulated profits as at 31 December 2016 and we also do not intend to determine any expected dividend payout ratio since our priority is to use our earnings for business development and expansion of customer base in the interest of our Shareholders as a whole. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Group does not have any future dividend policy. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Cayman Islands Companies Law, including the approval of our Shareholders.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 16 February 2016 and is an investment holding company. There were no reserves available for distribution to our Shareholders as at the Latest Practicable Date.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, SFC transaction levy and Stock Exchange trading fee incurred in connection with the Share Offer and the Listing. Assuming an Offer Price of HK$0.75 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Offer Size Adjustment Option is not exercised, our total listing expenses are estimated to be approximately HK$25.9 million, of which HK$8.0 million is directly attributable to the issue of new shares pursuant to the Share Offer and to be accounted for as a deduction from the equity, approximately HK$0.8 million and approximately HK$7.5 million, in relation to services already performed by relevant parties, were recorded in our consolidated statements of profit or loss and other comprehensive income for the two years ended 31 December 2016 respectively, and an additional of approximately HK$9.6 million is expected to be recognised in our consolidated statements of profit or loss and comprehensive income subsequent to the Track Record Period and upon Listing. As such, our results of operations for the year ending 31 December 2017 is expected to be adversely affected by the listing expenses to be incurred in the same year.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 7.31(1) of the GEM Listing Rules is set out to illustrate the effect of the Share Offer on our net tangible assets as of 31 December 2016 as if it had taken place on 31 December 2016. The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group 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 of 31 December 2016 or any future date following the Share Offer. It is prepared based on our net assets as at 31 December 2016 as set out in the Accountants' 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 Accountants' 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 consolidated net tangible assets of our Group as at 31 December 2016 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Consolidated net tangible assets of our Group attributable to equity holders of our Company as at 31 December 2016	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets	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 minimum indicative Offer Price of HK$0.70 per share	20,435	52,476	72,911	0.18
Based on the maximum indicative Offer Price of HK$0.80 per share	20,435	62,175	82,610	0.21

Notes:

(1) The consolidated net tangible assets of our Group attributable to equity holders of our Company as at 31 December 2016 was equal to the audited net assets attributable to equity holders of our Company as at 31 December 2016 of HK$71,023,000 after deduction of the intangible assets and goodwill of HK$50,588,000 as at 31 December 2016 set out in the Accountants' report in Appendix I to this prospectus.

(2) The estimated net proceeds from the Share Offer are based on the minimum and maximum indicative Offer Price of HK$0.70 and HK$0.80 respectively, after deduction of the underwriting fees and other related expenses payable by our Company and without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to above and on the basis of 400,000,000 Shares (including the Shares in issue as at 31 December 2016 and the Shares to be issued under the Capitalisation Issue and the Share Offer) are in issue and that the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme are not exercised.

(4) No adjustment has been made to the consolidated net tangible assets of our Group attributable to equity holders of our Company as at 31 December 2016 to reflect any trading results or other transactions for our Group entered into subsequent to 31 December 2016.

DISCLOSURE REQUIRED UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which they consider appropriate, there is no event which could materially affect the information shown in our financial information included in the Accountants' Report set forth in Appendix I to this prospectus since the Latest Practicable Date, and as of the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects.

REASONS FOR THE LISTING

See "Statement of business objectives and use of proceeds — Reason for the Share Offer" in this prospectus for details.

FINANCIAL INFORMATION OF SHUI ON (KWAI SHING E.)

On 23 August 2016, our Group acquired an aggregate of 66.7% interest in Shui On (Kwai Shing E.) from Shui On Nursing (HK) and Wisdom Toprich. Shui On (Kwai Shing E.) is engaged in the operation of an elderly residential care home. The consideration was approximately HK$38.3 million and was paid by Mr. TC Yik in cash on behalf of our Group. On 31 August 2016, the consideration was settled by the issue and allotment of 1,311 Shares of our Company, credited as fully paid, to Shui Wah, a company controlled by our Controlling Shareholders. For further details, please refer to "Pre-acquisition financial information of Shui On (Kwai Shing E.)" of Section III to the Accountants' Report set out in Appendix I to this prospectus.

Pre-acquisition financial information of Shui On (Kwai Shing E.) for the period from 1 January 2015 to 23 August 2016 (the "**Pre-acquisition Period of KSE**") has been prepared in accordance with the basis of preparation and accounting policies as set out in section III to the Accountants' Report set out in Appendix I to this prospectus.

Results of Operations

	Year ended 31 December 2015	Period from 1 January 2016 to 23 August 2016
	HK$('000)	*HK$('000)*
Revenue	32,807	21,611
Other income	2,008	1,440
Staff costs	(14,152)	(9,611)
Property rental and related expenses	(5,820)	(3,996)
Depreciation	(743)	(462)
Food	(1,086)	(719)
Medical fees	(1,522)	(740)
Professional and legal fees	(24)	–
Utility expenses	(870)	(579)
Consumables	(241)	(140)
Management fees	(120)	(77)
Other operating expenses	(1,013)	(702)
Profit before tax	9,224	6,025
Income tax expense	(1,502)	(994)
Profit for the year/period	7,722	5,031

Revenue

During the Pre-acquisition Period of KSE, Shui On (Kwai Shing E.) generates revenue from (i) rendering of elderly home care services and (ii) sales of elderly related goods and provision of healthcare services in Hong Kong. The following table sets forth the breakdown of revenue for Shui On (Kwai Shing E.) by types of services for the periods indicated:

	Year ended 31 December 2015		Period from 1 January 2016 to 23 August 2016	
	Revenue	Percentage of segment revenue	Revenue	Percentage of segment revenue
	HK$('000)	*%*	*HK$('000)*	*%*
Rendering of elderly home care services				
— residential care places leased by the SWD under the EBPS	15,715	47.9	10,418	48.2
— residential care places leased by individual customers *(Note)*	13,546	41.3	8,768	40.6
— residential care places leased by non-governmental organisations	132	0.4	92	0.4
	29,393	89.6	19,278	89.2
Sales of elderly related goods and provision of healthcare services	3,414	10.4	2,333	10.8
	32,807	100.0	21,611	100.0

Note: Such revenue was generated from individual customers and the unsubsidised portions paid by individual customers under the EBPS and the unsubsidised portions paid by individual customers referred to us by the non-government organisations.

Revenue from rendering of elderly home care services

Revenue from rendering of elderly home care services was approximately HK$29.4 million and HK$19.3 million for the year ended 31 December 2015 and the period from 1 January 2016 to 23 August 2016 respectively, which represent approximately 89.6% and 89.2% of our total revenue for the respective periods. During the Pre-acquisition Period of KSE, Shui On (Kwai Shing E.)'s customers primarily consisted of (i) the SWD which leased a fix number of residential care places from Shui On (Kwai Shing E.) under the EBPS; (ii) individual customers whether or not subsidised under the EBPS and non-governmental organisations referral; and (iii) non-governmental organisations which leased a residential care place. During the Pre-acquisition Period of KSE, Shui On (Kwai Shing E.) was classified as EA1 which were entitled to participate under the EBPS and offered its places for leasing by the SWD. The revenue generated from the residential care fees payable by the SWD for places under the relevant EBPS Agreement accounted for approximately 47.9% and 48.2% of our total revenue for the year ended 31 December 2015 and the period from 1 January 2016 to 23 August 2016, respectively.

The following tables set forth the information about Shui On (Kwai Shing E.) in relation to the provision of elderly home care services during the Pre-acquisition Period of KSE:

	Year ended 31 December 2015	**Period from 1 January 2016 to 23 August 2016**
Revenue *(HK$'000)*	29,393	19,278
Total residential care places	220	220
Average monthly number of residents	205	207
Average monthly occupancy rate *(%)**(Note 1)*	93.2%	94.1%
Average monthly residential fee *(HK$)**(Note 2)*	11,948	12,029

Notes:

(1) The monthly occupancy rate is calculated by dividing the number of residents as at the month end of Shui On (Kwai Shing E.) by the number of residential care places available at Shui On (Kwai Shing E.). The average monthly occupancy rate is the average of all the monthly occupancy rates over the financial year/period.

(2) The average monthly residential fee is equal to the total revenue generated during the financial year/period divided by the average monthly number of residents in the same year/period.

The average monthly occupancy rate increased from approximately 93.2% for the year ended 31 December 2015 to approximately 94.1% for the period from 1 January 2016 to 23 August 2016, which was mainly due to increase in number of new individual customers who leased the residential places of Shui On (Kwai Shing E.) during the period from 1 January 2016 to 23 August 2016. The average monthly residential fee of Shui On (Kwai Shing E.) remained relatively stable at approximately HK$11,948 and HK$12,029 for the year ended 31 December 2015 and the period from 1 January 2016 to 23 August 2016 respectively.

Revenue from sales of elderly related goods and provision of healthcare services

Revenue from sale of elderly related goods and provision of healthcare services amounted to approximately HK$3.4 million and HK$2.3 million for the year ended 31 December 2015 and period from 1 January 2016 to 23 August 2016 respectively, which accounted for approximately 10.4% and 10.8% of total revenue of Shui On (Kwai Shing E.) for the respective year/period.

Other income

Other income mainly comprises government grants, rental income and sundry income. Shui On (Kwai Shing E.) received government grants during the Pre-acquisition Period of KSE for providing specialised training for staff to become professionals for demented residents pursuant to Dementia Supplement, which were one-off in nature and had no future conditions attached. Rental income represents income received from leasing staff quarters for its staff. Other income amounted to approximately HK$2.0 million and HK$1.4 million for the year ended 31 December 2015 and the period from 1 January 2016 to 23 August 2016 respectively.

Staff costs

Staff costs comprise salaries and benefits, including wages, salaries, bonuses, retirement benefit costs and other allowances and benefits. Staff costs amounted to approximately HK$14.2 million and HK$9.6 million for the year ended 31 December 2015 and the period from 1 January 2016 to 23 August 2016, respectively, representing approximately 43.1% and 44.5% of our revenue for the respective year/period.

Property rental and related expenses

Property rental and related expenses primarily represent the rental payments under operating leases in respect of leased properties for the elderly residential care home and a staff quarter. Property rental and related expenses amounted to approximately HK$5.8 million and HK$4.0 million for the year ended 31 December 2015 and the period from 1 January 2016 to 23 August 2016, respectively, representing approximately 17.7% and 18.5% of our revenue for such periods, respectively.

Depreciation

Depreciation mainly represents depreciation charges for Shui On (Kwai Shing E.)'s property, plant and equipment. Depreciation amounted to approximately HK$0.7 million and HK$0.5 million for the year ended 31 December 2015 and the period from 1 January 2016 to 23 August 2016 respectively.

Food

Food costs primarily represent costs of all the food ingredients and beverages used for provision for meals by residents in the operations of the elderly residential care home. Food costs amounted to approximately HK$1.1 million and HK$0.7 million for the year ended 31 December 2015 and the period from 1 January 2016 to 23 August 2016 respectively.

Medical fees

Medical fees mainly represent expenses incurred for regular on-site medical consultation and check-up services provided by registered medical practitioners to residents including consultation and medical charges. Medical fees amounted to approximately HK$1.5 million and HK$0.7 million for the year ended 31 December 2015 and the period from 1 January 2016 to 23 August 2016 respectively.

Professional and legal fees

Professional and legal fees mainly represent audit fees and other professional fees. Professional and legal fees amounted to approximately HK$24,000 and nil for the year ended 31 December 2015 and the period from 1 January 2016 to 23 August 2016 respectively.

Utility expenses

Utility expenses mainly represent total costs of water and electricity for the elderly residential care home and office. Utility expenses amounted to approximately HK$0.9 million and HK$0.6 million for the year ended 31 December 2015 and the period from 1 January 2016 to 23 August 2016 respectively.

Consumables

Consumables represent costs of all the consumable materials used for the operation. Consumables amounted to approximately HK$0.2 million and HK$0.1 million for the year ended 31 December 2015 and the period from 1 January 2016 to 23 August 2016 respectively.

Management fees

Management fees mainly represent expenses in relation to the usage of "Shui On 瑞安" trademarks. Management fee amounted to approximately HK$0.1 million and HK$77,000 for the year ended 31 December 2015 and the period from 1 January 2016 to 23 August 2016 respectively.

Other operating expenses

The following table sets forth the breakdown of other operating expenses for the periods indicated:

	Year ended 31 December 2015	**Period from 1 January 2016 to 23 August 2016**
	HK$('000)	***HK$('000)***
Repair and maintenance	191	196
Referral service commission	109	123
Insurance	285	166
Others	428	217
	1,013	702

Other operating expenses mainly consist of repair and maintenance, insurance expenses, transportation, stamp duty, referral service commission, and others. Others include bank charges, office administrative expenses and other miscellaneous expenses. Other operating expenses amounted to approximately HK$1.0 million and HK$0.7 million for the year ended 31 December 2015 and the period from 1 January 2016 to 23 August 2016 respectively, representing approximately 3.1% and 3.2% of total revenue of Shui On (Kwai Shing E.) for the respective year/period.

Income tax expense

Income tax expenses represents income tax paid or payable at 16.5% on the estimated assessable profits in accordance with the relevant laws and regulations in Hong Kong.

For the year ended 31 December 2015 and the period ended August 2016, income tax expenses were approximately HK$1.5 million and HK$1.0 million respectively, and the effective tax rate remained stable at 16.3% and 16.5% for the respective period.

Cash Flow

The following table sets forth a summary of cash flows for the periods indicated:

	Year ended 31 December 2015	Period from 1 January 2016 to 23 August 2016
	HK$('000)	*HK$('000)*
Net cash generated from operating activities	8,080	6,959
Net cash used in investing activities	(150)	(148)
Net cash used in financing activities	(8,700)	(3,000)
Net (decrease)/increase in cash and cash equivalents	(770)	3,811
Cash and cash equivalents at the beginning of the year/period	3,087	2,317
Cash and cash equivalents at the end of the year/period	2,317	6,128

Operating activities

For the period from 1 January 2016 to 23 August 2016, net cash generated from operating activities of approximately HK$7.0 million was a combined result of operating cash inflow before changes in working capital of approximately HK$6.5 million and change in working capital of approximately HK$0.5 million. Change in working capital primarily reflected the increase in other payables and accruals of approximately HK$0.6 million for the period from 1 January 2016 to 23 August 2016.

For the year ended 31 December 2015, net cash generated from operating activities of approximately HK$8.1 million was a combined result of operating cash inflow after changes in working capital of approximately HK$10.0 million and income tax paid of approximately HK$1.9 million.

Investing activities

For the period from 1 January 2016 to 23 August 2016, our net cash used in investing activities of approximately HK$0.1 million primarily reflected purchase of property, plant and equipment.

For the year ended 31 December 2015, our net cash used in investing activities of approximately HK$0.2 million primarily reflected purchase of property, plant and equipment.

Financing activities

For the period from 1 January 2016 to 23 August 2016, net cash used in financing activities of approximately HK$3.0 million primarily reflected dividends paid of approximately HK$3.0 million.

For the year ended 31 December 2015, net cash used in financing activities of approximately HK$8.7 million primarily resulted from dividends paid of approximately HK$8.7 million.

Net current assets/liabilities

Shui On (Kwai Shing E.) recorded net current assets of approximately HK$0.9 million and net current liabilities of approximately HK$1.3 million as at 31 December 2015 and 23 August 2016 respectively. The table below sets forth current assets and current liabilities for Shui On (Kwai Shing E.) as of the dates indicated:

	As at 31 December 2015	As at 23 August 2016
	HK$('000)	*HK$('000)*
Current assets		
Trade receivables	64	48
Prepayments, deposits and other receivables	1,394	1,530
Amount due from related companies	–	39
Cash and bank balances	2,317	6,128
Total current assets	3,775	7,745
Current liabilities		
Trade payables	248	331
Other payables and accruals	2,482	3,040
Due to a related company	33	23
Dividend payable	–	4,500
Tax payables	100	1,131
Total current liabilities	2,863	9,025
Net current assets/(liabilities)	912	(1,280)

Net current assets changed from net current assets of approximately HK$0.9 million as at 31 December 2015 to net current liabilities of approximately HK$1.3 million for Shui On (Kwai Shing E.) as at 23 August 2016. The change was primarily attributable to the dividend declared of approximately HK$4.5 million in August 2016.

DISCUSSION OF CERTAIN BALANCE SHEET ITEMS

Trade and other receivables

The following table sets forth the components of trade and other receivables for Shui On (Kwai Shing E.) as of the dates indicated:

	As at 31 December 2015	As at 23 August 2016
	HK$('000)	*HK$('000)*
Trade receivables	64	48
Prepayments, deposits and other receivables		
Prepayments	39	84
Deposits	1,338	1,341
Other receivables	17	105
Total	1,458	1,578

(i) Trade receivables

Trade receivables primarily consisted of receivables from customers for monthly residential care fees for the elderly home care services rendered. Shui On (Kwai Shing E.)'s trading terms with its customers are mainly payment in advance before the month of such services rendered and a 3% extra fee will be charged if the amounts were not settled within 10 days. Shui On (Kwai Shing E.) seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, there is no significant concentration of credit risk. Shui On (Kwai Shing E.) does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The trade receivables as at 31 December 2015 and 23 August 2016, based on the date of the service rendered, were within 3 months and were not past due. Trade receivables remained relatively stable at approximately HK$64,000 and HK$48,000 as at 31 December 2015 and 23 August 2016 respectively.

The table below sets forth our turnover days of trade receivables as at the dates indicated:

	Year ended 31 December 2015	Period from 1 January 2016 to 23 August 2016
Turnover days of trade receivables[(Note)]	0.8	0.6

Note: Turnover days of trade receivables are calculated using the average balance of trade receivables divided by revenue for the relevant period and multiplied by number of days in the relevant period. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

The trade receivable turnover days remained stable at 0.8 days and 0.6 days for the year ended 31 December 2015 and the period from 1 January 2016 to 23 August 2016 respectively.

(ii) Other receivables

Other receivables mainly comprise prepayments, deposits and other receivables. Deposits mainly included rental and utility deposits. Other receivables was mainly related to receivables for prepaid long service payment for a certain resigned employee. Other receivables remained relatively stable at approximately HK$1.4 million and HK$1.5 million as at 31 December 2015 and 23 August 2016 respectively.

Amount due from related companies

Amount due from related companies amounted to nil and approximately HK$39,000 as at 31 December 2015 and 23 August 2016, which was unsecured, interest-free, repayment on demand and were non-trade in nature.

Trade and other payables

The following table sets forth the components of trade and other payables for Shui On (Kwai Shing E.) as at the dates indicated:

	31 December 2015	23 August 2016
	HK$('000)	*HK$('000)*
Trade payables	248	331
Other payables		
Customer deposits	1,236	1,287
Accruals	1,141	900
Other payables	23	–
Receipt in advance	82	853
	2,482	3,040
Trade and other payables	2,730	3,371

(i) Trade payables

Trade payables primarily consisted of payables for purchases of food and beverages and supplies and consumables and our other operating expenses incurred. Trade payables remained relatively stable at approximately HK$0.2 million and HK$0.3 million as at 31 December 2015 and 23 August 2016. Suppliers of Shui On (King Wai E.) is generally granted trade credit periods of 30 to 60 days and all trade payables as at 31 December 2015 and 23 August 2016 were within 3 months.

The following table sets out the average trade payables turnover days for the period indicated:

	Year ended 31 December	Period from 1 January 2016 to 23 August
	2015	2016
Average turnover days of trade payables (Note)	38.3	35.6

Note: Trade payables turnover days are calculated by dividing average trade payables by the sum of food costs, medical fees, consumables and referral service commission multiplied by number of days in the relevant period. Average trade payables are calculated by dividing by two the sum of trade payables at the beginning of the period and trade payables at the end of the period.

Trade payables turnover days for Shui On (Kwai Shing E.) remained relatively stable at 38.3 days and 35.6 days for the year ended 31 December 2015 and the period from 1 January 2016 to 23 August 2016, respectively.

(ii) Other payables

Other payables mainly include customer deposits, accruals, receipt in advance and others. Accruals mainly included accrued expenses for staff costs and daily operating expenses.

Other payables remained relatively stable at approximately HK$2.5 million and HK$3.0 million as at 31 December 2015 and 23 August 2016, respectively.

FINANCIAL INFORMATION OF SHUI ON (SUN TIN WAI)

On 15 August 2016, our Group acquired a 100% interest in Shui On (Sun Tin Wai) from Jumbo Sino. Sun Tin Wai is engaged in the operation of an elderly residential care home. The acquisition was made as part of our Group's strategy to expand our market share of elderly residential care homes in Hong Kong. The purchase consideration for the acquisition was in the form of cash, with HK$12.3 million paid at the acquisition date.

Pre-acquisition financial information of Shui On (Sun Tin Wai) for the period from 1 January 2015 to 15 August 2016 (the "**Pre-acquisition Period of STW**") has been prepared in accordance with the basis of preparation and accounting policies as set out in section III to the Accountants' Report set out in Appendix I to this prospectus.

Results of Operations

	Year ended 31 December 2015	Period from 1 January 2016 to 15 August 2016
	HK$('000)	*HK$('000)*
Revenue	10,493	7,114
Other income	66	9
Staff costs	(4,393)	(2,722)
Property rental and related expenses	(1,229)	(792)
Depreciation	(105)	(71)
Food	(421)	(258)
Medical fees	(809)	(323)
Professional and legal fees	(29)	–
Utility expenses	(386)	(226)
Consumables	(100)	(21)
Management fees	(1,800)	(1,497)
Other operating expenses	(458)	(422)
Profit before tax	829	791
Income tax expense	(117)	(127)
Profit for the year/period	712	664

Revenue

During the Pre-acquisition Period of STW, Shui On (Sun Tin Wai) generated revenue from (i) provision of elderly home care services, and (ii) sales of elderly related goods and provision of healthcare services. The following table sets forth the breakdown of our revenue by types of services for the periods indicated:

	Year ended 31 December 2015		Period from 1 January 2016 to 15 August 2016	
	Revenue	Percentage of segment revenue	Revenue	Percentage of segment revenue
	HK$('000)	*%*	*HK$('000)*	*%*
Rendering of elderly home care services	7,915	75.4	5,150	72.4
Sales of elderly related goods and provision of healthcare services	2,578	24.6	1,964	27.6
	10,493	100.0	7,114	100.0

Revenue from rendering of elderly home care services

Revenue from rendering of elderly home care services was approximately HK$7.9 million and HK$5.2 million for the year ended 31 December 2015 and the period from 1 January 2016 to 15 August 2016 respectively, which represented approximately 75.4% and 72.4% of its total revenue for the respective period.

The following tables set forth the breakdown of information about Shui On (Sun Tin Wai) in relation to provision of elderly home care services during the Track Record Period:

	Year ended 31 December 2015	Period from 1 January 2016 to 15 August 2016
Revenue *(HK$'000)*	7,915	5,150
Total number of residential care places	89	89
Average monthly number of residents	86	86
Average monthly occupancy rate *(%)* *(Note 1)*	96.6%	96.6%
Average monthly residential fee *(HK$)* *(Note 2)*	7,670	7,984

Notes:

(1) The monthly occupancy rate is calculated by dividing the number of residents as at the month end of Shui On (Sun Tin Wai) by the number of residential care places available at Shui On (Sun Tin Wai). The average monthly occupancy rate is the average of all the monthly occupancy rates over the financial year/period.

(2) The average monthly residential fee is equal to the total revenue generated during the financial year/period divided by the average monthly number of residents in the same year/period.

For the year ended 31 December 2015 and the period from 1 January 2016 to 15 August 2016, the average monthly occupancy rate remained stable at approximately 96.6% and 96.6% respectively; and average monthly residential fee remained relatively stable at approximately HK$7,670 and HK$7,984 for the respective period.

Revenue from sales of elderly related goods and provision of healthcare services

Revenue from sale of elderly related goods and provision of healthcare services for Shui On (Sun Tin Wai) amounted to approximately HK$2.6 million and HK$2.0 million for the year ended 31 December 2015 and the period from 1 January 2016 to 15 August 2016 respectively, which accounted for approximately 24.6% and 27.6% of total revenue for the respective year/period.

Other income

Other income mainly comprised one-off government subsidy for electricity expenses during the Pre-acquisition Period of STW.

Staff costs

Staff costs comprise salaries and benefits, including wages, salaries, bonuses, retirement benefit costs and other allowances and benefits payable to all employees. Staff costs amounted to approximately HK$4.4 million and HK$2.7 million for the year ended 31 December 2015 and the period from 1 January 2016 to 15 August 2016, respectively, representing approximately 41.9% and 38.3% of total revenue for the respective year/period.

Property rental and related expenses

Property rental and related expenses of Shui On (Sun Tin Wai) primarily represent the rental payments under operating leases in respect of leased properties for the elderly residential care home. Property rental and related expenses amounted to approximately HK$1.2 million and HK$0.8 million for the year ended 31 December 2015 and the period from 1 January 2016 to 15 August 2016, respectively, representing approximately 11.7% and 11.1% of its total revenue for such periods respectively.

Depreciation

Depreciation mainly represents depreciation charges for Shui On (Sun Tin Wai)'s property, plant and equipment. Depreciation amounted to approximately HK$0.1 million and HK$71,000 for the year ended 31 December 2015 and the period from 1 January 2016 to 15 August 2016 respectively.

Food

Food costs primarily represent costs of all the food ingredients and beverages used for provision for meals by residents in the operations of the elderly residential care home for Shui On (Sun Tin Wai). Food costs amounted to approximately HK$0.4 million and HK$0.3 million for the year ended 31 December 2015 and the period from 1 January 2016 to 15 August 2016 respectively.

Medical fees

Medical fees mainly represent expenses incurred for regular on-site medical consultation and check-up services provided by registered medical practitioners to residents including consultation charges and medicine charges. Medical fees amounted to approximately HK$0.8 million and HK$0.3 million for the year ended 31 December 2015 and the period from 1 January 2016 to 15 August 2016 respectively.

Professional and legal fees

Professional and legal fees mainly represent audit fees and other professional fees, which amounted to approximately HK$29,000 and nil for the year ended 31 December 2015 and the period from 1 January 2016 to 15 August 2016 respectively.

Utility expenses

Utility expenses mainly represent total costs of water and electricity for the elderly residential care home. Utility expenses amounted to approximately HK$0.4 million and HK$0.2 million for the year ended 31 December 2015 and the period from 1 January 2016 to 15 August 2016 respectively.

Consumables

Consumables represent costs of all the consumable materials used for the operation. Consumables amounted to approximately HK$0.1 million and HK$21,000 for the year ended 31 December 2015 and the period from 1 January 2016 to 15 August 2016 respectively.

Management fees

Management fees represent costs in relation to the usage of "Shun On" trademarks. Management fees amounted to approximately HK$1.8 million and HK$1.5 million for the year ended 31 December 2015 and the period from 1 January 2016 to 15 August 2016 respectively.

Other operating expenses

The following table sets forth the breakdown of other operating expenses for Shui On (Sun Tin Wai) for the periods indicated:

	Year ended 31 December 2015	Period from 1 January 2016 to 15 August 2016
	HK$('000)	*HK$('000)*
Repair and maintenance	70	98
Physical therapy charges	100	65
Referral service commission	109	65
Insurance	71	39
Others	108	155
	458	422

Other operating expenses mainly consist of repair and maintenance, physical therapy charges, insurance expenses, referral service commission, insurance and others. Others include entertainment expenses, overseas employee levies, and other miscellaneous expenses. Other operating expenses amounted to approximately HK$0.5 million and HK$0.4 million for the year ended 31 December 2015 and the period from 1 January 2016 to 15 August 2016 respectively, representing approximately 4.4% and 5.9% of total revenue for the respective periods.

Income tax expense

Income tax expenses represents income tax paid or payable at 16.5% on the estimated assessable profits in accordance with the relevant laws and regulations in Hong Kong.

For the year ended 31 December 2015 and the period from 1 January 2016 to 15 August 2016, income tax expenses were approximately HK$0.1 million and HK$0.1 million respectively, and the effective tax rate remained stable at 14.1% and 16.1% for the same period respectively.

Cash Flow

The following table sets forth a summary of cash flows for the periods indicated:

	Year ended 31 December 2015	Period from 1 January 2016 to 15 August 2016
	HK$('000)	*HK$('000)*
Net cash generated from operating activities	2,297	823
Net cash used in investing activities	(167)	(5)
Net cash used in financing activities	(1,942)	(700)
Net increase in cash and cash equivalents	188	118
Cash and cash equivalents at the beginning of the year/period	698	886
Cash and cash equivalents at the end of the year/period	886	1,004

Operating activities

For the period from 1 January 2016 to 15 August 2016, net cash generated from operating activities of approximately HK$0.8 million was a combined result of operating cash inflow after changes in working capital of approximately HK$1.0 million and income tax paid of approximately HK$0.2 million.

For the year ended 31 December 2015, net cash generated from operating activities of approximately HK$2.3 million was a combined result of operating cash inflow before changes in working capital of approximately HK$0.9 million, income tax paid of approximately HK$0.1 million and change in working capital of approximately HK$1.5 million. Change in working capital mainly reflected the decrease in an amount due from a shareholder of approximately HK$1.6 million.

Investing activities

For the period from 1 January 2016 to 15 August 2016, net cash used in investing activities of approximately HK$5,000 reflected purchase of furniture and equipment.

For the year ended 31 December 2015, net cash used in investing activities of approximately HK$0.2 million primarily reflected purchase of furniture and equipment.

Financing activities

For the period from 1 January 2016 to 15 August 2016, net cash used in financing activities of approximately HK$0.7 million reflected dividends paid.

For the year ended 31 December 2015, net cash used in financing activities of approximately HK$1.9 million primarily resulted from dividends paid of approximately HK$1.9 million.

Net current liabilities

Shui On (Sun Tin Wai) recorded net current liabilities of approximately HK$0.4 million and HK$0.3 million as at 31 December 2015 and 15 August 2016 respectively, which was mainly attributable to dividends of approximately HK$1.9 million and HK$0.7 million paid for the year ended 31 December 2015 and the period from 1 January 2016 to 15 August 2016 respectively. The table below sets forth current assets and current liabilities as of the dates indicated:

	As at 31 December 2015	As at 15 August 2016
	HK$('000)	*HK$('000)*
Current assets		
Trade receivables	31	3
Prepayments, deposits and other receivables	316	325
Tax recoverable	–	11
Cash and bank balances	886	1,004
Total current assets	1,233	1,343
Current liabilities		
Other payables and accruals	1,542	1,668
Tax payable	49	–
Total current liabilities	1,591	1,668
Net current liabilities	(358)	(325)

DISCUSSION OF CERTAIN BALANCE SHEET ITEMS

Trade and other receivables

The following table sets forth the components of our trade and other receivables as of the dates indicated:

	As at 31 December 2015	As at 15 August 2016
	HK$('000)	*HK$('000)*
Trade receivables	31	3
Prepayments and deposits		
Prepayments	28	21
Deposits	288	304
Total	347	328

(i) Trade receivables

Trade receivables primarily consisted of receivables from customers for monthly residential fees for the elderly home care services rendered. Shui On (Sun Tin Wai)'s trading terms with its customers are mainly payment in advance. Shui On (Sun Tin Wai) seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, there is no significant concentration of credit risk. The trade receivables as at 31 December 2015 and 15 August 2016, based on the date of the service rendered, were within 3 months and were not past due. Trade receivables remained immaterial at approximately HK$31,000 and HK$3,000 as at 31 Dec 2015 and 15 August 2016 respectively.

The table below sets forth our turnover days of trade receivables as at the dates indicated:

	Year ended 31 December 2015	Period from 1 January 2016 to 15 August 2016
Turnover days of trade receivables*(Note)*	0.5	0.5

Note: Turnover days of trade receivables are calculated using the average balance of trade receivables divided by revenue for the relevant period and multiplied by number of days in the relevant period. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant period, divided by two.

The trade receivable turnover days remained stable both at approximately 0.5 days for the year ended 31 December 2015 and the period from 1 January 2016 to 15 August 2016.

(ii) Other receivables

Other receivables mainly comprise prepayments and deposits and other receivables. Deposits mainly included rental and utility deposits. Other receivables remained relatively stable at approximately HK$0.3 million and HK$0.3 million as at 31 December 2015 and 15 August 2016 respectively.

Other payables and accruals

The following table sets forth the components of other payables and accruals for Shui On (Sun Tin Wai) as at the dates indicated:

	As at 31 December 2015	As at 15 August 2016
	HK$('000)	*HK$('000)*
Customer deposits	775	823
Accruals	364	242
Other payables	286	204
Receipt in advance	117	399
Total	1,542	1,668

Other payables and accruals mainly include customer deposits, accruals, receipt in advance and others. Our accruals mainly included accrued expenses for staff costs and daily operating expenses. Other payables remained relatively stable at approximately HK$1.5 million and HK$1.7 million as at 31 December 2015 and 15 August 2016.

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the paragraph headed "Business — Our strategies" in this prospectus for our Group's business objectives and strategies.

REASONS FOR THE SHARE OFFER

The business objective of our Group is to provide residential care home services to our elderly residents at our elderly residential care homes and maintaining our competitiveness in the elderly residential care home market in Hong Kong and strengthen our position by capturing a larger market shares in Hong Kong. Our Directors believe the estimated net proceeds from the Share Offer of HK$49.2 million (after deducting the related underwriting commission and expenses payable in relation to the Share Offer) will help us to pursue our business objectives and implement our business strategies and plans, as set out below.

Our Group's capital required for implementation plans is expected to amount to approximately HK$67.7 million, of which approximately HK$49.2 million or 72.7% is expected to be financed by the net proceeds from the Share Offer and the remaining balance of HK$18.5 million or 27.3% is expected to be financed from our internal resources. We believe that we have sufficient internal resources, including our cash and cash equivalents and cash flows derived from operating activities, to utilise for such actual capital expenditure. As at 31 December 2016, we had HK$22.3 million in cash and cash equivalents available. Furthermore, we had operating cash flow before changes in working capital of approximately HK$14.2 million and approximately HK$11.6 million for the two years ended 31 December 2016 respectively. Our Directors believe that the listing of the Shares on GEM will facilitate the implementation of our business strategies as stated in the paragraph headed "Business — Our strategies" in this prospectus. The net proceeds from the Share Offer will provide financial resources to our Group to achieve such business strategies which will further strengthen our market position and expand our market share in the elderly residential care home market in Hong Kong. Moreover, a public listing status will also enhance our corporate profile and assist us in reinforcing our brand awareness and market reputation. We believe that a public listing status on GEM is a complementary advertising for our Group to potential investors and customers and can enhance our corporate profile and our credibility with the public and potential business partners. Furthermore, the Listing will also enable our Group to gain access to the capital market for raising funds both at the time of Listing and at later stages, which would in turn assist us in our future business development. A public listing status on GEM may offer our Company a broader shareholder base which could potentially lead to higher liquidity in the trading of the Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

Taking into consideration the above and:

- as at 31 December 2015 and 2016, our Group's gearing ratio is 71.3% and nil, respectively. Our Directors consider that as part of a group of private companies, our Company, without a listing status, would be difficult to obtain bank borrowings without guarantees or other form of security to be provided by the Mr. Yik. Our Group's banking facilities amounted to HK$8.0 million as at 31 December 2016 which was fully guaranteed by the Mr. Yik. It is anticipated that additional bank borrowings to our Group would require the founder to provide additional guarantee if our Company were not listed; Further, as an elderly residential care home business does not usually have a large amount of fixed asset that can be sufficiently used as collateral, our Directors consider that it would not be easy for our Group to obtain the required banking facilities at a competitive rate without having to provide some form of fixed assets as collateral or personal guarantees from the Mr. Yik as security;

- the Share Offer will provide a fund-raising platform for our Company, thereby enabling us to raise the capital required to finance our future growth and expansion without reliance on the Mr. Yik to do so. Such platform would allow our Company to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansion, which could be instrumental to our expansion and improving our operating and financial performance for maximum Shareholder return;

- the Share Offer will provide the Shareholders an opportunity to reflect the valuation potential of their Shares through becoming publicly listed shares and realise their investment in the Shares through a public equity capital market;

- the Share Offer will enhance the liquidity of the Shares by achieving the listing status of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the Shares that are privately held before the Listing;

- the Share Offer will enable our Company to enhance its corporate profile, thereby increasing our ability to attract strategic investors for investment in and forming strategic partnerships directly with our Company; and

- the Share Offer will enable our Company to achieve a stronger capital base and a lower gearing ratio immediately upon the Listing via equity financing which means a potentially cheaper financing cost in the medium to long run,

the Directors believe that a GEM listing is beneficial to our Company and its Shareholders as a whole notwithstanding the dilution effect to our Controlling Shareholders of equity financing as opposed to debt financing.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer (after deducting underwriting fees and estimated expenses payable by us in connection with the Share Offer) (the "**Net Proceeds**"), assuming a Offer Price of HK$0.75, being the mid-point of the Offer Price range, will be approximately HK$49.2 million assuming that the Offer Size Adjustment Option is not exercised. We currently intend to apply the Net Proceeds in the following manner:

(a) approximately 50.8% of the total estimated Net Proceeds, or HK$25.0 million, will be used to finance partly the consideration for the potential acquisition of an operating elderly residential care home. As at the Latest Practicable Date, we had neither identified any suitable target, nor formulated any specific acquisition plans, nor entered into any definitive agreements for any potential target. Please refer to the paragraphs headed "Business — Our strategies — Expand the network of our elderly residential homes in strategic locations in Hong Kong — Acquire an existing elderly residential care home that is currently in operation" for details of our expansion strategy;

(b) approximately 35.5% of the total estimated Net Proceeds, or HK$17.5 million, will be used to establish a new elderly residential care home by locating and leasing a suitable location for expansion of our network of elderly residential care homes in Hong Kong through locating and converting suitable premises to establish a new elderly residential care home. As at the Latest Practicable Date, we had neither identified any location nor entered into any definitive agreements with any landlords. Please refer to the paragraphs headed "Business — Our strategies — Expand the network of our elderly residential care homes in strategic locations in Hong Kong — Establish a new elderly residential care home in Hong Kong by leveraging the success of our business model and proven track record in the management of our elderly residential care homes" for details of our expansion strategy;

(c) approximately 4.1% of the total estimated Net Proceeds, or HK$2.0 million, will be used to establish of our headquarters including a training centre. Please refer to the paragraphs headed "Business — Our strategies — Strengthen our brand building effort by improving the quality of our services of our existing elderly residential care homes — Upgrade our headquarters and establish a training centre" for details of our expansion strategy;

(d) approximately 4.1% of the total estimated Net Proceeds, or HK$2.0 million, will be used to renew and upgrade the facilities at our elderly residential care homes; Please refer to the paragraphs headed "Business — Our strategies — Strengthen our brand building effort by improving the quality of our services of our existing residential care homes — Renew the facilities and equipment at our network of elderly residential care homes" for details of our expansion strategy;

(e) approximately 5.3% of the total estimated Net Proceeds, or HK$2.6 million, will be used to upgrade the information technology infrastructure. Please refer to the paragraphs headed "Business — Our strategies — Enhance our information technology infrastructure and install and upgrade our information system which assists our management to stay abreast of the status of our business operations on a real time basis" for details of our expansion strategy;

(f) approximately 0.2% of the total estimated Net Proceeds, or HK$0.1 million, will be used for general working capital purposes.

The Net Proceeds will be utilised by 30 June 2019 and approximately 0.2% will be used as working capital and funding for other general corporate purposes according to our current business plans. If the Offer Price is fixed at the high end of the Offer Price range, being HK$0.80 per Offer Share, the Net Proceeds we receive from the issue of the Offer Shares will increase by approximately HK$4.9 million. If the Offer Price is fixed at the low end of the Offer Price range, being HK$0.70 per Offer Share, the Net Proceeds we receive from the issue of the Offer Shares will decrease by approximately HK$4.9 million. To the extent that the Net Proceeds are either more or less than expected, for instance in the event that the Offer Price is set at the high-end or low-end of the indicative Offer Price range, we will adjust our allocation of the Net Proceeds for the above purposes on a pro-rata basis.

The possible use of our Net Proceeds outlined above may change in light of our evolving business needs and conditions, management requirements together with prevailing market circumstances. To the extent that the Net Proceeds are not sufficient to fund the purposes of the Listing as set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings, as appropriate. In the event of any material modification to the use of proceeds as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

According to the current estimates, the Directors consider that the Net Proceeds and our Group's internal resources will be sufficient to finance our Group's business plans up to 30 June 2019.

To the extent that the Net Proceeds are not immediately required for the above purposes, it is the present intention of the Directors that such Net Proceeds be placed in short-term interest bearing deposit accounts held with authorised financial institutions.

IMPLEMENTATION PLANS

In order to implement the business objectives and strategies as described above, set forth below are the Net Proceeds and implementation plans of our Group for each of the six-month periods from the Latest Practicable Date until 30 June 2019. It should be noted that the implementation plans are formulated on the bases and assumptions referred to in the paragraphs headed "Bases and assumptions" below in this section. These bases and assumptions are subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk factors" in this prospectus.

	From the Latest Practicable Date to 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	For the six months ending 30 June 2019	Total	Approximate percentage of Net Proceeds
	HK$ (million)	*HK$ (million)*	*HK$ (million)*	*HK$ (million)*	*HK$ (million)*	*(%)*
Acquisition of an operating residential care home	25.0				25.0	
Subtotal:	25.0	–	–	–	25.0	50.8
Setting up of a new residential care home at a new location						
– Rental deposit and other deposits for setting up a new home		1.5			1.5	
– Renovation expenses for residential care homes . . .		7.5			7.5	
– Acquisition of new electrical appliances, medical appliances and supporting devices for rehabilitation . .		3.2			3.2	
– Legal and professional fee and miscellaneous.		1.3			1.3	
– Working capital for future eight months of operation .		1.5	2.5		4.0	
Subtotal:	–	15.0	2.5	–	17.5	35.5
Establishment of headquarters and on-the-job training centre						
– Rental deposit and other deposts	0.3				0.3	
– Renovation for headquarters and training centre	0.7				0.7	
– Purchase of office equipment and training facilities	1.0				1.0	
Subtotal:	2.0	–	–	–	2.0	4.1

	From the Latest Practicable Date to 31 December 2017	For the six months ending 30 June 2018	For the six months ending 31 December 2018	For the six months ending 30 June 2019	Total	Approximate percentage of Net Proceeds
	HK$ (million)	*HK$ (million)*	*HK$ (million)*	*HK$ (million)*	*HK$ (million)*	*(%)*
Renew and upgrade the facilities at our residential care homes						
– Purchase of rehabilitation equipment	2.0				2.0	
Subtotal:	2.0	–	–	–	2.0	4.1
Upgrade information technology infrastructure						
– Development of intranet . . .	0.4				0.4	
– Installation of human resources system, visual alert system and management system	1.8				1.8	
– Improvement of accounting system	0.4				0.4	
Subtotal:	2.6	–	–	–	2.6	5.3
Working capital for other general corporate purposes	0.1	–	–	–	0.1	0.2

BASES AND ASSUMPTIONS

The Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 30 June 2019.

(a) there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong, and any other places in which any member of our Group carries on or will carry on business and provides or will provide human resources related services;

(b) our Group will not be materially affected by any risk factors set out in the section headed “Risk factors” in this prospectus;

(c) there will be no material changes in the bases (such as inflation, interest rate and foreign exchange rate) or rates of taxation in Hong Kong or in any other places in which any member of our Group operates or will operate or is incorporated;

(d) the Share Offer will be completed in accordance with and as described in the section headed “Structure and conditions of the Share Offer” in this prospectus;

(e) our Group is able to retain its customers and suppliers;

(f) our Group will be able to retain key staff in the management and the main operational departments; and

(g) our Group will be able to continue its operations in substantially the same manner as our Group has been operating during the Track Record Period and our Group will be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way.

During the Track Record Period and up to the Latest Practicable Date, our Group (i) had been neither subject to any suspension, cancellation or prosecution, rejection in renewing our RCHE licences, nor subject to change in any conditions of the RCHE licences; (ii) had not reduced the number of residential care places under the EBPS; (iii) had not been refused to renew the EBPS Agreements; and (iii) executed and adopted all recommendations of the SWD and rectified the subject matters in all warning letters. In light of the above reasons, our Directors are of the view that with the warning letters issued by the SWD during the Track Record Period and up to the Latest Practicable Date, our Group will not have any foreseeable difficulties in applying for new RCHE licences for the establishment of our new elderly residential care home or in changing the RCHE licence of the target elderly residential care home.

THE CORNERSTONE INVESTMENT

We entered into the Cornerstone Investment Agreement on 21 June 2017 with the Sole Global Coordinator, the Sole Sponsor and Yingfeng International Investment Limited (盈豐國際投資有限公司) ("**Yingfeng International**" or the "**Cornerstone Investor**") pursuant to which Yingeng International has agreed to subscribe at the Offer Price for a total number of 32,000,000 Placing Shares, representing (i) approximately 35.56% of the total Placing Shares initially available for subscription under the Placing; (ii) 32.0% of the Offer Shares (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme); and (iii) 8.0% of our total issued share capital immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme).

Assuming (i) the Offer Price of HK$0.70, being the low end of the indicative Offer Price range set forth in this prospectus, the total consideration would be HK$22,400,000 and (ii) the Offer Price of HK$0.80, being the high end of the indicative Offer Price range set forth in this prospectus, the total consideration would be HK$25,600,000.

The offer of the Placing Shares to the Cornerstone Investor forms part of the Placing. The Placing Shares to be purchased by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid Placing Shares. Immediately following the completion of the Capitalisation Issue and the Share Offer, the Cornerstone Investor will not have any board representation in our Company, nor will it become a Substantial Shareholder. The shareholding to be held by the Cornerstone Investor in our Company will be counted towards the public float of our Shares.

In the event that the requirement pursuant to Rule 11.23(8) of the GEM Listing Rules, in which no more than 50% of our Shares in public hands at the time of listing on Listing Date can be beneficially owned by the three largest public Shareholders, cannot be satisfied by our Company, the Sole Global Coordinator and our Company have the right to adjust the allocation of the number of Placing Shares on pro-rata basis to be subscribed by the Cornerstone Investor amongst the top three largest public Shareholders. Details of the allocations of Placing Shares to the Cornerstone Investor will be disclosed in the announcement of allotment results to be issued by our Company on 11 July 2017.

THE CORNERSTONE INVESTOR

Details of the Cornerstone Investor is set out below:

Yingfeng International is a company incorporated under the laws of the BVI with limited liability and is principally engaged in investment holding. Yingfeng International is indirectly wholly-owned by China Minsheng Futurelife Holding Group Co., Ltd.* (中民未來控股集團有限公司) ("**CMIG Futurelife**"). CMIG Futurelife is a company incorporated under the laws of the PRC and is principally engaged in the businesses of, inter alia, investment management, property management, home-based caring service for the elderly and wealth management. CMIG Futurelife is a subsidiary of China Minsheng Investment Group Co. Ltd. (中國民生投資股份有限公司) ("**CMIG**") and is held as to 67% by CMIG. CMIG is a company incorporated under the laws of the PRC and is principally engaged in the businesses of equity investment.

* *For identification purpose only*

To the best knowledge of our Directors, each of the Cornerstone Investor, CMIG Futurelife, CMIG and their subsidiaries and shareholders is an Independent Third Party, not our connected person, and not an existing Shareholder or a close associate (as defined under the GEM Listing Rules) of our Company. The Cornerstone Investor will not subscribe for any Offer Shares under the Public Offer other than pursuant to the Cornerstone Investment Agreement. No special rights have been granted to the Cornerstone Investor as part of the Placing.

CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investor is subject to, among other things, the satisfaction of following conditions precedent at or prior to the Listing Date:

(a) the Public Offer Underwriting Agreement and the Placing Underwriting Agreement having been entered into, and become effective and unconditional by no later than the respective time and date specified therein;

(b) the Offer Price having been agreed by the Sole Global Coordinator (on behalf of the Underwriters under the Share Offer) and our Company in connection with the Share Offer;

(c) neither of the Public Offer Underwriting Agreement nor the Placing Underwriting Agreement having been terminated in accordance with their respective original terms or as subsequently varied by agreement of the parties thereto;

(d) the respective representations, warranties, undertakings, confirmation, agreements and acknowledgements of the Cornerstone Investor and our Company are accurate and true in all material respects and not misleading and there is no material breach of the cornerstone investment agreement disclosed in this section on the part of the Cornerstone Investor and our Company;

(e) the terms and conditions of the Cornerstone Investment Agreement and the transaction contemplated hereunder having been approved by the Stock Exchange and the relevant authorities;

(f) the Listing Committee of the Stock Exchange having granted or agreed to grant the listing of, and permission to deal in, our Shares on the GEM and that such approval or permission has not been revoked; and

(g) no laws having been enacted or promulgated by any governmental authority which prohibits the consummation of the closing of the subscription pursuant to the terms of the cornerstone investment agreement disclosed in this section and there having been no order or injunction of a court of competent jurisdiction in effect precluding or prohibiting consummation of such closing.

RESTRICTIONS ON THE CORNERSTONE INVESTMENT

The Cornerstone Investor has covenanted and undertaken to each of our Company, the Sole Global Coordinator and the Sole Sponsor that, without the prior written consent of each of our Company, the Sole Global Coordinator and the Sole Sponsor, it will not, whether directly or indirectly at any time during the period of six months following the Listing Date, dispose of (as defined in the cornerstone investment agreement which shall include pledge, charge, mortgage, etc.) any of our Shares subscribed for by it pursuant to the Cornerstone Investment Agreement and any shares or other securities of our Company derived therefrom (the "**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares, or agree or contract to, or publicly announce any intention to enter into, any transaction for such disposal of the Relevant Shares or interest. The Cornerstone Investor has further agreed and undertaken that, from 21 June 2017 (the date of the Cornerstone Investment Agreement) up to the Listing Date, the Cornerstone Investor, or any of its associates (as defined under the GEM Listing Rules) shall not acquire any further interest in our Company, except the subscription of the Shares pursuant to the Cornerstone Investment Agreement.

UNDERWRITERS

Placing Underwriters

Guotai Junan Securities (Hong Kong) Limited

Ping An Securities Limited

Alliance Capital Partners Limited

Public Offer Underwriters

Guotai Junan Securities (Hong Kong) Limited

Ping An Securities Limited

Alliance Capital Partners Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 10,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Global Coordinator may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date (the "**Termination Time**") if:

(i) there shall develop, occur, exist or come into effect:

   (a) any local, national, regional, international event or circumstance, acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemic; or

   (b) any change or development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions; or

(c) any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange;

(d) any new Laws, or any change or development involving a prospective change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, Cayman Islands, the BVI, the European Union or any other jurisdictions relevant to any member of our Group or the Share Offer (the "**Specific Jurisdictions**"); or

(e) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

(f) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or

(g) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment Laws in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or

(h) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk factors" in this prospectus; or

(i) any litigation or claim of any third party being threatened or instigated against any members of our Group or its substantial shareholders or any of the executive Directors and Controlling Shareholders under the Public Offer Underwriting Agreement; or

(j) any of the Directors and senior management members of our Company as set out in the "Directors and senior management" section of this prospectus 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

(k) our Chairman or chief executive officer vacating his office; or

(l) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(m) a contravention by any member of our Group or any Director of the GEM Listing Rules, the Companies Ordinance or any other laws applicable to the Share Offer;

(n) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Shares to be issued pursuant to the Offer Size Adjustment Option; or

(o) non-compliance of the prospectus and the other relevant documents or any aspect of the Share Offer with the GEM Listing Rules or any other laws applicable to the Share Offer; or

(p) the issue or requirement to issue by our Company of a supplement or amendment to the prospectus and/or any other documents in connection with the Share Offer pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(q) a valid 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,

which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Public Offer Underwriters):

(1) has or is or will or may or could be expected to have an adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of our Group; or

(2) has or will or may have or could be expected to have an 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 Placing; or

(3) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Public Offer Underwriting Agreement or the Share Offer to be performed or implemented or proceeded with as envisaged or to market the Share Offer or shall otherwise result in an interruption to or delay thereof; or

(4) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

(ii) there has come to the notice of the Sole Global Coordinator (among others):

(a) that any statement contained in any offer documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Share Offer (collectively, the "**Relevant Documents**") was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any respect; or

(b) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the relevant documents, constitute an omission therefrom; or

(c) 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 any of the Underwriters); or

(d) any event, act or omission which gives or is likely to give rise to any liability of any of the executive Directors and Controlling Shareholders under the Public Offer Underwriting Agreement or under the Placing Underwriting Agreement; or

(e) any change or development involving a prospective adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders' equity, profits, losses, results of operations, position or conditions or performance of any member of the Group; or

(f) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties of the Public Offer Underwriting Agreement; or

(g) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Offer Size Adjustment Option) is refused or not granted, or is qualified on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified or withheld; or

(h) the Company withdraws any of the Relevant Documents or the Share Offer; or

(i) any person (other than the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the offer documents or to the issue of any of the offer documents.

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE GEM LISTING RULES

Undertaking by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that except pursuant to the Share Offer, it will not and will procure that the relevant registered holder(s) will not: (a) in the period commencing on the date by reference to which disclosure of 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 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 the 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 referred to in the paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder of our Company. Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholder has undertaken to the Stock Exchange and to our Company that, within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, it will: (i) when it pledges or charges any Shares beneficially owned by it in favour of an authorised institution pursuant to Rule 13.19 of the GEM Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and (ii) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertaking by our Company

We have undertaken with each of the Sole Global Coordinator, the Joint Lead Managers, the Sole Bookrunner, the Sole Sponsor and the Public Offer Underwriters that, except pursuant to the Share Offer, we will not, and will procure our subsidiaries will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, at any time from the date of the Public Offer Underwriting Agreement and ending on the date which is six months after the Listing Date (the "**First Six-Month Period**"): (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including but not limited to any securities convertible into or exerciseable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or (c) enter into any transaction with the same economic effect as any of the above transactions; or (d) offer to or agree to do any of the foregoing or announce any intention to effect any of the above transactions, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise and in the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the First Six-month Period, our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for the Shares or other securities of our Company.

Undertaking by our Controlling Shareholders

Our Controlling Shareholders, pursuant to the Public Offer Underwriting Agreement, have jointly and severally agreed and undertaken with each of the Stock Exchange, the Joint Lead Managers, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor, and the Public Offer Underwriters that, except pursuant to the Capitalisation Issue and the Share Offer, they will not, and will procure that none of their relevant registered holder(s) and associates will, without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed) and unless in compliance with the GEM Listing Rules,

(a) at any time during the First Six-Month Period:

   (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him/her directly or indirectly through its controlled entities (the "**Relevant Securities**"), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts;

   (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 any such capital or securities or any interest therein; or

   (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

   (iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i) or (ii) or (iii) above, whether any such transaction described in paragraph (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise;

(b) at any time during the period of six months after the First Six Month Period expires (the "**Second Six-Month Period**"), enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) or (a)(iv) above if, immediately following such sale, transfer or disposal, or upon the exercise or enforcement of such offer, pledge, charge, option, right, interests or encumbrances, our Controlling Shareholders (or any of them) will cease to be controlling shareholders;

(c) until the expiry of the Second Six-Month Period, in the event that any of our Controlling Shareholders enters into the foregoing transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company;

(d) in the event that our Controlling Shareholders (or any of them) pledge or charge any of the shares or other securities of our Company in favour of an authorised institution pursuant to Rule 13.18 of the GEM Listing Rules at any time during the relevant periods specified in the paragraph (a) or paragraph (b) above, our Controlling Shareholders must inform our Company and the Sole Sponsor immediately thereafter; and

(e) having pledged or charged any interest in securities under paragraph (d) above, our Controlling Shareholders must inform our Company and the Sole Sponsor immediately in the event that our Controlling Shareholders (or any of them) become aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and Controlling Shareholders will enter into the Placing Underwriting Agreement with the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Sole Bookrunner, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to procure subscribers and purchasers to subscribe for or purchase, or failing which it shall subscribe for or purchase, the 90,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraphs headed "Underwriting — Underwriting arrangements and expenses — Public Offer" above in this section.

Our Company is expected to grant to the Placing Underwriters the Offer Size Adjustment Option exercisable by the Sole Global Coordinator or its agent, on behalf of the Placing Underwriters, at any time before 5:00 p.m. on the business day before the date of announcement of the results of application and the basis of the Public Offer Shares or otherwise it will lapse, to require our Company to allot and issue up to an aggregate of 15,000,000 additional Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share under Placing, solely to cover over allocations, if any, in the Placing.

Total commission and expenses

The Underwriters will receive underwriting commissions of 3.0% of the aggregate Offer Price payable for the Placing Shares and 3.0% of the aggregate offer Price payable for the Public Offer Shares in accordance with the terms of the Underwriting Agreements, out of which the Underwriters may pay any sub-underwriting commission in connection with the Share Offer. The Sole Global Coordinator may receive an additional incentive fee of 1.0% of the aggregate Offer Price of the Offer Shares from the Share Offer (including proceeds from the exercise of the Offer Size Adjustment Option). Based on the Offer Price of HK$0.75 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission and fees payable to the Underwriters, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK$25.9 million in total (assuming the Offer Size Adjustment Option is not exercised). We will also pay for all expenses in connection with any exercise of the Offer Size Adjustment Option.

THE SOLE SPONSOR'S INDEPENDENCE

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 17.22 of the GEM Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 6A.07 of the GEM Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors and the Sole Global Coordinator will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

THE SHARE OFFER

The Share Offer comprises:

(i) the Public Offer of 10,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in the paragraphs headed "The Public Offer" below in this section; and

(ii) the Placing of an aggregate of 90,000,000 Placing Shares (subject to reallocation as mentioned below). Investors may apply for Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for Offer Shares under the Placing, but may not do both. The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer.

PRICING AND ALLOCATION

Determination of the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective 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. Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Monday, 3 July 2017, and in any event on or before Monday, 10 July 2017, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price range

The Offer Price will not be more than HK$0.80 per Offer Share and is expected to be not less than HK$0.70 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus.

Price payable on application

Applicants for Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK$0.80 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK$3,232.25 per board lot of 4,000 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK$0.80 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 monies) will be made to applicants, without interest. If, for any reason, our Company and the Sole Global Coordinator (on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Monday, 10 July 2017, the Share Offer will not proceed and will lapse. Further details are set out in the section headed "How to apply for Public Offer Shares" in this prospectus.

Change to Offer Price range

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a bookbuilding process in respect of the Placing, and with the consent of our Company, change 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 a case, our Company will, as soon as practicable following the decision to make such change, and in any event not 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.shuionnc.com** notices of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics, and any other financial information in this prospectus which may change as a result of any such change. Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of an extension or reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Public Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any notice being published in relation to a change 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 Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

ANNOUNCEMENT OF THE BASIS OF ALLOCATIONS

Announcement of the final Offer Price, together with the indication of the level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Tuesday, 11 July 2017 on the website of the Stock Exchange at **www.hkexnews.hk**, and our Company's website at **www.shuionnc.com**.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and Shares which fall to be allotted and issued upon the exercise of the Offer Size Adjustment Option and upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. Underwriting Agreements

The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or before 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 "How to apply for Public Offer Shares — 13. Despatch/Collection of share certificates and refund monies" in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made for the Shares to be admitted into CCASS. Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance 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 on the Stock Exchange 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 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. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 12 July 2017, it is expected that dealing in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 12 July 2017. The Shares will be traded in board lots of 4,000 Shares each and the stock code of the Shares will be 8405.

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 100,000,000 Offer Shares (subject to the Offer Size Adjustment Option) will be made available under the Share Offer, of which 90,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option), representing 90% of the initial Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing. The remaining 10,000,000 Public Offer Shares (subject to reallocation), representing 10% of the initial Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will 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 Offers Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

The Share Offer is expected to be subject to the conditions as stated in the paragraph headed "Conditions of the Share Offer" below in this section.

THE PUBLIC OFFER

Number of Public Offer Shares

Our Company is initially offering 10,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong as well as to institutional and professional investors 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$0.80 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. 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. Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares initially comprised in the Public Offer are liable to be rejected.

Allocation

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

The allocation of Offer Shares between the Public Offer and the Placing is subject to adjustment. A clawback mechanism will be put in place, which would have the effect of increasing the number of Public Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered in the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Sole Global Coordinator (for itself and on behalf of the Underwriters) shall apply the reallocation mechanism after the closing of the application lists on the following basis:

(a) the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 20 times the number of Offer Shares initially available for subscription under the Public Offer, then 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 30,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;

(b) the number of Public Offer Shares validly applied for under the Public Offer represents 20 times or more but less than 30 times the number of Offer Shares initially available for subscription under the Public Offer, then 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 40,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and

(c) the number of Shares validly applied for under the Public Offer represents 30 times or more the number of Offer Shares initially available for subscription under the Public Offer, then 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 50,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may in its sole and absolute discretion reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. If the Public Offer Shares are not fully subscribed, the Sole Global Coordinator (for itself and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing in such amount as the Sole Global Coordinator (for itself and on behalf of the Underwriters) deems appropriate. If the Placing are not fully subscribed or purchased, the Sole Global Coordinator (for itself and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed or un-purchased Placing Shares to the Public Offer in such amount as the Sole Global Coordinator (for itself and on behalf of the Underwriters) deems appropriate.

THE PLACING

Our Company is expected to offer initially 90,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option) 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 initially offered under the Share Offer. 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.

It is expected that the Placing Underwriters or selling agents nominated by it, 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 Sole Global Coordinator (for itself 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.

OFFER SIZE ADJUSTMENT OPTION

It is expected that, pursuant to the Placing Underwriting Agreement, our Company will grant to the Sole Global Coordinator the Offer Size Adjustment Option, which is exercisable by the Sole Global Coordinator (for itself and on behalf of the Underwriters) in its absolute discretion on or before the business day immediately before the date of allotment results announcement, in writing, to require our Company to allot and issue up to 15,000,000 additional Shares at the Placing Price, representing 15% of the total number of Shares initially available for subscription under the Share Offer. Any such additional Shares may be issued to cover any excess demand in the Placing at the absolute discretion of the Sole Global Coordinator.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Global Coordinator to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activity of the Shares in the secondary market after the Listing of the Shares on GEM and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.shuionnc.com**.

In the event that the Offer Size Adjustment Option is exercised in full, 15,000,000 additional Shares will be issued resulting in a total number of 115,000,000 Shares in issue representing approximately 13.04% of our Company's total number of Shares in issue as enlarged immediately following completion of the Share Offer, the Capitalisation Issue and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.

If the Offer Size Adjustment Option is exercised in full, the additional Net Proceeds received from the placing of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in the section headed "Statement of business objectives and use of proceeds" in this prospectus, on a pro rata basis.

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 of subscribing for, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of our Group, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

HONG KONG REGISTER OF MEMBERS

Our principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited, our Hong Kong Branch Share Registrar.

STAMP DUTY

Dealings in our Shares registered in our Hong Kong Register of Members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. Therefore a total stamp of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** 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.

Our Company, the Sole Global Coordinator, and their respective agents may reject or accept any application in full or in part for any reasons 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.

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 Global Coordinator 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.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person (as defined in the GEM Listing Rules) of our Company or will become a 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.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 28 June 2017 to 12:00 noon on Monday, 3 July 2017 from:

(i) the office of the following party:

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Ping An Securities Limited
Unit 02, 2/F, China Merchants Building
152-155 Connaught Road Central
Hong Kong

Alliance Capital Partners Limited
Room 1502-03A, 15/F, Wing On House
71 Des Voeux Road Central
Hong Kong

(ii) any of the following branches of Wing Lung Bank Limited, the receiving bank for the Public Offer:

District	Branch name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	North Point Branch	361 King's Road
	Johnston Road Branch	118 Johnston Road
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
	San Po Kong Branch	8 Shung Ling Street
New Territories	Tsuen Wan Branch	251 Sha Tsui Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 28 June 2017 until 12:00 noon on Monday, 3 July 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

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 "WLB (NOM) LTD — HANG CHI HLDGS PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Wednesday, 28 June 2017 — 9:00 a.m. to 5:00 p.m.
Thursday, 29 June 2017 — 9:00 a.m. to 5:00 p.m.
Friday, 30 June 2017 — 9:00 a.m. to 5:00 p.m.
Monday, 3 July 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 3 July 2017, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the applications lists" below 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 Sole Global Coordinator (or its 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 the Articles of Association;

(ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and 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 Global Coordinator, 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 bank, the Sole Global Coordinator, 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 Global Coordinator and the Underwriters or 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 allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the 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 its 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 chosen 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;

(xvii) understand that our Company and the Sole Global Coordinator 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 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.

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 applicant 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).

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 +852 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 Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a 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 Sole Global Coordinator 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 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 their agent;

- confirm that you understand that our Company, our Directors and the Sole Global Coordinator 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 Global Coordinator, 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 bank, the Sole Global Coordinator, 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 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 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 the 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 its 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 Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association of our Company; 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 brokerage, SFC transaction levy and the Stock Exchange trading fee) 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

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wedneday, 28 June 2017	**—**	**8:00 a.m. to 8:30 p.m.**[(1)]
Thursday, 29 June 2017	**—**	**8:00 a.m. to 8:30 p.m.**[(1)]
Friday, 30 June 2017	**—**	**8:00 a.m. to 8:30 p.m.**[(1)]
Monday, 3 July 2017	**—**	**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.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Wednesday, 28 June 2017 until 12:00 noon on Monday, 3 July 2017 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Monday, 3 July 2017, 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" below 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 of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Sole Global Coordinator, 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 facilities are 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 Sole Global Coordinator 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 Monday, 3 July 2017.

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.

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** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 4,000 Public Offer Shares. 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 are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed "Structure and conditions of the Share Offer — Pricing and allocation" in this prospectus.

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,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 3 July 2017. 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 Monday, 3 July 2017 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 basis of allocation of the Public Offer Shares on Tuesday, 11 July 2017 on our Company's website at **www.shuionnc.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 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.shuionnc.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, 11 July 2017;

- from the designated results of allocations website at **www.ewhiteform.com.hk/results** with a "search by ID" function on a 24-hour basis from 9:00 a.m on Tuesday, 11 July 2017 to 12:00 mid-night on Monday, 17 July 2017;
- by telephone enquiry line by calling (852) 2153 1688 between 9:00 a.m. and 6:00 p.m. from Tuesday, 11 July 2017 to Friday, 14 July 2017 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 11 July 2017 to Thursday, 13 July 2017 at all the receiving bank branches.

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 condition 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 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 procedure 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 its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, 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 or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 10,000,000 Public Offer Shares initially offered under the Public Offer.

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$0.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public 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 Tuesday, 11 July 2017.

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).

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** or **YELLOW** 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 or around Tuesday, 11 July 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 12 July 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" 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 at 31/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 11 July 2017 or such other date as announced by our Company.

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 Tuesday, 11 July 2017, 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. 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 Tuesday, 11 July 2017, 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 Tuesday, 11 July 2017, 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 the paragraph headed "10. Publication of results" below in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 11 July 2017 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 Tuesday, 11 July 2017, 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 allotment of the Public Offer in the manner specified in the paragraph headed "10. Publication of results" below in this section on Tuesday, 11 July 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 11 July 2017 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 Tuesday, 11 July 2017. 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 Tuesday, 11 July 2017.

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 GEM 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.

Ernst & Young
22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環
添美道1號
中信大廈
22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

The Directors
Hang Chi Holdings Limited
Guotai Junan Capital Limited

Dear Sirs,

We report on the historical financial information of Hang Chi Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-3 to I-66, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the years ended 31 December 2015 and 2016 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group as at 31 December 2015 and 2016, and the statement of financial position of the Company as at 31 December 2016, 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-3 to I-65 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 June 2017 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Growth Enterprise Market (the "**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company (the "**Directors**") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' 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 *Accountants' 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 accountants' 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 accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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 accountants' report, a true and fair view of the financial position of the Group as at 31 December 2015 and 2016, and the financial position of the Company as at 31 December 2016, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE 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-3 have been made.

DIVIDENDS

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

NO HISTORICAL FINANCIAL STATEMENTS FOR THE COMPANY

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
28 June 2017

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young, Hong Kong in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 December	
		2015	**2016**
	Notes	***HK$'000***	***HK$'000***
REVENUE	*5*	39,937	58,975
Other income	*5*	2,066	2,643
Staff costs		(13,283)	(22,205)
Property rental and related expenses		(6,153)	(9,576)
Depreciation and amortisation		(3,752)	(2,851)
Food		(1,215)	(1,820)
Medical fees		(1,241)	(2,305)
Professional and legal fees		(1,118)	(1,213)
Utility expenses		(1,109)	(1,594)
Consumables		(724)	(849)
Other operating expenses		(2,184)	(3,042)
Listing expenses		(775)	(7,463)
Finance costs	*7*	–	(474)
Share of profits and losses of associates	*15*	1,072	206
Gain on disposal of associates	*15*	26,812	2,024
PROFIT BEFORE TAX	*6*	38,333	10,456
Income tax expense	*10*	(1,926)	(2,848)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		36,407	7,608
Attributable to:			
Owners of the parent		36,184	6,684
Non-controlling interests		223	924
		36,407	7,608

Details of the dividends during the Relevant Periods are disclosed in note 11 to the Historical Financial Information.

Consolidated statements of financial position

	Notes	As at 31 December 2015 HK$'000	As at 31 December 2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,942	6,255
Intangible assets	14	544	6,864
Investment in an associate	15	50	–
Goodwill	16	–	43,724
Deferred tax assets	23	690	745
Total non-current assets		3,226	57,588
CURRENT ASSETS			
Trade receivables	17	21	70
Prepayments, deposits and other receivables	18	3,191	7,066
Due from an associate	20	908	–
Due from a related company	20	–	5
Tax recoverable		84	60
Cash and bank balances	19	25,075	22,326
Total current assets		29,279	29,527
CURRENT LIABILITIES			
Trade payables	21	330	677
Other payables and accruals	22	4,635	10,818
Due to a related company	20	92	180
Tax payables		259	123
Total current liabilities		5,316	11,798
NET CURRENT ASSETS		23,963	17,729
TOTAL ASSETS LESS CURRENT LIABILITIES		27,189	75,317
NON-CURRENT LIABILITIES			
Deferred tax liabilities	23	86	1,193
Other liability	24	11,282	–
Total non-current liabilities		11,368	1,193
Net assets		15,821	74,124
EQUITY			
Equity attributable to the equity holder of the parent:			
Issued capital	25	–	–
Reserves	26	15,296	71,023
		15,296	71,023
Non-controlling interests		525	3,101
Total equity		15,821	74,124

Consolidated statements of changes in equity

	Attributable to owners of the parent					Non-controlling interests	Total equity
	Issued capital	Merger reserve*	Other reserve*	Retained profits*	Total		
	HK$'000 (*note 25*)	*HK$'000* (*note 26*)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	–	5	–	15,862	15,867	302	16,169
Profit and total comprehensive income for the year	–	–	–	36,184	36,184	223	36,407
Interest-free finance from a pre-IPO investor *(note 24)*	–	–	718	–	718	–	718
Interim dividend declared *(note 11)*	–	–	–	(30,000)	(30,000)	–	(30,000)
Final dividend declared *(note 11)*	–	–	–	(7,473)	(7,473)	–	(7,473)
At 31 December 2015	–	5	718	14,573	15,296	525	15,821

Consolidated statements of changes in equity

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Share premium*	Merger reserve*	Other reserve*	Retained profits*	Total		
	HK$'000 (*note 25*)	*HK$'000*	*HK$'000* (*note 26*)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2015 and 1 January 2016	–	–	5	718	14,573	15,296	525	15,821
Profit and total comprehensive income for the year	–	–	–	–	6,684	6,684	924	7,608
Acquisition of a non-controlling interest**	–	–	–	(1,046)	–	(1,046)	(767)	(1,813)
Acquisition of a subsidiary *(note 28.2)*	–	–	–	–	–	–	2,419	2,419
Reclassification of pre-IPO Investment from other liability *(note 24)*	–	12,474	–	(718)	–	11,756	–	11,756
Deemed contribution from the ultimate controlling shareholder *(note 29 (a) ii)*	–	38,333	–	–	–	38,333	–	38,333
At 31 December 2016	–	50,807	5	(1,046)	21,257	71,023	3,101	74,124

* These reserve accounts comprise the consolidated reserves of HK$15,296,000 and HK$71,023,000 in the consolidated statement of financial position as at 31 December 2015 and 2016, respectively.

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

Consolidated statements of cash flows

		Year ended 31 December	
		2015	2016
	Notes	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		38,333	10,456
Adjustments for:			
Finance costs		–	474
Share of profits of associates		(1,072)	(206)
Gain on disposal of associates		(26,812)	(2,024)
Depreciation	*6*	1,870	1,554
Amortisation of intangible assets	*6*	1,882	1,297
		14,201	11,551
Decrease in trade receivables		75	2
Increase in prepayments, deposits and other receivables		(963)	(2,020)
Decrease in amounts due from associates		83	–
Decrease/(increase) in an amount due from an associate		(368)	908
Decrease in an amount due from a related company		–	34
Increase/(decrease) in trade payables		140	(7)
Increase in other payables and accruals		768	1,475
Decrease in an amount due to a director		(20)	–
Increase in an amount due to a related company		1	88
Cash generated from operations		13,917	12,031
Income tax paid		(3,351)	(4,287)
Net cash flows from operating activities		10,566	7,744

	Notes	Year ended 31 December 2015 HK$'000	Year ended 31 December 2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates	*15*	2,372	–
Proceeds from disposal of investments in associates	*15, 29(a)i*	5	2,280
Acquisition of subsidiaries	*28*	–	(5,168)
Purchase of items of property, plant and equipment		(107)	(1,292)
Net cash flows from/(used in) investing activities		2,270	(4,180)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of a non-controlling interest		–	(1,813)
Proceeds from a pre-IPO investor		12,000	–
Dividend paid		(7,473)	–
Dividend paid to the then shareholder of a subsidiary acquired		–	(4,500)
Net cash flows from/(used in) financing activities		4,527	(6,313)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		17,363	(2,749)
Cash and cash equivalents at beginning of year		7,712	25,075
CASH AND CASH EQUIVALENTS AT END OF YEAR		25,075	22,326
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statements of financial position		25,075	22,326
Cash and cash equivalents as stated in the consolidated statements of cash flows		25,075	22,326

Statement of financial position of the Company

	Note	As at 31 December 2016 HK$
CURRENT ASSETS		
Due from shareholders		66
NET CURRENT ASSETS AND NET ASSETS		66
EQUITY		
Issued capital	*25*	66
Total equity		66

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, with the registered address of Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally engaged in the operation of elderly residential care homes in Hong Kong.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. The Company became the holding company of the subsidiaries now comprising the Group upon completion of the Reorganisation on 31 August 2016. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities	*Notes*
			Direct	**Indirect**		
Shui On Nursing Home Holdings (BVI) Limited ("**Shui On (BVI)**")	The British Virgin Islands ("**BVI**") 25 June 2015	US$62,353	100%	–	Investment holding	*(1)*
Shui On Nursing Home Holdings Limited ("**Shui On Holdings (HK)**") . .	Hong Kong 11 September 2009	HK$5,300	–	100%	Investment holding and provision of management services	*(2)*
Shui On Nursing Centre (Shun On) Company Limited ("**Shui On (Shun On)**")	Hong Kong 2 March 2006	HK$10,000	–	100%	Operation of an elderly residential care home	*(2)*
Shui Hing Nursing Centre Limited ("**Shui Hing**").	Hong Kong 14 November 2008	HK$10,000	~	100%	Operation of an elderly residential care home	*(2)*
Shui On Nursing Centre (Hing Wah) Company Limited ("**Shui On (Hing Wah)**")	Hong Kong 13 November 2007	HK$10,000	–	100%	Operation of an elderly residential care home	*(2)*
Shui On Nursing Centre (Sun Tin Wai) Company Limited ("**Shui On (Sun Tin Wai)**")	Hong Kong 2 November 2006	HK$15,000	–	100%	Operation of an elderly residential care home	*(3)*

Name	Place and date of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities	*Notes*
			Direct	Indirect		
Shui On Nursing Centre (Kwai Shing E.) Co. Limited ("**Shui On (Kwai Shing E.)**") . .	Hong Kong 12 December 2006	HK$3,760,000	–	66.67%	Operation of an elderly residential care home	*(4)*

Notes:

(1) No audited financial statements have been prepared by this entity as it is incorporated in a jurisdiction which does not have any statutory audit requirements.

(2) The statutory financial statements for the year ended 31 December 2015 prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") were audited by Ernst & Young Hong Kong.

(3) The statutory financial statements of this entity for the year ended 31 March 2015 prepared in accordance with Small and Medium-sized Entity Financial Reporting Standard ("**SME-FRS**") were audited by Css & Company CPA, Certified Public Accountants registered in Hong Kong.

The statutory financial statements of this entity for the nine month period ended 31 December 2015 prepared in accordance with SME-FRS were audited by Yan Kwan Shing CPA, Certified Public Accountants registered in Hong Kong.

(4) The statutory financial statements of this entity for the year ended 31 December 2015 prepared in accordance with HKFRSs were audited by Lui & Mak CPA, Certified Public Accountants registered in Hong Kong.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "History Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 31 August 2016.

As the Reorganisation only involved inserting new holding companies at a top of an existing group and has not resulted in any changes of economic substance, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing group using the pooling of interests method.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows are prepared as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position as at 31 December 2015 and 2016 present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at that date.

All intra-group transactions and balances within the Group are eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"). All IFRSs effective for the accounting period commencing from 1 January 2016, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention.

Basis of consolidation

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the beginning of the Relevant Periods or the date on which a subsidiary was incorporated, whichever is the later, and continue to be consolidated until the date that such control ceases.

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS

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

IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
IFRS 15	*Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
IFRS 17	*Insurance Contracts*[4]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IFRS 15	*Clarification to IFRS 15: Revenue from Contracts with Customers*[2]
Amendments to IAS 40	*Transfers of Investment Property*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
IFRIC 23	*Uncertainty over Income Tax Treatments*[3]
Amendments to IFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*[1]
Amendments to IFRS 1 included in *Annual Improvements 2014-2016 Cycle*	*First-time Adoption of International Financial Reporting Standards*[2]
Amendments to IAS 28 included in *Annual Improvements 2014-2016 Cycle*	*Investments in Associates or Joint Ventures*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after 1 January 2021
5 No mandatory effective date yet determined but available for adoption

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

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

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

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the Group's financial performance and financial position, including the measurement of financial assets and disclosures.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 15 on the Group. Based on the preliminary assessment, the Group anticipates that the adoption of IFRS 15 in the future is unlikely to have significant impact on the revenue recognition from the provision of elderly home care services, healthcare services and sales of elderly related goods.

IFRS 16 replaces IAS 17 *Leases*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019.

As set out in note 30 to the Historical Financial Information, total operating lease commitments of the Group as at 31 December 2016 amounted to HK$32,017,000. The Directors do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

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

Business combinations and goodwill

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

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

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

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

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

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

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

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

Fair value measurement

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

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

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

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

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

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

Intangible assets (other than goodwill)

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

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

Customer relationships

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

Leases

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

The subsequent measurement of financial assets is as follows:

Loans and receivables

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

Derecognition of financial assets

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

— the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

The subsequent measurement of financial liabilities is as follows:

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

— when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

— when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

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

Revenue recognition

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

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

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

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

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

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

Employee benefits

Pension scheme

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Deferred tax assets

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

Useful lives of property, plant and equipment and intangible assets

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

Impairment of non-financial assets (other than goodwill)

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was HK$43,724,000. Further details are given in note 16.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about a major customer

Revenue of approximately HK$7,303,000 and HK$13,321,000 for each of the years ended 31 December 2015 and 2016, respectively, was derived from the Hong Kong Government under the Enhanced Bought Place Scheme, which amounted to more than 10% of the Group's revenue.

5. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	Year ended 31 December	
	2015	**2016**
	HK$'000	***HK$'000***
Revenue		
Rendering of elderly home care services	33,582	48,874
Sales of elderly related goods and provision of healthcare services	6,355	10,101
	39,937	58,975
Other income		
Government grants	587	1,298
Sundry income	50	135
Rental income	257	391
Management fee income	1,142	610
Others	28	207
Bank interest income	2	2
	2,066	2,643

6. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2015	**2016**
	HK$'000	***HK$'000***
Cost of inventories sold	3,180	4,084
Depreciation	1,870	1,554
Amortisation of intangible assets	1,882	1,297
Auditors' remuneration	584	1,000
Employee benefit expense (excluding Directors' and chief executive's remuneration as set out in note 8):		
– Wages and salaries	11,799	19,808
– Pension scheme contributions	437	706
	12,236	20,514
Healthcare referral service charges*	208	300
Minimum lease payments under operating leases of land and buildings	6,153	9,576
Bank interest income**	(2)	(2)
Government grants**/#	(587)	(1,298)

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

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

\# Various government grants have been received for the welfare of the elderly residing in the Group's elderly home care centres. There are no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

	Year ended 31 December	
	2015	2016
	HK$'000	*HK$'000*
Finance costs *(note 24)*	–	474

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any executive Directors, non-executive Directors and independent non-executive Directors at any time during the year ended 31 December 2015 since the Company was only incorporated on 16 February 2016.

Mr. Yik Tak Chi ("**Mr. TC Yik**") was appointed as the sole Director of the Company on 16 February 2016 upon its incorporation. Subsequent to the end of the Relevant Periods, Mr. Chung Kin Man and Ms. Chung Wai Man were appointed as executive Directors of the Company on 7 February 2017. Mr. Lau Joseph Wan Pui was appointed as non-executive Directors of the Company on 7 February 2017, Mr. Wong Wai Ho, Mr. Lau Tai Chim and Mr. Kwok Chi Shing were appointed as independent non-executive Directors of the Company on 21 June 2017, and Mr. TC Yik was appointed as the chief executive of the Company on 7 February 2017.

Certain of the Directors received remuneration from the subsidiaries now comprising the Group for their appointment as Directors of these subsidiaries or their capacity as employees of these subsidiaries. The remuneration of each of these Directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December	
	2015	2016
	HK$'000	*HK$'000*
Fees	–	136
Other emoluments:		
Salaries, allowances and benefits in kind	930	1,053
Pension scheme contributions	36	36
	966	1,225

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

(a) Directors' and chief executive's remuneration

The remuneration of each of the Directors for the year ended 31 December 2015 is set out below:

	Fees	Salaries and allowances and benefits in kind	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors:				
Mr. TC Yik	–	–	–	–
Mr. Chung Kin Man	–	412	18	430
Ms. Chung Wai Man	–	518	18	536
	–	930	36	966

The remuneration of each of the Directors for the year ended 31 December 2016 is set out below:

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

There was no chief executive appointed for the Relevant Periods. There was no arrangement under which the Directors waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during each of the Relevant Periods included two Directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three highest paid employees who are neither a Director nor chief executive of the Company, during the Relevant Periods, are as follows:

	Year ended 31 December	
	2015	2016
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	793	1,139
Pension scheme contributions	39	52
	832	1,191

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

	Year ended 31 December	
	2015	2016
Nil to HK$1,000,000	3	3

During the Relevant Periods, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

	Year ended 31 December	
	2015	2016
	HK$'000	*HK$'000*
Current — Hong Kong Charge for the year	2,442	3,055
Deferred *(note 23)*	(516)	(207)
Total tax charge for the year	1,926	2,848

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

Hong Kong

	Year ended 31 December			
	2015		2016	
	HK$'000	*%*	***HK$'000***	*%*
Profit before tax	38,333		10,456	
Tax at the statutory rate	6,325	16.5	1,725	16.5
Profits or losses attributable to associates	(177)	(0.5)	(34)	(0.3)
Income not subject to tax*	(4,424)	(11.5)	(334)	(3.3)
Expenses not deductible for tax	282	0.7	1,585	15.2
Others	(80)	(0.2)	(94)	(0.9)
Tax charge at the Group's effective rate	1,926	5.0	2,848	27.2

* Income not subject to tax mainly represents the gain on disposal of associates during the Relevant Periods, which is not taxable in Hong Kong.

The share of tax attributable to associates amounting to HK$219,000 and HK$41,000 for each of the years ended 31 December 2015 and 2016, respectively, is included in "Share of profits and losses of associates" in the consolidated statements of profit or loss and other comprehensive income.

11. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

The distribution amounts set out in the consolidated statements of changes in equity of HK$7,473,000 and nil for the each of the years ended 31 December 2015 and 2016, respectively, represented the dividends declared by Shui On Holdings (HK) to the then shareholders.

On 4 July 2015, Shui On (BVI) declared an interim dividend of HK$30,000,000 to its then shareholders, Lucky Expert Investments Limited ("**Lucky Expert**") and Will Peace Limited ("**Will Peace**") (note 29(a)i).

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the Historical Financial Information of the Group for the Relevant Periods as disclosed in note 2.1 above.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2015				
At 1 January 2015:				
Cost	2,452	2,988	1,680	7,120
Accumulated depreciation	(1,313)	(1,682)	(420)	(3,415)
Net carrying amount	1,139	1,306	1,260	3,705
At 1 January 2015, net of accumulated depreciation	1,139	1,306	1,260	3,705
Additions	–	107	–	107
Depreciation provided during the year *(note 6)*	(346)	(1,104)	(420)	(1,870)
At 31 December 2015, net of accumulated depreciation	793	309	840	1,942
At 31 December 2015:				
Cost	2,452	3,095	1,680	7,227
Accumulated depreciation	(1,659)	(2,786)	(840)	(5,285)
Net carrying amount	793	309	840	1,942

	Leasehold improvements	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2016				
At 1 January 2016:				
Cost	2,452	3,095	1,680	7,227
Accumulated depreciation	(1,659)	(2,786)	(840)	(5,285)
Net carrying amount	793	309	840	1,942
At 1 January 2016, net of accumulated depreciation	793	309	840	1,942
Additions	–	377	915	1,292
Acquisition of subsidiaries *(note 28)*	3,160	1,415	–	4,575
Depreciation provided during the year *(note 6)*	(677)	(400)	(477)	(1,554)
At 31 December 2016, net of accumulated depreciation	3,276	1,701	1,278	6,255
At 31 December 2016:				
Cost	5,612	4,887	2,595	13,094
Accumulated depreciation	(2,336)	(3,186)	(1,317)	(6,839)
Net carrying amount	3,276	1,701	1,278	6,255

14. INTANGIBLE ASSETS

	Trademarks	Customer relationships	Total
	HK$'000	*HK$'000*	*HK$'000*
31 December 2015			
At 1 January 2015:			
Cost	2	5,092	5,094
Accumulated amortisation	–	(2,668)	(2,668)
Net carrying amount	2	2,424	2,426
At 1 January 2015, net of accumulated amortisation	2	2,424	2,426
Amortisation provided during the year *(note 6)*	–	(1,882)	(1,882)
At 31 December 2015, net of accumulated amortisation	2	542	544
At 31 December 2015:			
Cost	2	5,092	5,094
Accumulated amortisation	–	(4,550)	(4,550)
Net carrying amount	2	542	544
31 December 2016			
At 1 January 2016:			
Cost	2	5,092	5,094
Accumulated amortisation	–	(4,550)	(4,550)
Net carrying amount	2	542	544
At 1 January 2016, net of accumulated amortisation	2	542	544
Acquisition of subsidiaries *(note 28)*	–	7,617	7,617
Amortisation provided during the year *(note 6)*	–	(1,297)	(1,297)
At 31 December 2016, net of accumulated amortisation	2	6,862	6,864
At 31 December 2016:			
Cost	2	12,709	12,711
Accumulated amortisation	–	(5,847)	(5,847)
Net carrying amount	2	6,862	6,864

15. INVESTMENTS IN AN ASSOCIATE

15.1 Investment in Shui On Nursing Centre (Wan Tsui) Company Limited ("Wan Tsui")

	As at 31 December 2015
	HK$'000
Share of net assets	50

The Group's receivable balance due from Wan Tsui is disclosed in note 20 to the Historical Financial Information.

Particulars of Wan Tsui as at 31 December 2015 were as follows:

Name	Place of registration and business	Particulars of issued shares held	Percentage of			Principal activities
			ownership interest	Voting power	Profit sharing	
Wan Tsui	Hong Kong	Ordinary shares of HK$1 each	76.0%	Note i	76.0%	Operation of an elderly residential care home

The above investment was held by a wholly-owned subsidiary of the Company.

Note i:

Wan Tsui was engaged in operation of an elderly residential care home and it was operated under a subcontracting agreement (the "**Subcontracting Agreement**"). The Subcontracting Agreement was entered into between Shui On Holdings (HK), the majority shareholder of Wan Tsui holding 76% of its interests, and one of the then minority shareholders of Wan Tsui holding 12% interest in Wan Tsui (the "**Minority Shareholder**"). Mutual consensus from both parties to the Subcontracting Agreement would be required to terminate the agreement. Except for events of default as specified under the Subcontracting Agreement such as the delay in settlement of subcontracting fee or any negligence resulting in reputation of Wan Tsui being harmed, Shui On Holdings (HK) cannot take over the operations of Wan Tsui under the Subcontracting Agreement.

By virtue of the Subcontracting Agreement, certain decisions in relation to the relevant activities of Wan Tsui (i.e. pricing and operating costs, such as employment of staff, severance payment, accounting and tax filing expenses, and bonus payment to staff) which could significantly affect the return of Wan Tsui shall rest on the Minority Shareholder, but the Minority Shareholder has to obtain the consent of Shui On Holdings (HK) if it intends to obtain loans and borrowings, bidding or obtain any form of operating contracts under the name of "Shui On". Under the articles of association of Wan Tsui, the Group possesses the decision-making power of certain activities of Wan Tsui, such as dividend declaration and distribution, to invest, lend or otherwise deal with any of the moneys or property of Wan Tsui, etc., through the board of directors of Wan Tsui which was controlled by Shui On Holdings (HK), a wholly owned subsidiary of the Company.

The Group did not consolidate the results of Wan Tsui under IFRS 10 because the Group did not have power over Wan Tsui which gives it the ability to direct the activities that significantly affect Wan Tsui's returns.

IAS 28 states that an entity with joint control of, or significant influence over, an investee shall account for its investment in an associate or a joint venture using the equity method. As the Group has significant influence over Wan Tsui, the Group has applied equity method to account for its investment in Wan Tsui as an associate.

The following table illustrates the summarised financial information in respect of Wan Tsui adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at 31 December 2015
	HK$'000
Cash and bank balances	1,442
Other current assets	1,243
Current assets	2,685
Non-current assets, excluding goodwill	221
Current liabilities	(2,838)
Non-current liabilities	(2)
Net assets	66
Net assets, excluding goodwill	66
Reconciliation to the Group's interest in Wan Tsui:	
Proportion of the Group's ownership	76%
Group's share of net assets of Wan Tsui and carrying amount of the investment	50

	Year ended 31 December 2015	From 1 January to 28 June 2016
	HK$'000	*HK$'000*
Revenue	14,327	7,133
Depreciation and amortisation	(360)	(9)
Tax expenses	(18)	(46)
Profit/(loss) and total comprehensive income for the year/period	(45)	271
Dividend received	152	–

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

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

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

15.2 Investments in other associates

On 26 June 2015, the Group disposed of its 33.33% equity interest in Shui On (Kwai Shing E.) and 40% equity interest in Wisdom Toprich Limited ("**Wisdom Toprich**") with an aggregate carrying amount of HK$3,193,000 to Jun Pak Limited ("**Jun Pak**", formerly known as Shui On Nursing Centre Limited), for a consideration of approximately HK$30,005,000, generating a gain on disposal of HK$26,812,000 (note 29(a)i).

In addition to the 33.3% equity interest indirectly owned by the Company, another 33.3% equity interest in Shui On (Kwai Shing E.) was owned by Wisdom Toprich.

The Group's shareholdings in the associates were held by a wholly-owned subsidiary of the Company.

Wisdom Toprich and Shui On (Kwai Shing E.), which are considered material associates of the Group, are engaged in investment holding and the operation of an elderly residential care home, respectively, and are accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Wisdom Toprich and Shui On (Kwai Shing E.) adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at 26 June 2015
	HK$'000
Wisdom Toprich	
Current assets	1,233
Non-current assets	1,899
Current liabilities	(110)
Net assets	3,022
Reconciliation to the Group's interest in Wisdom Toprich:	
Proportion of the Group's ownership	40%
Carrying amount of the investment	1,209
Shui On (Kwai Shing E.)	
Current assets	3,508
Non-current assets	6,437
Current liabilities	(3,991)
Net assets	5,954
Reconciliation to the Group's interest in Shui On (Kwai Shing E.):	
Proportion of the Group's ownership	33.33%
Carrying amount of the investment	1,984

	From 1 January to 26 June 2015
	HK$'000
Wisdom Toprich	
Revenue	–
Profit and total comprehensive income for the period	790
Dividend received	320
Shui On (Kwai Shing E.)	
Revenue	17,207
Profit and total comprehensive income for the period	2,370
Dividend received	1,900

16. GOODWILL

	HK$'000
At 1 January 2016	–
Acquisition of subsidiaries *(note 28)*	43,724
At 31 December 2016	43,724

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

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

Impairment testing of goodwill

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

The recoverable amounts of the cash-generating units of elderly residential care homes have been determined based on a value in use calculation using cash flow projections covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 14.1%. The cash flows of the two cash-generating units are projected using annual growth rates ranging from 3% to 5% during the five-year period. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%, which was based on their historical growth rates and the long term average growth rate of the industry. The recoverable amounts of the cash-generating units estimated from the cash flow forecast exceed the carrying amounts.

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

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

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

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

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

17. TRADE RECEIVABLES

	As at 31 December	
	2015	2016
	HK$'000	*HK$'000*
Trade receivables	21	70

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

The ageing of trade receivables as at the end of each of the Relevant Periods, based on the date of the service rendered, had maturity of less than three months and no impairment loss was recognised.

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

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2015	2016
	HK$'000	*HK$'000*
Prepayments	902	349
Deposits	2,003	3,925
Other receivables	28	46
Listing expenses	258	2,746
	3,191	7,066

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

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

19. CASH AND BANK BALANCES

	As at 31 December	
	2015	2016
	HK$'000	*HK$'000*
Cash and bank balances	25,075	22,326

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

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

20. BALANCES WITH RELATED PARTIES

	Notes	As at 1 January 2015	Maximum amount outstanding during the year	As at 31 December 2015	Maximum amount outstanding during the year	As at 31 December 2016
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from an associate:						
Wan Tsui	*(i)*	540	993	908	1,151	–
Amount due from a company significantly influenced by Mr. TC Yik:						
Roymark Limited	*(ii)*	–	–	–	5	5

	Note	As at 31 December 2015	As at 31 December 2016
		HK$'000	*HK$'000*
Amount due to a related company of which Mr. TC Yik is a member of key management personnel:			
Yu Fat Hong (Hong Kong) Limited ("**Yu Fat Hong**")	*(iii)*	92	180

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

Notes:

(i) The balance due from an associate is non-trade in nature, unsecured, interest-free and repayable on demand.

(ii) The balance due from a related company is trade in nature, unsecured, interest-free and repayable on demand.

(iii) The balance due to a related company is trade in nature, unsecured, interest-free and repayable on demand.

21. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December	
	2015	2016
	HK$'000	*HK$'000*
Within 3 months	330	677

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

22. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2015	2016
	HK$'000	*HK$'000*
Customer deposits	2,456	4,712
Accruals	1,244	3,573
Other payables	886	2,286
Receipt in advance	49	247
	4,635	10,818

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

23. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets	Depreciation in excess of related depreciation allowance
	HK$'000
Gross deferred tax assets at 1 January 2015	793
Deferred tax credited to profit or loss during the year	5
Gross deferred tax assets at 31 December 2015 and 1 January 2016	798
Deferred tax assets recognised for acquisition of subsidiaries *(note 28)*	464
Deferred tax charged to profit or loss during the year	(38)
Gross deferred tax assets at 31 December 2016	1,224

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries	Depreciation allowances in excess of related depreciation	Total
	HK$'000	*HK$'000*	*HK$'000*
Gross deferred tax liabilities at 1 January 2015	575	130	705
Deferred tax credited to profit or loss during the year	(466)	(45)	(511)
Gross deferred tax liabilities at 31 December 2015 and 1 January 2016	109	85	194
Deferred tax liabilities recognised in the acquisition of subsidiaries *(note 28)*	1,723	–	1,723
Deferred tax credited/(charged) to profit or loss during the year	(291)	46	(245)
Gross deferred tax liabilities at 31 December 2016	1,541	131	1,672

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

	As at 31 December	
	2015	2016
	HK$'000	*HK$'000*
Gross deferred tax assets	798	1,224
Offsetting with deferred tax liabilities	(108)	(479)
Net deferred tax assets	690	745
Gross deferred tax liabilities	194	1,672
Offsetting with deferred tax assets	(108)	(479)
Net deferred tax liabilities	86	1,193

24. OTHER LIABILITY

	Financial liability for the Pre-IPO Investment
At 1 January 2015	–
Addition during the year	11,282
At 31 December 2015 and 1 January 2016	11,282
Imputed interest charged to finance costs during the year	474
Reclassification as equity	(11,756)
At 31 December 2016	–

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

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

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

25. ISSUED CAPITAL

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

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

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

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

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

	Number of shares in issue	Share capital
		HK$
At 16 February 2016 (date of incorporation)	1	–
Shares issued during the period	6,549	66
At 31 December 2016	6,550	66

26. RESERVES

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

Merger reserve

The merger reserve represents nominal value of paid-up capital of subsidiaries acquired by the Company pursuant to the Reorganisation as set out in note 2.1 to the Historical Financial Information.

27. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	Year ended 31 December 2015	From1 January to 19 August 2016
	HK$'000	*HK$'000*
Shui On (Hing Wah)*:		
Percentage of equity interest held by non-controlling interests	24%	24%
Profit for the year/period allocated to non-controlling interests:	223	242

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

* The Group acquired a 24% equity interest in Shui On (Hing Wah) with a cash consideration of HK$1,813,000 on 19 August 2016 and thereafter Shui On (Hing Wah) became a wholly-owned subsidiary of the Group. The difference between the carrying amount of the non-controlling interest of HK$767,000 and the consideration paid was recognised in other reserve.

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

	As at 31 December 2015
	HK$'000
Shui On (Hing Wah):	
Accumulated balances of non-controlling interests	525

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

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

	Year ended 31 December 2015	From1 January to 19 August 2016
	HK$'000	*HK$'000*
Shui On (Hing Wah):		
Revenue	9,102	6,608
Total expenses	(8,173)	(5,600)
Profit and total comprehensive income for the year	929	1,008
Net cash flows from operating activities	1,432	1,387
Net cash flows used in investing activities	(86)	(9)
Net increase in cash and cash equivalents	1,346	1,378

	From 23 August to 31 December 2016
	HK$'000
Shui On (Kwai Shing E.):	
Revenue	12,125
Total expenses	(10,077)
Profit and total comprehensive income for the period	2,048
Net cash flows from operating activities	1,535
Net cash flows used in investing activities	(18)
Net cash flows used in financing activities	(4,500)
Net decrease in cash and cash equivalents	(2,983)

	As at 31 December 2015
	HK$'000
Shui On (Hing Wah):	
Current assets	2,969
Non-current assets	326
Current liabilities	(1,081)
Non-current liabilities	(26)

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

28. BUSINESS COMBINATION FOR ACQUISITION OF SUBSIDIARIES

Particulars of significant business combination during the year ended 31 December 2016 are set out below.

28.1 Acquisition of Shui On (Sun Tin Wai)

On 15 August 2016, the Group acquired a 100% interest in Shui On (Sun Tin Wai) from Jumbo Sino, a shareholder of the Company. Shui On (Sun Tin Wai) is engaged in the operation of an elderly care home. The acquisition was made as part of the Group's strategy to expand its market share of elderly care homes in Hong Kong. The total purchase consideration for the acquisition was HK$12,300,000, which was paid by cash at the acquisition date.

The fair values of the identifiable assets and liabilities of Shui On (Sun Tin Wai) as at the date of acquisition were as follows:

		Fair value recognised on acquisition
	Notes	*HK$'000*
Property, plant and equipment	*13*	1,506
Intangible assets	*14*	1,082
Deferred tax assets	*23*	206
Trade receivables		3
Prepayments, deposits and other receivables		325
Tax recoverable		11
Cash and bank balances		1,004
Other payables and accruals		(1,668)
Deferred tax liabilities	*23*	(399)
Total identifiable net assets at fair value		2,070
Goodwill on acquisition	*16*	10,230
Satisfied by cash		12,300

The fair values of the trade receivables as at the date of acquisition amounted to HK$3,000. No trade receivable balance was expected to be uncollectible.

The Group incurred transaction costs of HK$60,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

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

	HK$'000
Cash consideration	(12,300)
Cash and bank balances acquired	1,004
Net outflow of cash and cash equivalents included in cash flows from investing activities	(11,296)
Transaction costs of the acquisition included in cash flows from operating activities	(60)
	(11,356)

Since the acquisition, Shui On (Sun Tin Wai) contributed HK$4,319,000 to the Group's revenue and HK$38,000 to the consolidated profit for the year ended 31 December 2016.

28.2 Acquisition of Shui On (Kwai Shing E.)

On 23 August 2016, Mr. TC Yik (i) acquired 5,000 shares in Shui On (Kwai Shing E.) from Jun Pak at the consideration of HK$19,167,000; and (ii) acquired another 5,000 shares from Wisdom Toprich at the consideration of HK$19,167,000. All the consideration was paid by Mr. TC Yik in cash. After the aforesaid acquisition, Mr. TC Yik held approximately a 66.67% interest in Shui On (Kwai Shing E.). Shui On (Kwai Shing E.) is engaged in the operation of an elderly care home. The acquisition was made as part of the Group's strategy to expand its market share of elderly care homes in Hong Kong. The purchase consideration was HK$38,333,000, which was determined with reference to a valuation on the fair value of the assets of Shui On (Kwai Shing E.) as at 30 June 2016 by an independent valuer and was paid by Mr. TC Yik.

On 31 August 2016, the Company, through Shui On Holdings (HK), acquired 10,000 shares in Shui On (Kwai Shing E.), representing approximately 66.67% of the issued share capital of Shui On (Kwai Shing E.), from Mr. TC Yik at the consideration of HK$38,333,000. The consideration was satisfied by the issue and allotment of 1,311 shares by the Company, with a par value of HK$0.01 each, credited as fully paid, to Shui Wah (as directed by Mr. TC Yik), a company controlled by Mr. TC Yik.

The Group has elected to measure the non-controlling interest in Shui On (Kwai Shing E.) at the non-controlling interest's proportionate share of Shui On (Kwai Shing E.)'s identifiable net assets.

The fair values of the identifiable assets and liabilities of Shui On (Kwai Shing E.) as at the date of acquisition were as follows:

		Fair value recognised on acquisition
	Notes	***HK$'000***
Property, plant and equipment	*13*	3,069
Intangible asset	*14*	6,535
Deferred tax assets	*23*	258
Trade receivables		48
Prepayments, deposits and other receivables		1,530
Due from a related company		39
Cash and bank balances		6,128
Trade payables		(331)
Other payables and accruals		(3,040)
Due to a related party		(23)
Dividend payable		(4,500)
Tax payables		(1,131)
Deferred tax liabilities	*23*	(1,324)
Total identifiable net assets at fair value		7,258
Non-controlling interests		(2,419)
		4,839
Goodwill on acquisition	*16*	33,494
Satisfied by issued shares		38,333

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$48,000 and HK$105,000, respectively. No trade receivables or other receivable balances were expected to be uncollectible.

The Group incurred transaction costs of HK$67,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

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

	HK$'000
Cash and bank balances acquired	6,128
Net inflow of cash and cash equivalents included in cash flows from investing activities	6,128
Transaction costs of the acquisition included in cash flows from operating activities	(67)
	6,061

Since the acquisition, Shui On (Kwai Shing E.) contributed HK$12,125,000 to the Group's revenue and HK$2,027,000 to the consolidated profit for the year ended 31 December 2016.

Had the combinations of Shui On (Sun Tin Wai) and Shui On (Kwai Shing E.) taken place at the beginning of the year, the revenue from operations of the Group and the profit of the Group for the year ended 31 December 2016 would have been HK$87,700,000 and HK$13,303,000, respectively.

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

i. On 26 June 2015, Mr. Lui Chi Tat ("**Mr. Lui**"), Mr. TC Yik's relative, transferred his entire interest in the Group to Lucky Expert, a company controlled by Mr. TC Yik, and Will Peace, a company controlled by Mr. TC Yik's relatives, for a total consideration of HK$30,000,000.

On 26 June 2015, the Group disposed of its 33.33% equity interest in Shui On (Kwai Shing E.) and 40% equity interest in Wisdom Toprich to Jun Pak, an entity then jointly controlled by Mr. Lui and Mr. TC Yik, for an aggregate consideration of approximately HK$30,005,000, among which receivable of HK$30,000,000 was transferred to Lucky Expert and Will Peace.

On 4 July 2015, the Group declared an interim dividend of HK$30,000,000 to its then shareholders, Lucky Expert and Will Peace. Such dividend was offset with the receivables from them on 8 July 2015.

ii. On 31 August 2016, the Company, through Shui On Holdings (HK), acquired 10,000 shares in Shui On (Kwai Shing E.), representing approximately 66.67% of the issued share capital of Shui On (Kwai Shing E.), from Mr. TC Yik at the consideration of HK$38,333,000. The consideration was satisfied by the issue and allotment of 1,311 shares by the Company, credited as fully paid, to Shui Wah (as directed by Mr. TC Yik). Further details are disclosed in note 28.2.

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

30. OPERATING LEASE ARRANGEMENTS

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

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

	As at 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
Within one year	5,223	13,818
In the second to fifth years, inclusive	11,523	18,199
	16,746	32,017

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

31. CONTINGENT LIABILITIES

The Group and the Company had no significant contingent liabilities at the end of each of the Relevant Periods.

32. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in this Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

		Year ended 31 December	
		2015	2016
	Notes	*HK$'000*	*HK$'000*
Shui On (Kwai Shing E.)*:			
Management fee income	*(i)*	120	90
Service fee	*(ii)*	94	60
An associate:			
Wan Tsui:			
Management fee income	*(i)*	1,022	500
A company significantly influenced by Mr. TC Yik:			
Roymark Limited:			
Service income	*(iii)*	–	20
Purchases from a related company of which Mr. TC Yik is a member of key management personnel			
Yu Fat Hong	*(iv)*	999	1,443

* Shui On (Kwai Shing E.) was an associate of the Group up to 26 June 2015 and, after 26 June 2015, Mr. Lui, a relative of Mr. TC Yik, had significant influence in Shui On (Kwai Shing E.). After the acquisition of Shui On (Kwai Shing E.) on 23 August 2016, it became a non-wholly owned subsidiary of the Group.

Notes:

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

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

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

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

(b) Other transactions with related parties:

(i) On 26 June 2015, the Group transferred its 33.33% equity interest in Shui On (Kwai Shing E.) and 40% equity interest in Wisdom Toprich to Jun Pak, an entity then jointly controlled by Mr. Lui and Mr. TC Yik, for an aggregate consideration of approximately HK$30,005,000. The settlement of the consideration is disclosed in note 29.

(ii) On 11 December 2015, Top Champ as an investor, the Group as an investee and Mr. TC Yik as a guarantor, entered into a subscription agreement, as further disclosed in note 24.

(iii) On 23 August 2016, the Group acquired a 66.67% interest in Shui On (Kwai Shing E.) from Mr. TC Yik at the consideration of HK$38,333,000, as further detailed in note 28.

(c) Outstanding balances with related parties:

Details of the Group's balances with related parties as at the end of each of the Relevant Periods are included in note 20 to the Historical Financial Information.

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

	Year ended 31 December	
	2015	**2016**
	HK$'000	*HK$'000*
Short term employee benefits	1,421	2,761
Post-employment benefits	60	101
Total compensation paid to key management personnel	1,481	2,862

Further details of Directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	Loans and receivables	
	As at 31 December 2015	**As at 31 December 2016**
	HK$'000	*HK$'000*
Trade receivables	21	70
Financial assets included in prepayments, deposits and other receivables	2,031	3,971
Due from an associate	908	–
Due from a related company	–	5
Cash and bank balances	25,075	22,326
	28,035	26,372

Financial liabilities

	Financial liabilities at amortised costs	
	As at 31 December 2015	**As at 31 December 2016**
	HK$'000	*HK$'000*
Trade payables	330	677
Financial liabilities included in other payables and accruals	4,586	6,998
Due to a related company	92	180
Other liability	11,282	–
	16,290	7,855

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at the end of each of the Relevant Periods, the fair values of the Group's financial assets or financial liabilities approximated to their respective carrying amounts.

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

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

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

The fair values of the other liability have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for other liability as at 31 December 2015 was assessed to be insignificant.

Fair value hierarchy

The Group did not have any financial assets or financial liabilities measured at fair value as at 31 December 2015 and 2016.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

It is, and has been during the Relevant Periods, the Group's policy that no trading in financial instruments should be undertaken.

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

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and bank balances, amounts due from an associate and a related company, financial assets included in prepayments, deposits and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

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

As at 31 December 2015

	On demand	Less than 3 months	3 to 12 months	1 to 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	330	–	–	–	330
Financial liabilities included in other payables and accruals	4,586	–	–	–	4,586
Due to a related company	92	–	–	–	92
Other liability*	–	–	–	12,000	12,000
	5,008	–	–	12,000	17,008

As at 31 December 2016

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

* Other liability in the above liquidity risk represents the Pre-IPO Investment from Top Champ, which is recognised as a financial liability as at 31 December 2015. For the purpose of the above maturity profile, the total amount is deemed repayable if the listing does not take place by 30 June 2017. On 31 December 2016, pursuant to the Supplemental Agreement, Top Champ's right to require the Group to repurchase the Subscribed Shares held by it if the listing of the Company does not take place by 30 June 2017 was removed.

Capital management

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

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

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

As at the end of each of the Relevant Periods, the Group's cash and bank balances exceeded the financial liabilities. As such, no gearing ratio as at the end of each of the Relevant Periods was presented.

36. EVENTS AFTER THE RELEVANT PERIODS

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

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2016.

III. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF SHUI ON (KWAI SHING E.) AND SHUI ON (SUN TIN WAI)

Pre-acquisition financial information of Shui On (Kwai Shing E.)

Pre-acquisition financial information of Shui On (Kwai Shing E.) for the period from 1 January 2015 to 23 August 2016 (the "**KSE Pre-acquisition Period**") has been prepared in accordance with the accounting policies as set out in note 2.1 below. This information is hereafter referred to as the "**Financial Information of Shui On (Kwai Shing E.)**".

Shui On (Kwai Shing E.), established in Hong Kong on 12 December 2006 as a limited liability company, was mainly engaged in the operation of an elderly care home.

1. FINANCIAL INFORMATION OF SHUI ON (KWAI SHING E.)

Statement of profit or loss and other comprehensive income

	Notes	**Year ended 31 December 2015** *HK$'000*	**Period ended 23 August 2016** *HK$'000*
REVENUE	2.2	32,807	21,611
Other income	2.2	2,008	1,440
Staff costs		(14,152)	(9,611)
Property rental and related expenses		(5,820)	(3,996)
Depreciation		(743)	(462)
Food		(1,086)	(719)
Medical fees		(1,522)	(740)
Professional and legal fees		(24)	–
Utility expenses		(870)	(579)
Consumables		(241)	(140)
Management fees		(120)	(77)
Other operating expenses		(1,013)	(702)
PROFIT BEFORE TAX	2.3	9,224	6,025
Income tax expense	2.4	(1,502)	(994)
PROFIT FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		7,722	5,031

Statement of financial position

	Notes	As at 31 December 2015 HK$'000	As at 23 August 2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	2.6	1,894	1,580
Deferred tax assets	2.7	221	258
Total non-current assets		2,115	1,838
CURRENT ASSETS			
Trade receivables	2.8	64	48
Prepayments, deposits and other receivables	2.9	1,394	1,530
Due from related companies	2.11	–	39
Cash and bank balances	2.10	2,317	6,128
Total current assets		3,775	7,745
CURRENT LIABILITIES			
Trade payables	2.12	248	331
Other payables and accruals	2.13	2,482	3,040
Due to a related company	2.11	33	23
Dividend payable		–	4,500
Tax payables		100	1,131
Total current liabilities		2,863	9,025
NET CURRENT ASSETS/(LIABILITIES)		912	(1,280)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,027	558
Net assets		3,027	558
EQUITY			
Share capital	2.14	3,760	3,760
Reserves		(733)	(3,202)
Total equity		3,027	558

Statement of changes in equity

	Share capital HK$'000	Retained profits/ (accumulated losses) HK$'000	Total equity HK$'000
At 1 January 2015	3,760	245	4,005
Profit and total comprehensive income for the year	–	7,722	7,722
Dividend declared	–	(8,700)	(8,700)
At 31 December 2015 and 1 January 2016	3,760	(733)	3,027
Profit and total comprehensive income for the period	–	5,031	5,031
Dividend declared	–	(7,500)	(7,500)
At 23 August 2016	3,760	(3,202)	558

Statement of cash flows

	Notes	Year ended 31 December 2015 HK$'000	Period ended 23 August 2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		9,224	6,025
Adjustments for:			
Depreciation	2.3	743	462
		9,967	6,487
Decrease in trade receivables		16	16
Decrease/(increase) in prepayments, deposits and other receivables		98	(136)
Increase in amounts due from related companies		–	(39)
Increase/(decrease) in trade payables		(40)	83
Increase/(decrease) in other payables and accruals		(80)	558
Decrease in an amount due to a related company		(9)	(10)
Cash generated from operations		9,952	6,959
Income tax paid		(1,872)	–
Net cash flows from operating activities		8,080	6,959
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(150)	(148)
Net cash flows used in investing activities		(150)	(148)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(8,700)	(3,000)
Net cash flows used in financing activities		(8,700)	(3,000)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(770)	3,811
Cash and cash equivalents at beginning of year/period		3,087	2,317
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		2,317	6,128

2. NOTES TO THE FINANCIAL INFORMATION OF SHUI ON (KWAI SHING E.)

2.1 PRINCIPAL ACCOUNTING POLICIES

The Financial Information of Shui On (Kwai Shing E.) has been prepared in accordance with the accounting policies set out in Section II, note 2.4 of this report.

2.2 REVENUE AND OTHER INCOME

Revenue represents the value of services rendered and the net invoiced value of goods sold during the KSE Pre-acquisition Period.

An analysis of revenue and other income is as follows:

	Year ended 31 December 2015	**Period ended 23 August 2016**
	HK$'000	***HK$'000***
Revenue		
Rendering of elderly home care services	29,393	19,278
Sales of elderly related goods and provision of healthcare services	3,414	2,333
	32,807	21,611
Other income		
Government grants	1,298	1,065
Sundry income	557	199
Rental income	88	85
Others	64	91
Bank interest income	1	–
	2,008	1,440

2.3 PROFIT BEFORE TAX

Shui On (Kwai Shing E.)'s profit before tax is arrived at after charging/(crediting):

	Year ended 31 December 2015	**Period ended 23 August 2016**
	HK$'000	***HK$'000***
Cost of inventories sold	1,754	1,122
Depreciation	743	462
Auditors' remuneration	23	–
Employee benefit expense:		
– Wages and salaries	13,589	9,206
– Pension scheme contributions	488	350
	14,077	9,556
Health care referral service charges*	109	123
Minimum lease payments under operating leases of land and buildings	5,820	3,996
Bank interest income**	(1)	–
Government grants**/#	(1,298)	(1,065)

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

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

\# Various government grants have been received for the welfare of the elderly residing in Shui On (Kwai Shing E.)'s elderly home care centres. There are no unfulfilled conditions or contingencies relating to these grants.

2.4 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the KSE Pre-acquisition Period.

	Year ended 31 December 2015	Period ended 23 August 2016
	HK$'000	*HK$'000*
Current tax	1,536	1,031
Deferred tax *(note 2.7)*	(34)	(37)
Total tax charge for the year/period	1,502	994

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which Shui On (Kwai Shing E.) is domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 December 2015	Period ended 23 August 2016
	HK$'000	*HK$'000*
Profit before tax	9,224	6,025
Tax charge at the Hong Kong statutory tax rate of 16.5%	1,522	994
Expenses not deductible for tax	–	12
Others	(20)	(12)
Total tax charge for the year/period	1,502	994

2.5 DIVIDENDS

The distribution amounts set out in the statement of changes in equity of HK$8,700,000 and HK$7,500,000 for the year ended 31 December 2015 and period ended 23 August 2016 represented the dividends declared by Shui On (Kwai Shing E.) to the then shareholders.

2.6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
31 December 2015			
At 1 January 2015:			
Cost	4,920	3,953	8,873
Accumulated depreciation	(2,967)	(3,419)	(6,386)
Net carrying amount	1,953	534	2,487
At 1 January 2015, net of accumulated depreciation	1,953	534	2,487
Additions	–	150	150
Depreciation provided during the year	(492)	(251)	(743)
At 31 December 2015, net of accumulated depreciation	1,461	433	1,894
At 31 December 2015:			
Cost	4,920	4,103	9,023
Accumulated depreciation	(3,459)	(3,670)	(7,129)
Net carrying amount	1,461	433	1,894

	Leasehold improvements	Furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
23 August 2016			
At 1 January 2016:			
Cost	4,920	4,103	9,023
Accumulated depreciation	(3,459)	(3,670)	(7,129)
Net carrying amount	1,461	433	1,894
At 1 January 2016, net of accumulated depreciation	1,461	433	1,894
Additions	–	148	148
Depreciation provided during the period	(317)	(145)	(462)
At 23 August 2016, net of accumulated depreciation	1,144	436	1,580
At 23 August 2016:			
Cost	4,920	4,251	9,171
Accumulated depreciation	(3,776)	(3,815)	(7,591)
Net carrying amount	1,144	436	1,580

As at 31 December 2015 and 23 August 2016, there were no pledged property, plant and equipment.

2.7 DEFERRED TAX

The movements in deferred tax assets during the KSE Pre-acquisition Period are as follows:

Deferred tax assets

	Depreciation in excess of related depreciation allowance
	HK$'000
At 1 January 2015	187
Deferred tax credited to profit or loss during the year	34
At 31 December 2015 and 1 January 2016	221
Deferred tax credited to profit or loss during the period	37
At 23 August 2016	258

2.8 TRADE RECEIVABLES

	As at 31 December 2015	As at 23 August 2016
	HK$'000	*HK$'000*
Trade receivables	64	48

Shui On (Kwai Shing E.) normally requires with its customers payment in advance. Shui On (Kwai Shing E.)'s customers settle their bills timely and therefore, its exposure to credit risks is insignificant.

The ageing of trade receivables as at 31 December 2015 and 23 August 2016, based on the date of the service rendered, had maturity of less than three months and no impairment loss was recognised.

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

2.9 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2015	As at 23 August 2016
	HK$'000	*HK$'000*
Prepayments	39	84
Deposits	1,338	1,341
Other receivables	17	105
	1,394	1,530

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

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

2.10 CASH AND BANK BALANCES

	As at 31 December 2015	As at 23 August 2016
	HK$'000	*HK$'000*
Cash and bank balances	2,317	6,128

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

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

2.11 BALANCES WITH RELATED PARTIES

		As at 1 January 2015	Maximum amount outstanding during the prior year	As at 31 December 2015	Maximum amount outstanding during the period	As at 23 August 2016
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from related companies:						
Guardian Home Limited	*(i)*	–	2	–	34	34
Roymark Limited	*(i)*	5	5	–	10	5
		5	7	–	44	39

		As at 31 December 2015	As at 23 August 2016
	Note	*HK$'000*	*HK$'000*
Amount due to a related company:			
Yu Fat Hong	*(ii)*	33	23

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

Notes:

(i) Guardian Home Limited holds more than 10% equity interest of Shui On (Kwai Shing E.) and is a related company. Roymark Limited is a related company of which one of Shui On (Kwai Shing E.)'s directors has significant influence. The balances due from the related companies are trade in nature, unsecured, interest-free and repayable on demand.

(ii) Yu Fat Hong is a related company of which one of Shui On (Kwai Shing E.)'s directors has significant influence. The balance due to the related company is trade in nature, unsecured, interest-free and repayable on demand.

2.12 TRADE PAYABLES

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

	As at 31 December 2015	As at 23 August 2016
	HK$'000	*HK$'000*
Within 3 months	248	331

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

2.13 OTHER PAYABLES AND ACCRUALS

	As at 31 December 2015	As at 23 August 2016
	HK$'000	*HK$'000*
Customer deposits	1,236	1,287
Accruals	1,141	900
Other payables	23	–
Receipt in advance	82	853
	2,482	3,040

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

2.14 SHARE CAPITAL

Shui On (Kwai Shing E.) is a limited liability company incorporated in Hong Kong on 12 December 2006. During the KSE Pre-acquisition Period, the issued share capital of Shui On (Kwai Shing E.) was HK$3,760,000 divided into 15,000 shares. There was no movement in share capital during the KSE Pre-acquisition Period.

	As at 31 December 2015	As at 23 August 2016
	HK$'000	*HK$'000*
Issued and fully paid:		
15,000 ordinary shares	3,760	3,760

2.15 RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Financial Information of Shui On (Kwai Shing E.), Shui On (Kwai Shing E.) had the following transactions with related parties during the KSE Pre-acquisition Period:

	Notes	Year ended 31 December 2015	Period ended 23 August 2016
		HK$'000	*HK$'000*
Service income from:	*(i)*		
Shui On (Hing Wah)*		27	18
Shui Hing*		29	17
Shui On (Shun On)*		38	25
Roymark Limited		60	40
Guardian Home Limited		59	88
		213	188
Management fee to:			
Shui On Holdings (HK)*	*(i)*	120	80
Purchases from a related company:			
Yu Fat Hong	*(ii)*	410	223

* The above companies are related companies of which one of Shui On (Kwai Shing E.)'s directors, or the director's relative, has significant influence.

Notes:

(i) The service income received from and management fee paid to related companies were charged/paid based on terms mutually agreed by both parties.

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

(b) Compensation of key management personnel of Shui On (Kwai Shing E.):

	Year ended 31 December 2015	Period ended 23 August 2016
	HK$'000	*HK$'000*
Short term employee benefits	667	359
Post-employment benefits	18	12
Total compensation paid to key management personnel	685	371

2.16 OPERATING LEASE ARRANGEMENTS

Shui On (Kwai Shing E.) leases its residential care home under operating lease arrangements, with leases negotiated for terms ranging from two to three years.

At the end of the KSE Pre-acquisition Period, Shui On (Kwai Shing E.) had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December 2015	As at 23 August 2016
	HK$'000	*HK$'000*
Within one year	6,017	6,086
In the second to fifth years, inclusive	13,544	9,510
	19,561	15,596

2.17 CONTINGENT LIABILITIES

Shui On (Kwai Shing E.) had no significant contingent liabilities at the end of the KSE Pre-acquisition Period.

2.18 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the KSE Pre-acquisition Period are as follows:

Financial assets

	Loans and receivables	
	As at 31 December 2015	As at 23 August 2016
	HK$'000	*HK$'000*
Trade receivables	64	48
Financial assets included in prepayments, deposits and other receivables	1,355	1,446
Due from related companies	–	39
Cash and bank balances	2,317	6,128
	3,736	7,661

Financial liabilities

	Financial liabilities at amortised costs	
	As at 31 December 2015	As at 23 August 2016
	HK$'000	*HK$'000*
Trade payables	248	331
Due to a related party	33	23
Dividend payable	–	4,500
Financial liabilities included in other payables and accruals	2,400	2,187
	2,681	7,041

2.19 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at the end of each of the KSE Pre-acquisition Period, the fair values of Shui On (Kwai Shing E.)'s financial assets or financial liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and bank balances, trade receivables, amounts due from related companies, financial assets included in prepayments, deposits and other receivables, trade payables, dividend payable and the financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

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

Fair value hierarchy

Shui On (Kwai Shing E.) did not have any financial assets or financial liabilities measured at fair value as at the end of each of the KSE Pre-acquisition Period.

During the KSE Pre-acquisition Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

2.20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Shui On (Kwai Shing E.)'s principal financial instruments comprise cash and bank balances. The main purpose of these financial instruments is to raise finance for Shui On (Kwai Shing E.)'s operations. Shui On (Kwai Shing E.) has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been during the KSE Pre-acquisition Period, Shui On (Kwai Shing E.)'s policy that no trading in financial instruments should be undertaken.

The main risks arising from Shui On (Kwai Shing E.)'s financial instruments are credit risk and liquidity risk. The directors of Shui On (Kwai Shing E.) reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Shui On (Kwai Shing E.)'s trading terms with its customers are mainly payment in advance. In addition, receivable balances are monitored on an ongoing basis and Shui On (Kwai Shing E.)'s exposure to bad debts is not significant.

The credit risk of Shui On (Kwai Shing E.)'s other financial assets, which comprise cash and bank balances, amounts due from related companies, financial assets included in prepayments, deposits and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The maturity profile of Shui On (Kwai Shing E.)'s financial liabilities as at the end of each of the KSE Pre-acquisition Period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2015

	On demand	Less than 3 months	3 to 12 months	1 to 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	248	–	–	–	248
Due to a related party	33	–	–	–	33
Financial liabilities included in other payables and accruals	2,400	–	–	–	2,400
	2,681	–	–	–	2,681

At 23 August 2016

	On demand	Less than 3 months	3 to 12 months	1 to 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	331	–	–	–	331
Due to a related party	23	–	–	–	23
Dividend payable	4,500	–	–	–	4,500
Financial liabilities included in other payables and accruals	2,187	–	–	–	2,187
	7,041	–	–	–	7,041

Capital management

The primary objectives of Shui On (Kwai Shing E.)'s capital management are to safeguard Shui On (Kwai Shing E.)'s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

Shui On (Kwai Shing E.) manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, Shui On (Kwai Shing E.) may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change was made in the objectives, policies or processes for managing capital during the KSE Pre-acquisition Period.

Shui On (Kwai Shing E.) monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes trade payables, other payables and accruals and dividend payable, less cash and bank balances. Capital represents total equity.

The gearing ratio as at the end of the KSE Pre-acquisition Period was as follows:

	As at 31 December 2015	As at 23 August 2016
	HK$'000	*HK$'000*
Trade payables	248	331
Due to a related company	33	23
Other payables and accruals	2,482	3,040
Dividend payable	–	4,500
Less: Cash and bank balances	(2,317)	(6,128)
Net debt	446	1,766
Total equity	3,027	558
Capital and net debt	3,473	2,324
Gearing ratio	13%	76%

Pre-acquisition financial information of Shui On (Sun Tin Wai)

Pre-acquisition financial information of Shui On (Sun Tin Wai) for the period from 1 January 2015 to 15 August 2016 (the "**STW Pre-acquisition Period**") has been prepared in accordance with the accounting policies as set out in note 4.1 below. This information is hereafter referred to as the "Financial Information of Shui On (Sun Tin Wai)".

Shui On (Sun Tin Wai), established in Hong Kong on 2 November 2006 as a limited liability company, was mainly engaged in the operation of an elderly care home.

3. FINANCIAL INFORMATION OF SHUI ON (SUN TIN WAI)

Statement of profit or loss and other comprehensive income

	Notes	Year ended 31 December 2015	Period ended 15 August 2016
		HK$'000	*HK$'000*
REVENUE	4.2	10,493	7,114
Other income	4.2	66	9
Staff costs		(4,393)	(2,722)
Property rental and related expenses		(1,229)	(792)
Depreciation		(105)	(71)
Food		(421)	(258)
Medical fees		(809)	(323)
Professional and legal fees		(29)	–
Utility expenses		(386)	(226)
Consumables		(100)	(21)
Management fees		(1,800)	(1,497)
Other operating expenses		(458)	(422)
PROFIT BEFORE TAX	4.3	829	791
Income tax expense	4.4	(117)	(127)
PROFIT FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		712	664

Statement of financial position

	Notes	As at 31 December 2015	As at 15 August 2016
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*4.6*	238	172
Deferred tax assets	*4.7*	209	206
Total non-current assets		447	378
CURRENT ASSETS			
Trade receivables	*4.8*	31	3
Prepayments and deposits	*4.9*	316	325
Tax recoverable		–	11
Cash and bank balances	*4.10*	886	1,004
Total current assets		1,233	1,343
CURRENT LIABILITIES			
Other payables and accruals	*4.11*	1,542	1,668
Tax payable		49	–
Total current liabilities		1,591	1,668
NET CURRENT LIABILITIES		(358)	(325)
TOTAL ASSETS LESS CURRENT LIABILITIES		89	53
Net assets		89	53
EQUITY			
Share capital	*4.12*	15	15
Reserves		74	38
Total equity		89	53

Statement of changes in equity

	Share capital	Retained profits	Total equity
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2015	15	1,309	1,324
Profit and total comprehensive income for the year	–	712	712
Dividend declared	–	(1,947)	(1,947)
At 31 December 2015 and 1 January 2016	15	74	89
Profit and total comprehensive income for the period	–	664	664
Dividend declared	–	(700)	(700)
At 15 August 2016	15	38	53

Statement of cash flows

	Note	Year ended 31 December 2015	Period ended 15 August 2016
		HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		829	791
Adjustment for:			
Depreciation	*4.3*	105	71
		934	862
Decrease/(increase) in trade receivables		(31)	28
Increase in prepayments and deposits		(2)	(9)
Decrease in an amount due from a shareholder		1,569	–
Increase/(decrease) in other payables and accruals		(74)	126
Cash generated from operations		2,396	1,007
Income tax paid		(99)	(184)
Net cash flows from operating activities		2,297	823
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(167)	(5)
Net cash flows used in investing activities		(167)	(5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		5	–
Dividends paid		(1,947)	(700)
Net cash flows used in financing activities		(1,942)	(700)
NET INCREASE IN CASH AND CASH EQUIVALENTS		188	118
Cash and cash equivalents at beginning of year/period		698	886
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		886	1,004

4. NOTES TO THE FINANCIAL INFORMATION OF SHUI ON (SUN TIN WAI)

4.1 PRINCIPAL ACCOUNTING POLICIES

The Financial Information of Shui On (Sun Tin Wai) has been prepared in accordance with the accounting policies set out in Section II, note 2.4 of this report.

4.2 REVENUE AND OTHER INCOME

Revenue represents the value of services rendered and the net invoiced value of goods sold during the STW Pre-acquisition Period.

An analysis of revenue and other income is as follows:

	Year ended 31 December 2015	Period ended 15 August 2016
	HK$'000	*HK$'000*
Revenue		
Rendering of elderly home care services	7,915	5,150
Sales of elderly related goods and provision of healthcare services	2,578	1,964
	10,493	7,114
Other income		
Sundry income	–	9
Others	66	–
	66	9

4.3 PROFIT BEFORE TAX

Shui On (Sun Tin Wai)'s profit before tax is arrived at after charging:

	Year ended 31 December 2015	Period ended 15 August 2016
	HK$'000	*HK$'000*
Cost of inventories sold	1,330	602
Depreciation	105	71
Auditors' remuneration	26	–
Employee benefit expense:		
– Wages and salaries	4,245	2,610
– Pension scheme contributions	143	96
	4,388	2,706
Health care referral service charges*	–	22
Minimum lease payments under operating leases of land and buildings	1,229	792

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

4.4 INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the STW Pre-acquisition Period.

	Year ended 31 December 2015	Period ended 15 August 2016
	HK$'000	*HK$'000*
Current tax	93	124
Deferred tax *(note 4.7)*	24	3
Total tax charge for the year/period	117	127

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which Shui On (Sun Tin Wai) are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended 31 December 2015	Period ended 15 August 2016
	HK$'000	*HK$'000*
Profit before tax	829	791
Tax charge at the Hong Kong statutory tax rate of 16.5%	137	131
Expenses not deductible for tax	–	8
Others	(20)	(12)
Total tax charge for the year/period	117	127

4.5 DIVIDENDS

The distribution amounts set out in the statement of changes in equity of HK$1,947,000 and HK$700,000 for the year ended 31 December 2015 and period ended 15 August 2016 represented the dividends declared by Shui On (Sun Tin Wai) to the then shareholders.

4.6 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
31 December 2015			
At 1 January 2015:			
Cost	2,292	1,186	3,478
Accumulated depreciation	(2,163)	(1,139)	(3,302)
Net carrying amount	129	47	176
At 1 January 2015, net of accumulated depreciation	129	47	176
Additions	–	167	167
Depreciation provided during the year	(57)	(48)	(105)
At 31 December 2015, net of accumulated depreciation	72	166	238
At 31 December 2015:			
Cost	2,292	1,353	3,645
Accumulated depreciation	(2,220)	(1,187)	(3,407)
Net carrying amount	72	166	238

	Leasehold improvements	Furniture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
15 August 2016			
At 1 January 2016:			
Cost	2,292	1,353	3,645
Accumulated depreciation	(2,220)	(1,187)	(3,407)
Net carrying amount	72	166	238
At 1 January 2016, net of accumulated depreciation	72	166	238
Additions	–	5	5
Depreciation provided during the period	(36)	(35)	(71)
At 15 August 2016, net of accumulated depreciation	36	136	172
At 15 August 2016:			
Cost	2,292	1,358	3,650
Accumulated depreciation	(2,256)	(1,222)	(3,478)
Net carrying amount	36	136	172

As at 31 December 2015 and 15 August 2016, there were no pledged property, plant and equipment.

4.7 DEFERRED TAX

The movements in deferred tax assets during the STW Pre-acquisition Period are as follows:

Deferred tax assets

	Depreciation in excess of related depreciation allowance
	HK$'000
At 1 January 2015	233
Deferred tax charged to profit or loss during the year	(24)
At 31 December 2015 and 1 January 2016	209
Deferred tax charged to profit or loss during the period	(3)
At 15 August 2016	206

4.8 TRADE RECEIVABLES

	As at 31 December 2015	As at 15 August 2016
	HK$'000	*HK$'000*
Trade receivables	31	3

Shui On (Sun Tin Wai) normally requires with its customers payment in advance. Shui On (Sun Tin Wai)'s customers settle their bills timely and therefore, its exposure to credit risks is insignificant.

The ageing of trade receivables as at 31 December 2015 and 15 August 2016, based on the date of the service rendered, had maturity of less than three months and no impairment loss was recognised.

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

4.9 PREPAYMENTS AND DEPOSITS

	As at 31 December 2015	As at 15 August 2016
	HK$'000	HK$'000
Prepayments	28	21
Deposits	288	304
	316	325

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

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

4.10 CASH AND BANK BALANCES

	As at 31 December 2015	As at 15 August 2016
	HK$'000	HK$'000
Cash and bank balances	886	1,004

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

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

4.11 OTHER PAYABLES AND ACCRUALS

	As at 31 December 2015	As at 15 August 2016
	HK$'000	HK$'000
Customer deposits	775	823
Accruals	364	242
Other payables	286	204
Receipt in advance	117	399
	1,542	1,668

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

4.12 SHARE CAPITAL

Shui On (Sun Tin Wai) is a limited liability company incorporated in Hong Kong on 2 November 2006. As at 31 December 2015 and 15 August 2016, the issued share capital of Shui On (Sun Tin Wai) was HK$15,000 divided into 15,000 shares. There was no movement in share capital during the STW Pre-acquisition Period.

	As at 31 December 2015	As at 15 August 2016
	HK$'000	HK$'000
Issued and fully paid:		
15,000 ordinary shares	15	15

4.13 RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Financial Information of Shui On (Sun Tin Wai), Shui On (Sun Tin Wai) had the following transactions with related parties during the STW Pre-acquisition Period:

	Notes	Year ended 31 December 2015	Period ended 15 August 2016
		HK$'000	*HK$'000*
Management fee paid to the ultimate holding company:			
Jumbo Sino	*(i)*	1,800	1,600
Purchases from a related company:			
Yu Fat Hong*	*(ii)*	103	–

* The company is a related company of which one of Shui On (Sun Tin Wai)'s directors has significant influence from 15 January 2015 to 5 May 2015.

Notes:

(i) The management fee paid to the ultimate holding company was paid based on terms mutually agreed by both parties.

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

(b) Compensation of key management personnel of Shui On (Sun Tin Wai):

	Year ended 31 December 2015	Period ended 15 August 2016
	HK$'000	*HK$'000*
Short term employee benefits	464	223
Post-employment benefits	16	10
Total compensation paid to key management personnel	480	233

4.14 OPERATING LEASE ARRANGEMENTS

Shui On (Sun Tin Wai) leases its residential care home under operating lease arrangements, with leases negotiated for terms ranging from two to three years.

At the end of each of the STW Pre-acquisition Period, Shui On (Sun Tin Wai) had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December 2015	As at 15 August 2016
	HK$'000	*HK$'000*
Within one year	2,880	1,517
In the second to fifth years, inclusive	4,320	4,171
	7,200	5,688

4.15 CONTINGENT LIABILITIES

Shui On (Sun Tin Wai) had no significant contingent liabilities at the end of each of the STW Pre-acquisition Period.

4.16 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the STW Pre-acquisition Period are as follows:

Financial assets

	Loans and receivables	
	As at 31 December 2015	**As at 15 August 2016**
	HK$'000	***HK$'000***
Trade receivables	31	3
Financial assets included in prepayments, deposits and other receivables	288	304
Cash and bank balances	886	1,004
	1,205	1,311

Financial liabilities

	Financial liabilities at amortised costs	
	As at 31 December 2015	**As at 15 August 2016**
	HK$'000	***HK$'000***
Financial liabilities included in other payables and accruals	1,425	1,269

4.17 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at the end of the STW Pre-acquisition Period, the fair values of Shui On (Sun Tin Wai)'s financial assets or financial liabilities approximated to their respective carrying amounts.

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

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

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

Fair value hierarchy

Shui On (Sun Tin Wai) did not have any financial assets or financial liabilities measured at fair value as at the end of each of the STW Pre-acquisition Period.

During the STW Pre-acquisition Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

4.18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Shui On (Sun Tin Wai)'s principal financial instruments comprise cash and bank balances. The main purpose of these financial instruments is to raise finance for Shui On (Sun Tin Wai)'s operations. Shui On (Sun Tin Wai) has various other financial assets and liabilities such as trade receivables and other payables and accruals, which arise directly from its operations.

It is, and has been during the STW Pre-acquisition Period, Shui On (Sun Tin Wai)'s policy that no trading in financial instruments should be undertaken.

The main risks arising from Shui On (Sun Tin Wai)'s financial instruments are credit risk and liquidity risk. The directors of Shui On (Sun Tin Wai) review and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Shui On (Sun Tin Wai)'s trading terms with its customers are mainly payment in advance. In addition, receivable balances are monitored on an ongoing basis and Shui On (Sun Tin Wai)'s exposure to bad debts is not significant.

The credit risk of Shui On (Sun Tin Wai)'s other financial assets, which comprise cash and bank balances, and financial assets included in prepayments, deposits and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The maturity profile of Shui On (Sun Tin Wai)'s financial liabilities as at the end of each of the STW Pre-acquisition Period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2015

	On demand	Less than 3 months	3 to 12 months	1 to 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and accruals	1,425	–	–	–	1,425

At 15 August 2016

	On demand	Less than 3 months	3 to 12 months	1 to 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in other payables and accruals	1,269	–	–	–	1,269

Capital management

The primary objectives of Shui On (Sun Tin Wai)'s capital management are to safeguard Shui On (Sun Tin Wai)'s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

Shui On (Sun Tin Wai) manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, Shui On (Sun Tin Wai) may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change was made in the objectives, policies or processes for managing capital during the STW Pre-acquisition Period.

Shui On (Sun Tin Wai) monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes other payables and accruals, less cash and bank balances. Capital represents total equity.

The gearing ratio as at the end of the STW Pre-acquisition Period was as follows:

	As at 31 December 2015	As at 15 August 2016
	HK$'000	*HK$'000*
Other payables and accruals	1,542	1,668
Less: Cash and bank balances	(886)	(1,004)
Net debt	656	664
Total equity	89	53
Capital and net debt.	745	717
Gearing ratio.	88%	93%

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, our Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS OF OUR GROUP

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of our Group which has been prepared for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 December 2016. It is based on the consolidated net tangible assets of our Group attributable to owners of the parent as at 31 December 2016 as shown in the Accountants' Report of our Group, the text of which is set forth in Appendix I to this prospectus, and is adjusted as follows:

	Consolidated net tangible assets of our Group attributable to equity holders of our Company as at 31 December 2016	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets	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 minimum indicative Offer Price of HK$0.70 per share	20,435	52,476	72,911	0.18
Based on the maximum indicative Offer Price of HK$0.80 per share	20,435	62,175	82,610	0.21

Notes:

1 The consolidated net tangible assets of our Group attributable to equity holders of our Company as at 31 December 2016 was equal to the audited net assets attributable to equity holders of our Company as at 31 December 2016 of HK$71,023,000 after deduction of the intangible assets and goodwill of HK$50,588,000 as at 31 December 2016 set out in the Accountants' Report in Appendix I to this prospectus.

2 The estimated net proceeds from the Share Offer are based on the minimum and maximum indicative Offer Price of HK$0.70 and HK$0.80 respectively, after deduction of the underwriting fees and other related expenses payable by our Company and without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme.

3 The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to above and on the basis of 400,000,000 Shares (including the Shares in issue as at 31 December 2016 and the Shares to be issued under the Capitalisation Issue and the Share Offer) are in issue and that the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme are not exercised.

4 No adjustment has been made to the consolidated net tangible assets of the Group attributable to equity holders of our Company as at 31 December 2016 to reflect any trading results or other transactions for our Group entered into subsequent to 31 December 2016.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter received from our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

To the Directors of Hang Chi Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Hang Chi Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2016, and related notes as set out on page II-1 of the prospectus issued by the Company (the "**Prospectus**") (the "**Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Section A of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of placing and public offer of shares of the Company on the Group's financial position as at 31 December 2016 as if the transaction had taken place at 31 December 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2016, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

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 behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, 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 Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the 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 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 comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG7 issued by 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 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 Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of placing and public offer of shares of the Company on unadjusted financial information of the Group as if 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 transaction would have been as presented.

A reasonable assurance engagement to report on whether the 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 Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

28 June 2017

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 company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 February 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its 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 21 June 2017 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) sub divide 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. 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 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.

(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 installments. 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 Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board 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 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 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.

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 ex-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.

(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 held 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 authorized 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

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.

(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, 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 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 published daily and circulating generally in Hong Kong and 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;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(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 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 or 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. 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 COMPANY 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 company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company 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 section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(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 15 March 2016.

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) 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.

(q) 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.

(r) 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.

(s) 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).

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, is available for inspection as referred to in the paragraphs headed "Documents available for inspection" in Appendix V 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.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 16 February 2016. Our Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established our principal place of business in Hong Kong at Unit 301, Carpark Building, Shing Hei House, Kwai Shing East Estate, Kwai Chung, New Territories, Hong Kong and has been registered with the Companies Registry as a non-Hong Kong company on 16 May 2016 under Part 16 of the Companies Ordinance, with Mr. TC Yik appointed as the authorised representative of our Company for acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the relevant laws and regulations of the Cayman Islands, Companies Law and its constitution, which comprises its Memorandum and Articles. A summary of various provisions of the Memorandum and Articles and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

(a) Our Company was incorporated in the Cayman Islands on 16 February 2016 with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. As at the date of incorporation, one nil paid subscriber Share was allotted and issued to the subscriber, and was transferred to Mr. TC Yik on the same date.

(b) On 25 August 2016, pursuant to the Reorganisation Agreement, our Company acquired the entire issued share capital of Shui On (BVI) from Lucky Expert, Will Peace, Jumbo Sino and Top Champ. In consideration thereof, (i) the one nil paid subscriber Share that was previously transferred to Mr. TC Yik was credited as fully paid; and (ii) our Company allotted and issued, credited as fully paid 3,670 Shares to Shui Wah (as directed by Lucky Expert), 448 Shares to Shui Wah (as directed by Will Peace), 334 Shares to Jumbo Sino and 786 Shares to Top Champ, respectively.

(c) On 25 August 2016, the one fully paid subscriber Share was transferred from Mr. TC Yik to Shui Wah at the consideration of HK$1.

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

(e) Pursuant to the written resolutions of our Shareholders passed on 21 June 2017, the authorised share capital of our Company was increased from HK$380,000 to HK$10,000,000 by the creation of a further 962,000,000 Shares.

(f) Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK$4,000,000 divided into 400,000,000 Shares fully paid or credited as fully paid and 600,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, the Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(g) Save as aforesaid, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of our Shareholders passed on 21 June 2017

Pursuant to the written resolutions of our Shareholders passed on 21 June 2017:

(a) the Memorandum was approved and adopted with immediate effect and the Articles were approved and conditionally adopted with effect from the Listing Date;

(b) the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each by the creation of an additional 9,962,000,000 Shares;

(c) conditional on (i) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and Shares which fall to be allotted and issued upon the exercise of the Offer Size Adjustment Option and upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange); (ii) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements; and (iii) the Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date:

(1) the Share Offer and the Offer Size Adjustment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued of upon the exercise of the Offer Size Adjustment Option;

(2) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraphs headed "D. Share Option Scheme" below in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and

(3) conditional on the share premium account of our Company being credited as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, the issue and allotment of an additional 299,993,450 new Shares (such new Shares ranking *pari passu* in all respects with the then existing issued Shares), to be credited as fully paid up, to the following Shareholders whose names appeared on the register of members of our Company at the close of business on the day before the date of these resolutions (or as they may direct) in proportion as nearly as may be to their respective shareholding in our Company without involving fractions by way of capitalising the amount of HK$2,999,934.50 standing to the credit of the share premium account of our Company were approved:

Shareholder	**Number of Shares to be allotted and issued**
Shui Wah	248,694,570
Top Champ	35,999,214
Jumbo Sino	15,299,666
	299,993,450

and our Directors or committee of the Board were authorised to do or cause to be done all such things and to sign or amend all such documents as he/she may deem necessary or appropriate to give effect to the Capitalisation Issue;

(d) a general unconditional mandate (the "**Issue Mandate**") was given to our Directors to exercise all powers for and on behalf to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than (i) pursuant to a rights issue or (ii) pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or (iii) pursuant to the grant of options under the Share Option Scheme or other similar arrangement or (iv) pursuant to the Share Offer, the Capitalisation Issue or upon the exercise of the Offer Size Adjustment Option or (v) pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding 20% of the aggregate number of issued Shares of our Company immediately following completion of the Capitalisation Issue and Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or the exercise of any option which may be granted under the Share Option Scheme), such mandate to remain in effect until (i) the conclusion of the next annual general meeting of our Company; or (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or (iii) until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(e) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the aggregate number of issued Shares of our Company immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or the exercise of any option which may be granted under the Share Option Scheme), such mandate to remain in effect until (i) the conclusion of the next annual general meeting of our Company; or (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or (iii) until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

(f) the Issue Mandate was extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of issued Shares of our Company repurchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the total number of issued Shares of our Company immediately following completion of the Capitalisation Issue and the Share Offer.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. Please refer to the sections headed "History, Reorganisation and corporate structure" in this prospectus for further details.

5. Changes in share capital of subsidiaries of our Company

Our subsidiaries are set forth under the Accountants' Report as included in Appendix I to this prospectus. Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

Save as disclosed in the sections headed ''History, Reorganisation and corporate structure" and "Business — Acquisitions and disposals by our Group during the Track Record Period" in this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of our own securities

The following paragraphs include information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company our own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by special approval of a particular transaction. Our Company's sole listing will be on the Stock Exchange.

Pursuant to a resolution in writing passed by our Shareholders on 21 June 2017, 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 Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and 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 or any applicable laws to be held, or when revoked or varied by ordinary resolution of our Shareholders in general meeting, whichever shall first occur.

(ii) Source of funds

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Memorandum and Articles and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the laws of the Cayman Islands, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium accounts of our Company, or if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Trading restrictions

A company is authorised to repurchase on the GEM or on any other stock exchange recognised by the SFC in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate number of the Shares in issue of that Company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on the GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on the GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the GEM.

(iv) Status of repurchased securities

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled upon the repurchase and the relevant certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, a company's repurchased shares if not held by the company as treasury shares, may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

A listed company shall not make any repurchase of securities at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances and provided that a waiver on all or any of the restrictions under the GEM Listing Rules has been granted by the Stock Exchange. In addition, the Stock Exchange may prohibit repurchases of securities on the GEM if a company has breached the GEM Listing Rules.

(vi) Reporting requirements

Repurchases of securities on the GEM or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following trading day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Core connected persons

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a core connected person (as defined in the GEM Listing Rules) and a core connected person shall not knowingly sell his/her/its shares to the company.

(b) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after Listing, could accordingly result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(c) Reasons for repurchases

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(d) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Memorandum and Articles and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group 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 the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

To the best of our Directors' knowledge having made all reasonable enquiries, none of our Directors or 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 GEM Listing Rules, our Memorandum and Articles and the applicable laws of the Cayman Islands.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, 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. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company and become(s) 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 consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

(a) the Subscription Agreement;

(b) the Supplemental Deed;

(c) the sale and purchase agreement dated 23 June 2016 entered into between Shui On Holdings (HK) and Ms. Woo, pursuant to which Shui On Holdings (HK) agreed to dispose of its 7,600 shares in Wan Tsui to Ms. Woo or a company nominated by her at a consideration of HK$2,280,000;

(d) the sale and purchase agreement dated 15 August 2016 entered into between Jumbo Sino, Shui On Holdings (HK), Ms. Wu, Mr. Hui and Mr. Chui, pursuant to which Shui On Holdings (HK) agreed to acquire 15,000 shares in Shui On (Sun Tin Wai) from Jumbo Sino at a consideration of HK$12,300,000;

(e) the sale and purchase agreement dated 18 August 2016 entered into between Shui On Holdings (HK) and Chan's Investment, pursuant to which Shui On Holdings (HK) acquired 2,400 shares in Shui On (Hing Wah) from Chan's Investment at a consideration of approximately HK$1,813,000;

(f) the Reorganisation Agreement;

(g) the Acting In Concert Agreement;

(h) the sale and purchase agreement dated 31 August 2016 entered into between our Company, Shui On Holdings (HK) and Mr. TC Yik, pursuant to which our Company, through Shui On Holdings (HK), acquired 10,000 shares in Shui On (Kwai Shing E.) from Mr. TC Yik at a consideration of approximately HK$38,333,000, which was satisfied by the issue and allotment of 1,311 Shares by our Company, credited as fully paid, to Shui Wah (as directed by Mr. TC Yik);

(i) the Cornerstone Investment Agreement;

(j) the Deed of Indemnity;

(k) the Deed of Non-competition; and

(l) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks which are material to our business:

Trademark	Place of registration	Registration number	Name of registrant	Class	Expiry date
	HK	2001B07824	Shui On Holdings (HK)	42	11 November 2026
	HK	302711745	Shui On Holdings (HK)	44	20 August 2023
瑞安	HK	303965202	Shui On Holdings (HK)	43, 44	15 November 2026
SHUI ON	HK	303965211	Shui On Holdings (HK)	43, 44	15 November 2026
瑞興	HK	303965220	Shui On Holdings (HK)	43, 44	15 November 2026
SHUI HING	HK	303965239	Shui On Holdings (HK)	43, 44	15 November 2026

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Name of registrant	Registration date	Expiry date
shuionnc.com*(Note)*	Shui On Holdings (HK)	27 December 2002	27 December 2022

Note: Information contained in the website does not form part of this prospectus.

Save as disclosed herein, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are or may be material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF

1. Directors

(a) Disclosure of interests of Directors

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer without taking into account the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the options 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 and debentures of our Company or any associated corporation (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 in which they are taken or deemed to have taken under such provisions), 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 be notified to our Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules, will be as follows:

(i) Long position in Shares

Name of Director	Capacity and nature of interests	Number of ordinary Shares held	Percentage of issued share capital (%)
Mr. TC Yik	Interest in a controlled corporation *(Note)*	248,700,000	62.175

Note: Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme), our Company will be owned as to 62.175% by Shui Wah. Shui Wah is owned as to 89.11% by Lucky Expert, which is in turn owned as to 59.88% by Hang Chi. Mr. TC Yik indirectly owns the entire issued share capital of Hang Chi through Multifield. Under the SFO, (i) Mr. TC Yik is deemed to be interested in the same number of shares in Lucky Expert held by Hang Chi and the same number of shares in Shui Wah held by Lucky Expert; and (ii) Multifield, Hang Chi, Lucky Expert and Shui Wah are associated corporations of our Company.

(ii) Long position in the ordinary shares of associated corporation

Name of Directors	Name of associated corporation	Capacity/nature of interests	Number of shares held	Approximate percentage of issued share capital (%)
Mr. TC Yik	Multifield	Beneficial owner *(Note)*	1	100.00
	Hang Chi	Interest in a controlled corporation *(Note)*	20,000	100.00
	Lucky Expert	Interest in a controlled corporation *(Note)*	5,988	59.88
	Shui Wah	Interest in a controlled corporation *(Note)*	8,911	89.11
Mr. Chung	Lucky Expert	Beneficial owner	493	4.93
Ms. Chung	Lucky Expert	Beneficial owner	602	6.02

Note: Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme), our Company will be owned as to 62.175% by Shui Wah. Shui Wah is owned as to 89.11% by Lucky Expert, which is in turn owned as to 59.88% by Hang Chi. Mr. TC Yik indirectly owns the entire issued share capital of Hang Chi through Multifield. Under the SFO, (i) Mr. TC Yik is deemed to be interested in the same number of shares in Lucky Expert held by Hang Chi and the same number of shares in Shui Wah held by Lucky Expert; and (ii) Multifield, Hang Chi, Lucky Expert and Shui Wah are associated corporations of our Company.

(b) Particulars of service contracts

Executive Directors

Each of Mr. TC Yik, Mr. Chung and Ms. Chung, being all our executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter.

Commencing from the Listing Date, each of our executive Directors is entitled to an initial annual salary set out below, such salary to be reviewed annually by our Board and the Remuneration Committee. In addition, each of our executive Directors is entitled to such discretionary management bonus by reference to the consolidated net profits of our Group after taxation as our Board and the Remuneration Committee may approve, provided that our relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, management bonus and other benefits payable to him/her. The current basic annual salary of our executive Directors are as follows:

Name	Amount
	(HK$)
Mr. TC Yik	960,000
Mr. Chung	696,000
Ms. Chung	696,000

Non-executive Director

Mr. Lau Joseph Wan Pui, being our non-executive Director, has entered into a letter of appointment with our Company. The letter of appointment takes effect from 7 February 2017, and shall continue for an initial fixed term of three years from the Listing Date, and provided that either party can at any time terminate the appointment by giving the other party not less than three months' prior notice in writing. Commencing from the Listing Date, Mr. Lau Joseph Wan Pui is entitled to an annual director's fee of HK$180,000.

Independent non-executive Directors

Each of Mr. Wong Wai Ho, Mr. Lau Tai Chim and Mr. Kwok Chi Shing, being all our independent non-executive Directors, has entered into a letter of appointment with our Company. Each letter of appointment takes effect from the date of the letter of appointment, and shall continue for an initial fixed term of three years from the Listing Date, and provided that either party can at any time terminate the appointment by giving to the other party not less than three months' prior notice in writing. Commencing from the Listing Date, each independent non-executive Director is entitled to an annual director's fee of HK$180,000.

Save as disclosed above, none of our Directors has or is proposed to enter into a service contract/letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

Our Company's policies concerning remuneration of executive Directors are as follows:

(i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;

(ii) non-cash benefits may be provided to our Directors under their remuneration package; and

(iii) our executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of the remuneration package.

The aggregate of the remuneration (including salaries and allowance) paid and benefits in kind granted by our Group to our Directors for the two years ended 31 December 2016 was approximately HK$966,000 and HK$1,225,000, respectively. Further information in respect of our Directors' remuneration is mentioned in note 8 to the Accountants' Report as set out in Appendix I to this prospectus.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be taken up under the Share Offer or any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any option which may be granted under the Share Option Scheme, the following persons or entities (not being our Directors or chief executive of our Company) will have an interest or a short position in the Shares or the 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, directly or indirectly, to 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 members of our Group:

Name of Shareholder	Capacity / Nature of interest	Number of ordinary Shares	Percentage of shareholding (%)
Multifield	Interest in a controlled corporation *(Note 1)*	248,700,000	62.175
Hang Chi	Interest in a controlled corporation *(Note 1)*	248,700,000	62.175
Lucky Expert	Interest in a controlled corporation *(Note 1)*	248,700,000	62.175
Shui Wah	Beneficial Owner *(Note 1)*	248,700,000	62.175
Ms. WH Yik	Interest held jointly with another person *(Note 2)*	248,700,000	62.175
Ms. Chung Shuk Man	Interest of spouse *(Note 3)*	248,700,000	62.175

Notes:

(1) Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme), our Company will be owned as to 62.175% by Shui Wah. Shui Wah is owned as to 89.11% by Lucky Expert, which is in turn owned as to 59.88% by Hang Chi. Mr. TC Yik indirectly owns the entire issued share capital of Hang Chi through Multifield. Under the SFO, each of Mr. TC Yik, Multifield, Hang Chi and Lucky Expert is deemed to be interested in all the Shares which are beneficially owned by Shui Wah.

(2) On 13 December 2016, Mr. TC Yik, Multifield, Hang Chi and Ms. WH Yik entered into the Acting In Concert Agreement to acknowledge and confirm, among other things, that they are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in respect of each of the members of our Group from the date of which both Mr. TC Yik and Ms. WH Yik became the shareholders of Shui On Holdings (HK) (ie 31 July 2013) and will continue to be parties acting in concert until such arrangement is terminated in writing by them pursuant to the Acting In Concert Agreement. Details of the Acting In Concert Agreement are set out in the paragraphs headed "History, Reorganisation and corporate structure — Parties acting in concert" in this prospectus. As such, they are deemed to be interested in the Shares held by the others. Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any option that may be granted under the Share Option Scheme), Mr. TC Yik, Multifield, Hang Chi and Ms. WH Yik will control 62.175% of our issued share capital.

(3) Ms. Chung Shuk Man is the spouse of Mr. TC Yik. Under the SFO, Ms. Chung Shuk Man is deemed to be interested in the same number of Shares in which Mr. TC Yik is interested.

3. Related party transactions

Our Group entered into the related party transactions during the Track Record Period as mentioned in note 32 to the Accountants' Report in Appendix I to this prospectus.

4. Agency fees or commission

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, 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.

5. Disclaimers

Save as disclosed in this Appendix and the section headed "Substantial shareholders" in this prospectus, as at the Latest Practicable Date:

(a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which have been or may be granted under the Share Option Scheme, our Directors were not aware of any person who immediately following completion of the Capitalisation Issue and the Share Offer will have an interest or short position in the Shares and 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 is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;

(b) none of our Directors and chief executive of our Company had for the purposes of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning 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 Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;

(c) none of our Directors and the experts named in the paragraphs headed "Qualifications of experts" in this Appendix had any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group; and

(d) none of our Directors was 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.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our existing Shareholders on 21 June 2017.

For the purpose of this section, unless the context otherwise requires:

"Board"	means our board of Directors from time to time or a duly authorised committee thereof;
"Eligible Person"	means any full-time or part-time employee of our Company or any member of our Group, including any executive directors, non-executive directors and independent non-executive directors, suppliers, customers, agents, advisors and consultants of our Group who, in the sole opinion of our Board, will contribute or have contributed to our Group;
"Option"	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
"Option Period"	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant, which period may commence on a day on or after the date upon which the Option is accepted or deemed to be accepted in accordance with the Share Option Scheme but shall end in any event not later than 10 years from such date;
"Other Schemes"	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
"Participant"	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
"Shareholders"	means shareholders of our Company from time to time;
"Subsidiary"	means a company which is for the time being and from time to time a subsidiary (within the meaning of section 15 of the Companies Ordinance) of our Company, whether incorporated in Hong Kong or elsewhere; and
"Trading Day"	means a day on which trading of Shares take place on the Stock Exchange.

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables our Company to grant Options to the Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Who may join

Our Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted.

(c) Grant of Option

Any grant of Options must not be made after inside information has come to our knowledge until such inside information has been announced in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and (b) the deadline for our Company to publish an announcement of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. Our Directors may not grant any Option to an Eligible Person who is our Director during the periods or times in which directors of the listed issuer are prohibited from dealing in shares pursuant to Rules 5.48 to 5.67 prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his/her/its close associates (or his/her/its associates if the participant is a connected person) abstaining from voting, our Company may make a further grant of Options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to the Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the GEM Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

(d) Price of Shares

The subscription price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share. For the purpose of calculating the subscription price, in the event that on the date of grant, our Company has been listed for less than five Trading Days, the Offer Price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) Maximum number of Shares

(i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that Option lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 400,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 40,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.

(ii) Subject to the approval of Shareholders in general meeting, our Company may refresh the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. In relation to the Shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to the Shareholders containing the information required by the GEM Listing Rules.

(iii) Subject to the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to its Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the GEM Listing Rules.

(iv) Notwithstanding the foregoing, our Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of the Shares in issue from time to time.

(f) Time of exercise of 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 Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the administration of our Board whose decision as to all matters arising from or in relation to the Share Option Scheme as its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties to the Share Option Scheme.

(g) Rights are personal to grantee

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

(h) Rights on death

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options in full (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares (without fractional entitlements) subject to the Options so far as unexercised, and/or the subscription price.

Except alterations made on a capitalisation issue, any alteration to the number of Shares which is the subject of the Option and the subscription price shall be conditional on the auditors of our Company or an independent financial adviser appointed by our Company confirming in writing to our Board that the alteration is made on the basis that the proportion of the issued share capital of our Company to which a Participant is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration. No such alteration shall be made to the effect of which would be to enable any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any Option in full being increased.

(j) Rights on take-over

If a general offer (whether by way of takeover offer, repurchase offer or scheme of arrangement or otherwise in like manner) has been made to all the Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his/her/its outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, "acting in concert" shall have the meaning ascribed to it under the Takeovers Code.

(k) Rights on a compromise or arrangement

(i) If an application is made to the court (otherwise than where our Company is being voluntarily wound up), pursuant to the Companies Law or the Companies Ordinance, in connection with a proposed compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our Shareholders (or any class of them), a Participant may by notice in writing to our Company, within a period of 21 days after the date of such application, exercise his/her/its outstanding Option in full extent or to the extent specified in such note. Upon the compromise or arrangement becoming effective, all Options shall lapse except insofar as exercised. Notice of the application referred to herein and the effect thereof shall be given by our Company to all Participants as soon as practicable.

(ii) In the event of a notice being given by our Company to our Shareholders to convene a general meeting for the purpose of approving a resolution to voluntarily wind up our Company when our Company is solvent, our Company shall on the day of such notice to each Shareholder or as soon as practicable, give notice thereof to all Participants. Thereupon each Participant shall be entitled to exercise all or any of his/her/its outstanding Options at any time no later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Participant credited as fully paid.

(l) Lapse of Option

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the Option as may be determined by the Board;

(ii) subject to paragraphs (f) and (p), the expiry of the Option Period of the Option;

(iii) the first anniversary of the death of the Participant;

(iv) the commencement of the winding up of the Company;

(v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;

(vi) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the expiry of a period of three months from the date of the Participant ceasing to be an employee or director of such member of our Group by reason of:

(1) his or her retirement on or after attaining normal retirement age or, with the express consent of the Board in writing for the purpose of this sub-paragraph, at a younger age;

(2) ill health or disability recognised as such expressly by our Board in writing for the purpose of this sub-paragraph;

(3) the company by which he or she is employed and/or of which he or she is a director (if not our Company) ceasing to be a subsidiary of our Company;

(4) expiry of his or her employment contract or vacation of his or her office with such member of our Group such contract or office is not immediately extended or renewed; or

(5) at the discretion of our Board, any reason other than death or the reasons described in sub-paragraph (v) or (vi) (1) to (4);

(vii) the expiry of any period referred to in paragraph (k) above, provided that in the case of paragraph (k)(i), all Options granted shall lapse upon the proposed compromise or arrangement becoming effective; and

(viii) the date the Participant commits any breach of the provisions of paragraph (g).

(m) Ranking of Shares

Shares allotted and issued upon the exercise of an Option will be subject to our Articles as amended from time to time and will rank pari passu in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date, of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue.

(n) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing. In the event that our Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(o) Period of Share Option Scheme

The Share Option Scheme will be valid and effective for a period of 10 years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(p) Alteration to and termination of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board, except that (i) any alteration to the advantage of the Participants or the Eligible Persons (as the case may be) relating to matters contained in Chapter 23 of the GEM Listing Rules; and (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of Options granted, except where the alterations take effect automatically under the existing terms of the Share Option Scheme, shall first be approved by the Shareholders in general meeting (with the Eligible Persons, the Participants and their respective close associates abstaining from voting) provided that if the proposed alteration shall adversely affect any Options granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the consent or sanction of the Participants in accordance with the terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to the Shareholders seeking approval for the first new scheme to be established after such termination.

(q) Granting of Options to a director, chief executive or Substantial Shareholder of our Company or any of their associates

Where Options are proposed to be granted to a director, chief executive or Substantial Shareholder of our Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a Substantial Shareholder or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK$5 million, then the proposed grant of Options must be approved by the Shareholders. The Participant, his/her/its associates and all core connected persons of our Company must abstain from voting at such general meeting. Our Company will send a circular to our Shareholders containing the information required under the GEM Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a Substantial Shareholder, an independent non-executive Director or their respective associates.

The circular must contain the following:

(i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;

(ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders, as to voting; and

(iii) all other information as required by the GEM Listing Rules. For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the GEM Listing Rules) set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or chief executive.

(r) Performance target

The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

(s) Conditions of Share Option Scheme

The Share Option Scheme is conditional on (i) the passing of the written resolution to adopt the Share Option Scheme by all our existing Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options.

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options granted under Share Option Scheme.

The terms of the Share Option Scheme are in compliance with Chapter 23 of the GEM Listing Rules.

E. OTHER INFORMATION

1. Tax and other indemnities

Some of our Controlling Shareholders, namely, Mr. TC Yik, Ms. WH Yik, Multifield, Hang Chi, Lucky Expert and Shui Wah, (collectively the "**Indemnifiers**") have entered into a deed of indemnity ("**Deed of Indemnity**") (being a material contract referred to in the paragraphs headed "Summary of material contracts" in this appendix) to provide the following indemnities in favour of our Company (for itself and as trustee for its subsidiaries).

Under the Deed of Indemnity, each of the Indemnifiers irrevocably, jointly and severally agrees, covenants and undertakes with our Company (for itself and as trustee for each member of our Group) that he/she/it will indemnify our Company (for itself and as trustee for each member of our Group) against, amongst others, the following:

(i) any liability to any form of taxation falling on any or all members of our Group resulting from or by reference to any income, profit or gains earned, accrued or received (or deemed to be so earned, accrued or received) or transactions, events, acts, omissions, matters or things entered into or occurring on or before the Listing Date;

(ii) all necessary costs (including all legal costs), expenses, interests, penalties, damages, losses or other liabilities incurred by any members of our Group due to any litigation, arbitration and/or legal proceedings (including without limitation any court proceeding, administrative proceedings or other proceedings commenced or instituted by any regulatory body or governmental department) against any member of our Group in relation to, arising out of or in connection with any cause of action, subject matter, dispute or breach, infringement or contravention of any law, regulation, legal right or proprietary right (whether intellectual, property or otherwise) that are issued or accrued occurred in anywhere in the world on or before the Listing Date;

(iii) all relocation fees, costs and any loss suffered or incurred by any member of our Group in the event that we cannot continue to use certain leased properties before the expiration of the current term of the tenancy/lease/licence due to the denial of the ownership titles of the relevant landlords or is otherwise prohibited from using or occupying any of such properties, on or before the Listing Date;

(iv) all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by any member of our Group arising from the non-compliance by any member of our Group with any laws, regulations or administrative orders or measures in Hong Kong, on or before the Listing Date; and

(v) any liabilities arising from the non-compliance with applicable laws and regulations on or before the Listing Date.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation where, among others:

(a) to the extent that provision, reserve or allowance has been made for such taxation in the audited accounts of our Group for each of the two years ended 31 December 2016 ("**Accounts**"); or

(b) falling on any member of our Group in respect of any period commencing on day immediately after the date on which the Deed of Indemnity becomes unconditional unless liability for such taxation would not have arisen but for any act or omission of, or transaction by any member of our Group voluntarily effected (other than pursuant to a legally binding commitment created on or before the date on which the Deed of Indemnity becomes unconditional) without prior written consent or agreement of Indemnifiers; or

(c) to the extent that such taxation arises or is incurred as a result of any change in the law having retrospective effect coming into force after the date on which the Deed of Indemnity becomes unconditional or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date on which the Deed of Indemnity becomes unconditional with retrospective effect (except the imposition of or an increase in the rate of Hong Kong profits tax or any tax of anywhere else in the world on the profits of companies for the current or any earlier financial period); or

(d) to the extent that any provision or reserve made for such taxation in the Accounts is established to be an over-provision or an excessive reserve.

The Indemnifiers will not be liable in respect of the liabilities arising from the non-compliance with laws and regulations which are promulgated or amended after the Listing Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands, the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

2. Litigation

Neither our Company nor any of our subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

3. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme. The Sole Sponsor is independent from our Company pursuant to Rule 6A.07 of the GEM Listing Rules. The Sole Sponsor is entitled to sponsor's fee in the amount of HK$4.8 million.

4. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company will appoint Guotai Junan Capital Limited as its compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

5. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are HK$89,388 which has been paid by our Company.

6. Promoters

Our Company has no promoter.

7. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Ernst & Young	Certified public accountants
Guotai Junan Capital Limited	Licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO
Ipsos	Industry consultant
Ms. Ng, Queenie W.S.	Barrister-at-law of Hong Kong

8. Consents of experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or summaries of opinions (as the case may be) and the references to its name included in this prospectus the form and context in which it respectively appears.

9. 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 penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Hong Kong branch share registrar

Our Company's branch register of members will be maintained in Hong Kong by its Hong Kong branch share registrar and transfer office, Boardroom Share Registrars (HK) Limited. Unless our Directors otherwise agree, all transfers and other documents of title to shares must be lodged for registration with and registered by the Hong Kong branch share registrar and transfer office in Hong Kong.

11. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and

(iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company.

(b) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.

(d) Our Directors confirm that, 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 since 31 December 2016 (being the date to which the latest audited consolidated financial statements of our Group were made up).

(e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.

(f) None of Conyers Dill & Pearman, Ernst & Young, Guotai Junan Capital Limited, Ipsos and Ms. Ng, Queenie W.S.:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

(g) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(h) Our Company has no outstanding convertible debt securities.

(i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

(j) There are no arrangements under which future dividends are waived or agreed to be waived.

12. Bilingual Prospectus

Pursuant to Rule 14.25 of the GEM Listing Rules and section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time as each place where this prospectus is distributed by or on behalf of our Company.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(i) a copy of each of the **WHITE** and **YELLOW** Application Forms;

(ii) the written consents referred to in the paragraphs headed "Statutory and general information — E. Other information — 8. Consents of experts" in Appendix IV to this prospectus; and

(iii) a copy of each of the material contracts referred to in the paragraphs headed "Statutory and general information — B. Further information about the business of our Group — 1. Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Stevenson, Wong & Co., at 4/F, 5/F & 1602, Central Tower, 28 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus;

(1) the Memorandum and the Articles;

(2) the audited consolidated financial statements of our Group for the two years ended 31 December 2016 included in the Accountants' Report prepared by Ernst & Young, the text of which is set forth in Appendix I to this prospectus;

(3) the report from Ernst & Young in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(4) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands Companies Law referred to in Appendix III to this prospectus;

(5) the Companies Law;

(6) the material contracts referred to in the paragraphs headed "Statutory and general information — B. Further information about the business of Our Group — 1. Summary of material contracts" in Appendix IV to this prospectus;

(7) the service contracts and letters of appointment referred to in the paragraphs headed "Statutory and general information — C. Further information about Directors, senior management and staff — 1. Directors — (b) Particulars of service contracts" in Appendix IV to this prospectus;

(8) the rules of the Share Option Scheme referred to in the paragraphs headed "Statutory and general information — D. Share Option Scheme " in Appendix IV to this prospectus;

(9) the written consents referred to in the paragraphs headed "Statutory and general information — E. Other information — 8. Consents of experts" in Appendix IV to this prospectus;

(10) the legal opinion issued by Ms. Ng, Queenie W.S. as to certain aspects of Hong Kong law relating to certain non-compliance of our Group; and

(11) the Ipsos Report.

HANG CHI HOLDINGS LIMITED
恒智控股有限公司