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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF LANDS

The Board is pleased to announce that on 21 May 2021 the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor in relation to the acquisition of the Lands at a cash consideration of HK\$65 million.

As one of the applicable percentage ratios in respect of the Acquisition calculated under Chapter 14 of the Listing Rules is more than 5% and below 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

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THE AGREEMENT

Major terms of the Agreement are set out below:

Date: 21 May 2021

The Purchaser: Si Mau Limited, an indirect wholly-owned subsidiary of the Company

The Vendor: Upper Catering Group Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and the ultimate beneficial owner(s) of the Vendor and are Independent Third Parties.

- Lands to be acquired:**
- (1) The Remaining Portion of Sub-Section 1 of Section E of Lot No. 1695 in DD 120 ("**Land 1**");
 - (2) Sub-Section 1 of Section F of Lot No. 1695 in DD 120 ("**Land 2**");
 - (3) The Remaining Portion of Section H of Lot No. 1695 in DD 120 ("**Land 3**"); and
 - (4) The Remaining Portion of Lot No. 1674 in DD 120 ("**Land 4**").

Consideration and payment terms:

The consideration for the Acquisition is HK\$65 million, which was agreed between the parties based on arm's length negotiation. The Directors consider that the consideration is fair and reasonable after taking into account (i) the prevailing market value of similar properties in the vicinity of the Lands; and (ii) the benefits as described under the paragraph headed "Reasons for and Benefits of the Acquisition".

The Purchaser has paid to the Vendor an initial deposit of HK\$3 million upon signing of the Agreement and shall pay a further deposit of HK\$3.5 million on or before 3 June 2021.

A formal sale and purchase agreement in respect of the Acquisition will be entered into between the Purchaser and the Vendor on or before 3 June 2021.

The remaining balance of the consideration in the amount of HK\$58.5 million shall be paid by the Purchaser to the Vendor on the date of Completion.

The Acquisition has been/will be financed by internal resources and/or bank borrowings of the Group.

- Completion:** It is currently expected that Completion will take place on or before 6 July 2021 upon which the Lands shall be delivered to the Purchaser on an “as-is” basis subject to the then existing tenancies.
- Existing tenancies:** Land 3 is currently leased to an Independent Third Party at a monthly rent of HK\$30,000, the term of which will end on 31 May 2022.
- Land 4 is currently leased to an Independent Third Party at a monthly rent of HK\$30,000, the term of which will end on 28 February 2022.
- Others:** The Purchaser is aware of a warning letter issued by the Yuen Long District Lands Office of the Lands Department of Hong Kong and registered with the Land Registry of Hong Kong concerning certain unauthorised structure on Land 1. The Purchaser agreed that it will not delay or refuse Completion for the reason of the said warning letter or other items registered at the Land Registry of Hong Kong in respect of the Lands.

INFORMATION ON THE LANDS

As set out above, the Lands are owned by the Vendor and consist of four pieces of adjoining lands, namely Land 1 to Land 4. In April 2019, the Vendor sought approval from the Town Planning Board for a proposed conservation-cum-development proposal at Land 1, Land 2 and Land 3, which falls within a ‘Government, Institution or Community(1)’ zone on the Approved Yuen Long Outline Zoning Plan No. S/YL/23 with maximum building height at three storeys (the “**Application**”). A grade 3 historical building known as Siu Lo is located at the Lands. The Vendor proposed under the Application by preserving the historical building and developing a new building at the remained area for a proposed RCHE with minor relaxation of building height restriction to five storeys plus one basement level. The proposed use of the new building is permitted under the prevailing ‘Government, Institution or Community(1)’ zone but the proposed building height of the new building exceeds the maximum building height for the zone. Therefore the Application to relax the maximum building height is required. The Application has been approved by the Town Planning Board as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

It is intended that the Group will develop a new building at the Lands for a proposed RCHE.

Having considered the surge in available properties in the market and significant decrease in property prices, the Board is 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 is in the best interest of the Company and the Shareholders. The Acquisition is considered by the Directors to be beneficial to the Group as the Group expects to develop a new building at the Lands and establish a care and attention home in the new building. Taking into account the above factors, the Directors consider that the terms of the Agreement (including the consideration) are on normal commercial terms, fair and reasonable and the Acquisition is 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 and recreational 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.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the Vendor and its ultimate beneficial owners are Independent Third Parties; and (ii) the Vendor is a company incorporated in Hong Kong with limited liability, and is principally engaged in property investment.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules.

DEFINITIONS

“Acquisition”	acquisition of the Lands by the Purchaser from the Vendor
“Agreement”	the provisional sale and purchase agreement dated 21 May 2021 and entered into between the Purchaser, the Vendor and their respective real estate agents in relation to the sale and purchase of the Lands
“Application”	the Vendor sought approval from the Town Planning Board for a proposed conservation-cum-development proposal at Land 1, Land 2 and Land 3, which falls within a ‘Government, Institution or Community(1)’ zone on the Approved Yuen Long Outline Zoning Plan No. S/YL/23 with maximum building height at 3 storeys
“Company”	Kato (Hong Kong) Holdings Limited (Stock Code: 2189), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	Completion of the Acquisition
“Directors”	Directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	persons who are not connected persons (as defined in the Listing Rules) of the Company and are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Land 1”	The Remaining Portion of Sub-Section 1 of Section E of Lot No. 1695 in DD 120

“Land 2”	Sub-Section 1 of Section F of Lot No. 1695 in DD 120
“Land 3”	The Remaining Portion of Section H of Lot No. 1695 in DD 120
“Land 4”	The Remaining Portion of Lot No. 1674 in DD 120
“Lands”	Land 1, Land 2, Land 3 and Land 4
“Purchaser”	Si Mau Limited (仕茂有限公司), a limited liability company incorporated in the British Virgin Islands on 18 April 2018, an indirect subsidiary of the Company
“RCHE”	residential care home for the elderly
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Upper Catering Group Limited, a company incorporate in Hong Kong with limited liability

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

Hong Kong, 24 May 2021

As at the date of this announcement, the executive Directors are Ms. Ngai Ka Yee and Mr. Ngai Shi Shing Godfrey; the non-executive Directors are Mr. Cheng Man Tak Richard and Mr. Poon Kai Kit Joe; and the independent non-executive Directors are Ms. Chiu Lai Kuen Susanna, Mr. Or Kevin and Mr. Wong Vinci.