

IPO FACT SHEET
Kato (Hong Kong) Holdings Limited (2189)
ISSUE STATISTICS

Offer Size:	HK\$150.0m - HK\$160.0m
Placement Tranche:	250m
Price:	HK\$0.60 - HK\$0.64
Board lot:	4,000
Entry fee:	HK\$2,585.80
Historical PE	16.5x – 17.6x
Net tangible asset per share:	HK\$0.17 - HK\$0.18
Market Cap (post-IPO):	HK\$600.0m- HK\$640.0m
Open:	30 May 2019
Close:	12.00 noon on 4 Jun 2019
Trading:	13 Jun 2019
Sponsor:	VMS Securities Limited

Year ended 31 Mar	(HKD'000)	yoy % chg
Revenue		
2017	150,195	5.5%
2018	156,013	3.9%
Profit and total comprehensive income for the year/period attributable to the shareholders of the Company		
2017	33,482	8.6%
2018	36,437	8.8%

BACKGROUND

- 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.
- According to the Industry Report, in 2017, it was the third largest private residential care home for the elderly operator in Hong Kong (in terms of revenue with a market share of 1.3%) and the second largest private residential care home for the elderly operator participating in the Enhanced Bought Place Scheme (in terms of number of Enhanced Bought Place Scheme places purchased by the Social Welfare Department with a market share of 7.3%).
- During the Track Record Period, the Group's customers primarily consisted of two groups, namely: (i) the Social Welfare Department; and (ii) individual customers.
- Seven of its care and attention homes for the elderly are participating in the Enhanced Bought Place Scheme pursuant to which the Social Welfare Department purchased up to 579 of its 1,129 residential care places during the Track Record Period and up to the Latest Practicable Date.

BUSINESS STRATEGIES

- Expand its network of care and attention homes for the elderly in Hong Kong.
- Hire additional staff and continue to retain skilled workforce through systematic training and professional development.
- Continue to upgrade the facilities and purchase of new equipment at its network of care and attention homes for the elderly and renovate its care and attention homes for the elderly.
- Continue to strengthen its information systems.

COMPETITIVE STRENGTHS

- The Group has been in the market for over 27 years with a recognised brand and established network of care and attention homes for the elderly participating in the Enhanced Bought Place Scheme.
- Over half of its residential care places are purchased by the HK Government and it possesses a recognised brand of care and attention

home, seven out of its eight care and attention homes participate in the Enhanced Bought Place Scheme.

- The Group is well-positioned to capture opportunities in the growing elderly home market in Hong Kong.
- It provides quality elderly home care services to its customers at its care and attention homes that are strategically located near residential areas of affordable private and public estates.
- The Group is supported by a management team with extensive experience in the residential care home for the elderly industry and a team of nurses, physiotherapists, social workers, health workers and care workers who strive to provide quality and caring services to its elderly residents.

KEY RISKS

- The Group has previously been involved in certain incidents of non-compliance with certain Hong Kong regulatory requirements and the RCHE Code of Practice.
- It depends on the Social Welfare Department for a significant portion of its revenue.
- It depends on its reputation within the residential care home for the elderly industry and is subject to risks of negative publicity resulting from caretaking incidents or accidents and legal proceedings arising from its operations may harm its reputation.
- It is required to comply with staffing requirements and its performance depends on its ability to recruit and retain quality and qualified staff. In addition, the residential care home for the elderly industry in Hong Kong is faced with manpower shortage which may adversely affect its labour costs.
- There is no assurance that its tenancy agreements will be successfully renewed or renewed on comparable term or will not be early terminated and its is subject to risk of rental price fluctuation in the real estate market in Hong Kong.
- It has limited or no control over the quality of the pharmaceuticals, medical equipment, consumables and other supplies it uses in operations, and cannot guarantee that none of the products it uses are counterfeits free from defects and meet the relevant quality standards.
- It may not receive further government subsidies and the loss of which may affect its financial position.
- Media exposure of cases of abuse of residents in private RCHes has raised public concern and resulted in a negative perception about the service quality of private RCHes, which may eventually impact customers' decision when selecting residential care services.

DIVIDEND POLICY

- Intend to pay not less than 80% of distributable net profit for the financial year after the Listing.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
To establish six new care and attention homes	90.9	73.8%
To renew and upgrade the facilities at its care and attention homes	28.7	23.3%
To upgrade the information technology infrastructure	1.6	1.3%
General working capital	2.0	1.6%
Total:	123.2	100.0%

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