THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2189)

MAJOR TRANSACTION
ACQUISITION OF TARGET COMPANY

Capitalised terms used on this cover page have the same meaning as defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 13 of this circular.

The Company has obtained an irrevocable and unconditional written approval for the Acquisition from a Shareholder holding more than 50% of the issued share capital of the Company. Accordingly, no general meeting of Shareholders will be convened to approve the Acquisition pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being despatched to the Shareholders for information only.

26 May 2021

CONTENTS

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

"Accountant's Report"	the accountant's report on the Target Group, the text of which is set out in Appendix II to this circular
"Acquisition"	the acquisition by the Purchaser of the Sale Shares and Sale Debt pursuant to the Sale and Purchase Agreement
"Board"	the board of Directors
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company"	Kato (Hong Kong) Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2189)
"Completion"	completion of the Acquisition pursuant to the Sale and Purchase Agreement, which shall take place at or before 1:00 p.m. on 26 February 2021 or such other date as agreed by the Vendors and the Purchaser in writing
"Conditions Precedent"	the conditions precedents to the Completion
"Consideration"	the sum of HK$240,000,000, being the purchase price to be paid by the Company pursuant to the Sale and Purchase Agreement
"Consideration Adjustment"	has the meaning as defined in the paragraph headed "Consideration Adjustment" in the section headed "Letter from the Board" in this circular
"connected person"	has the meaning ascribed to it under the Listing Rules
"Deposit"	HK$48,000,000, being the deposit to be paid to the Vendors on or before the signing of the Sale and Purchase Agreement as part of the Consideration

"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Company and its subsidiaries as enlarged by the completion of the Acquisition
"Estate"	Hing Tin Estate, a housing estate located at No. 8, Lin Tak Road, Kowloon, Hong Kong
"Golden Grand"	Golden Grand Holdings Limited, a company incorporated under the laws of Hong Kong, wholly owned by the Target Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third party(ies)"	third party(ies) independent of and not connected to the Company and any of its connected persons or any of their respective associates
"Independent Valuer"	ValQuest Advisory (Hong Kong) Limited, the independent valuer appointed by the Company for the purpose of the valuation of the Property.
"Integrated HA Accommodation"	All those portions of the integrated HA accommodation as shown and coloured pink on the ground floor plan of Yan Tin House, ground floor plan of Mei Tin House and ground floor plan of Choi Tin House annexed to an assignment registered in the Land Registry of Hong Kong by Memorial No.05122000560470. To the best of the Directors' knowledge, the Integrated HA Accommodation mainly consists of communal space facilitating the convenience usage of commercial, welfare, parking and other facilities provided for or constructed on the ground floor of Yan Tin House, Mei Tin House and Choi Tin House.

"Latest Practicable Date"	17 May 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Net Current Asset Value"	means the aggregate of (a) trade and other receivables; (b) deposits and prepayments; and (c) profits tax prepaid, of the Target Group, minus the aggregate of (d) trade and other payables; (e) deposits received; (f) rental received in advance; (g) accruals; and (h) provision for taxation, of the Target Group
"Proforma Completion Accounts"	means collectively (i) the unaudited balance sheet and income statement of Golden Grand for the period from (and including) 1 April 2020 to (and including) the Completion Date; and (ii) the unaudited balance sheet and income statement of the Target Company prepared by a firm of certified public accountants (practising) for the period from (and including) 1 April 2020 to (and including) the Completion Date
"Property"	being, the property located in New Kowloon Inland Lot No. 6377 (the "**Lot**") comprising of (i) cooked food stalls and commercial complex of Hing Tin Estate (興田邨) (the "**Estate**"); (ii) the Integrated HA Accommodation; and (iii) car parking spaces of the Estate
"Purchaser"	Kato Elderly Care Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
"Sale and Purchase Agreement"	the agreement for sale and purchase in relation to the Acquisition entered into between the Vendors and the Purchaser on 26 January 2021
"Sale Debt"	the loan owing by the Target Company to the Vendors as at the Completion

"Sale Shares"	the two shares of and in the Target Company, representing the entire issued share capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Shareholders"	holder(s) of the ordinary share(s) of the Company
"Shares"	the shares of the Company
"Sheung Fung Limited"	Sheung Fung Limited (上鋒有限公司), a limited liability company incorporated in the British Virgin Islands and a controlling shareholder of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Rich Quest Asia Limited, a company incorporated under the laws of the British Virgin Islands and the sole shareholder of Golden Grand
"Target Group"	the Target Company and Golden Grand
"Vendors"	Mr. Chan Ping Che (陳秉志) and Mr. Lin Tsz Fung (林子峰), each the sole legal and beneficial owner of 50% of the Sale Share and the Sale Debt
"%"	per cent

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2189)

Executive Directors:
Ms. Ngai Ka Yee
Mr. Ngai Shi Shing Godfrey

Non-executive Directors:
Mr. Cheng Man Tak Richard
Mr. Poon Kai Kit Joe

Independent non-executive Directors:
Ms. Chiu Lai Kuen Susanna
Mr. Or Kevin
Mr. Wong Vinci

Registered Office:
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Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters and principal place of business in Hong Kong:
1st Floor, Tung Wai Court
No. 3 Tsing Ling Path
Tuen Mun
New Territories
Hong Kong

26 May 2021

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF TARGET COMPANY

INTRODUCTION

The Company announced that on 26 January 2021 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Vendors agreed to sell and assign, and the Purchaser conditionally agreed to purchase and accept the assignment of the Sale Shares (representing the entire issued share capital of the Target Company) and the Sale Debt at a consideration of HK$240,000,000.

As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) financial information on the Group; (iii) the Accountant's Report on the financial information of the Target Group; (iv) unaudited pro forma financial information on the Enlarged Group; and (v) other information as required under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date:	26 January 2021
Parties:	(1) the Purchaser, a wholly-owned subsidiary of the Company; and (2) the Vendors (as sellers). To the best of the knowledge, information and belief of the Directors, the Vendors are Independent Third Parties.
Subject matter:	The Purchaser agreed to purchase and accept, and the Vendors agreed to sell and assign, the Sale Shares and Sale Debt subject to and in accordance with the terms and conditions of the Sale and Purchase Agreement.
Assets to be acquired:	Pursuant to the Sale and Purchase Agreement, the assets to be acquired by the Purchaser include the Sale Shares (i.e. the entire issued share capital of the Target Company which is legally and beneficially owned by the Vendors) and the Sale Debt (i.e. all the loan owing by the Target Company to the Vendors upon Completion, which is interest-free, unsecured and repayable on demand) *(Note 1)*.

The main asset of the Target Company is the Property held by Golden Grand located at New Kowloon Inland Lot No. 6377 comprising of (i) cooked food stores and commercial complex of the Estate; (ii) the Integrated HA Accommodation; and (iii) car parking spaces of the Estate. The preliminary market value of the Property in the amount of HK$244,100,000 as appraised by the Independent Valuer as set out in the Valuation Report of the Property in Appendix V to this circular.

Consideration: Subject to the adjustment set out in the paragraph headed "Consideration Adjustment" below, the consideration is in the sum of HK$240,000,000, which shall be paid by the Purchaser in the following manner:

1. HK$48,000,000, being the deposit to be paid on or before the signing of the Sale and Purchase Agreement (the "**Deposit**"); and

2. HK$192,000,000 (subject to adjustment), being the balance of the Consideration, shall be paid upon Completion.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendors with reference to the agreed property value of the Property, which was approximately HK$240,000,000.

On 26 February 2021, as part of the Acquisition, the outstanding shareholder's loan (i.e. the Sale Debt) in the amount of HK$54,871,000 was assigned to Kato Elderly Care Limited. Subsequent to the Acquisition, Kato Elderly Care Limited waived the entire amount of the shareholder's loan which is treated as a deemed contribution from a shareholder. Neither the amount of the Sale Debt nor the waiving of the equivalent amount by Kato Elderly Care Limited has any bearing on the determination of the Consideration.

The Directors consider that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

It is expected that the consideration will be funded by internal resources, bank borrowing of HK$120,000,000 and proceeds from the listing under part of the Company's plan of using such proceeds on the acquisition of a suitable property whereby a care and attention home will be established. Please refer to the Company's announcement dated 4 January 2021 for the Company's latest plan of using such proceeds.

Consideration Adjustment:

The Consideration payable by the Purchaser for the sale and purchase of the Sale Shares and the Sale Debt shall be HK$240,000,000 as adjusted by:

(i) adding thereto the amount of Net Current Asset Value (if the amount of the Net Current Asset Value is positive) as computed based on the Proforma Completion Accounts; or

(ii) deducting therefrom the absolute value of the amount of the Net Current Asset Value (if the amount of the Net Current Asset Value is negative) as computed based on the Proforma Completion Accounts.

("**Consideration Adjustment**")

As at the date of Completion, the amount of the Net Current Asset Value *(Note 2)* was negative and in the amount of HK$993,000. Accordingly, the Consideration payable by the Purchaser after adjustment was HK$239,007,000.

Conditions Precedent:	Completion is conditional upon the fulfilment of a number of conditions, including but not limited to the following: (i) the Vendors are the legal and beneficial owner of the Sale Shares and the Sale Debt (if any); (ii) the Vendors shall show and prove title to the Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong); and (iii) approval of the Acquisition by the Shareholders of the Company by means of the passing at a general meeting of ordinary resolution(s) or, subject to the permission of the Stock Exchange, the written approval by a shareholder or a group of shareholders of the Company, in compliance with the Listing Rules. If the Conditions Precedent (i) or (ii) mentioned above is not fulfilled on or before the Completion Date, the Purchaser shall be entitled to terminate the Sale and Purchase Agreement by giving seven (7) business days' notice in writing to the Vendors and the Vendors shall return all the Deposit paid to the Purchaser. The Conditions Precedent (iii) mentioned above cannot be waived by the Purchaser or the Vendors.
Completion:	Subject to satisfaction of the conditions to the Sale and Purchase Agreement, completion of the Acquisition shall take place at or before 1:00 p.m. on 26 February 2021 or such other date as agreed by the Purchaser and the Vendors in writing.

All the conditions precedent were fulfilled and the Acquisition was completed on 26 February 2021.

Note:

(1) On 26 February 2021, as mutually agreed by the Vendors and Purchaser, the Sale Debt is HK$54,871,000.

(2) On 26 February 2021, as mutually agreed by the Vendors and Purchaser, the cash and cash equivalent of the Target Group in the amount of approximately HK$42,000 shall be included in the calculation of the Net Current Asset Value.

REASONS FOR THE ACQUISITION

Having considered the surge in available properties in the market and significant decrease in property prices, the Board was of the view that instead of leasing from third parties for the operation of care and attention homes of the Group, acquisition of a suitable property and establishment of a care and attention home was in the best interest of the Company and the Shareholders. The Acquisition was considered by the Directors to be beneficial to the Group as the Group expects to establish a care and attention home in the Property.

Based on the Group's current plan, the care and attention home to be established in the Property will be able to provide approximately three hundred residential care places starting from the second or third quarter of 2022. It will take up approximately three quarters of the area of the commercial complex. Certain other parts of the Property which are currently used as retail shops, cooked food stalls and car parks, among others, will not be converted into the said care and attention home and will continue to generate rental income.

Taking into account the above factors, the Directors considered after negotiations on an arm's length basis that the terms of the Sale and Purchase Agreement (including the consideration) were on normal commercial terms, fair and reasonable and the Acquisition was in the interests of the Shareholders and the Company as a whole.

INFORMATION OF THE PARTIES

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

The Target Company is a company incorporated under the laws of the British Virgin Islands and is principally engaged in investment holding. Prior to Completion, the Vendors owned 100% of the shareholding in the Target Company. Prior to Completion, the Target Company owned the entire shareholding of Golden Grand. Golden Grand is a company incorporated in Hong Kong with limited liability and is the registered owner of the Property.

Golden Grand holds properties situated at New Kowloon Inland Lot No. 6377 comprising of (i) cooked food stores and commercial complex of the Estate; (ii) the Integrated HA Accommodation; and (iii) car parking spaces of the Estate.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors, the Target Company and Golden Grand was an Independent Third Party.

FINANCIAL EFFECTS OF THE ACQUISITION

After Completion, the Target Group will become indirect wholly-owned subsidiaries of the Company and their results will be consolidated into the consolidated financial statements of the Group. According to the unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2020, the unaudited total assets and total liabilities of the Group as at 30 September 2020 were HK$451.0 million and HK$244.5 million, respectively.

The Unaudited Pro Forma Financial Information is set out in Appendix IV to this circular for illustrative purposes. The Unaudited Pro Forma Financial Information was prepared based on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as if the Acquisition had been completed on 30 September 2020.

Based on the unaudited condensed consolidated financial information of the Group as at 30 September 2020, the net asset value of the Group amounted to approximately HK$206.5 million. Based on the Unaudited Pro Forma Financial Information, the total assets of the Group would increase by approximately HK$127.3 million to approximately HK$578.3 million. The increase in total assets of the Group was primarily due to the net effect of the acquisition of the investment properties of HK$243.1 million and the utilisation of short-term bank deposits of HK$118.3 million for settlement of the consideration of this transaction. Total liabilities of the Group would also increase by approximately HK$127.3 million to approximately HK$371.8 million primarily due to the inclusion of bank borrowings of HK$120.0 million for the settlement of the consideration of this transaction. Accordingly, the unaudited pro forma net asset value of the Group will remain the same at approximately HK$206.5 million.

The Group expects to establish a care and attention home in the Property, which will contribute to the revenue of the Group. Certain parts of the Property which are currently used as retail shops, cooked food stalls and car parks, among others, will not be converted into the said care and attention home and will continue to generate rental income. As such, the Property will contribute rental income to the Group, and will enhance the revenue stream of the Group upon Completion. The Group's earnings are expected to increase as a result of the Acquisition, after taking into account the rental income to be derived from the Property but before taking into account of the potential impact from changes in fair value of the Property. For details of the Target Group, please refer to "Appendix II — Accountant's report of the Target Group" and "Appendix III — Management Discussion and Analysis of the Target Group" to this circular.

IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES

As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeded 25% but was less than 100%, the Acquisition constituted a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to the Listing Rules, shareholders' approval is required for a major transaction. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder or any of their respective associates has had any material interest in the Acquisition and as such, no Shareholder was required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition.

As no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving of the Acquisition, the Company has obtained written shareholder's approval from Sheung Fung Limited, which was beneficially interested in 624,000,000 shares, which amounted to 62.4% of the entire issued share capital of the Company as at the Latest Practicable Date, pursuant to Rule 14.44 of the Listing Rules. After the obtaining of such written shareholder's approval, the Company is not required to convene a general meeting for the approval of the Acquisition.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the relevant ordinary resolution regarding the Acquisition if the Company were to convene an extraordinary general meeting for the approval of the Acquisition.

The above statement is for Shareholders' reference only given that the Company has already obtained the written approval from Sheung Fung Limited for the Acquisition and hence pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened to approve the Acquisition.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Kato (Hong Kong) Holdings Limited
Ngai Shi Shing, Godfrey
Chairman and Executive Director

1. FINANCIAL INFORMATION

The consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 31 March 2018, 2019 and 2020 and the six months ended 30 September 2020 are disclosed in the prospectus of the Company dated 30 May 2019 (pages I-4 to I-58), the annual reports of the Company for the financial years ended 31 March 2019 (pages 54 to 99) and 31 March 2020 (pages 60 to 113), and the interim report of the Company for the six months ended 30 September 2020 (pages 22 to 46), respectively, and are incorporated by reference into this circular.

The said prospectus, annual report and interim report have been published and are available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.elderlyhk.com:

- Interim report of the Company for the six months ended 30 September 2020 published on 2 December 2020 (**https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1202/2020120202104.pdf**);

- Annual report of the Company for the year ended 31 March 2020 published on 8 July 2020 (**https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0708/2020070800866.pdf**);

- Annual report of the Company for the year ended 31 March 2019 published on 23 July 2019 (**https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0723/ltn20190723530.pdf**); and

- Prospectus of the Company dated 30 May 2019 which was published on 30 May 2019 (**https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0530/ltn20190530015.pdf**).

2. INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 31 March 2021, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had outstanding bank borrowings of approximately HK$120.0 million secured by fixed charges on the investment properties of the Target Group and unsecured lease liabilities of approximately HK$222.0 million.

Save as disclosed above or otherwise disclosed in this circular and except for the inter-group liabilities and normal trade payables during the ordinary course of business, as at the close of business on 31 March 2021, the Enlarged Group did not have any debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, bank overdrafts, other borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities, whether guaranteed, unguaranteed, secured or unsecured.

3. CONTINGENT LIABILITIES

As at the Latest Practicable Date, the Group had no significant contingent liabilities.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that taking into consideration the effect of the Acquisition, the cash flows generated from the operating activities of the Enlarged Group and the financial resources available to the Enlarged Group, including internally generated funds, the existing cash and bank balances, bank borrowings and available banking facilities, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2020, being the date to which the latest published audited financial statements of the Group were made.

6. FINANCIAL AND TRADING PROSPECT OF THE GROUP

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

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

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

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

Following the COVID-19 outbreak in early 2020, the Group has implemented a series of precautionary and control measures, including the restrictions on visitors and increase the frequency of cleaning and sanitising residential care homes, etc., in order to maintain a clean and hygienic environment and safeguard the health of the elderly. Given the stable revenue structure and precautionary measures implemented by the Group, the Directors are of the opinion that the COVID-19 outbreak did not have material adverse effects on the financial position and operating results of the Group. The management of the Group will closely monitor the development of the COVID-19 outbreak, assess and react actively to its impacts and adopt necessary measures and strategies.

Building on the strength of the Group's established reputation, the size of the Group and the financial resources, as well as the Group's proven track record in operating a network of care and attention homes for the elderly, the Directors believe that the Group is poised to reproduce its current to further capture new market opportunities driven by the strong demand for residential care home services in Hong Kong. It is expected that the Acquisition is one of the milestones in achieving the Group's mission and the financial and trading prospects of the Enlarged Group is promising.

The following is the text of a report set out on pages II-4 to II-43, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KATO (HONG KONG) HOLDINGS LIMITED

Introduction

We report on the historical financial information of Rich Quest Asia Limited (the "**Target Company**") and its subsidiary (together, the "**Target Group**") set out on pages II-4 to II-43, which comprises the statements of financial position of the Target Company as at 31 March 2018, 2019 and 2020 and 31 December 2020, the consolidated statements of financial position as at 31 March 2018, 2019 and 2020 and 31 December 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 March 2018, 2019 and 2020 and the nine months ended 31 December 2020 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-43 forms an integral part of this report, which has been prepared for inclusion in the circular of Kato (Hong Kong) Holdings Limited (the "**Company**") dated 26 May 2021 (the "**Circular**") in connection with the proposed acquisition of the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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

The financial statements of the Target Group for the Track Record Period ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target Company as at 31 March 2018, 2019 and 2020 and 31 December 2020 and the consolidated financial position of the Target Group as at 31 March 2018, 2019 and 2020 and 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 31 December 2019 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 26 May 2021

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Target Group for the Track Record Period on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong dollar ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 March			Nine months ended 31 December	
	Note	**2018**	**2019**	**2020**	**2019**	**2020**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Revenue	*5*	9,307	9,996	10,831	7,922	7,945
Other income		1	3	3	—	17
Property management fees, security and cleaning		(2,376)	(2,289)	(2,384)	(1,743)	(1,881)
Repairs and maintenance		(696)	(295)	(310)	(139)	(230)
Utilities		(197)	(205)	(194)	(151)	(103)
Government rent and rates		(128)	(312)	(342)	(263)	(241)
Other operating expenses		(605)	(567)	(916)	(366)	(639)
Change in fair value of investment properties	*12*	25,900	13,400	(7,000)	(7,200)	(6,200)
Finance costs, net	*6*	(1,444)	(2,250)	(2,449)	(1,834)	(1,311)
Profit/(loss) before taxation	*7*	29,762	17,481	(2,761)	(3,774)	(2,643)
Income tax expense	*9*	(663)	(872)	(938)	(738)	(690)
Profit/(loss) and total comprehensive income/(loss) for the year/period		29,099	16,609	(3,699)	(4,512)	(3,333)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 March 2018	As at 31 March 2019	As at 31 March 2020	As at 31 December 2020
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Furniture, fixtures and equipment	*11*	102	40	—	—
Investment properties	*12*	240,300	253,700	246,700	240,500
Total non-current assets		240,402	253,740	246,700	240,500
CURRENT ASSETS					
Trade receivables	*13*	346	406	467	351
Deposits	*13*	867	871	874	916
Amount due from a shareholder	*20*	34,564	32,762	33,272	34,648
Cash and cash equivalents	*14*	1,006	838	658	1,204
		36,783	34,877	35,271	37,119
Total assets		277,185	288,617	281,971	277,619
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	*15*	—	—	—	—
Retained earnings		171,821	188,430	184,731	181,398
Total equity		171,821	188,430	184,731	181,398
NON-CURRENT LIABILITIES					
Deposits from tenants	*16*	569	484	1,012	320
Deferred tax liabilities	*18*	956	1,217	1,478	1,674
		1,525	1,701	2,490	1,994
CURRENT LIABILITIES					
Trade and other payables	*16*	3,992	2,295	2,158	2,620
Bank borrowings	*17*	98,983	94,989	91,067	90,388
Income tax payable		864	1,202	1,525	1,219
		103,839	98,486	94,750	94,227
Total liabilities		105,364	100,187	97,240	96,221
Total equity and liabilities		277,185	288,617	281,971	277,619

STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

			As at 31 March		As at 31 December
	Note	**2018**	**2019**	**2020**	**2020**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSET					
Investment in a subsidiary		1	1	1	1
Total asset		1	1	1	1
EQUITY AND LIABILITY					
Equity attributable to owners of the Company					
Share capital	*15*	—	—	—	—
Accumulated losses		(33)	(41)	(47)	(55)
Total deficit		(33)	(41)	(47)	(55)
CURRENT LIABILITY					
Amount due to a shareholder	*20*	34	42	48	56
Total liability		34	42	48	56
Total deficit and liability		1	1	1	1

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to shareholders of the Target Company		
	Share capital	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2017	—	142,722	142,722
Profit and total comprehensive income for the year	—	29,099	29,099
At 31 March and 1 April 2018	—	171,821	171,821
Profit and total comprehensive income for the year	—	16,609	16,609
At 31 March and 1 April 2019	—	188,430	188,430
Loss and total comprehensive loss for the year	—	(3,699)	(3,699)
At 31 March and 1 April 2020	—	184,731	184,731
Loss and total comprehensive loss for the period	—	(3,333)	(3,333)
At 31 December 2020	—	181,398	181,398
(Unaudited)			
At 1 April 2019	—	188,430	188,430
Loss and total comprehensive loss for the period	—	(4,512)	(4,512)
At 31 December 2019	—	183,918	183,918

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 March			Nine months ended 31 December	
		2018	2019	2020	2019	2020
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Cash flows from operating activities	*19(a)*	5,306	4,547	7,055	5,477	4,712
Hong Kong profits tax paid		(1,995)	(273)	(354)	—	(800)
Interest received		1	4	33	28	2
Net cash generated from operating activities		3,312	4,278	6,734	5,505	3,914
Cash flow from investing activities						
Additions to investment properties		(1,500)	—	—	—	—
Advances to a shareholder		(38,102)	(1,218)	(916)	(616)	(1,758)
Repayments from a shareholder		3,538	3,020	406	6	382
Net cash (used in)/generated from investing activities		(36,064)	1,802	(510)	(610)	(1,376)
Cash flows from financing activities						
Repayments to a shareholder		(13,434)	—	—	—	—
Interest paid		(1,445)	(2,254)	(2,482)	(1,862)	(1,313)
Proceeds from bank borrowings		100,000	—	—	—	—
Repayments of bank borrowings		(52,057)	(3,994)	(3,922)	(2,936)	(679)
Net cash generated from/(used in) financing activities		33,064	(6,248)	(6,404)	(4,798)	(1,992)
Net increase/(decrease) in cash and cash equivalents		312	(168)	(180)	97	546
Cash and cash equivalents at the beginning of year/period		694	1,006	838	838	658
Cash and cash equivalents at the end of year/period	*14*	1,006	838	658	935	1,204

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. General information

Rich Quest Asia Limited (the "**Target Company**") is incorporated in the British Virgin Islands (the "**BVI**") on 27 March 2014 as an exempted company with limited liability. The address of the Target Company's registered office is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

The Target Company is an investment holding company. The Target Company and its subsidiary (collectively "**Target Group**") are principally engaged in properties investment and management in Hong Kong. During the Track Record Period, the Target Company is owned by Mr. Lin Tsz Fung and Mr. Chan Ping Che, who are also the directors of the Target Company.

On 26 February 2021, Mr. Lin Tsz Fung fully settled the amount due from him of HK$34,648,000 as at 31 December 2020 and further transferred a shareholder's loan to the Target Company. The Target Group then immediately repaid the entire bank borrowings balance of HK$90,388,000 as at 31 December 2020. As a result of these transactions, the Target Group no longer had any outstanding borrowings save for the shareholder's loan.

On the same day, subsequent to the transactions set out above, Kato (Hong Kong) Holdings Limited (the "**Company**") acquired the entire equity interest of the Target Company (the "**Acquisition**") through a direct wholly-owned subsidiary, Kato Elderly Care Limited, from Mr. Lin Tsz Fung and Mr. Chan Ping Che. As part of the Acquisition, the outstanding shareholder's loan was assigned to Kato Elderly Care Limited. Subsequent to the Acquisition, Kato Elderly Care Limited waived the entire amount of the shareholder's loan which is treated as a deemed contribution from a shareholder.

As at the end of the Track Record Period, the Target Group had direct interests in the following subsidiary:

Company name	Place of incorporation	Date of incorporation	Particulars of issued/paid-in capital	Percentage of equity directly attributable to the Target Company	Principal activities
Golden Grand Holdings Limited *(note (a))*	Hong Kong	28 February 2014	HK$1,000	100%	Properties investment and management

Note:

(a) The statutory financial statements of this subsidiary for the years ended 31 March 2018, 2019 and 2020 were audited by Brilliant Ascent CPA & Co., Certified Public Accountants in Hong Kong.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Target Group has been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the HKICPA are set out below. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

As at 31 December 2020, the Target Group had net current liabilities of HK$57,108,000. On 26 February 2021, as mentioned in Note 1 above, the Target Group fully repaid all bank borrowings and subsequent to the Acquisition, Kato Elderly Care Limited waived the entire amount due to it from the Target Group. As a result, the Target Group turned into net current assets position. The directors of the Company have assessed the Group's cash flow projection covering a period of twelve months from 31 December 2020. They are of the opinion that the Target Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the consolidated statement of financial position. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the Target Group's consolidated financial statements on a going concern basis.

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

The Target Group has adopted HKFRS 9, HKFRS 15 and HKFRS 16 consistently throughout the Track Record Period with the practical expedients permitted under the standards.

New standards and amendments to existing standards not yet adopted

New standards and amendments to existing standards that have been issued but not effective and have not been early adopted by the Target Group during the Track Record Period are as follows:

		Effective for accounting year beginning on or after
HKFRS 16 (Amendments)	Covid-19-related rent concessions	1 June 2020
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest rate benchmark reform — Phase 2	1 April 2021
Annual Improvements Project (Amendments)	Annual improvements to HKFRSs 2018-2020	1 April 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments	1 April 2022
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 merger accounting for common control combinations	1 April 2022
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 April 2023
HKFRS 17	Insurance contracts	1 April 2023
Hong Kong Interpretation 5 (Amendments)	Hong Kong Interpretation 5 presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause	1 April 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of the Target Company have assessed the financial impact on the Target Group and none of these new standards and amendments to existing standards is expected to have a significant impact on the consolidated financial statements of the Target Group.

2.2 Subsidiaries

2.2.1 Consolidation

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

2.2.2 Separate financial statements

Investment in a subsidiary is accounted for at cost less impairment. Cost includes directly attributable costs of investment. The results of a subsidiary are accounted for by the Target Company on the basis of dividend received and receivable.

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

2.3 Foreign currency translation

Items included in the Historical Financial Information of the Target Group are measured using the currency of the primary economic environment in which the Target Group operates (the "**functional currency**"). The Historical Financial Information are presented in HK$, which is the Target Company's functional and presentational currency.

2.4 Furniture, fixtures and equipment

Furniture, fixtures and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation of furniture, fixtures and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Furniture, fixtures and equipment	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statements of comprehensive income.

2.5 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Target Group.

An investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values of the investment properties are recognised in the consolidated statements of comprehensive income.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the consolidated statement of comprehensive income during the period in which they are incurred.

2.6 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

2.7.1 Classification

The Target Group classifies its financial assets as those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

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

2.7.2 Measurement

At initial recognition, the Target Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of debt instruments depends on the Target Group's business model for managing the asset and the cash flow characteristics of the asset. The Target Group classifies its debt instruments as amortised cost.

- Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in "finance costs, net" using the effective interest rate method. Any gain or loss arising on derecognition and impairment losses are presented as separate line item in profit or loss.

2.7.3 Derecognition

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

2.7.4 Impairment

The Target Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Target Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Target Group.

Impairment on other financial assets at amortised cost is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Target Group or the counterparty. As at 31 March 2018, 2019 and 2020, and 31 December 2020, there is no offset of financial assets and liabilities.

2.9 Trade receivables

Trade receivables are amounts due from tenants for lease of investment properties and management fee in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.7.4 for a description of the Group's impairment policy for trade receivables.

2.10 Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks.

2.11 Share capital

Ordinary shares are classified as equity.

2.12 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.14 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

2.15 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in the country where the Target Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

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

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

(c) Offsetting

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

2.16 Provisions

Provisions are recognised when the Target Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Revenue recognition

(a) Rentals from retail shops, and market stalls

Operating lease rental income is recognised on a straight-line basis over the term of the lease agreement. Contingent rental income (representing income over and above base rent) such as turnover rent, is recognised according to the terms of the lease agreements when the amount can be reliably measured, in the accounting period in which it is earned. Lease incentives provided, such as rent-free periods, are amortised on a straight-line basis and are recognised as a reduction of rental income over the respective term of the lease.

(b) Management fee

Management fee income arising from provision of services are recognised when such services are rendered.

(c) Rentals from car parks

Rentals from car parks are recognised as revenue on an accrual basis based on the numbers of hours occupied.

3. Financial risk management

3.1 Financial risk factors

The Target Group's activities expose it to various financial risks: market risk (cash flow interest rate risk), credit risk and liquidity risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Interest rate risk

The Target Group's main interest rate risk arise from bank borrowings with variable interest rate and the Target Group is subject to cash flow interest rate risk.

If the interest rate of bank borrowings had been 50 basis points higher/lower, the profit before income tax for the years ended 31 March 2018 and 2019 would have been approximately HK$332,000 and HK$484,000, lower/higher, respectively.

If the interest rate of bank borrowings had been 50 basis points higher/lower, the loss before income tax for the year ended 31 March 2020, and the nine months ended 31 December 2019 and 2020 would have been approximately HK$464,000, HK$350,000 and HK$339,000 higher/lower, respectively.

(b) Credit risk

The credit risk of the Target Group mainly arises from trade receivables, deposits, amount due from a shareholder and cash at banks. The carrying amounts of these balances represent the Target Group's maximum exposure to credit risk in relation to financial assets.

The bank balances are deposited with several reputable and creditworthy banks with no recent history of default. The expected credit loss is close to zero.

In respect of credit exposures to tenants, credit risk exposure is minimised by undertaking transactions with a large number of counterparties and conducting credit reviews on prospective tenants. The Target Group has policies in place to ensure that rental security deposits are required from tenants prior to commencement of leases. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2018, 2019 and 2020, and 31 December 2020, the Target Group had concentration of credit risk as 42%, 60%, 31% and 58%, respectively, of its total trade receivables was due from its largest trade debtor. The directors of the Target Company are of opinion that the default risk of largest trade debtor is low in view of its past good repayment history.

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

(i) Trade receivables

The Target Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit loss, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Target Group also considers available, reasonable and supportive forward-looking information. All trade receivables have no history of default and management do not expect significant credit losses after considering forward looking information. In additions, the Target Group has policies in place to ensure that rental security deposits are required from tenants prior to commencement of leases. Therefore, expected credit loss rate of trade receivables is assessed to be close to zero as at 31 March 2018, 2019 and 2020, and 31 December 2020. The provision for expected credit losses was assessed to be not material to the Historical Financial Information and no provision was made.

(ii) Deposits and amount due from a shareholder

For deposits and amount due from a shareholder, management makes periodic collective assessments as well as individual assessment on the recoverability based on historical settlement records and past experience. The directors of the Target Company consider that there is no material credit risk inherent in the Group's outstanding balance of these receivables.

As at 31 March 2018, 2019 and 2020, and 31 December 2020, the Target Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method. Thus, no loss allowance provision for these receivables was recognised during the Track Record Period.

(c) Liquidity risk

The Target Group's policy is to maintain sufficient cash to meet its liquidity and working capital requirements.

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

	Less than one year or repayable on demand			
	As at 31 March			As at 31 December
	2018	2019	2020	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	4,095	2,514	2,909	2,639
Bank borrowings	98,983	94,989	91,067	90,388
	103,078	97,503	93,976	93,027

The table that follows summarises the maturity analysis of bank borrowings with a repayable on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Target Group's financial position, the directors of the Target Company do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with scheduled repayment dates set out in the loan agreements.

	As at 31 March			As at 31 December
	2018	2019	2020	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	6,248	6,403	48,891	46,901
More than 1 year but less than 2 years	6,403	48,891	2,631	2,638
More than 2 years but less than 5 years	54,122	7,803	7,715	7,737
More than 5 years	45,090	42,518	39,974	41,327
	111,863	105,615	99,211	98,603

3.2 Capital risk management

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Target Group monitors its capital on the basis of the gearing ratio, which is expressed as a percentage of net debt divided by total capital. Net debt is calculated as total bank borrowings less cash and cash equivalents. Capital represents total equity as shown on the consolidated statements of financial position. The gearing ratio as at 31 March 2018, 2019 and 2020 and 31 December 2020 were as follows:

	As at 31 March			As at 31 December
	2018	**2019**	**2020**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	98,983	94,989	91,067	90,388
Less: Cash and cash equivalents	(1,006)	(838)	(658)	(1,204)
Net debt	97,977	94,151	90,409	89,184
Total equity	171,821	188,430	184,731	181,398
Gearing ratio	57.0%	50.0%	48.9%	49.2%

3.3 Fair value estimation

The carrying values of financial assets and financial liabilities are a reasonable approximation of their fair values. The fair value estimation of investment properties that are measured at fair value is set out in Note 12.

4. Critical accounting estimates and judgements

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

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

(a) Estimated valuation of investment properties

The Target Group carries its investment properties at fair value with changes in the fair value recognised in profit or loss. It obtains independent valuations at least annually. At the end of each reporting period, management updates its assessment of the fair value of each property, taking into account the most recent independent valuations. Refer to Note 12 for the assumptions, valuation techniques and fair value measurement of investment properties.

(b) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Target Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Target Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1.

(c) Current income taxes and deferred income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax charges in the period in which such estimates are changed.

5. Revenue

	Year ended 31 March			Nine months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue arising from operating lease:					
Fixed	6,458	6,822	6,830	5,107	4,954
Variable	19	—	733	295	525
Revenue from contracts with customers within the scope of HKFRS 15 recognised over time:					
Management fee income	1,848	2,263	2,397	1,857	1,559
Car park revenue	982	911	871	663	907
	9,307	9,996	10,831	7,922	7,945

The COVID-19 outbreak did not have material adverse effects on the operating results of the Target Group given the stable revenue structure.

Revenue individually generated from the following tenants contributed more than 10% of the total revenue of the Target Group:

	Year ended 31 March			Nine months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Customer A	2,332	2,593	2,619	1,963	1,995
Customer B	N/A	N/A	1,761	1,064	1,279
Customer C	N/A	1,031	N/A	N/A	N/A

All other tenants individually accounted for less than 10% of the Target Group's revenue for the respective years/periods.

6. Finance costs, net

	Year ended 31 March			Nine months ended 31 December	
	2018	2019	2020	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Interest income on trade receivables	1	4	33	28	2
Interest expense on bank borrowings	(1,445)	(2,254)	(2,482)	(1,862)	(1,313)
	(1,444)	(2,250)	(2,449)	(1,834)	(1,311)

7. Profit/(loss) before taxation

Profit/(loss) before taxation is stated after charging the followings:

	Year ended 31 March			Nine months ended 31 December	
	2018	2019	2020	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Property management fees, security and cleaning	2,376	2,289	2,384	1,743	1,881
Repairs and maintenance	696	295	310	139	230
Utilities	197	205	194	151	103
Government rent and rates	128	312	342	263	241
Auditor's remuneration	30	30	30	—	—
Other legal and professional fees	128	8	153	150	1
Depreciation of furniture, fixtures and equipment *(Note 11)*	62	62	40	33	—

No employees were employed for the years ended 31 March 2018, 2019 and 2020, and for the nine months ended 31 December 2019 and 2020.

8. Benefits and interests of Directors

(i) No remunerations were received from the Target Group by the directors of the Target Company in their capacity as employees to Target Group during each of the years ended 31 March 2018, 2019 and 2020 and the nine months ended 31 December 2019 and 2020.

(ii) No director fees were paid to these directors in their capacity as directors of the Target Group and no emoluments were paid by the Target Group to the directors as an inducement to join the Target Group, or as compensation for loss of office during each of the years ended 31 March 2018, 2019 and 2020 and the nine months ended 31 December 2019 and 2020.

(iii) During each of the years ended 31 March 2018, 2019 and 2020 and the nine months ended 31 December 2019 and 2020, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.

(iv) During each of the years ended 31 March 2018, 2019 and 2020 and the nine months ended 31 December 2019 and 2020, no significant transactions, agreements and contracts in relation to the Target Group's business to which the Target Group was a party and in which a director of the Target Company had material interest, whether directly or indirectly, subsisted at the end of each of the years ended 31 March 2018, 2019 and 2020 and the nine months ended 31 December 2019 and 2020.

(v) During each of the years ended 31 March 2018, 2019 and 2020 and the nine months ended 31 December 2019 and 2020, saved as disclosed in the Note 20, there were no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors.

9. Income tax expense

Hong Kong profits tax has been provided at 16.5% on the estimated assessable profit of the Target Group for the years ended 31 March 2018, 2019 and 2020, and for the nine months ended 31 December 2019 and 2020.

An analysis of the income tax expense is as follows:

	Year ended 31 March			Nine months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Hong Kong profits tax					
Current year	402	611	677	542	494
Deferred tax *(Note 18)*	261	261	261	196	196
Income tax expense	663	872	938	738	690

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	Year ended 31 March			Nine months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit/(loss) before taxation	29,762	17,481	(2,761)	(3,774)	(2,643)
Tax calculated at a tax rate of 16.5%	4,911	2,884	(456)	(623)	(436)
Expenses not deductible for tax	55	218	1,414	1,381	1,146
Income not subject to tax	(4,273)	(2,210)	—	—	—
Tax concession	(30)	(20)	(20)	(20)	(20)
Income tax expense	663	872	938	738	690

10. Financial instruments by category

		As at 31 March		As at 31 December
	2018	2019	2020	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at amortised cost				
Trade receivables *(Note 13)*	346	406	467	351
Deposits *(Note 13)*	867	871	874	916
Amount due from a shareholder *(Note 20)*	34,564	32,762	33,272	34,648
Cash and cash equivalents *(Note 14)*	1,006	838	658	1,204
	36,783	34,877	35,271	37,119
Financial liabilities at amortised cost				
Trade and other payables *(Note 16)*	4,095	2,514	2,909	2,639
Bank borrowings *(Note 17)*	98,983	94,989	91,067	90,388
	103,078	97,503	93,976	93,027

11. Furniture, fixtures and equipment

	Furniture, fixtures and equipment
	HK$'000
At 1 April 2017	
Cost	308
Accumulated depreciation	(144)
Net carrying amount	164
Year ended 31 March 2018	
Opening net carrying amount	164
Depreciation *(Note 7)*	(62)
Closing net carrying amount	102
At 31 March 2018 and 1 April 2018	
Cost	308
Accumulated depreciation	(206)
Net carrying amount	102

	Furniture, fixtures and equipment *HK$'000*
Year ended 31 March 2019	
Opening net carrying amount	102
Depreciation *(Note 7)*	(62)
Closing net carrying amount	40
At 31 March 2019 and 1 April 2019	
Cost	308
Accumulated depreciation	(268)
Net carrying amount	40
Year ended 31 March 2020	
Opening net carrying amount	40
Depreciation *(Note 7)*	(40)
Closing net carrying amount	—
At 31 March 2020, 1 April 2020 and 31 December 2020	
Cost	308
Accumulated depreciation	(308)
Net carrying amount	—
(Unaudited)	
Nine months ended 31 December 2019	
Opening net carrying amount	40
Depreciation *(Note 7)*	(33)
Closing net carrying amount	7
(Unaudited)	
At 31 December 2019	
Cost	308
Accumulated depreciation	(301)
Net carrying amount	7

Depreciation expense of HK$62,000, HK$62,000, HK$40,000, HK$33,000 and Nil for the years ended 31 March 2018, 2019 and 2020 and the nine months ended 31 December 2019 and 2020 has been charged in "other operating expenses", respectively.

12. Investment properties

	As at 31 March			As at 31 December
	2018	2019	2020	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets at fair value				
Opening balance	212,900	240,300	253,700	246,700
Capital expenditure incurred in upgrading the investment properties	1,500	—	—	—
Changes in fair value	25,900	13,400	(7,000)	(6,200)
Closing balance	240,300	253,700	246,700	240,500

(a) Amounts recognised in profit or loss for investment properties

	Year ended 31 March			Nine months ended 31 December	
	2018	2019	2020	2019	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue arising from operating leases	6,477	6,822	7,563	5,402	5,479
Management fee income	1,848	2,263	2,397	1,857	1,559
Car park revenue	982	911	871	663	907
Direct operating expenses arising from investment properties that generate income:					
— Property management fees, security and cleaning	(2,376)	(2,289)	(2,384)	(1,743)	(1,881)
— Utilities	(197)	(205)	(194)	(151)	(103)
Direct operating expenses from property that did not generate rental income					
— Government rent and rates	(128)	(312)	(342)	(263)	(241)
— Repairs and maintenance	(696)	(295)	(310)	(139)	(230)
Fair value gains/(losses) on revaluation	25,900	13,400	(7,000)	(7,200)	(6,200)

(b) Leases arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include contingent rent which are calculated based on the turnover of respective tenants. To reduce credit risk, the Target Group obtains deposits from each tenant for lease of retail shops and market stalls.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

For minimum lease payments receivable on leases of investment properties, refer to note 21.

(c) Valuation process

The investment properties of the Target Group are carried at fair value, by valuation method, which is categorised into different fair value hierarchy levels, and are defined as follows:

- Quoted prices in active markets for identical assets (level 1).
- Significant other observable inputs (level 2).
- Significant unobservable inputs (level 3).

As one or more of the significant inputs is not based on observable market data, the investment properties of the Target Group are categorised as level 3.

The Target Group's policy is to recognise transfers between fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. As at 31 March 2018, 2019 and 2020 and 31 December 2020, the Target Group did not have any investment properties categorised as level 1 or level 2 and there were no transfers among levels 1, 2 and 3 during the years/period ended 31 March 2018, 2019 and 2020 and 31 December 2020.

The Target Group's investment properties were valued at 31 March 2018, 2019 and 2020, and 31 December 2020 by an external, independent and professional qualified valuer, ValQuest Advisory (Hong Kong) Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and nature of the investment properties valued. For all investment properties, they have been valued on the basis of highest and best use and reflective of their existing state as of the valuation date.

The management held discussions with the valuer and reviewed all the significant inputs used by the valuer. Discussions of the valuation processes and results at each reporting dates are held between management and the valuer.

At each financial year end the management:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

(d) Valuation techniques

For commercial complex, retail shops, fresh market stalls, cooked food stalls and storerooms (collectively "**Shops**"), the valuations were based on income capitalisation approach, which largely use unobservable inputs (e.g. market rent, yield, etc.) and taking into account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

For car parks, the valuations were based on direct comparison method by making reference to the comparable market transactions as available. The direct comparison method is based on market observable transactions of similar car parks and adjusted to reflect the conditions and locations of the subject car parks.

The valuation technique used as at the years ended 31 March 2018, 2019 and 2020 and the nine months period ended 31 December 2020 is the same.

Information about fair value measurements using significant unobservable inputs (level 3)

Properties	Valuation methods	Significant unobservable inputs	Range of unobservable inputs				Relationship of unobservable inputs to fair value
			31 March 2018	31 March 2019	31 March 2020	31 December 2020	
Shops	Income capitalisation approach	1) Reversionary yield	5.5% - 8.5%	5.5% - 8.5%	5.8% - 8.8%	5.8% - 8.8%	The higher the reversionary yield, the lower the fair value.
		2) Term yield	5.0% - 8.0%	5.0% - 8.0%	5.3% - 8.3%	5.3% - 8.3%	The higher the term yield, the lower the fair value.
		3) Monthly rent (HK$/square ft.)	HK$15.5 - HK$46.4	HK$16.0 - HK$47.8	HK$16.5 - HK$49.2	HK$16.2 - HK$48.2	The higher the monthly rent, the higher the fair value.
Carparks	Direct comparison method	1) Market value (HK$/unit)	HK$800k to HK$1,138k	HK$1,100k to HK$1,590k	HK$980k to HK$1,330k	HK$890k to HK$1,222k	The higher the market value, the higher the fair value.

(e) Collateral for the Target Group's bank borrowings

As at 31 March 2018, 2019 and 2020, and 31 December 2020, all the Target Group's investment properties were pledged as collateral for the Target Group's bank borrowings (Note 17).

(f) Contractual obligations

As at 31 March 2018, 2019 and 2020 and 31 December 2020, the Target Group had no unprovided contractual obligations for future repairs and maintenance.

13. Trade receivables and deposits

	As at 31 March			As at 31 December
	2018	2019	2020	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	346	406	467	351
Deposits	867	871	874	916
	1,213	1,277	1,341	1,267

The trade receivables and deposits are denominated in HK$. The carrying amounts of these receivables approximate their fair values due to their short maturities.

The Target Group's trading terms are payment in advance. Generally, there is no credit term granted to tenants. However, in practice, tenants settled their outstanding balances shortly after the date when the amounts are due. The trade receivables are fully covered by the rental deposits received from corresponding tenants.

The ageing analysis of the Target Group's trade receivables, based on invoice date, as at 31 March 2018, 2019 and 2020 and 31 December 2020 are as follows:

	As at 31 March			As at 31 December
	2018	2019	2020	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	239	177	398	249
31–60 days	75	100	66	102
61–180 days	32	100	—	—
Over 180 days	—	29	3	—
	346	406	467	351

Monthly rentals in respect of retail shops and market stalls are payable in advance by tenants in accordance with the leases while daily gross receipts from car parks are received from the car park operators in arrears. As at 31 March 2018, 2019 and 2020 and 31 December 2020, the trade receivables included rental from car parks amounted to HK$144,000, HK$244,000, HK$147,000 and HK$205,000, respectively.

The Target Group measures the expected credit losses on the trade receivables by grouping them based on shared credit risk characteristics and the days past due. The expected loss rates are estimated based on the historical credit losses experienced, adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Target Group's view of forward-looking economic conditions. On the basis, the expected credit loss rate of trade receivables is assessed to be close to zero and considered to be not material to the Historical Financial Information, thus, no provision were made against the gross amounts of trade receivables.

The other classes of receivables included in the trade receivables and deposits do not contain impaired assets.

14. Cash and cash equivalents

				As at
		As at 31 March		**31 December**
	2018	**2019**	**2020**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks and maximum exposure to credit risk	1,006	838	658	1,204

As at 31 March 2018, 2019 and 2020 and 31 December 2020, the Target Group's cash and cash equivalents are denominated in HK$. The carrying amounts of cash and cash equivalents approximate their fair values due to their short maturities.

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

15. Share capital

	Number of ordinary shares	Share capital
		HK$'000
Ordinary shares of US$1.00 each, issued and fully paid		
At 1 April 2017, 31 March 2018, 31 March 2019, 31 March 2020 and 31 December 2020	2	—*

* Approximates HK$16.

16. Trade and other payables

	As at 31 March			As at 31 December
	2018	2019	2020	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	131	609	620	672
Deposits from tenants	1,461	1,405	1,695	1,400
Receipts in advance	117	109	94	148
Accruals and other payables	2,852	656	761	720
	4,561	2,779	3,170	2,940
Less: Non-current deposits from tenants	(569)	(484)	(1,012)	(320)
	3,992	2,295	2,158	2,620

As at 31 March 2018, 2019 and 2020 and 31 December 2020, the carrying amounts of trade and other payables approximate to their fair values, as the impact of discounting is not significant, and are denominated in HK$.

The aging analysis of trade payables by invoice date is as follows:

				As at
		As at 31 March		31 December
	2018	**2019**	**2020**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 90 days	131	609	620	672

17. Bank borrowings

The bank borrowings included an instalment loan and a term loan drawn by the Target Group. The Target Group's borrowings, after taking into account of repayable on demand clause, are repayable as follows:

				As at
		As at 31 March		31 December
	2018	**2019**	**2020**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings – secured				
— Within one year or on demand	98,983	94,989	91,067	90,388

The bank borrowings bear effective interest rate of 2.18%, 2.33%, 2.67%, 2.66% and 1.94% per annum for the years ended 31 March 2018, 2019 and 2020 and the nine months ended 31 December 2019 and 2020, respectively.

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

	As at 31 March			As at 31 December
	2018	2019	2020	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	3,994	3,921	47,415	46,237
More than 1 year but less than 2 years	3,921	47,415	2,000	2,000
More than 2 years but less than 5 years	51,415	6,000	6,000	6,000
More than 5 years	39,653	37,653	35,652	36,151
	98,983	94,989	91,067	90,388

The bank borrowings contain a term loan and an installment loan. As at 31 March 2020, a term loan of HK$45,410,000 and an installment loan of HK$45,657,000 with maturity on 14 November 2020 and 12 December 2037, respectively, was subsequently renewed and extended by another 12 months. The carrying amount of the Target Group's borrowings approximate their fair value and are denominated in HK$.

The Target Group's bank borrowings are secured by:

(i) investment properties held by the Target Group (Note 12);

(ii) personal guarantee by Mr. Lin Tsz Fung, a director of the Target Company; and

(iii) corporate guarantee by Ko Shi Wai (Holdings) Company Limited, which is a limited liability company incorporated in Hong Kong and wholly-owned by Mr. Lin Tsz Fung.

On 26 February 2021, all the above bank borrowings were fully settled, and the related securities and guarantees were released upon the completion of the Acquisition.

18. Deferred tax liabilities

The movements in deferred tax liabilities of the Target Group for each of the years ended 31 March 2018, 2019 and 2020 and the nine months ended 31 December 2019 and 2020 are as follows:

	Accelerated tax depreciation on investment properties				
	Year ended 31 March			Nine months 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
At the beginning of the year/period	695	956	1,217	1,217	1,478
Charged to the consolidated statements of comprehensive income *(Note 9)*	261	261	261	196	196
At the end of the year/period	956	1,217	1,478	1,413	1,674

As at 31 March 2018, 2019 and 2020 and 31 December 2020, there is no significant unrecognised deferred tax.

19. Notes to the consolidated statement of cash flows

(a) Cash generated from operations

		Year ended 31 March			Nine months ended 31 December	
	Note	**2018**	**2019**	**2020**	**2019**	**2020**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Profit/(loss) before taxation		29,762	17,481	(2,761)	(3,774)	(2,643)
Adjustments for:						
Interest income	*6*	(1)	(4)	(33)	(28)	(2)
Interest expenses	*6*	1,445	2,254	2,482	1,862	1,313
Depreciation	*11*	62	62	40	33	—
Change in fair value of investment properties	*12*	(25,900)	(13,400)	7,000	7,200	6,200
		5,368	6,393	6,728	5,293	4,868
Changes in working capital:						
Trade receivables		(118)	(60)	(61)	43	116
Deposits		(18)	(4)	(3)	(2)	(42)
Trade and other payables		74	(1,782)	391	143	(230)
Cash flows from operating activities		5,306	4,547	7,055	5,477	4,712

(b) Net debt reconciliation

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

	As at 31 March			As at 31 December
	2018	2019	2020	2020
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	1,006	838	658	1,204
Bank borrowings — variable interest rates	(98,983)	(94,989)	(91,067)	(90,388)
Net debt	(97,977)	(94,151)	(90,409)	(89,184)

	Amount due to a shareholder	Bank borrowings	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2017	13,434	51,040	64,474
Cash flows, net	(13,434)	47,943	34,509
At 31 March 2018	—	98,983	98,983
Cash flows, net	—	(3,994)	(3,994)
At 31 March 2019	—	94,989	94,989
Cash flows, net	—	(3,922)	(3,922)
At 31 March 2020	—	91,067	91,067
Cash flows, net	—	(679)	(679)
At 31 December 2020	—	90,388	90,388
(Unaudited)			
At 1 April 2019	—	94,989	94,989
Cash flows, net	—	(2,936)	(2,936)
At 31 December 2019	—	92,053	92,053

20. Related party balances

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Target Group are also considered as related parties.

The following individual is a related party of the Target Group that had balances with the Target Group during the Track Record Period.

Name of related party	**Relationship with the Target Group**
Mr. Lin Tsz Fung	Shareholder and director of the Target Company

Amount due from a shareholder

				As at
		As at 31 March		**31 December**
	2018	**2019**	**2020**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Lin Tsz Fung	34,564	32,762	33,272	34,648
Maximum amount outstanding during the year/period	34,564	34,564	33,272	34,648

The balance with a shareholder above was of non-trade nature, unsecured, interest-free and was repayable on demand.

On 26 February 2021, the amount due from a shareholder was fully settled upon completion of the Acquisition.

21. Future minimum rental receivables

As at 31 March 2018, 2019 and 2020 and 31 December 2020, the analysis of the Target Group's aggregate future minimum rental income receivables under non-cancellable operating leases are as follows:

	As at 31 March			As at 31 December
	2018	**2019**	**2020**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	6,615	4,443	4,938	2,289
More than 1 year but less than 2 years	4,251	1,564	817	533
More than 2 years but less than 3 years	1,420	—	60	—
	12,286	6,007	5,815	2,822

22. Events after reporting date

Save as disclosed in Note 1 and elsewhere in this report, there is no other material subsequent event undertaken by the Target Company or the Target Group after 31 December 2020.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or its subsidiary in respect of any period subsequent to 31 December 2020 and up to the date of this report. No dividend or distribution has been declared or made by the Target Company or its subsidiary in respect of any period subsequent to 31 December 2020.

Set out below is the management discussion and analysis of the performance of the Target Group for each of the year ended 31 March 2018, 2019 and 2020 and the nine months ended 31 December 2020 (the "**Track Record Period**").

OVERVIEW

The Target Company is a company incorporated under the laws of the British Virgin Islands and is principally engaged in investment holding. The Target Company and its subsidiary (collectively "**Target Group**") are principally engaged in properties investment in Hong Kong.

FINANCIAL REVIEW

Revenue

The Target Group's revenue was derived from the operating lease rental income and management fee income from commercial complex, retail shops, fresh market stalls, cooked food stalls and storerooms and car parks, which remained relatively stable and amounted to HK$9.3 million, HK$10.0 million, HK$10.8 million and HK$7.9 million for the years ended 31 March 2018, 2019 and 2020 and the nine months ended 31 December 2020, respectively.

Net profit/(loss) for the Track Record Period

The profit/(loss) for the year ended 31 March 2018, 2019 and 2020 and the nine months ended 31 December 2020 amounted to approximately profit of HK$29.1 million, profit of HK$16.6 million, loss of HK$3.7 million and loss of HK$3.3 million, the fluctuation of net profit/(loss) was mainly attributed to the fair value change on investment properties.

SEGMENT INFORMATION

During the Track Record Period, the Target Group had only one reportable operating segment, being the properties investment and management in Hong Kong. As such, no segmental information thereof is presented.

LIQUIDITY AND FINANCIAL RESOURCES

The Target Group's net assets was approximately HK$171.8 million, HK$188.4 million, HK$184.7 million and HK$181.4 million as at 31 March 2018, 2019 and 2020 and 31 December 2020 respectively. As at 31 March 2018, 2019 and 2020 and 31 December 2020, the Target Group had cash and cash equivalents of approximately HK$1.0 million, HK$0.8 million, HK$0.7 million and HK$1.2 million respectively, which were denominated in Hong Kong Dollar.

The Target Group monitors its capital on the basis of the gearing ratio, which is expressed as a percentage of net debt divided by total capital. Net debt is calculated the bank borrowings less cash and cash equivalents. Total capital represents total equity as shown on the consolidated statement of financial position. The gearing ratio as at 31 March 2018, 2019 and 2020 and 31 December 2020 were 57.0%, 50.0%, 48.9% and 49.2% respectively.

As at 31 March 2018, 2019 and 2020 and 31 December 2020, all bank borrowings of the Target Group bore variable interest rates, the maturity (with repayable on demand clause) and currency profile are set as follows:

	Within one year or on demand			
				As at
	As at 31 March			**31 December**
	2018	**2019**	**2020**	**2020**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong Dollar	98,983	94,989	91,067	90,388

During Track Record Period, the Target Group did not have any financial instruments for hedging purposes.

SIGNIFICANT INVESTMENT

The Target Group had no significant investment during the Track Record Period.

COMMITMENTS

As at 31 March 2018, 2019 and 2020 and 31 December 2020, the Target Group had no significant capital commitment.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

During the Track Record Period, the Target Group did not conduct any material acquisition or disposal of subsidiaries, associates and joint ventures.

CONTINGENT LIABILITIES

The Target Group did not have any material contingent liabilities as at 31 March 2018, 2019 and 2020 and 31 December 2020.

FOREIGN EXCHANGE EXPOSURE

The Target Group solely operates in Hong Kong and all transactions and cash and cash equivalents are denominated in Hong Kong Dollar. The Target Group is not exposed to foreign currency risk on transaction that is in a currency other than the respective functional currency of the Target Group entities. The Target Group did not resort to any foreign currency hedging facilities during the Track Record Period.

PLEDGE OF ASSETS

As at 31 March 2018, 2019 and 2020, and 31 December 2020, all the Target Group's investment properties were pledged as collateral for the Target Group's bank borrowings.

EMPLOYEES AND REMUNERATION POLICIES

No employees were employed for the Track Record Period. During the Track Record Period, the operation of the Target Group was managed by a management company which was a related party of the Vendors. No administrative expenses were incurred by or recharged to the Target Group.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

The following is the unaudited pro forma financial information of the Enlarged Group ("**Unaudited Pro Forma Financial Information**"), comprising the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group, which have been prepared based on the notes set forth below to illustrate the effect of the Acquisition as if the Acquisition had taken place on 30 September 2020.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Group as set out in the published annual report of the Group for the year ended 31 March 2020 and the new or revised accounting standards adopted in the interim report of the Group for the six months ended 30 September 2020.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 September 2020, where applicable, or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group

	The Group as at 30 September 2020 (unaudited)	The Target Group as at 31 December 2020	Pro forma adjustments	Other adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	(Note 2)	(Note 4)	(Note 5)	(Note 6)	
Non-current assets						
Property and equipment	16,800	—	—	—	—	16,800
Right-of-use assets	211,861	—	—	—	—	211,861
Investment properties	—	240,500	—	1,174	1,448	243,122
Prepayments and deposits	4,292	—	—	—	—	4,292
Deferred tax assets	1,970	—	—	—	—	1,970
Financial assets at fair value through other comprehensive income	173	—	—	—	—	173
Total non-current assets	235,096	240,500	—	1,174	1,448	478,218
Current assets						
Trade receivables	4,580	351	—	—	—	4,931
Prepayments, deposits and other receivables	5,549	916	—	—	—	6,465
Amount due from a shareholder	—	34,648	(34,648)	—	—	—
Short-term bank deposits	133,924	—	—	(133,924)	—	—
Cash and cash equivalents	71,880	1,204	—	15,612	—	88,696
Total current assets	215,933	37,119	(34,648)	(118,312)	—	100,092
Current liabilities						
Trade and other payables	16,958	2,620	—	—	1,448	21,026
Contract liabilities	963	—	—	—	—	963
Amount due to a related company	182	—	—	—	—	182
Bank borrowings	—	90,388	(90,388)	7,190	—	7,190
Lease liabilities	23,086	—	—	—	—	23,086
Income tax payable	8,587	1,219	—	—	—	9,806
Total current liabilities	49,776	94,227	(90,388)	7,190	1,448	62,253
Net current assets/(liabilities)	166,157	(57,108)	55,740	(125,502)	(1,448)	37,839
Non-current liabilities						
Accruals and other payables	3,570	320	—	—	—	3,890
Bank borrowings	—	—	—	112,810	—	112,810
Lease liabilities	191,162	—	—	—	—	191,162
Deferred tax liabilities	—	1,674	—	—	—	1,674
Total non-current liabilities	194,732	1,994	—	112,810	—	309,536
Net assets	206,521	181,398	55,740	(237,138)	—	206,521

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The amounts are extracted from the unaudited condensed consolidated financial statements of the Group as set out in the interim report of the Group for the six months ended 30 September 2020.

2. The amounts are extracted from the historical financial information of the Target Group, as set out in Appendix II to the Circular.

3. For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the Directors of the Company considered that the Acquisition is an acquisition of assets pursuant to Hong Kong Financial Reporting Standard 3 "Business Combinations" ("**HKFRS 3**") as no business process was acquired from the Acquisition. No adjustment to the fair value of the investment properties upon Acquisition pursuant to HKFRS 3 is considered necessary by the Directors of the Company after making reference to a valuation report prepared by the independent valuer, ValQuest Advisory (Hong Kong) Limited as at 31 December 2020.

   Since the actual fair value of the investment properties as at the date of Completion may be materially different from the value used in the preparation of the Unaudited Pro Forma Financial Information, the final amount of the investment properties may be materially different from the estimated amount as shown above.

4. Pursuant to the Sale and Purchase Agreement, Mr. Lin Tsz Fung would fully settle the amount due from him as at the date of Completion and further transfer a shareholder's loan to the Target Company for the purpose of repayment of all the Target Group's bank borrowings as at the date of Completion. As a result of these transactions, the Target Group no longer had any outstanding borrowings save for the shareholder's loan (i.e. the Sale Debt). On the date of Completion, as part of the Acquisition, the Sale Debt would be assigned to Kato Elderly Care Limited, a wholly-owned subsidiary of the Company. Accordingly, the Sale Debt would become a payable to Kato Elderly Care Limited by the Target Group and had been eliminated on consolidation in the Unaudited Pro Forma Financial Information. See also note 5 below. For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the Sale Debt was calculated based on the amount due from a shareholder of HK$34,648,000 and the bank borrowings of HK$90,388,000 of the Target Group as at 31 December 2020.

   The actual amount of the Sale Debt at the date of Completion is different from the amount used above in the preparation of the Unaudited Pro Forma Financial information which is at 31 December 2020, the latest financial period of audited financial information of the Target Group. Please refer to page 7 of this circular for the final agreed amount of the Sale Debt.

5. Pursuant to the Sale and Purchase Agreement, the Consideration payable to the Vendors for the Sale Shares and Sale Debt shall be HK$240,000,000 and it is subject to the Consideration Adjustment, which is equivalent to the amount of the Net Current Asset Value of the Target Group at the date of Completion.

For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the Consideration Adjustment was calculated based on the amount of the assets and liabilities of the Target Group as at 31 December 2020.

Consideration Adjustment

	HK$'000
Cash consideration	240,000
Less: Net Current Asset Value	(1,688)
Trade receivables	351
Deposits	916
Cash and cash equivalents	1,204
Trade and other payables	(2,620)
Income tax payable	(1,219)
Deposits from tenants	(320)
Consideration after Consideration Adjustment	238,312

For the purpose of the Unaudited Pro Forma Financial Information, the Consideration after Consideration Adjustment of HK$238,312,000 is assumed to be settled by cash of HK$118,312,000 and by bank borrowing of HK$120,000,000, and the Directors of the Company converted all short-term bank deposits into cash to finance the Acquisition.

Under Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations", the Acquisition does not constitute a business acquisition and is accounted for as an acquisition of assets. Therefore, any variance between the Consideration after Consideration Adjustment and the net identified assets and liabilities of the Target Group will be reflected in the fair value of the subject assets under asset acquisition which are the investment properties.

The increase of investment properties of HK$1,174,000 represents the excess of the Consideration after Consideration Adjustment of HK$238,312,000 over the net identifiable assets acquired and liabilities assumed of HK$237,138,000 (including the Sale Debt) of the Target Company as at 31 December 2020.

The actual amount of Net Current Asset Value of the Target Group and the final amount of the Consideration after Consideration Adjustment at the date of Completion are different from the values used above in the preparation of the Unaudited Pro Forma Financial Information which are at 31 December 2020, the latest financial period of audited financial information of the Target Group. Please refer to page 8 of this circular for the final amount of the Consideration after Consideration Adjustment.

6. The adjustment is made to reflect the accrual for the estimated transaction costs, such as professional fees and printing costs, of approximately HK$1,448,000 that are directly attributable to the Acquisition and will be capitalised in investment properties.

7. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2020. Unless otherwise stated, the adjustments above do not have a recurring effect.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report on the unaudited pro forma financial information of the Enlarged Group set out on pages IV-1 to IV-5 received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Kato (Hong Kong) Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Kato (Hong Kong) Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), and Rich Quest Asia Limited and its subsidiary (the "**Target Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 September 2020 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages IV-1 to IV-5 of the Company's circular dated 26 May 2021, in connection with the proposed acquisition of the Target Group (the "**Acquisition**") by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-5 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 30 September 2020 as if the Acquisition had taken place at 30 September 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's interim financial information for the six months ended 30 September 2020 set out in the interim report, on which no audit or review report has been published.

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

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 30 September 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 26 May 2021

The following is the full text of the letter, summary of value and valuation report, prepared for the purpose of incorporation in this circular received from ValQuest Advisory (Hong Kong) Limited, an independent valuer, in connection with the valuation of the property to be acquired by Kato (Hong Kong) Holdings Limited as of 31 March 2021.

ValQuest Advisory (Hong Kong) Limited
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5 Hanoi Road, Tsim Sha Tsui, Kowloon,
Hong Kong SAR
Tel: +852 2180 6460

www.valquestadv.com

26 May 2021

The Board of Directors
Kato (Hong Kong) Holdings Limited
1st Floor, Tung Wai Court
No. 3 Tsing Ling Path
Tuen Mun, New Territories
Hong Kong

Re: Valuation of various portions of commercial complex, other accommodations and car parking spaces located in Hing Tin Estate, No. 8 Lin Tak Road, Kowloon, Hong Kong (the "Property")

Instructions, purpose and valuation date

We refer to the instructions from Kato (Hong Kong) Holdings Limited (the "**Company**") to value the Property (as more particularly described in the attached valuation report) which the Company and/or its subsidiaries (hereinafter together referred to as the "**Group**") proposes to acquire; we confirm that we have carried out physical site inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as of 31 March 2021 (the "**Valuation Date**").

Basis of value

The Property was valued on the basis of "market value" which is defined under The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors (HKIS) as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction), and without offset for any associated taxes or potential taxes.

Market value is also the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

We confirm that the valuations and reports were undertaken in accordance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; The HKIS Valuation Standards 2020 (effective from 31 December 2020) published by HKIS; and The RICS Valuation — Global Standards incorporating the IVSC International Valuation Standards (effective from 31 January 2020) published by the Royal Institution of Chartered Surveyors.

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020 has affected global financial markets. Our valuations are reported on the basis of 'material valuation uncertainty' as per "VPS3 Valuation Reports" and "VPGA10 Matters that may give Rise to Material Valuation Uncertainty" of the RICS Valuation — Global Standards. Consequently, less certainty — and a higher degree of caution — should be attached to our valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate markets, we recommend the instructing party keep the valuation of the Property under frequent review.

General valuation assumptions

In the course of our valuation, we have assumed that transferrable land title has been granted to the Property with nominal annual ground rents, and that all requisite land premium has been fully settled. The owner(s) of the Property possesses legal and enforceable title to the Property, and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired land tenure.

We have further assumed that all consents, approvals and licenses from the relevant government authorities for the development of the Property have been obtained, and that the design, construction and occupation of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property or any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

Valuation methodologies

We have adopted the market approach to value the car parking spaces of the Property by referring to sale transactions of comparable properties in the subject locality with adjustments to reflect the differences between the Property and the comparables where necessary.

For the remaining portions of the Property which comprises commercial complex, retail shops, fresh market stalls, cooked food stalls and storerooms, we have adopted the income capitalisation method by capitalising the rental income of the respective portions of the Property (based on the prevailing tenancy schedules handed to us by you) and have made provisions for the Property's reversionary income potential.

Source of information

We have relied to a considerable extent on the information provided by the Group in respect of the Property, and have accepted advice on such matters as identification of the Property, land tenure, floor areas, year of completion, occupancy status, tenancy details, planning approvals, statutory notices, easements and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information furnished to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Title investigation

We have conducted searches in the Hong Kong Land Registry with regard to the Property and have made relevant enquires. However, we have not inspected the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us. All documents have been used for reference only.

Site inspection

We have inspected the exterior and, where possible, the interior of the Property. During the course of our inspection, we noted that the Property appeared to be in a generally reasonable state of repair commensurate with its age and uses. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, unable to report whether the Property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Property but have assumed that the floor areas shown on the documents and/or official plans handed to us by the Group are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

Currency & exchange rates Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollar (HK$).

Confirmation of independence We hereby confirm that ValQuest Advisory (Hong Kong) Limited and the undersigned have no pecuniary or other interests that would conflict with the proper valuation of the Property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Our valuation is summarised below and the valuation report is attached.

Yours faithfully,
for and on behalf of
ValQuest Advisory (Hong Kong) Limited
Norris Z. Y. Nie
MCIREA MRICS MHKIS
Managing Director

Note: Mr. Norris Nie is a member of the China Institute of Real Estate Appraiser, a member of The Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. He has over 23 years of experience in the professional property valuation and advisory services in the Mainland China, Hong Kong and other overseas countries.

SUMMARY OF VALUES

Property held by the Target Group for investment in Hong Kong

No.	Property	Market value in existing state as of 31 March 2021 *HKD*	% interest to be acquired	Market value in existing state as of 31 March 2021 attributable to the Group *HKD*
1.	Various portions of commercial complex, other accommodations and car parking spaces located in Hing Tin Estate, No. 8 Lin Tak Road, Kowloon, Hong Kong (see Note 1 of the valuation report for details)	244,100,000	100%	244,100,000
Grand total:		**244,100,000**		**244,100,000**

VALUATION REPORT

Property held by the Target Group for investment in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of 31 March 2021
			HKD
Various portions of commercial complex, other accommodations and car parking spaces located in Hing Tin Estate, No. 8 Lin Tak Road, Kowloon, Hong Kong *(5,699/149,828th parts or shares of and in New Kowloon Inland Lot No. 6377 for various portions of the Property except carparks; and 276/4,068 of 9,871/149,828th parts or shares of and in New Kowloon Inland Lot No. 6377 for carparks of the Property)* (see Note 1 for details)	The Property comprises various portions of commercial complex and other accommodations within a public housing estate known as "Hing Tin Estate" which was completed in about 1987. The details of the Property are as follows: **Portion** — **Saleable area (sf)** Fresh market — 3,689 Commercial complex — 23,997 Cooked food stalls — 3,792 Shops — 7,333 Storerooms — 1,098 Total — 39,909 The Property also comprises 23 carparks within Level A of Carpark Block C of the subject development. The property is held under a government lease for a term of 50 years commencing on 8 February 2001. The government rent is equivalent to three percent of the rateable value of the Property for the time being. The Property was zoned as "Residential (Group A)" under the approved Kwun Tong (South) Outline Zoning Plan No. S/K14/22.	The Property (except for carparks) was subject to various tenancies with the latest expiry dates being October 2022, with a total monthly rental income of HK$488,870 as of the Valuation Date. The average occupancy of the Property (excluding carparks) was around 79% as of the Valuation Date. The carparks of the Property were let on an hourly basis as of the Valuation Date.	244,100,000 *(HONG KONG DOLLARS TWO HUNDRED FORTY FOUR MILLION AND ONE HUNDRED THOUSAND ONLY)*

Notes:

(1) The Property comprises the following:

a. Commercial complex, Hing Tin Estate, No. 8 Lin Tak Road, Kowloon, Hong Kong (3,808/149,828th parts or shares of and in NKIL 6377);

b. Cooked food stalls, Hing Tin Estate, No. 8 Lin Tak Road, Kowloon, Hong Kong (540/149,828th parts or shares of and in NKIL 6377);

c. Portions of the Integrated HA accommodation as shown and coloured pink on the G/F plans of Yan Tin House, Mei Tin House & Choi Tin House annexed to Assignment M/N 05122000560470, Hing Tin Estate, No. 8 Lin Tak Road, Kowloon, Hong Kong (1,351/149,828th parts or shares of and in NKIL 6377); and

d. Car Parking Spaces No. A1 to A23 on Level A of Carpark C of Car Park Blocks, Hing Tin Estate, No. 8 Lin Tak Road, Kowloon, Hong Kong (276/4,068 of 9,871/149,828th parts or shares of and in NKIL 6377 on aggregate).

(2) The registered owner of the property is Golden Grand Holdings Limited registered vide memorial no. 14082901640093 dated 31 July 2014. The consideration of the Property (which forms part of the property acquired in 2014) was HK$210,000,000.

(3) The Property is subject the following:

a. Deed of Mutual Covenant registered vide memorial no. UB8363003 dated 2 April 2001;

b. Mortgage to secure all moneys in respect of general banking facilities and interest thereon in favour of Hang Seng Bank Limited registered vide memorial no. 14082901640108 dated 31 July 2014 (re: carparks);

c. Rental assignment in favour of Hang Seng Bank Limited registered vide memorial no. 14082901640115 dated 31 July 2014 (re: carparks);

d. Partial release of the aforesaid mortgage registered vide memorial no. 15040801730015 dated 16 March 2015 (re: carparks);

e. Sub-deed of Mutual Covenant registered vide memorial no. 15033001340025 dated 16 March 2015 (re: carparks);

f. Tripartite legal charge/mortgage to secure all moneys in respect of general banking facilities (part) in favour of China CITIC Bank International Limited registered vide memorial no. 18010401440034 dated 12 December 2017; and

g. Rental assignment in favour of China CITIC Bank International Limited registered vide memorial no. 18010401440048 dated 12 December 2017.

(4) The property was inspected by Mr Jason Chu, a valuer with 3 years' of real estate valuation experience on 23 January 2020.

(5) The Property is a local retail centre to serve mainly the residents of the subject residential development. In the course of our valuation, we have made reference to the passing rents of recent lettings prevailing as of the Valuation Date as well as market yields applicable the Property. The adopted unit rents range from HK$16.2 to HK$48.2 per square foot per month (on saleable area basis), and the adopted market yields range from 5.8% to 8.8%.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiry, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

(A) DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

Name of Director	Nature of interests	Number of Shares held[(1)]	Percentage of shareholding in the Company's issued share capital[(5)]
Ms. Ngai Ka Yee ("**Ms. Ngai**")	Settlor of a family trust	624,000,000 (L) [(2)]	62.4
Mr. Ngai Shi Shing, Godfrey ("**Mr. Ngai**")	Beneficiary of a family trust	624,600,000 (L) [(2)]	62.5

Name of Director	Nature of interests	Number of Shares held[(1)]	Percentage of shareholding in the Company's issued share capital[(5)]
Ms. Chiu Lai Kuen Susanna	Beneficial owner	400,000 (L)	0.04
Mr. Cheng Man Tak Richard ("**Mr. Cheng**")	Interested in controlled corporation	5,000,000 (L) [(3)]	0.50
Mr. Poon Kai Kit Joe ("**Mr. Poon**")	Beneficial owner	8,912,000 (L) [(4)]	0.89

Notes:

(1) The letter "L" denotes a long position in the Shares.

(2) These Shares were held by Sheung Fung Limited ("**Sheung Fung**"), which is wholly owned by Shi Fung (PTC) Limited (the "**Trustee**"), the trustee of a family trust, namely, The Kwong and Ngai Family Trust which was established pursuant to the trust deed dated 19 March 2018 as amended and supplemented by a deed of variation of removal of beneficiaries dated 17 July 2018 (the "**Family Trust**"). Ms. Ngai are the settlors of the Family Trust and Mr. Ngai is the sole beneficiary of the Family Trust. By virtue of the SFO, Ms. Ngai and Mr. Ngai are deemed to be interested in the Shares held by Sheung Fung.

(3) These Shares were held by Dynasty Power Limited, which is wholly owned by Mr. Cheng.

(4) The approximate percentages were calculated based on 1,000,000,000 shares in issue as at the Latest Practicable Date.

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

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

So far as the Directors are aware, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of interests	Number of Shares held(1)	Percentage of shareholding in the Company's issued share capital(4)
Sheung Fung	Beneficial owner	624,000,000 (L)	62.4
Trustee	Trustee	624,000,000 (L) (2)	62.4
Ms. Wei Xiaoling(3)	Beneficial owner	624,600,000 (L)	62.5
Mr. Lam Kong	Beneficial owner	52,246,000 (L)	5.2

Notes:

(1) The letter "L" denotes a long position in the Shares.

(2) These Shares were held by Sheung Fung, which is wholly owned by the Trustee. Ms. Ngai are the settlors of the Family Trust and Mr. Ngai is the sole beneficiary of the Family Trust. By virtue of the SFO, the Trustee, Ms. Ngai and Mr. Ngai are deemed to be interested in the Shares held by Sheung Fung.

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

(4) The approximate percentages were calculated based on 1,000,000,000 shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(C) INTERESTS OF DIRECTORS IN THE ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had, since 31 March 2020, being the date of the latest published audited consolidated financial statements of the Group, been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

(D) INTERESTS OF DIRECTORS IN CONTRACTS OF THE GROUP

There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested in and which is significant to the business of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, the controlling Shareholders or his or her respective close associates was considered to have interests in business which competes or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors, the controlling Shareholders or his or her close associates were appointed to represent the interests of the Company and/or the Group.

5. MATERIAL CONTRACTS

As at the Latest Practicable Date, save as disclosed in section headed "Appendix V — Statutory and General Information — Further information about our business — 9. Summary of Material Contracts" to the Company's prospectus dated 30 May 2019, the following are contracts (not being contracts entered into in the ordinary course of business) entered into by the members of the Group within the two years immediately preceding the date of this circular and which is or may be material or of significance:

(a) the Sale and Purchase Agreement.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL ACQUISITION

Since 31 March 2020, being the date to which the latest published audited consolidated financial statements of the Group have been made up and up to the Latest Practicable Date, save for the Acquisition, the Group did not conduct any material acquisition.

8. EXPERTS' QUALIFICATION AND CONSENT

The following is the qualification of the experts who have been named in this circular or have given opinion contained or advised in this circular:

Name	Qualifications
PricewaterhouseCoopers	Certified Public Accountants
ValQuest Advisory (Hong Kong) Limited	Qualified surveyors

As at the Latest Practicable Date, each of the experts named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and reference to its name, in the form and context in which they are included.

As at the Latest Practicable Date, each of the experts named above did not have any shareholding in any member of the Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, each of the experts named above did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Kwok Chi Kan. He is a Practicing Certified Public Accountant in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

(c) The Company's head office and principal place of business is at 1st Floor Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong.

(d) The Cayman Islands principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, Grand Cayman KY1-1111, Cayman Islands.

(e) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(f) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at 1st Floor, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong, during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekday, except public holidays, for the period of 14 days commencing from the date of this circular:

(a) the amended and restated memorandum and articles of association of the Company;

(b) the prospectus of the Company dated 30 May 2019, the 2019 and 2020 annual reports and 2020 interim report of the Company;

(c) the accountant's report of the Target Group, the text of which is set out in Appendix II to this circular;

(d) the report on unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(e) the property valuation report of the Property, the text of which is set out in Appendix V to this circular;

(f) the material contracts referred to in the paragraph headed "5. Material Contracts" in this appendix;

(g) the written consent of the experts referred to in the paragraph headed "8. Experts' Qualification and Consent" of this appendix; and

(h) this circular.