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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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, together with the enclosed form of proxy, 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.

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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 AND CONNECTED TRANSACTIONS  
RENEWAL OF EXISTING LEASES**

**Independent Financial Adviser to the Independent Board Committee  
and Independent Shareholders**



**結好融資有限公司**  
**GET NICE CAPITAL LIMITED**

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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 7 to 43 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 44 to 45 of this circular. A letter from Get Nice Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 46 to 59 of this circular.

A notice convening the EGM to be held at Thornton Room, 3/F. South Tower, The Salisbury — YMCA of Hong Kong, 41 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 20 June 2022 at 3:00 p.m. is set out on pages EGM-1 to EGM-7 of this circular. Whether or not you are able to attend and vote at the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy as instructed will not preclude you from subsequently attending and voting at the meeting or any adjourned meeting if you so wish.

2 June 2022

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## PRECAUTIONARY MEASURES FOR THE EGM

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The health of our Shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing Novel Coronavirus (COVID-19) pandemic, the Company will implement the following precautionary measures at the EGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted for every shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.
- (ii) Each attendee is requested to wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats.
- (iii) No refreshment will be served, and there will be no corporate gift.
- (iv) Each attendee may be asked whether (a) he/she has travelled outside of Hong Kong within the 14-day period immediately before the EGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds in the affirmative to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue.

In addition, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. Any Shareholder may appoint the chairman of the EGM as his/her/its proxy to vote on the relevant resolution(s) at the EGM instead of attending the EGM in person, by completing and return the proxy form attached to this document.

If any Shareholder chooses not to attend the meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the board of directors of the Company, he/she/it is welcome to send such question or matter in writing to our principal place of business in Hong Kong or to our facsimile at +852 3585 2908.

If any Shareholder has any question relating to the EGM, please contact Union Registrars Limited, the Company's Hong Kong share registrar as follows:

Union Registrars Limited  
Suites 3301-04, 33/F.  
Two Chinachem Exchange Square  
338 King's Road, North Point  
Hong Kong  
Tel: +852 2849 3399  
Fax: +852 2849 3319

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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday or a Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Classic Mate”	Classic Mate Limited (嘉益有限公司), a company incorporated in Hong Kong with limited liability, indirectly wholly owned by Ms. Ngai and is an associate of Ms. Ngai
“Company”	Kato (Hong Kong) Holdings Limited, 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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Crawfield International”	Crawfield International Limited (嘉豐國際有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Group
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Thornton Room, 3/F. South Tower, The Salisbury — YMCA of Hong Kong, 41 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 20 June 2022 at 3:00 p.m. to consider and, if thought fit, approve the Renewal Letters and the transactions contemplated thereunder

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## DEFINITIONS

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“Fai To Home (On Lai)”	Fai-To Home for the Aged (On Lai) Branch (輝濤護老院(安麗分院)), our care and attention home for the elderly with LORCHE No. 0584, the operating address of which is at Shop 1-17 on 1/F, including Entrance on G/F, On Lai Building, 3 Tsing To Path, Tuen Mun, New Territories, Hong Kong
“Fai To Home (Tuen Mun)”	Fai To Home for the Aged (Tuen Mun) Branch (輝濤護老院屯門分院), our care and attention home for the elderly with LORCHE No. 0077, the operating address of which is at 1/F, including Entrance on G/F, Florence Mansion, 6 Tsing Ling Path, Area 4B, Tuen Mun, New Territories, Hong Kong
“Fai To Sino West Home”	Fai To Sino West Combined Home for the Aged (輝濤中西結合安老院), our care and attention home for the elderly with LORCHE No. 0923, the operating address of which is at Part of Shop 1 on G/F, 1/F & 2/F, (3A-3C), 5A-5F Ma Hang Chung Road & 55-65 Pau Chung Street, To Kwa Wan, Kowloon, Hong Kong
“Group”	the Company and its subsidiaries
“Happy Luck”	Happy Luck Elderly Home Limited (荃威安老院有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Group
“Happy Luck Home”	Happy Luck Elderly Home Limited (荃威安老院有限公司), our care and attention home for the elderly with LORCHE No. 1331, the operating address of which is at 2nd Floor of Phase 1 of Commercial Development of Allway Gardens, Nos. 187-195 Tsuen King Circuit, Nos. 2-22 On Yat Street, Tsuen Wan, New Territories, Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board consisting of all independent non-executive Directors, namely Ms. Chiu Lai Kuen Susanna, Mr. Or Kevin and Mr. Wong Vinci, established for the purpose of advising the Independent Shareholders as to the fairness and reasonableness of the Renewal Letters and the transactions contemplated thereunder
“Independent Financial Adviser”	Get Nice Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Renewal Letters and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Mr. Ngai, Ms. Ngai and their respective associates and Shareholders who are connected to or otherwise associated with Mr. Ngai, Ms. Ngai or interested in the Renewal Letters
“Independent Third Party(ies)”	persons who are not connected persons of the Company and are third parties independent of and not connected with the Company and its connected persons
“Independent Valuer”	Colliers International (Hong Kong) Limited, the independent valuer engaged by the Company to assess the market rents of the Premises
“Jane’s Home”	Jane’s Home Limited (頤樂居有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Group
“Kato Elderly Affairs”	Kato Elderly Affairs Limited (嘉濤安老有限公司), a company incorporated in Hong Kong with limited liability, indirectly owned as to 60% by Ms. Ngai and is an associate of Ms. Ngai

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## DEFINITIONS

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“Kato Elderly Home”	Kato Home for the Elderly (嘉濤耆樂苑), our care and attention home for the elderly with LORCHE No. 0787, the operating address of which is at Shop 8–12 on G/F & 1/F, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong
“Kato Home for the Aged”	Kato Home for the Aged (嘉濤耆康之家), our care and attention home for the elderly with LORCHE No. 0668, the operating address of which is at 1/F, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong
“Kato Kung”	Kato Kung Limited (嘉濤宮有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Group
“Kato Property”	Kato Property Limited (嘉濤置業有限公司), a company incorporated in Hong Kong with limited liability, indirectly owned as to 60% by Ms. Ngai and is an associate of Ms. Ngai
“Latest Practicable Date”	27 May 2022, 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
“Mr. Lam Kong”	Mr. Lam Kong, the brother of Mr. Ngai and an associate of Mr. Ngai
“Mr. Ngai”	Mr. Ngai Shi Shing Godfrey, an executive Director and a controlling shareholder of the Company
“Ms. Ngai”	Ms. Ngai Ka Yee, an executive Director and a controlling shareholder of the Company

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## DEFINITIONS

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“Oriental Chinese”	Oriental Chinese Medicine Limited (東方中醫藥有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Group
“Perfect Cheer”	Perfect Cheer Investment Limited (冠時投資有限公司), a company incorporated in Hong Kong with limited liability, indirectly wholly owned by Ms. Ngai and is an associate of Ms. Ngai
“Pine Villa”	Pine Villa (康城松山府邸), our care and attention home for the elderly with LORCHE No. 1310, the operating address of which is at Portion of Level 5, The Capitol, Lohas Park Road, Tseung Kwan O, New Territories, Hong Kong
“Premises”	the premises under the Renewal Letters
“Prospectus”	prospectus of the Company dated 30 May 2019
“Renewal Letters”	collectively, (i) the Kato Elderly Home Tenancy Renewal Letter, (ii) Kato Home for the Aged Tenancy Renewal Letter, (iii) Fai To Home (On Lai) Tenancy Renewal Letter, (iv) Fai To Home (Tuen Mun) Tenancy Renewal Letter, (v) Tsuen Wan Centre Tenancy Renewal Letter, (vi) Happy Luck Home Tenancy Renewal Letter, (vii) Tsuen Wan Staff Quarters Tenancy Renewal Letter, (viii) Kato Staff Quarters Tenancy Renewal Letter, (ix) Staff Quarters Tenancy Renewal Letter and (x) Fai To Sino West Staff Quarters Tenancy Renewal Letter
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shing Kong”	Shing Kong Limited (罌成有限公司), a company incorporated in Hong Kong with limited liability, indirectly wholly owned by Ms. Ngai and is an associate of Ms. Ngai



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## DEFINITIONS

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“Smarts Corporation”	Smarts Corporation Limited (仕茂有限公司), a company incorporated in Hong Kong with limited liability, indirectly wholly owned by Ms. Ngai and is an associate of Ms. Ngai
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Tsuen Wan Centre”	Tsuen Wan Elderly Centre Limited (荃灣老人中心有限公司), our care and attention home for the elderly with LORCHE No. 1223, the operating address of which is at Shop C1, 1/F, Tsuen Wan Centre Shopping Arcade, 87–105 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong
“Tsuen Wan Elderly Centre”	Tsuen Wan Elderly Centre Limited (荃灣老人中心有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Ms. Ngai Ka Yee

Mr. Ngai Shi Shing Godfrey

*Non-executive Director:*

Mr. Cheng Man Tak Richard

*Independent non-executive Directors:*

Ms. Chiu Lai Kuen Susanna

Mr. Or Kevin

Mr. Wong Vinci

*Registered Office:*

Cricket Square

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

2 June 2022

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS** **RENEWAL OF EXISTING LEASES**

#### **INTRODUCTION**

Reference is made to the sections headed “Connected Transactions” and “Relationship with the Controlling Shareholders” of the Prospectus of the Company dated 30 May 2019.

The Group has been leasing various premises in Hong Kong from its controlling shareholders for the operations of the Group (collectively, the “**Existing Leases**”) for the period from 13 June 2019 to 31 March 2022 (the “**Initial Term**”).

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## LETTER FROM THE BOARD

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Pursuant to each of the tenancy agreements for the Existing Leases, each tenancy agreement has a provision to renew the lease period for three years upon expiry of the Initial Term, and another provision to renew the lease period for another three years upon expiry of the second term on the same terms and conditions, save for downward adjustment of monthly rental fee where the prevailing market of the relevant premises has been lowered. It also requires a one-year notification period by the landlords, upon the expiration of the two successive terms following the Initial Term, to terminate the leases.

On 17 May 2022, the Group has entered into the Renewal Letters with its controlling shareholders as landlords to renew the Existing Leases on the same terms and conditions as the Existing Leases for the operations of the Group for a period from 1 April 2022 to 31 March 2025.

According to HKFRS 16, the Group, as tenant, was required to recognise the leases under the Existing Leases as right-of-use assets and lease liabilities in the consolidated statement of the financial position of the Group. The Company has fully recognised the right-of-use assets of the Existing Leases based on a period of 10 years during the financial year ended 31 March 2020. From accounting perspective, no additional right-of-use assets will be recognised for these Premises when entering into the Renewal Letters.

For the purpose of complying with the requirements of Chapter 14A of the Listing Rules, the transactions under the Renewal Letters are considered as one-off connected transactions and the carrying values of the right-of-use assets of the Existing Leases as at 31 March 2022 in the aggregate amount of approximately HK\$103 million is used for calculating the size tests in connection with the transactions contemplated under the Renewal Letters.

It has always been the intention of the Group to enter into the Renewal Letters prior to the expiration of the Initial Term. However, when preparing the relevant documents in relation to the Renewal Letters, the Company had various discussions with professional parties including legal advisers and the sponsor to the IPO of the Company since January 2022 on the calculation of the size tests of the transactions under the Renewal Letters using the carrying value of the right-of-use assets. To ensure full compliance with the Listing Rules, the Company did not rush to enter into the Renewal Letters and sought for the view of the Stock Exchange. The Landlords have agreed to let the Group continue occupying the Premises until the Renewal Letters are signed and allow the Group to pay the outstanding rental amounts incurred after the expiry of the Initial Term upon the signing of the Renewal Letters.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Classic Mate, Perfect Cheer, Shing Kong and Smarts Corporation are all companies incorporated in Hong Kong with limited liability and wholly owned by Four Rings Property Agency Limited, a company indirectly wholly owned by Ms. Ngai, and (ii) Kato Elderly Affairs and Kato Property are both owned as to 60% by Four Rings Property Agency Limited, a company indirectly wholly owned by Ms. Ngai. As associates of Ms. Ngai, one of the Directors and controlling shareholders of the Company, all of Classic Mate, Perfect Cheer, Shing Kong, Smarts Corporation, Kato Elderly Affairs and Kato Property are connected persons of the Company. Accordingly, the transactions contemplated under the Renewal Letters constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Renewal Letters exceed 5% but all are less than 25%, the transactions under the Renewal Letters constitute discloseable and connected transactions for the Company, and is subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under the Listing Rules.

The purpose of this circular is to provide you with (i) further information on the details of the Renewal Letters, the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the notice of EGM; and (v) other information as required under the Listing Rules.

### RENEWAL LETTERS

The principal terms of each of the Renewal Letters are set out below.

**(1) Renewal Letter between Kato Elderly Affairs and Kato Kung (“Kato Elderly Home Tenancy Renewal Letter”)**

Kato Kung, an indirect wholly owned subsidiary of the Company, as tenant, has entered into the Kato Elderly Home Tenancy Renewal Letter with Kato Elderly Affairs as landlord in relation to the leasing of the premises of the Kato Elderly Home, the principal terms of which are set out as follows:

Date: 17 May 2022

Parties: (i) Kato Kung, as tenant  
(ii) Kato Elderly Affairs, as landlord

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## LETTER FROM THE BOARD

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Location of property: Shops 8-12 on G/F and 1/F, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong

Size of property (saleable floor area): Approximately 18,680 sq. ft.

Term: 1 April 2022 to 31 March 2025 (subject to renewal)

### *Historical rental amounts*

The historical rental amounts paid by the Group to Kato Elderly Affairs under the Kato Elderly Home Tenancy Agreement (as defined in the Prospectus) for the three years ended 31 March 2020, 2021 and 2022 was HK\$4,845,000, HK\$4,860,000 and HK\$4,860,000, respectively.

### *Annual rental amounts*

The rent payable by the Group to Kato Elderly Affairs under the Kato Elderly Home Tenancy Renewal Letter for each of the three years ending 31 March 2023, 2024 and 2025 is HK\$4,860,000, HK\$4,860,000 and HK\$4,860,000, respectively, which were arrived at after arm's length negotiations between the parties and with reference to an exhaustive list of prevailing market rent for similar properties in neighboring areas at which the Kato Elderly Home is located. The comparable premises are identified by the Independent Valuer based on its internal database and publicly available information, which the Independent Valuer confirms and the Company concurs are fair and representative comparables for the valuation of the premises. Details of comparable premises are as follows:

	<b>Date of transaction</b>	<b>Approximate saleable area</b> <i>(sq. ft.)</i>	<b>Location</b>	<b>Rent</b> <i>(HK\$ per sq. ft.)</i>
Comparable A	Q4/2020	13,431	1/F & portion on G/F, Honley Court, Nos. 94-110 Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories	23

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## LETTER FROM THE BOARD

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	Date of transaction	Approximate saleable area  ( <i>sq. ft.</i> )	Location	Rent  ( <i>HK\$ per sq. ft.</i> )
Comparable B	Q3/2020	6,274	Shop 5 on G/F & Shop on 1/F and 2 Flat Roofs, Top Court, Nos. 56-76 & 68-76 Tak Ching Court, Tuen Mun, New Territories	40
Comparable C	Q2/2020	16,199	Shop No. 201, 2/F, Commercial/Car Park Block, Tin Ping Estate, 48 Tin Ping Road, Sheung Shui, New Territories	31
Comparable D	Q2/2021	14,276	Shop Nos. 312A, 312B, Level 3 & Shop No. 401, Level 4, Commercial Blocks, Commercial Centre No. 2, Cheung Hong Estate, No. 12 Ching Hong Road, Tsing Yi, New Territories	34

Relevant adjustments have been made to the unit rents of comparable premises, including size, location (including floor level), age and condition, and timing difference between the transaction date of the comparable premises and the valuation date to account for the differences between the premises and the comparable premises. Based on the discussion between the Directors and the Independent Valuer and having reviewed the list of comparable premises, the Directors are of the view that the adjustments are appropriate and reasonable for the market rental valuation for the premises.

The rental payments under the Kato Elderly Home Tenancy Renewal Letter are expected to be satisfied by the internal resources of the Group in its usual and ordinary course of business.

The Directors (excluding the independent non-executive Directors who shall provide their views after taking the advice from the Independent Financial Adviser), having taken into account (i) the unit rent under the Kato Elderly Home Tenancy Renewal Letter of approximately HK\$22 is not higher than the unit rent of the market rental value of the Premises of approximately HK\$27 conducted by the Independent Valuer; and (ii) the associated costs of not less than HK\$70 million which the Group may incur if the premises of

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## LETTER FROM THE BOARD

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the Kato Elderly Home is replaced by another property let from an Independent Third Party, including but not limited to demolition cost, renovation cost of the new premises, moving cost of existing furniture, facilities and equipment, relocation cost of existing elderly residence to other elderly homes for temporary stay, and cost for applying new licence and employing new staff, consider that it is desirable and in the interests of the Company and the Shareholders as a whole to continue renting the premises of the Kato Elderly Home from Kato Elderly Affairs.

**(2) Renewal Letter between Kato Property and Kato Kung (“Kato Home for the Aged Tenancy Renewal Letter”)**

Kato Kung, an indirect wholly owned subsidiary of the Company, as tenant, has entered into the Kato Home for the Aged Tenancy Renewal Letter with Kato Property as landlord in relation to the leasing of the premises of the Kato Home for the Aged, the principal terms of which are set out as follows:

Date:	17 May 2022
Parties:	(i) Kato Kung, as tenant (ii) Kato Property, as landlord
Location of property:	1/F, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong
Size of property (saleable floor area):	Approximately 12,277 sq. ft.
Term:	1 April 2022 to 31 March 2025 (subject to renewal)

***Historical rental amounts***

The historical rental amounts paid by the Group to Kato Property under Kato Home for the Aged Tenancy Agreement (as defined in the Prospectus) for the three years ended 31 March 2020, 2021 and 2022 was HK\$2,382,000, HK\$2,376,000 and HK\$2,376,000, respectively.

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## LETTER FROM THE BOARD

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### *Annual rental amounts*

The rent payable by the Group to Kato Property under the Kato Home for the Aged Tenancy Renewal Letter for each of the three years ending 31 March 2023, 2024 and 2025 is HK\$2,376,000, HK\$2,376,000 and HK\$2,376,000, respectively, which were arrived at after arm's length negotiations between the parties and with reference to an exhaustive list of prevailing market rent for similar properties in neighboring areas at which the Kato Home for the Aged is located. The comparable premises are identified by the Independent Valuer based on its internal database and publicly available information, which the Independent Valuer confirms and the Company concurs are fair and representative comparables for the valuation of the premises. Details of comparable premises are as follows:

	<b>Date of transaction</b>	<b>Approximate saleable area</b> <i>(sq. ft.)</i>	<b>Location</b>	<b>Rent</b> <i>(HK\$ per sq. ft.)</i>
Comparable A	Q4/2020	13,431	1/F & portion on G/F, Honley Court, Nos. 94-110 Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories	23
Comparable B	Q3/2020	6,274	Shop 5 on G/F & Shop on 1/F and 2 Flat Roofs, Top Court, Nos. 56-76 & 68-76 Tak Ching Court, Tuen Mun, New Territories	40
Comparable C	Q2/2020	16,199	Shop No. 201, 2/F, Commercial/Car Park Block, Tin Ping Estate, 48 Tin Ping Road, Sheung Shui, New Territories	31
Comparable D	Q2/2021	14,276	Shop Nos. 312A, 312B, Level 3 & Shop No. 401, Level 4, Commercial Blocks, Commercial Centre No. 2, Cheung Hong Estate, No. 12 Ching Hong Road, Tsing Yi, New Territories	34



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## LETTER FROM THE BOARD

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Relevant adjustments have been made to the unit rents of comparable premises, including size, location (including floor level), age and condition, and timing difference between the transaction date of the comparable premises and the valuation date to account for the differences between the premises and the comparable premises. Based on the discussion between the Directors and the Independent Valuer and having reviewed the list of comparable premises, the Directors are of the view that the adjustments are appropriate and reasonable for the market rental valuation for the premises.

The rental payments under the Kato Home for the Aged Tenancy Renewal Letter are expected to be satisfied by the internal resources of the Group in its usual and ordinary course of business.

The Directors (excluding the independent non-executive Directors who shall provide their views after taking the advice from the Independent Financial Adviser), having taken into account (i) the unit rent under the Kato Home for the Aged Tenancy Renewal Letter of approximately HK\$16 is not higher than the unit rent of the market rental value of the Premises of approximately HK\$21 conducted by the Independent Valuer; and (ii) the associated costs of not less than HK\$50 million which the Group may incur if the premises of the Kato Home for the Aged is replaced by another property let from an Independent Third Party, including but not limited to demolition cost, renovation cost of the new premises, moving cost of existing furniture, facilities and equipment, relocation cost of existing elderly residence to other elderly homes for temporary stay, and cost for applying new licence and employing new staff, consider that it is desirable and in the interests of the Company and the Shareholders as a whole to continue renting the premises of the Kato Home for the Aged from Kato Property.

### **(3) Renewal Letter between Classic Mate and Crawfield International (“Fai To Home (On Lai) Tenancy Renewal Letter”)**

Crawfield International, an indirect wholly owned subsidiary of the Company, as tenant, has entered into the Fai To Home (On Lai) Tenancy Renewal Letter with Classic Mate as landlord in relation to the leasing of the premises of the Fai To Home (On Lai), the principal terms of which are set out as follows:

Date:	17 May 2022
Parties:	(i) Crawfield International, as tenant (ii) Classic Mate, as landlord
Location of property:	Shops 1–17 on 1/F, On Lai Building, 3 Tsing To Path, Tuen Mun, New Territories, Hong Kong

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## LETTER FROM THE BOARD

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Size of property (saleable floor area): Approximately 5,271 sq. ft.

Term: 1 April 2022 to 31 March 2025 (subject to renewal)

### *Historical rental amounts*

The historical rental amounts paid by the Group to Classic Mate under the Fai To Home (On Lai) Tenancy Agreement (as defined in the Prospectus) for the three years ended 31 March 2020, 2021 and 2022 was HK\$1,228,800, HK\$1,236,000 and HK\$1,236,000, respectively.

### *Annual rental amounts*

The rent payable by the Group to Classic Mate under the Fai To Home (On Lai) Tenancy Renewal Letter for each of the three years ending 31 March 2023, 2024 and 2025 is HK\$1,236,000, HK\$1,236,000 and HK\$1,236,000, respectively, which were arrived at after arm's length negotiations between the parties and with reference to an exhaustive list of prevailing market rent for similar properties in neighboring areas at which the Fai To Home (On Lai) is located. The comparable premises are identified by the Independent Valuer based on its internal database and publicly available information, which the Independent Valuer confirms and the Company concurs are fair and representative comparables for the valuation of the premises. Details of comparable premises are as follows:

	<b>Date of transaction</b>	<b>Approximate saleable area</b> <i>(sq. ft.)</i>	<b>Location</b>	<b>Rent</b> <i>(HK\$ per sq. ft.)</i>
Comparable A	Q4/2020	13,431	1/F & portion on G/F, Honley Court, Nos. 94-110 Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories	23
Comparable B	Q3/2020	6,274	Shop 5 on G/F & Shop on 1/F and 2 Flat Roofs, Top Court, Nos. 56-76 & 68-76 Tak Ching Court, Tuen Mun, New Territories	40

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## LETTER FROM THE BOARD

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	<b>Date of transaction</b>	<b>Approximate saleable area</b> <i>(sq. ft.)</i>	<b>Location</b>	<b>Rent</b> <i>(HK\$ per sq. ft.)</i>
Comparable C	Q2/2020	16,199	Shop No. 201, 2/F, Commercial/Car Park Block, Tin Ping Estate, 48 Tin Ping Road, Sheung Shui, New Territories	31
Comparable D	Q2/2021	14,276	Shop Nos. 312A, 312B, Level 3 & Shop No. 401, Level 4, Commercial Blocks, Commercial Centre No. 2, Cheung Hong Estate, No. 12 Ching Hong Road, Tsing Yi, New Territories	34

Relevant adjustments have been made to the unit rents of comparable premises, including size, location (including floor level), age and condition, and timing difference between the transaction date of the comparable premises and the valuation date to account for the differences between the premises and the comparable premises. Based on the discussion between the Directors and the Independent Valuer and having reviewed the list of comparable premises, the Directors are of the view that the adjustments are appropriate and reasonable for the market rental valuation for the premises.

The rental payments under the Fai To Home (On Lai) Tenancy Renewal Letter are expected to be satisfied by the internal resources of the Group in its usual and ordinary course of business.

The Directors (excluding the independent non-executive Directors who shall provide their views after taking the advice from the Independent Financial Adviser), having taken into account (i) the unit rent for the premises of the Fai To Home (On Lai) Tenancy Renewal Letter of approximately HK\$20 is not higher than the unit rent of the market rental value of the Premises of approximately HK\$25 conducted by the Independent Valuer; and (ii) the associated costs of not less than HK\$20 million which the Group may incur if the premises of the Fai To Home (On Lai) is replaced by another property let from an Independent Third Party, including but not limited to demolition cost, renovation cost of the new premises, moving cost of existing furniture, facilities and equipment, relocation cost of existing elderly residence to other elderly homes for temporary stay, and cost for applying new licence and

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## LETTER FROM THE BOARD

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employing new staff, consider that it is desirable and in the interests of the Company and the Shareholders as a whole to continue renting the premises of the Fai To Home (On Lai) from Classic Mate.

**(4) Renewal Letter between Perfect Cheer and Crawfield International (“Fai To Home (Tuen Mun) Tenancy Renewal Letter”)**

Crawfield International, an indirect wholly owned subsidiary of the Company, as tenant, has entered into the Fai To Home (Tuen Mun) Tenancy Renewal Letter with Perfect Cheer as landlord in relation to the leasing of the premises of the Fai To Home (Tuen Mun), the principal terms of which are set out as follows:

Date:	17 May 2022
Parties:	(i) Crawfield International, as tenant (ii) Perfect Cheer, as landlord
Location of property:	1/F, including Entrance on G/F, Florence Mansion, 6 Tsing Ling Path, Area 4B, Tuen Mun, New Territories, Hong Kong
Size of property (saleable floor area):	Approximately 8,645 sq. ft.
Term:	1 April 2022 to 31 March 2025 (subject to renewal)

***Historical rental amounts***

The historical rental amounts paid by the Group to Perfect Cheer under the Fai To Home (Tuen Mun) Tenancy Agreement (as defined in the Prospectus) for the three years ended 31 March 2020, 2021 and 2022 was HK\$1,987,200, HK\$2,004,000 and HK\$2,004,000, respectively.

***Annual rental amounts***

The rent payable by the Group to Perfect Cheer under the Fai To Home (Tuen Mun) Tenancy Renewal Letter for each of the three years ending 31 March 2023, 2024 and 2025 is HK\$2,004,000, HK\$2,004,000 and HK\$2,004,000, respectively, which were arrived at after arm’s length negotiation between the parties and with reference to an exhaustive list of prevailing market rent for similar properties in neighboring areas at which the Fai To Home (Tuen Mun) is located. The comparable premises are identified by the Independent Valuer

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## LETTER FROM THE BOARD

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based on its internal database and publicly available information, which the Independent Valuer confirms and the Company concurs are fair and representative comparables for the valuation of the premises. Details of comparable premises are as follows:

	<b>Date of transaction</b>	<b>Approximate saleable area</b> <i>(sq. ft.)</i>	<b>Location</b>	<b>Rent</b> <i>(HK\$ per sq. ft.)</i>
Comparable A	Q4/2020	13,431	1/F & portion on G/F, Honley Court, Nos. 94-110 Tuen Mun Heung Sze Wui Road, Tuen Mun, New Territories	23
Comparable B	Q3/2020	6,274	Shop 5 on G/F & Shop on 1/F and 2 Flat Roofs, Top Court, Nos. 56-76 & 68-76 Tak Ching Court, Tuen Mun, New Territories	40
Comparable C	Q2/2020	16,199	Shop No. 201, 2/F, Commercial/Car Park Block, Tin Ping Estate, 48 Tin Ping Road, Sheung Shui, New Territories	31
Comparable D	Q2/2021	14,276	Shop Nos. 312A, 312B, Level 3 & Shop No. 401, Level 4, Commercial Blocks, Commercial Centre No. 2, Cheung Hong Estate, No. 12 Ching Hong Road, Tsing Yi, New Territories	34

Relevant adjustments have been made to the unit rents of comparable premises, including size, location (including floor level), age and condition, and timing difference between the transaction date of the comparable premises and the valuation date to account for the differences between the premises and the comparable premises. Based on the discussion between the Directors and the Independent Valuer and having reviewed the list of comparable premises, the Directors are of the view that the adjustments are appropriate and reasonable for the market rental valuation for the premises.

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## LETTER FROM THE BOARD

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The rental payments under the Fai To Home (Tuen Mun) Tenancy Renewal Letter are expected to be satisfied by the internal resources of the Group in its usual and ordinary course of business.

The Directors (excluding the independent non-executive Directors who shall provide their views after taking the advice from the Independent Financial Adviser), having taken into account (i) the unit rent under the Fai To Home (Tuen Mun) Tenancy Renewal Letter of approximately HK\$19 is not higher than the unit rent of the market rental value of the Premises of approximately HK\$24 conducted by the Independent Valuer; and (ii) the associated costs of not less than HK\$40 million which the Group may incur if the premises of the Fai To Home (Tuen Mun) is replaced by another property let from an Independent Third Party, including but not limited to demolition cost, renovation cost of the new premises, moving cost of existing furniture, facilities and equipment, relocation cost of existing elderly residence to other elderly homes for temporary stay, and cost for applying new licence and employing new staff, consider that it is desirable and in the interests of the Company and the Shareholders as a whole to continue renting the premises of the Fai To Home (Tuen Mun) from Perfect Cheer.

**(5) Renewal Letter between Shing Kong and Tsuen Wan Elderly Centre (“Tsuen Wan Centre Tenancy Renewal Letter”)**

Tsuen Wan Elderly Centre, an indirect wholly owned subsidiary of the Company, as tenant, has entered into the Tsuen Wan Centre Tenancy Renewal Letter with Shing Kong as landlord in relation to the leasing of the premises of the Tsuen Wan Centre, the principal terms of which are set out as follows:

Date:	17 May 2022
Parties:	(i) Tsuen Wan Elderly Centre, as tenant (ii) Shing Kong, as landlord
Location of property:	Shop C1, 1/F, Tsuen Wan Centre Shopping Arcade, 87–105 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong
Size of property (saleable floor area):	Approximately 15,950 sq. ft.
Term:	1 April 2022 to 31 March 2025 (subject to renewal)

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## LETTER FROM THE BOARD

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### *Historical rental amounts*

The historical rental amounts paid by the Group to Shing Kong under the Tsuen Wan Centre Tenancy Agreement (as defined in the Prospectus) for the three years ended 31 March 2020, 2021 and 2022 was HK\$2,923,200, HK\$2,904,000 and HK\$2,904,000, respectively.

### *Annual rental amounts*

The rent payable by the Group to Shing Kong under the Tsuen Wan Centre Tenancy Renewal Letter for each of the three years ending 31 March 2023, 2024 and 2025 is HK\$2,904,000, HK\$2,904,000 and HK\$2,904,000, respectively, which were arrived at after arm's length negotiations between the parties and with reference to an exhaustive list of prevailing market rent for similar properties in neighboring areas at which the Tsuen Wan Centre is located. The comparable premises are identified by the Independent Valuer based on its internal database and publicly available information, which the Independent Valuer confirms and the Company concurs are fair and representative comparables for the valuation of the premises. Details of comparable premises are as follows:

	<b>Date of transaction</b>	<b>Approximate saleable area</b> <i>(sq. ft.)</i>	<b>Location</b>	<b>Rent</b> <i>(HK\$ per sq. ft.)</i>
Comparable A	Q4/2021	15,107	Shop G5 on G/F, 1/F & Flat Roof, 2/F & 3/F, Kwai Ying Building, No. 1 Shek Man Path & Nos. 2/10 Shek Ying Path, Kwai Chung, New Territories	33
Comparable B	Q4/2021	2,153	Basement, Kwai Ying Building, No. 1 Shek Man Path & Nos. 2/10 Shek Ying Path, Kwai Chung, New Territories	23
Comparable C	Q4/2020	17,188	Shop Nos. 123-124 & 127-151 on 1/F, Belvedere Square, Belvedere Garden Phase 2, No. 620 Castle Peak Road, Tsuen Wan, New Territories	22

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## LETTER FROM THE BOARD

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	Date of transaction	Approximate saleable area  ( <i>sq. ft.</i> )	Location	Rent  ( <i>HK\$ per sq. ft.</i> )
Comparable D	Q2/2020	10,188	Flat Nos. 1 and 2 on 1/F & Shop No. 12 on G/F, Po Kai Mansion, No. 12 Wo Yi Hop Road, Kwai Chung, New Territories	37
Comparable E	Q2/2020	9,660	Shop No. 10 on G/F & Store No 10 on Cockloft Floor, Commercial Development Allway Gardens Phase 2, Nos. 187-195 Tsuen King Circuit, Nos. 2-22 On Yat Street, Tsuen Wan, New Territories	35
Comparable F	Q2/2020	15,969	Shop No. 22 on G/F with entrance & portion of 1/F (Shop Nos. 1, 2 & 4), Tak Cheong Building, No. 1001 Kwai Chung Road, Kwai Chung, New Territories	25
Comparable G	Q2/2021	4,135	1/F, Man Shing Mansion, Nos. 109-115 Wo Tong Tsui Street, Kwai Chung, New Territories	30

Relevant adjustments have been made to the unit rents of comparable premises, including size, location (including floor level), age and condition, and timing difference between the transaction date of the comparable premises and the valuation date to account for the differences between the premises and the comparable premises. Based on the discussion between the Directors and the Independent Valuer and having reviewed the list of comparable premises, the Directors are of the view that the adjustments are appropriate and reasonable for the market rental valuation for the premises.

The rental payments under the Tsuen Wan Centre Tenancy Renewal Letter are expected to be satisfied by the internal resources of the Group in its usual and ordinary course of business.



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## LETTER FROM THE BOARD

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The Directors (excluding the independent non-executive Directors who shall provide their views after taking the advice from the Independent Financial Adviser), having taken into account (i) the unit rent for the premises of the Tsuen Wan Centre Tenancy Renewal Letter of approximately HK\$15 is not higher than the unit rent of the market rental value of the Premises of approximately HK\$20 conducted by the Independent Valuer; and (ii) the associated costs of not less than HK\$60 million which the Group may incur if the premises of the Tsuen Wan Centre is replaced by another property let from an Independent Third Party, including but not limited to demolition cost, renovation cost of the new premises, moving cost of existing furniture, facilities and equipment, relocation cost of existing elderly residence to other elderly homes for temporary stay, and cost for applying new licence and employing new staff, consider that it is desirable and in the interests of the Company and the Shareholders as a whole to continue renting the premises of the Tsuen Wan Centre from Shing Kong.

**(6) Renewal Letter between Smarts Corporation and Happy Luck (“Happy Luck Home Tenancy Renewal Letter”)**

Happy Luck, an indirect wholly owned subsidiary of the Company, as tenant, has entered into the Happy Luck Home Tenancy Renewal Letter with Smarts Corporation as landlord in relation to the leasing of the premises of the Happy Luck Home, the principal terms of which are set out as follows:

Date:	17 May 2022
Parties:	(i) Happy Luck, as tenant (ii) Smarts Corporation, as landlord
Location of property:	2nd Floor of Phase 1 of Commercial Development of Allway Gardens, Nos. 187–195 Tsuen King Circuit, Nos. 2–22 On Yat Street, Tsuen Wan, New Territories, Hong Kong
Size of property (saleable floor area):	Approximately 15,729 sq. ft.
Term:	1 April 2022 to 31 March 2025 (subject to renewal)

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## LETTER FROM THE BOARD

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### *Historical rental amounts*

The historical rental amounts paid by the Group to Smarts Corporation under the Happy Luck Home Tenancy Agreement (as defined in the Prospectus) for the three years ended 31 March 2020, 2021 and 2022 was HK\$2,832,200, HK\$2,724,000 and HK\$2,724,000, respectively.

### *Annual rental amounts*

The rent payable by the Group to Smarts Corporation under the Happy Luck Home Tenancy Renewal Letter for each of the three years ending 31 March 2023, 2024 and 2025 is HK\$2,724,000, HK\$2,724,000 and HK\$2,724,000, respectively, which were arrived at after arm's length negotiations between the parties and with reference to an exhaustive list of prevailing market rent for similar properties in neighboring areas at which the Happy Luck Home is located. The comparable premises are identified by the Independent Valuer based on its internal database and publicly available information, which the Independent Valuer confirms and the Company concurs are fair and representative comparables for the valuation of the premises. Details of comparable premises are as follows:

	<b>Date of transaction</b>	<b>Approximate saleable area</b> <i>(sq. ft.)</i>	<b>Location</b>	<b>Rent</b> <i>(HK\$ per sq. ft.)</i>
Comparable A	Q4/2021	15,107	Shop G5 on G/F, 1/F & Flat Roof, 2/F & 3/F, Kwai Ying Building, No. 1 Shek Man Path & Nos. 2/10 Shek Ying Path, Kwai Chung, New Territories	33
Comparable B	Q4/2021	2,153	Basement, Kwai Ying Building, No. 1 Shek Man Path & Nos. 2/10 Shek Ying Path, Kwai Chung, New Territories	23
Comparable C	Q4/2020	17,188	Shop Nos. 123-124 & 127-151 on 1/F, Belvedere Square, Belvedere Garden Phase 2, No. 620 Castle Peak Road, Tsuen Wan, New Territories	22

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## LETTER FROM THE BOARD

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	Date of transaction	Approximate saleable area  ( <i>sq. ft.</i> )	Location	Rent  ( <i>HK\$ per sq. ft.</i> )
Comparable D	Q2/2020	10,188	Flat Nos. 1 and 2 on 1/F & Shop No. 12 on G/F, Po Kai Mansion, No. 12 Wo Yi Hop Road, Kwai Chung, New Territories	37
Comparable E	Q2/2020	9,660	Shop No. 10 on G/F & Store No 10 on Cockloft Floor, Commercial Development Allway Gardens Phase 2, Nos. 187-195 Tsuen King Circuit, Nos. 2-22 On Yat Street, Tsuen Wan, New Territories	35
Comparable F	Q2/2020	15,969	Shop No. 22 on G/F with entrance & portion of 1/F (Shop Nos. 1, 2 & 4), Tak Cheong Building, No. 1001 Kwai Chung Road, Kwai Chung, New Territories	25
Comparable G	Q2/2021	4,135	1/F, Man Shing Mansion, Nos. 109-115 Wo Tong Tsui Street, Kwai Chung, New Territories	30

Relevant adjustments have been made to the unit rents of comparable premises, including size, location (including floor level), age and condition, and timing difference between the transaction date of the comparable premises and the valuation date to account for the differences between the premises and the comparable premises. Based on the discussion between the Directors and the Independent Valuer and having reviewed the list of comparable premises, the Directors are of the view that the adjustments are appropriate and reasonable for the market rental valuation for the premises.

The rental payments under the Happy Luck Home Tenancy Renewal Letter are expected to be satisfied by the internal resources of the Group in its usual and ordinary course of business.

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## LETTER FROM THE BOARD

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The Directors (excluding the independent non-executive Directors who shall provide their views after taking the advice from the Independent Financial Adviser), having taken into account (i) the unit rent under the Happy Luck Home Tenancy Renewal Letter of approximately HK\$14 is not higher than the unit rent of the market rental value of the Premises of approximately HK\$20 conducted by the Independent Valuer; and (ii) the associated costs of not less than HK\$60 million which the Group may incur if the premises of the Happy Luck Home is replaced by another property let from an Independent Third Party, including but not limited to demolition cost, renovation cost of the new premises, moving cost of existing furniture, facilities and equipment, relocation cost of existing elderly residence to other elderly homes for temporary stay, and cost for applying new licence and employing new staff, consider that it is desirable and in the interests of the Company and the Shareholders as a whole to continue renting the premises of the Happy Luck Home from Smarts Corporation.

**(7) Renewal Letter between Mr. Ngai, Mr. Lam Kong and Tsuen Wan Elderly Centre (“Tsuen Wan Staff Quarters Tenancy Renewal Letter”)**

Tsuen Wan Elderly Centre, an indirect wholly owned subsidiary of the Company, as tenant, has entered into the Tsuen Wan Staff Quarters Tenancy Renewal Letter with Mr. Ngai and Mr. Lam Kong as landlords in relation to the leasing of the premises of the staff quarters for the Tsuen Wan Centre, the principal terms of which are set out as follows:

Date:	17 May 2022
Parties:	(i) Tsuen Wan Elderly Centre, as tenant (ii) Mr. Ngai and Mr. Lam Kong, as landlords
Location of property:	Flat C, 24/F, Block 9 (Nanking House), Tsuen Wan Centre, 89 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong
Size of property (saleable floor area):	Approximately 425 sq. ft.
Term:	1 April 2022 to 31 March 2025 (subject to renewal)

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## LETTER FROM THE BOARD

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### *Historical rental amounts*

The historical rental amounts paid by the Group to Mr. Ngai and Mr. Lam Kong under the Tsuen Wan Staff Quarters Tenancy Agreement (as defined in the Prospectus) for the three years ended 31 March 2020, 2021 and 2022 was HK\$145,920, HK\$146,400 and HK\$146,400, respectively.

### *Annual rental amounts*

The proposed rent payable by the Group to Mr. Ngai and Mr. Lam Kong under the Tsuen Wan Staff Quarters Tenancy Renewal Letter for each of the three years ending 31 March 2023, 2024 and 2025 is HK\$146,400, HK\$146,400 and HK\$146,400, respectively, which were arrived at after arm's length negotiations between the parties and with reference to an exhaustive list of prevailing market rent for similar properties in neighboring areas at which the staff quarters for the Tsuen Wan Centre are located. The comparable premises are identified by the Independent Valuer based on its internal database and publicly available information, which the Independent Valuer confirms and the Company concurs are fair and representative comparables for the valuation of the premises. Details of comparable premises are as follows:

	<b>Date of instrument</b>	<b>Approximate saleable area</b> <i>(sq. ft.)</i>	<b>Location</b>	<b>Rent</b> <i>(HK\$ per sq. ft.)</i>
Comparable A	Q1/2022	515	Flat E, Low Floor, Block 9, Nanking House, Tsuen Wan Centre, No. 89 Tsuen King Circuit, Tsuen Wan, New Territories	28
Comparable B	Q1/2021	460	Flat B, High Floor, Block 9, Nanking House, Tsuen Wan Centre, No. 89 Tsuen King Circuit, Tsuen Wan, New Territories	27
Comparable C	Q1/2022	460	Flat B, Middle Floor, Block 8, Tientsin House, Tsuen Wan Centre, No. 91 Tsuen King Circuit, Tsuen Wan, New Territories	28

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## LETTER FROM THE BOARD

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	<b>Date of instrument</b>	<b>Approximate saleable area</b> <i>(sq. ft.)</i>	<b>Location</b>	<b>Rent</b> <i>(HK\$ per sq. ft.)</i>
Comparable D	Q4/2021	324	Flat H, Middle Floor, Block 11, Nanchang House, Tsuen Wan Centre, No. 86 Tsuen King Circuit, Tsuen Wan, New Territories	30
Comparable E	Q3/2021	307	Flat E, High Floor, Block 11, Nanchang House, Tsuen Wan Centre, No. 86 Tsuen King Circuit, Tsuen Wan, New Territories	33

Relevant adjustments have been made to the unit rents of comparable premises, including size, location (including floor level), age and condition, and timing difference between the transaction date of the comparable premises and the valuation date to account for the differences between the premises and the comparable premises. Based on the discussion between the Directors and the Independent valuer and having reviewed the list of comparable premises, the Directors are of the view that the adjustments are appropriate and reasonable for the market rental valuation for the premises.

The rental payments under the Tsuen Wan Staff Quarters Tenancy Renewal Letter are expected to be satisfied by the internal resources of the Group in its usual and ordinary course of business.

The Directors (excluding the independent non-executive Directors who shall provide their views after taking the advice from the Independent Financial Adviser), having taken into account (i) the unit rent under the Tsuen Wan Staff Quarters Tenancy Renewal Letter of approximately HK\$29 is not higher than the unit rent of the market rental value of the Premises of approximately HK\$29 conducted by the Independent Valuer; and (ii) the associated costs of not less than HK\$150,000 which the Group may incur if the premises of the staff quarters for the Tsuen Wan Centre is replaced by another property let from an Independent Third Party, including but not limited to demolition cost, renovation cost of the new premises and moving cost of existing furniture, consider that it is desirable and in the interests of the Company and the Shareholders as a whole to continue renting the premises from Mr. Ngai and Mr. Lam Kong.

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## LETTER FROM THE BOARD

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**(8) Renewal Letter between Ms. Ngai, Kato Elderly Affairs and Kato Kung (“Kato Staff Quarters Tenancy Renewal Letter”)**

Kato Kung, an indirect wholly owned subsidiary of the Company, as tenant, has entered into the Kato Staff Quarters Tenancy Renewal Letter with Ms. Ngai and Kato Elderly Affairs as landlords in relation to the leasing of the premises of the staff quarters for the Kato Elderly Home and Kato Home for the Aged, the principal terms of which are set out as follows:

Date:	17 May 2022
Parties:	(i) Kato Kung, as tenant (ii) Ms. Ngai and Kato Elderly Affairs, as landlords
Location of property:	Rooms C and D on 2/F and Flat Roof, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong
Size of property (saleable floor area):	Approximately 8,257 sq. ft. (including flat roof area of 7,427 sq. ft.)
Term:	1 April 2022 to 31 March 2025 (subject to renewal)

***Historical rental amounts***

The historical rental amounts paid by the Group to Ms. Ngai and Kato Elderly Affairs under the Kato Staff Quarters Tenancy Agreement (as defined in the Prospectus) for the three years ended 31 March 2020, 2021 and 2022 was HK\$321,120, HK\$356,400 and HK\$356,400, respectively.

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## LETTER FROM THE BOARD

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### *Annual rental amounts*

The rent payable by the Group to Ms. Ngai and Kato Elderly Affairs under the Kato Staff Quarters Tenancy Renewal Letter for each of the three years ending 31 March 2023, 2024 and 2025 is HK\$356,400, HK\$356,400 and HK\$356,400, respectively, which were arrived at after arm's length negotiations between the parties and with reference to an exhaustive list of prevailing market rent for similar properties in neighboring areas at which the staff quarters for the Kato Elderly Home and Kato Home for the Aged are located. The comparable premises are identified by the Independent Valuer based on its internal database and publicly available information, which the Independent Valuer confirms and the Company concurs are fair and representative comparables for the valuation of the premises. Details of comparable premises are as follows:

	<b>Date of instrument</b>	<b>Approximate saleable area</b> <i>(sq. ft.)</i>	<b>Location</b>	<b>Rent</b> <i>(HK\$ per sq. ft.)</i>
Comparable A	Q1/2022	272	Flat A, High Floor, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories	31
Comparable B	Q1/2022	285	Flat B, Low Floor, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories	29
Comparable C	Q4/2021	297	Flat G, Middle Floor, Rich Building, No. 6 Tsing Min Path, Tuen Mun, New Territories	30
Comparable D	Q4/2021	326	Flat 3, Middle Floor, Kam Fat Building, No. 9 Tseng Choi Street, Tuen Mun, New Territories	29
Comparable E	Q3/2021	338	Flat E, Middle Floor, Man Cheong Building, No. 5 Tsing To Path, Tuen Mun, New Territories	28



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## LETTER FROM THE BOARD

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Relevant adjustments have been made to the unit rents of comparable premises, including size, location (including floor level), age and condition, and timing difference between the transaction date of the comparable premises and the valuation date to account for the differences between the premises and the comparable premises. Based on the discussion between the Directors and the Independent Valuer and having reviewed the list of comparable premises, the Directors are of the view that the adjustments are appropriate and reasonable for the market rental valuation for the premises.

The rental payments under the Kato Staff Quarters Tenancy Renewal Letter are expected to be satisfied by the internal resources of the Group in its usual and ordinary course of business.

The Directors (excluding the independent non-executive Directors who shall provide their views after taking the advice from the Independent Financial Adviser), having taken into account (i) the unit rent under the Kato Staff Quarters Tenancy Renewal Letter of approximately HK\$22 (taking into account the flat roof area) is not higher than the unit rent of the market rental value of the Premises of approximately HK\$24 conducted by the Independent Valuer; and (ii) the associated costs of not less than HK\$390,000 which the Group may incur if the premises of the staff quarters for the Kato Elderly Home and Kato Home for the Aged is replaced by another property let from an Independent Third Party, including but not limited to demolition cost, renovation cost of the new premises and moving cost of existing furniture, consider that it is desirable and in the interests of the Company and the Shareholders as a whole to continue renting the premises from Ms. Ngai and Kato Elderly Affairs.

**(9) Renewal Letter between Ms. Ngai, Happy Luck, Jane’s Home, Oriental Chinese and Tsuen Wan Elderly Centre (“Staff Quarters Tenancy Renewal Letter”)**

Happy Luck, Jane’s Home, Oriental Chinese and Tsuen Wan Elderly Centre, all indirect wholly owned subsidiaries of the Company, as tenants, have entered into the Staff Quarters Tenancy Renewal Letter with Ms. Ngai as landlord in relation to the leasing of the premises of the staff quarters for the Happy Luck Home, Pine Villa, Fai To Sino West Home and Tsuen Wan Centre, the principal terms of which are set out as follows:

Date:	17 May 2022
Parties:	(i) Happy Luck, Jane’s Home, Oriental Chinese and Tsuen Wan Elderly Centre, as tenants (ii) Ms. Ngai, as landlord

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## LETTER FROM THE BOARD

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Location of property:	3/F, Four Sea Mansion, 11 Fa Yuen Street, Mongkok, Hong Kong
Size of property (saleable floor area):	Approximately 799 sq. ft.
Term:	1 April 2022 to 31 March 2025 (subject to renewal)

### *Historical rental amounts*

The historical rental amounts paid by the Group to Ms. Ngai under the Staff Quarters Tenancy Agreement (as defined in the Prospectus) for the three years ended 31 March 2020, 2021 and 2022 was HK\$255,359, HK\$254,400 and HK\$254,400, respectively.

### *Annual rental amounts*

The rent payable by the Group to Ms. Ngai under the Staff Quarters Tenancy Renewal Letter for each of the three years ending 31 March 2023, 2024 and 2025 is HK\$254,400, HK\$254,400 and HK\$254,400, respectively, which were arrived at after arm's length negotiations between the parties and with reference to an exhaustive list of prevailing market rent for similar properties in neighboring areas at which the staff quarters for the Happy Luck Home, Pine Villa, Fai To Sino West Home and Tsuen Wan Centre are located. The comparable premises are identified by the Independent Valuer based on its internal database and publicly available information, which the Independent Valuer confirms and the Company concurs are fair and representative comparables for the valuation of the premises. Details of comparable premises are as follows:

	<b>Date of instrument</b>	<b>Approximate saleable area</b> <i>(sq. ft.)</i>	<b>Location</b>	<b>Rent</b> <i>(HK\$ per sq. ft.)</i>
Comparable A	Q1/2022	412	Flat A3, Low Floor, Hung Kwong Building, Nos. 2A/2P, Tung Choi Street, Kowloon	36
Comparable B	Q4/2021	374	Flat 2, Low Floor, Cheong Ming Building, No. 86 Argyle Street, Kowloon	36

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## LETTER FROM THE BOARD

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	<b>Date of instrument</b>	<b>Approximate saleable area</b> <i>(sq. ft.)</i>	<b>Location</b>	<b>Rent</b> <i>(HK\$ per sq. ft.)</i>
Comparable C	Q3/2021	448	Flat A1, Low Floor, Tak Bo Building, No. 70 Sai Yee Street, Kowloon	33
Comparable D	Q3/2020	389	Flat B4, High Floor, Tak Bo Building, No. 70 Sai Yee Street, Kowloon	32
Comparable E	Q2/2020	573	Flat 6, Low Floor, Wang On Building, Nos. 73-81 Argyle Street, & No. 93 Tung Choi Street, Kowloon	26

Relevant adjustments have been made to the unit rents of comparable premises, including size, location (including floor level), age and condition, and timing difference between the transaction date of the comparable premises and the valuation date to account for the differences between the premises and the comparable premises. Based on the discussion between the Directors and the Independent Valuer and having reviewed the list of comparable premises, the Directors are of the view that the adjustments are appropriate and reasonable for the market rental valuation for the premises.

The rental payments under the Staff Quarters Tenancy Renewal Letter are expected to be satisfied by the internal resources of the Group in its usual and ordinary course of business.

The Directors (excluding the independent non-executive Directors who shall provide their views after taking the advice from the Independent Financial Adviser), having taken into account (i) the unit rent under the Staff Quarters Tenancy Renewal Letter of approximately HK\$27 is not higher than the unit rent of the market rental value of the Premises of approximately HK\$27 conducted by the Independent Valuer; and (ii) the associated costs of not less than HK\$260,000 which the Group may incur if the premises of the staff quarters for the Happy Luck Home, Pine Villa, Fai To Sino West Home and Tsuen Wan Centre is replaced by another property let from an Independent Third Party, including but not limited to demolition cost, renovation cost of the new premises and moving cost of existing furniture, consider that it is desirable and in the interests of the Company and the Shareholders as a whole to continue renting the premises from Ms. Ngai.

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## LETTER FROM THE BOARD

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### **(10) Renewal Letter between Ms. Ngai and Oriental Chinese (“Fai To Sino West Staff Quarters Tenancy Renewal Letter”)**

Oriental Chinese, our indirect wholly owned subsidiary of the Company, as tenant, has entered into the Fai To Sino West Staff Quarters Tenancy Renewal Letter with Ms. Ngai as landlord in relation to the leasing of the premises of the staff quarters for the Fai To Sino West Home, the principal terms of which are set out as follows:

Date:	17 May 2022
Parties:	(i) Oriental Chinese, as tenant (ii) Ms. Ngai, as landlord
Location of property:	Room 10 on 3/F and Flat Roof, Tung Shun Hing Building, 22 Chi Kiang Street, Kowloon, Hong Kong
Size of property (saleable floor area):	Approximately 266 sq. ft. (together with flat roof of 280 sq. ft.)
Term:	1 April 2022 to 31 March 2025 (subject to renewal)

#### ***Historical rental amounts***

The historical rental amounts paid by the Group to Ms. Ngai under the Fai To Sino West Staff Quarters Tenancy Agreement (as defined in the Prospectus) for the three years ended 31 March 2020, 2021 and 2022 was HK\$60,000, HK\$60,000 and HK\$60,000, respectively.

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## LETTER FROM THE BOARD

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### *Annual rental amounts*

The rent payable by the Group to Ms. Ngai under the Fai To Sino West Staff Quarters Tenancy Renewal Letter for each of the three years ending 31 March 2023, 2024 and 2025 is HK\$60,000, HK\$60,000 and HK\$60,000, respectively, which were arrived at after arm's length negotiations between the parties and with reference to an exhaustive list of prevailing market rent for similar properties in neighboring areas at which the staff quarters for the Fai To Sino West Home are located. The comparable premises are identified by the Independent Valuer based on its internal database and publicly available information, which the Independent Valuer confirms and the Company concurs are fair and representative comparables for the valuation of the premises. Details of comparable premises are as follows:

	<b>Date of instrument</b>	<b>Approximate saleable area</b> <i>(sq. ft.)</i>	<b>Location</b>	<b>Rent</b> <i>(HK\$ per sq. ft.)</i>
Comparable A	Q4/2021	319	Flat 19, High Floor, Kam Tong Building, No. 16 Mok Cheong Street, Kowloon	30
Comparable B	Q3/2021	352	Flat 15, High Floor, Mei King Mansion Phase II, No. 78 Lok Shan Road, Kowloon	31
Comparable C	Q3/2021	372	Flat B2, High Floor, Block B, Hang Chien Court, Wyler Gardens, 5 Wai King Street, Kowloon	34
Comparable D	Q2/2021	290	Flat A, High Floor, Park View Building, Nos. 29, 31, 33 & 35 Pak Tai Street, Kowloon	33

Relevant adjustments have been made to the unit rents of comparable premises, including size, location (including floor level), age and condition, and timing difference between the transaction date of the comparable premises and the valuation date to account for the differences between the premises and the comparable premises. Based on the discussion between the Directors and the Independent Valuer and having reviewed the list of comparable premises, the Directors are of the view that the adjustments are appropriate and reasonable for the market rental valuation for the premises.

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## LETTER FROM THE BOARD

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The rental payments under the Fai To Sino West Staff Quarters Tenancy Renewal Letter are expected to be satisfied by the internal resources of the Group in its usual and ordinary course of business.

The Directors (excluding the independent non-executive Directors who shall provide their views after taking the advice from the Independent Financial Adviser), having taken into account (i) the unit rent under the Fai To Sino West Staff Quarters Tenancy Renewal Letter of approximately HK\$16 (taking into account the flat roof area) is not higher than the unit rent of the market rental value of the Premises of approximately HK\$28 conducted by the Independent Valuer; and (ii) the associated costs of not less than HK\$110,000 which the Group may incur if the premises of the staff quarters for the Fai To Sino West Home is replaced by another property let from an Independent Third Party, including but not limited to demolition cost, renovation cost of the new premises and moving cost of existing furniture, consider that it is desirable and in the interests of the Company and the Shareholders as a whole to continue renting the premises from Ms. Ngai.

### PRICING POLICY

The Group shall determine the rent payable for each of the Renewal Letters after arm's length negotiations with the respective landlords based on normal commercial principles with reference to the prevailing market rent of leases of comparable premises, the historical quotations to other Independent Third Parties by the respective landlords for similar leases, and other factors such as floor area, facilities and location.

To ensure the rent payable under each of the Renewal Letters is fair and reasonable and not less favourable than the rent payable to Independent Third Parties in respect of the same or similar premises, the management of the Company will follow the below procedures:

- (i) search for actual rental transactions of the same premises, premises in the same building and premises in the neighboring area (where such transactions are not available, refer to real estate industry publications describing price trends in the relevant areas);
- (ii) compare the said market rent (or price trends, where applicable) with the rent payable under the Renewal Letters; and
- (iii) in cases where rent payable offer by the respective landlords under any of the Renewal Letters is higher than the prevailing market rent of the relevant premises, request such landlord(s) to reduce the rent payable.

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## LETTER FROM THE BOARD

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### RIGHT-OF-USE ASSET

According to HKFRS 16, the Group, as tenant, was required to recognise the leases under the Existing Leases as right-of-use assets and lease liabilities in the consolidated statement of the financial position of the Group. The Company has fully recognised the right-of-use assets of the Existing Leases based on a period of 10 years during the financial year ended 31 March 2020. From accounting perspective, no additional right-of-use assets will be recognised for these Premises when entering into the Renewal Letters.

The Company recognised the value of the right-of-use assets of the Existing Leases based on a 10-year period (with non-cancellable period of three years and optional period of seven years) during the year ended 31 March 2020 due to the following reasons:

- (i) the tenancy agreements of the Existing Leases contain the provision to renew the leases for three years upon expiry of the Existing Leases, and another provision to renew the leases for another three years without further negotiation with the landlords, together with a one-year notice period to terminate the leases by the landlords. The renewal of the leases are at the sole discretion of the Group. Hence, the Group has the right to use the relevant Premises for 10 years in total should it desire to do so, subject to the compliance with the applicable requirements of the Listing Rules;
- (ii) given the Premises are mainly used as elderly homes and it is not ideal to move elderlies around, especially if they require special care services. The time and cost incurred for re-location of elderlies is high, hence it is in the commercial interests and beneficial to the Group to continue to lease the Premises on reasonable terms and keep its elderly homes at the existing locations; and
- (iii) the Group has indicated its intention to renew the Existing Leases with the landlords on the same terms and conditions upon the expiry of the non-cancellable period of three years, and to renew another three years upon the second term.

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## LETTER FROM THE BOARD

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As at 31 March 2022, the total carrying values of the right-to-use assets related to the leases under the Renewal Letters is approximately HK\$103 million. The approximate carrying values of the right-of-use assets as at 31 March 2022, as compared to the total rental amount payable, under each of the Renewal Letters is set out below:

	<b>Total rental payable</b> <i>(HK\$)</i>	<b>Approximate carrying values of the right-of-use assets</b> <i>(HK\$)</i>
Kato Elderly Home Tenancy Renewal Letter	14,580,000	29,600,000
Kato Home for the Aged Tenancy Renewal Letter	7,128,000	14,500,000
Fai To Home (On Lai) Tenancy Renewal Letter	3,708,000	7,500,000
Fai To Home (Tuen Mun) Tenancy Renewal Letter	6,012,000	12,200,000
Tsuen Wan Centre Tenancy Renewal Letter	8,712,000	17,700,000
Happy Luck Home Tenancy Renewal Letter	8,172,000	16,600,000
Tsuen Wan Staff Quarters Tenancy Renewal Letter	439,200	890,000
Kato Staff Quarters Tenancy Renewal Letter	1,069,200	2,200,000
Staff Quarters Tenancy Renewal Letter	763,200	1,500,000
Fai To Sino West Staff Quarters Tenancy Renewal Letter	180,000	370,000
Total:	<u>50,763,600</u>	<u>103,060,000</u>

The carrying values of the right-of-use assets disclosed above represents the present value of the aggregate lease payments to be made by the Group for the remaining seven years of lease term and calculated by discounting the lease payments by the incremental borrowing rate.

Shareholders should note that the above disclosed carrying values of right-of-use assets is unaudited and may be subject to adjustment in the future.

### REASONS FOR AND BENEFITS OF ENTERING INTO THE RENEWAL LETTERS

The Group has been occupying the premises under the Existing Leases for its business and operation since the respective commencement date of the Existing Leases. In order to ensure that the business and operation of the Group will not be affected upon the expiration of the Existing Leases on 31 March 2022, the Group entered into the Renewal Letters with the respective landlords on 17 May 2022 for a term of three years from 1 April 2022 to 31 March 2025.



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## LETTER FROM THE BOARD

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The Group has also engaged an independent property valuer to assess the fair market rent of the Premises which were of the opinion that the rental payments under the Renewal Letters are fair and reasonable, compared with the open market rent of similar properties at the vicinity of each of the Premises.

It has always been the intention of the Group to enter into the Renewal Letters prior to the expiration of the Initial Term. However, when preparing the relevant documents in relation to the Renewal Letters, the Company had various discussions with professional parties including legal advisers and the sponsor to the IPO of the Company since January 2022 on the calculation of the size tests of the transactions under the Renewal Letters using the carrying value of the right-of-use assets. To ensure full compliance with the Listing Rules, the Company did not rush to enter into the Renewal Letters and sought for the view of the Stock Exchange. The Landlords have agreed to let the Group continue occupying the Premises until the Renewal Letters are signed and allow the Group to pay the outstanding rental amounts incurred after the expiry of the Initial Term upon the signing of the Renewal Letters.

The tenancies under the Renewal Letters during the period from the expiry of the Initial Term until the signing of the Renewal Letters are by nature considered as tenancies at will created by the operation of law, whereby the Group continues to occupy the Premises with the express consent of the landlords without payment of consideration. As no payment of consideration is made by the Group, the tenancies at will under the Renewal Letters during the period from the expiry of the Initial Term until the signing of the Renewal Letters are exempt from the reporting, announcement, annual review, circular and shareholders' approval requirements under Chapters 14 and Chapter 14A of the Listing Rules.

Nevertheless, to avoid occurrence of similar tenancies at will in the future where consideration is not being paid, the Company has taken and will enhance from time to time the following measures:

- (a) the Company's responsible management with assistance from external legal, account or other professional advisers shall continue to oversee and monitor the Company's on-going compliance with the Listing Rules in relation to the Group's lease arrangements;
- (b) the Company will offer trainings to the responsible staff, management and Directors on requirements for transactions under Chapter 14 and Chapter 14A of the Listing Rules in order to strengthen and reinforce their existing knowledge as well as their ability to identify potential issues at an early stage; and

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## LETTER FROM THE BOARD

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- (c) the Company will work more closely with its external legal, accounting or other professional advisers to identify potential issues regarding the changes in regulatory requirements, including the relevant accounting policies, before they come into effect, and as and when appropriate, consult the Stock Exchange in advance.

In view of the above, the Directors (excluding the independent non-executive Directors who shall provide their views after taking the advice from the Independent Financial Adviser) consider that the terms of each of the Renewal Letters and the transactions contemplated thereunder are fair and reasonable; and each of the Renewal Letters and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Group and its Shareholders as a whole.

### INTERNAL CONTROL MEASURES

In order to ensure that the pricing basis is adhered to for each of the Renewal Letters and the connected transactions under the Renewal Letters are in compliance with the requirements of the Listing Rules, the Company has adopted the following internal control measures:

- (i) the relevant operation departments and management of the Group have examined the proposed rent under the Renewal Letters in order to ensure that such rent is determined based on arm's length negotiations between the parties and the terms of the Tenancy Agreements and/or Renewal Letters are fair and reasonable, on normal commercial terms and on terms that are no less favourable to the Group than those available from Independent Third Parties;
- (ii) the finance department of the Group has reviewed whether the proposed rent payable under each of the Renewal Letters is in line with the pricing policy;
- (iii) the Group has complied with the requirements under the connected transaction rules of the Listing Rules for the annual review by the independent auditor and the independent non-executive directors in respect of the transactions contemplated under the Renewal Letters; and
- (iv) the Company's responsible management with assistance from external legal, accounting or other professional advisers continues to oversee and monitor the Company's on-going compliance with the Listing Rules in relation to the Group's lease arrangements.

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## LETTER FROM THE BOARD

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By implementing the above measures, the Directors (excluding the independent non-executive Directors who shall provide their views after taking the advice from the Independent Financial Adviser) consider that the Group has appropriate internal control procedures to ensure that the transactions under the Renewal Letters will be conducted on normal commercial terms and in the interests of the Group and its Shareholders as a whole.

### INFORMATION ON THE PARTIES

#### The Group

The Group is an established operator of residential care homes for the elderly in Hong Kong offering a wide range of residential care and day 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 elderly community care services.

Mr. Ngai and Ms. Ngai are executive Directors and controlling shareholders of the Company. Mr. Lam Kong is the brother of Mr. Ngai.

Classic Mate, Perfect Cheer, Shing Kong and Smarts Corporation are all companies incorporated in Hong Kong with limited liability and wholly owned by Four Rings Property Agency Limited, a company indirectly wholly owned by Ms. Ngai. Classic Mate, Perfect Cheer, Shing Kong and Smarts Corporation are principally engaged in properties investment holding.

Kato Elderly Affairs and Kato Property are both companies incorporated in Hong Kong with limited liability and owned as to 60% by Four Rings Property Agency Limited, a company indirectly wholly owned by Ms. Ngai. Kato Elderly Affairs and Kato Property are principally engaged in properties investment holding.

Four Rings Property Agency Limited is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

### IMPLICATIONS UNDER THE LISTING RULES

Mr. Ngai and Ms. Ngai are connected persons of the Company by virtue of being executive Directors and controlling shareholders of the Company.

Mr. Lam Kong is the brother of Mr. Ngai and is regarded as an associate of Mr. Ngai. As such, Mr. Lam Kong is a connected person of the Company.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Classic Mate, Perfect Cheer, Shing Kong and Smarts Corporation are all companies incorporated in Hong Kong with limited liability and wholly owned by Four Rings Property Agency Limited, a company indirectly wholly owned by Ms. Ngai, and (ii) Kato Elderly Affairs and Kato Property are both owned as to 60% by Four Rings Property Agency Limited, a company indirectly wholly owned by Ms. Ngai. As associates of Ms. Ngai, one of the Directors and controlling shareholders of the Company, all of Classic Mate, Perfect Cheer, Shing Kong, Smarts Corporation, Kato Elderly Affairs and Kato Property are connected persons of the Company.

As Mr. Ngai, Ms. Ngai, Mr. Lam Kong, Classic Mate, Kato Elderly Affairs, Kato Property, Perfect Cheer, Shing Kong and Smarts Corporation have been letting and will continue to let the Premises to our Group on normal commercial terms, the transactions contemplated under the Renewal Letters are considered as one-off connected transactions of the Company under Chapter 14A of the Listing Rules.

The carrying values of the right-of-use assets of the Existing Leases as at 31 March 2022 in the aggregate amount of approximately HK\$103 million is used for calculating the size tests in connection with the transactions contemplated under the Renewal Letters.

As one or more of the applicable percentage ratios in respect of the Renewal Letters exceed 5% but all are less than 25%, the transactions under the Renewal Letters constitute discloseable and connected transactions for the Company, and is subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under the Listing Rules.

Mr. Ngai and Ms. Ngai, being executive Directors and controlling shareholders of the Company, are considered to be interested in the transactions contemplated under the Renewal Letters. Accordingly, both Mr. Ngai and Ms. Ngai have abstained from voting on the board resolution of the Company to approve the Renewal Letters.

Mr. Ngai, Ms. Ngai and their respective associates are interested in the Renewal Letters and are therefore required to abstain from voting on the relevant resolution to approve the Renewal Letters.

Save as disclosed above, no Shareholder has a material interest in the Renewal Letters and the transactions contemplated thereunder and is required to abstain from voting on the relevant resolution at the EGM.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Should the relevant resolutions for the Renewal Letters be voted down by the Independent Shareholders, the Group would be required to relocate the elderly homes and would incur costly relocation and renovation fees. In such event, the Landlords have agreed to allow the Group to continue occupying the Premises until the Group has located suitable Premises and moved out.

Although the Group would be able to locate suitable Premises for its elderly homes if needed without difficulty as there are similar premises available in the vicinity, the Board strongly recommends the Independent Shareholders to vote in favour of the relevant resolutions set out in the notice of the EGM, based on the following reasons:

- (i) the transactions contemplated under the Renewal Letters will be conducted by the Group in its ordinary and usual course of business, on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (ii) the Group would need to obtain a new residential care home for the elderly licence for any new care and attention home that it operates and the time required for processing such new application may take up to 24 months;
- (iii) given the Premises are mainly used as elderly homes, it is not ideal to move elderlies around, especially if they require special care services;
- (iv) the time and cost to be incurred for relocation of elderlies to another elderly home is high; and
- (v) it is in the commercial interests and beneficial to the Group to continue to lease the Premises and keep its elderly homes at the existing locations.

### FURTHER INFORMATION

The Independent Board Committee comprising three independent non-executive Directors has been appointed to recommend the Independent Shareholders in respect of the transactions contemplated under the Renewal Letters. Get Nice Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regard.

Accordingly, your attention is drawn to (i) the letter of recommendation from the Independent Board Committee to the Independent Shareholders set out on pages 44 to 45 of this circular, which contains its recommendation to the Independent Shareholders; (ii) the letter of advice from Independent Financial Adviser to the Independent Board Committee and Independent Shareholders set out on pages 46 to 59 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders; (iii) the general information set out in the Appendix to this circular; and (iv) the notice of the EGM.

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## LETTER FROM THE BOARD

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### THE EGM

Set out on pages EGM-1 to EGM-7 of this circular is a notice convening the EGM to be held at Thornton Room, 3/F. South Tower, The Salisbury — YMCA of Hong Kong, 41 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 20 June 2022 at 3:00 p.m. at which the relevant resolutions will be proposed at the EGM to approve, among other things, the Renewal Letters and the transactions contemplated thereunder. The resolutions proposed to be approved at the EGM will be taken by poll and an announcement on the results of the EGM will be made by the Company after the EGM.

The register of members of the Company will be closed from Wednesday, 15 June 2022 to Monday, 20 June 2022, both days inclusive, during which period no transfer of shares can be registered. In order to attend the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Tuesday, 14 June 2022.

Due to the recent development of the COVID-19 pandemic and in view of the latest Regulations, **Shareholders are reminded to refer to the section headed "Precautionary Measures for the EGM" on page ii of this circular.**

Please complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). **The Company reminds the Shareholders who wish to exercise his/her/its voting rights that they may appoint the Chairman of EGM as their proxy to vote on the relevant resolutions at the EGM.**

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



**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)**

2 June 2022

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS  
RENEWAL OF EXISTING LEASES**

We refer to the circular of the Company dated 2 June 2022 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

In compliance with the Listing Rules, we have been appointed by the Board to form the Independent Board Committee and advise the Independent Shareholders as to whether, in our opinion, the transactions contemplated under the Renewal Letters will be conducted by the Group in its ordinary and usual course of business, are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. In this connection, Get Nice Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Renewal Letters.

We wish to draw your attention to the letter from the Board set out on pages 7 to 43 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 46 to 59 of the Circular which contains its opinion in respect of the transactions contemplated under the Renewal Letters.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the advice of the Independent Financial Adviser and its recommendation in relation thereto, we consider that the transactions contemplated under the Renewal Letters are conducted by the Group in its ordinary and usual course of business, are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the relevant resolution set out in the notice of the EGM.

Yours faithfully,

**Independent Board Committee of  
Kato (Hong Kong) Holdings Limited**

**Ms. Chiu Lai Kuen Susanna**

**Mr. Or Kevin**

**Mr. Wong Vinci**



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Get Nice Capital Limited, the independent financial adviser to the Independent Board Committee and Independent Shareholders, for the purpose of incorporation into this circular.*



G/F-3/F.  
Cosco Tower  
Grand Millennium Plaza  
183 Queen's Road Central  
Hong Kong

2 June 2022

*To the Independent Board Committee and the Independent Shareholders of Kato (Hong Kong) Holdings Limited (the “Company”)*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS RENEWAL OF EXISTING LEASES**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the connected transactions in relation to the entering into the Renewal Letters to renew the Existing Leases for the operations of the Group for a period from 1 April 2022 to 31 March 2025, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 2 June 2022 (the “**Circular**”) of which this letter (the “**Letter**”) forms part. Capitalised terms used in this Letter shall have the same meanings as defined in the Circular, unless the context requires otherwise.

As one or more each of the applicable percentage ratios in respect of the Renewal Letters exceed 5% but all are less than 25%, the transactions contemplated under the Renewal Letters constitute discloseable and connected transactions for the Company, and is subject to the reporting, announcement, annual review, circular and independent shareholders’ approval requirements under the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Mr. Ngai and Ms. Ngai, being the connected persons of the Company by virtue of being executive Directors and controlling shareholders of the Company, and their respective associates are interested in the Renewal Letters and are required to abstain from voting on the relevant resolution to approve the Renewal Letters at the EGM.

An Independent Board Committee, comprising three independent non-executive Directors, namely, Ms. Chiu Lai Kuen Susanna, Mr. Or Kevin and Mr. Wong Vinci, has been established to advise the Independent Shareholders in relation to the terms of the Renewal Letters and the transactions contemplated thereunder. We, Get Nice Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Renewal Letters are fair and reasonable so far as the Company and the Independent Shareholders are concerned; (ii) whether the Renewal Letters were entered into, on normal commercial terms, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) whether or not the Independent Shareholders should vote in favour of the resolution approving the Renewal Letters and the transactions contemplated thereunder which will be proposed at the EGM.

### **BASIS OF OUR OPINION**

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have relied upon the statements, information, opinions and representations contained or referred to in the Circular, the information, opinions and representations provided to us by the Directors and/or the management of the Group (the “**Management**”), and our review of the relevant public information.

The 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 enquiries, 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 in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration by the Directors and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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reasonableness of the opinions expressed by the Company, the Directors and the Management, which have been provided to us. We have not, however, carried out any independent verification of the information provided by the Directors and/or the Management nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or the prospects of the markets in which the Group operates.

Save for this appointment as the Independent Financial Adviser, there were no other engagements between Get Nice Capital Limited and the Company, or any other parties to the Renewal Letters, in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefit from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Renewal Letters. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and any member of the Group or any of their substantial shareholders, directors or chief executives, or their respective associates, that could reasonably be regarded as hindrance to our independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders. Accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Renewal Letters pursuant to Rule 13.84 of the Listing Rules.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving our opinion and advice to the Independent Board Committee and the Independent Shareholders, we have taken into consideration of the following principal factors and reasons.

#### **1. Background of and reasons for entering into of the Renewal Letters**

##### *(i) Information of the Group*

The Group is an established operator of residential care homes for the elderly in Hong Kong offering a wide range of residential care and day 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 elderly community care services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *(ii) Background of the Renewal Letters*

The Group has been leasing various premises in Hong Kong from its controlling shareholders and their associates for the operations of the Group (collectively, the “**Existing Leases**”) for the period from 13 June 2019 (the date on which dealings in the Shares first commenced on the Stock Exchange) to 31 March 2022 (the “**Initial Term**”). The details of the Existing Leases were set out in the sections headed “Connected Transactions” and “Relationship with the Controlling Shareholders” of the Prospectus of the Company dated 30 May 2019.

As stated in the Letter from the Board, pursuant to each of the tenancy agreements for the Existing Leases (the “**Tenancy Agreements**”), each tenancy agreement has a provision to renew the lease period for three years upon expiry of the Initial Term, and another provision to renew the lease period for another three years upon expiry of the second term on the same terms and conditions, save for downward adjustment of monthly rental fee where the prevailing market of the relevant premises has been lowered. It also requires a one-year notification period by the landlords, upon the expiration of the two successive terms following the Initial Term, to terminate the leases.

On 17 May 2022, the Group has entered into the Renewal Letters with its controlling shareholders and their associates as landlords to renew the Existing Leases on the same terms and conditions as the Existing Leases for the operations of the Group for a period from 1 April 2022 to 31 March 2025 (subject to renewal).

### *(iii) Reasons for and benefits of entering into of the Renewal Letters*

As set out in the Letter from the Board, the Group has been occupying the premises under the Existing Leases for its business and operation since the respective commencement date of the Existing Leases. In order to ensure that the business and operation of the Group will not be affected upon the expiration of the Existing Leases on 31 March 2022, the Group entered into the Renewal Letters with the respective landlords on 17 May 2022 for a term of three years from 1 April 2022 to 31 March 2025 (subject to renewal).

Given the nature of the principal business of the Group as stated above and the Renewal Letters are entered into in accordance to the provisions of the Tenancy Agreements for an extension of the lease period, we are of the view that the entering into of the Renewal Letters is in the ordinary and usual course of business of the Group.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 2. Principal terms of the Renewal Letters

We have reviewed the Tenancy Agreements and the Renewal Letters and understood it is the provision of the Tenancy Agreements that, among other things, the lease period shall be automatically renewed for three years upon expiry of the Initial Term on the same terms and conditions of the Tenancy Agreements, save for downward adjustment of monthly rental fee where the prevailing market of the relevant premises has been lowered. Therefore, the Renewal Letters are an extension of the Tenancy Agreements and the terms of the Renewal Letters are basically the same as the Tenancy Agreements, save for the time period being covered.

#### (i) Descriptions of principal terms of the Renewal Letters

The principal terms of the Renewal Letters are summarized as follows:

**Table 1: Principal terms of the Renewal Letters  
and the Fair Monthly Unit Rent conducted by the Valuer**

Premises no.	Renewal Letter	Location	Term	Usage (Note)	Size of property (saleable floor area) (sq. ft.) (approximate)	Annual Rent Payable (HK\$)	Monthly Unit	Fair Monthly
							Rent under the Renewal Letters (HK\$) (per sq. ft.) (approximate)	Unit Rent conducted by the Valuer (HK\$) (per sq. ft.) (approximate)
1	Kato Elderly Home Tenancy Renewal Letter	Shops 8-12 on G/F and 1/F, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong	1 April 2022 to 31 March 2025 (subject to renewal)	RCHE	18,680	4,860,000	22	27
2	Kato Home for the Aged Tenancy Renewal Letter	1/F, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong		RCHE	12,277	2,376,000	16	21

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Premises no.	Renewal Letter	Location	Term	Usage (Note)	Size of property (saleable floor area) (sq. ft.) (approximate)	Annual Rent Payable (HK\$)	Monthly Unit	Fair Monthly
							Rent under the Renewal Letters (HK\$) (per sq. ft.) (approximate)	Unit Rent conducted by the Valuer (HK\$) (per sq. ft.) (approximate)
3	Fai To Home (On Lai) Tenancy Renewal Letter	Shops 1-17 on 1/F, On Lai Building, 3 Tsing To Path, Tuen Mun, New Territories, Hong Kong		RCHE	5,271	1,236,000	20	25
4	Fai To Home (Tuen Mun) Tenancy Renewal Letter	1/F, including Entrance on G/F, Florence Mansion, 6 Tsing Ling Path, Area 4B, Tuen Mun, New Territories, Hong Kong		RCHE	8,645	2,004,000	19	24
5	Tsuen Wan Centre Tenancy Renewal Letter	Shop C1, 1/F, Tsuen Wan Centre Shopping Arcade, 87-105 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong		RCHE	15,950	2,904,000	15	20
6	Happy Luck Home Tenancy Renewal Letter	2nd Floor of Phase 1 of Commercial Development of Allway Gardens, Nos. 187-195 Tsuen King Circuit, Nos. 2-22 On Yat Street, Tsuen Wan, New Territories, Hong Kong		RCHE	15,729	2,724,000	14	20

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Premises no.	Renewal Letter	Location	Term	Usage (Note)	Size of property (saleable floor area) (sq. ft.) (approximate)	Annual Rent Payable (HK\$)	Monthly Unit	Fair Monthly
							Rent under the Renewal Letters (HK\$) (per sq. ft.) (approximate)	Unit Rent conducted by the Valuer (HK\$) (per sq. ft.) (approximate)
7	Tsuen Wan Staff Quarters Tenancy Renewal Letter	Flat C, 24/F, Block 9 (Nanking House), Tsuen Wan Centre, 89 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong		SQ	425	146,400	29	29
8	Kato Staff Quarters Tenancy Renewal Letter	Rooms C and D on 2/F and Flat Roof, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong		SQ	8,257 (including flat roof area of 7,427 sq. ft.)	356,400	22 (Note 2)	24 (Note 2)
9	Staff Quarters Tenancy Renewal Letter	3/F, Four Sea Mansion, 11 Fa Yuen Street, Mongkok, Hong Kong		SQ	799	254,400	27	27
10	Fai To Sino West Staff Quarters Tenancy Renewal Letter	Room 10, 3/F, Tung Shun Hing Building, 22 Chi Kiang Street, Kowloon, Hong Kong		SQ	266 (together with flat roof area of 280 sq. ft.)	60,000	16 (Note 2)	28 (Note 2)

*Notes:*

1. RCHE stands for care and attention home for the elderly; SQ stands for staff quarters.
2. Flat roof area is taken in account for the calculation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(ii) Analysis of the principal terms of the Renewal Letters*

As stated in the Letter from the Board, the Group shall determine the rent payable for each of the Renewal Letters after arm's length negotiations with the respective landlords based on normal commercial principles with reference to the prevailing market rent of leases of comparable premises, the historical quotations to other Independent Third Parties by the respective landlords for similar leases, and other factors such as floor area, facilities and location.

To ensure the rent payable under each of the Renewal Letters is fair and reasonable and not less favourable than the rent payable to Independent Third Parties in respect of the same or similar premises, the management of the Company will follow the below procedures:

- (i) search for actual rental transactions of the same premises, premises in the same building and premises in the neighboring area (where such transactions are not available, refer to real estate industry publications describing price trends in the relevant areas);
- (ii) compare the said market rent (or price trends, where applicable) with the rent payable under the Renewal Letters; and
- (iii) in cases where rent payable offer by the respective landlords under any of the Renewal Letters is higher than the prevailing market rent of the relevant premises, request such landlord(s) to reduce the rent payable to the extent of such difference.

To facilitate the above pricing procedures, we understand the Company has engaged Colliers International (Hong Kong) Limited (the "**Valuer**"), a professional and independent valuer, to assess the market rents of the Premises for internal reference to the Board. In assessing the fairness and reasonableness of the rent payable by the Group under the Renewal Letters, we have reviewed the valuation report (the "**Valuation Report**") issued by the Valuer which set out their market rental valuation for the Premises as at 31 March 2022.

We understand that the Valuer has performed rental valuation for other listed companies in Hong Kong. The Valuation Report is prepared by the Valuer's professional team which is led by Ms. Dorothy Chow, a fellow of both the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in the Hong Kong Special Administrative Region with over 24 years of experience in valuation and appraisal of assets in Hong Kong and China. The Valuer confirmed that it was not aware of any relationship or interest between it and the Company or any other party that would be reasonably considered to affect its independence to act as an independent valuer for the Company. We have reviewed the terms of the Valuer's engagement with the Company and noted that its scope of work is appropriate to the opinion



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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required to be given and there is no limitation on the scope of work which might adversely impact on the degree of assurance given by the Valuer in the Valuation Report. We have also discussed with the Valuer and the management of the Company regarding the representations made by the Company to the Valuer and noted that those representations made are in accordance with our knowledge.

As such, we are of the view that the Valuer is qualified, experienced and competent in performing the rental assessment and to form a reliable opinion in respect of the market rental value of the Premises.

We have discussed with the Valuer the methodology, basis and assumptions adopted in arriving at the market rents. We understand from the Valuer that the Valuation Report was prepared in compliance with the prevailing HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors, adopting and applying the latest edition of International Valuation Standard Council (IVSC) valuation standards, if applicable, and under generally accepted valuation procedures and practices. The Valuer advised us that direct comparison method, a method based on comparing the property to be valued with the rents achieved for similar properties, was adopted in arriving at the market rental valuation of the Premises given the nature of use and other particulars of the Premises and the availability of comparable market transactions. We noted that in assessing the market rents, the Valuer has considered the current market condition for rents of the types of properties involved and their locations, examined comparable rentals of similar properties in the nearby vicinity of the Premises, and conducted the market rental valuation on the basis of market rent, being defined as the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. Noted that the methodology applied by the Valuer is one of the generally accepted procedures and practices of professional surveyors and is in compliance with the standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards Council, we consider that the methodology, basis and assumptions adopted by the Valuer for determining the market rents of the Premises are appropriate. During our discussion with the Valuer, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Valuation Report. Hence, we concur with the opinion of the Valuer that none of the other valuation methodologies is considered to be more appropriate.

We have also reviewed and discussed with the Valuer on (i) the criteria in selecting the comparable rental transactions (the “**Comparable**”), including location, property usage, floor size, floor level, transaction date and building age and condition; (ii) the sources of the Comparable; and (iii) the valuation approach adopted.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have obtained and reviewed the list of Comparable identified by the Valuer for each of the Premises and noted that the Valuer has identified at least four rental transactions for each of the Premises. We also noted that the selection criteria of the comparable are different for Premises no. 1–6 (intended by the Company to use for care and attention home for the elderly) (the “**RCHE Comparable**”) and Premises no. 7–10 (intended by the Company to use for staff quarters) (the “**SQ Comparable**”) in view of their different intended usages and corresponding requirements. In general, the selection criteria for the RCHE Comparable would have to address the requirement of a larger commercial size and better accessibility for the operation of the care and attention home for the elderly, while the same criteria does not apply to the SQ Comparable which is for normal residential use.

Based on our understanding from the Valuer and the selection criteria of the Comparable adopted by them, we consider, and the Valuer confirmed that, the list of Comparable is exhaustive, fair and representative for the valuation purpose. For the details of the Comparable, please refer to the corresponding sections of the respective Renewal Letters set out in the Letter from the Board. We would like to draw your attention that same set of comparable rental transactions are used for Premises no. 1–4 and another set of comparable rental transactions are used for Premises no. 5–6, while different sets of comparable rental transactions are used for Premises no. 7–10 respectively. We consider it is an appropriate and reasonable arrangement in view of the different locations of the Premises.

We noted that (i) the location of the RCHE Comparable are in the same district of the relevant Premises and additional comparable from nearby districts and other areas that the Valuer considered of similar territorial natures are also included for a more fair and representative comparison due to the limited number of applicable transactions in the same district; (ii) the lease starting date of the RCHE Comparable ranged from the first quarter of 2020 to the fourth quarter of 2021 due to lack of applicable transactions in 2022; (iii) the details of the RCHE Comparable are sourced from the Land Registry and the Buildings Department; (iv) the location of the SQ Comparable are in the same district of the relevant Premises; (v) the transaction date of the SQ Comparable are mostly within one year of the rental valuation date, save for additional two comparable with transaction date in 2020 are adopted for Premise no. 9 given of the old age of the building; (vi) the details of the SQ Comparable are sourced from market intelligence.

To further justify the rental information of the Comparable identified by the Valuer, we attempted to do independent research from public sources and compare the prevailing unit rents being offered by the properties located at the same building of the Comparable or at the vicinity of the Comparable with similar usage, floor level and floor area with the unit rents of the Comparable identified by the Valuer. We found that the unit rents of the SQ Comparable identified by the Valuer are of no material differences from those being offered by the comparable residential properties we identified independently (please refer to Table 2 set out in this Letter below for our

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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findings). We consider the list of comparable properties identified by us is fair and representative for the comparison purpose hereof. However, due to the lack of prevailing rental information on commercial properties similar to the RCHE Comparable on public resources, we could not carry out same research for the RCHE Comparable. Nevertheless, as the rental statistics of the RCHE Comparable are extracted from the documentations registered on the Land Registry and the Buildings Department, we consider the information is accurate and appropriate for valuation purpose. Taking into account of our independent analysis, we are of the view that the Comparable selected by the Valuer reflect the prevailing market rents and serve as an appropriate reference for the valuation work by the Valuer.

**Table 2: Comparison of the Unit Rents between the SQ Comparable identified by the Valuer and comparable residential properties identified by us**

<b>Premises no.</b>	<b>Monthly unit rent of the SQ Comparable identified by the Valuer (HK\$) (per sq. ft.) (approximate)</b>	<b>Monthly unit rent of the comparable residential properties identified by us (HK\$) (per sq. ft.) (approximate)</b>
7	27–33	27–39 (42 as an outlier)
8	28–31	27–38 (52.5 as an outlier)
9	26–36	27–40
10	30–34	28–39

For conducting the fair market rent of the Premises, we understand from the Valuer that they have made relevant adjustments, including size, location (including floor level), age and condition, and timing difference between the transaction date of the Comparable and the valuation date to the unit rents of the Comparable to account for the differences between the Premises and the Comparable. Based on our discussion with and review of the Comparable adopted by the Valuer, we are of the view that the Comparable and the adjustments are appropriate and reasonable for the market rental valuation for the Premises.

By comparing the monthly unit rent payable by the Group under the Renewal Letters to the fair market monthly unit rent as appraised by the Valuer (please refer to Table 1 set out in this Letter above), we found that all the unit rent payable for Premises no. 1–6 (intended by the Company to use for care and attention home for the elderly) is lower than the fair market unit rent and the unit rent payable for Premises no. 7–10 (intended by the Company to use for staff quarters) is equal to or lower than the fair market unit rent. As the lower the rental fee, the greater

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the benefit is to the lessee, we consider the rent payable under each of the Renewal Letters is fair and reasonable, on normal commercial terms and no less favourable to the Group than those available from Independent Third Parties in respect of the same or similar premises.

### **3. Analysis of the associated costs in relocation**

In addition to the bases for determining the rent payable under the Renewal Letters as aforementioned, we have also considered the potential costs which the Group may incur if the Renewal Letters are not entered into and the existing premises are replaced by other properties let from an Independent Third Party. We have reviewed the assumptions adopted by the Company in estimating such associated costs and consider the estimated amounts are reasonable as we note that appropriate assumptions are respectively considered for Premises no.1-6 (intended by the Company to use for care and attention home for the elderly) and Premises no. 7-10 (intended by the Company to use for staff quarters) based on their different intended usages and corresponding requirements. Also, the estimated amounts are based on the recent experience in the ordinary course of business of the Group and the prevail marketing practice and level. As stated in the Letter from the Board, the associated costs in relocation would be in the amounts of tens of millions of Hong Kong dollars for Premises no. 1-6 (intended by the Company to use for care and attention home for the elderly) and hundreds of thousands of Hong Kong dollars for Premises no. 7-10 (intended by the Company to use for staff quarters), varying with their size and/or operation scale.

Having considered that, in the case that the Renewal Letters are not entered into and the existing premises are replaced by other properties let from an Independent Third Party, the Company would (i) have to bear the extra and massive relocation costs in order to continue the operation of similar scale; (ii) have to bear the time cost and administrative and regulatory risks in the relocation of existing elderly residence to other elderly homes for temporary stay, applying for new licence and employing new staff; and (iii) no longer be entitled to the favourable clause as stipulated in the Tenancy Agreements that the Company can request the relevant landlords to make a downward adjustment to the monthly rental fee where the prevailing market rent of the relevant premises has been lowered, as the same term is not common and may not be available in the lease arrangement with an Independent Third Party, we are of the view that it is in the interest of the Company and the Independent Shareholders as a whole to continue renting the premises in accordance with the Renewal Letters.

### **4. Internal control measures**

As set out in the Letter from the Board, to ensure that the pricing basis is adhered to for each of the Renewal Letters and the connected transactions under the Renewal Letters are in compliance with the requirements of the Listing Rules, the Company has adopted the following internal control measures:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (i) the relevant operation departments and management of the Group have examined the proposed rent under the Renewal Letters in order to ensure that such rent is determined based on arm's length negotiations between the parties and the terms of the Tenancy Agreements and/or Renewal Letters are fair and reasonable, on normal commercial terms and on terms that are no less favourable to the Group than those available from Independent Third Parties;
- (ii) the finance department of the Group has reviewed whether the proposed rent payable under each of the Renewal Letters is in line with the pricing policy;
- (iii) the Group has complied with the requirements under the connected transaction rules of the Listing Rules for the annual review by the independent auditor and the independent non-executive directors in respect of the transactions contemplated under the Renewal Letters; and
- (iv) the Company's responsible management with assistance from external legal, accounting or other professional advisers continues to oversee and monitor the Company's on-going compliance with the Listing Rules in relation to the Group's lease arrangements.

We have discussed the above internal control measures with the Company and understood the Company engaged the Valuer to conduct professional valuation on the market rents for the Premises for their internal reference in order to ensure the rent payable under each of the Renewal Letters is determined based on arm's length negotiations between the parties and the terms thereof are fair and reasonable, on normal commercial terms and on terms that are no less favourable to the Group than those available from Independent Third Parties. We have reviewed the register of rents paid to connected persons by the Group under the Tenancy Agreements prepared by the accounting department of the Company and noted that the transaction amounts were properly recorded and understood that same practice will be implemented for the rent payable under the Renewal Letters. We have reviewed the annual reports of the Company for the financial year ended 31 March 2021 and noted that the independent non-executive Directors and the auditor of the Company have reviewed the connected transactions made under the Tenancy Agreement in compliance with the Listing Rules.

Based on the above procedures and our review of the relevant documents, we are of the view that there are appropriate internal control procedures in place to ensure the transactions contemplated under the Renewal Letters are conducted on normal commercial terms and in the interests of the Group and its Shareholders as a whole.

### RECOMMENDATIONS

Having considered the factors and reasons as mentioned above, we are of the opinion that (i) the terms of the Renewal Letters are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole; (ii) the transactions contemplated thereunder are

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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conducted on normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Renewal Letters and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Get Nice Capital Limited**  
**Bobby Chow**  
*Managing Director*

*Mr. Bobby Chow is a licensed person registered with the Securities and Futures Commission and a responsible officer to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. He has over 16 years of experience in corporate finance industry.*

## 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 <sup>(1)</sup>	Percentage of shareholding in the Company's issued share capital <sup>(6)</sup>
Ms. Ngai Ka Yee (“Ms. Ngai”)	Settlor of a family trust	624,000,000 (L) <sup>(2)</sup>	62.4
	Interest in underlying shares	10,000,000 (L) <sup>(3)</sup>	1.0
Mr. Ngai Shi Shing, Godfrey (“Mr. Ngai”)	Beneficiary of a family trust	624,000,000 (L) <sup>(2)</sup>	62.4
	Interest in underlying shares	10,000,000 (L) <sup>(4)</sup>	1.0
	Beneficial owner	1,032,000 (L)	0.10
Ms. Chiu Lai Kuen Susanna	Beneficial owner	400,000 (L)	0.04
Mr. Cheng Man Tak Richard (“Mr. Cheng”)	Interest in controlled corporation	5,000,000 (L) <sup>(5)</sup>	0.50

*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**”). Mr. Kwong and Ms. Ngai are the settlors of the Family Trust and Mr. Ngai is the sole beneficiary of the Family Trust. By virtue of the SFO, Mr. Kwong, Ms. Ngai and Mr. Ngai are deemed to be interested in the Shares held by Sheung Fung.
- (3) These underlying Shares may be allotted and issued upon exercise of the share options granted to Ms. Ngai Ka Yee pursuant to the terms thereof.
- (4) These underlying Shares may be allotted and issued upon exercise of the share options granted to Mr. Ngai Shi Shing, Godfrey pursuant to the terms thereof.
- (5) These Shares were held by Dynasty Power Limited, which is wholly owned by Mr. Cheng.
- (6) 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 of Shareholder	Nature of interests	Number of Shares held <sup>(1)</sup>	Percentage of shareholding in the Company's issued share capital <sup>(5)</sup>
Sheung Fung	Beneficial owner	624,000,000 (L)	62.4
Trustee	Trustee	624,000,000 (L) <sup>(2)</sup>	62.4
Ms. Wei Xiaoling <sup>(3)</sup>	Interest of spouse	635,032,000	63.5
Mr. Lam Kong ("Mr. Lam")	Beneficial owner	60,202,000 (L)	6.02
	Interest in underlying shares	10,000,000 (L) <sup>(4)</sup>	1.0

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. Mr. Kwong and Ms. Ngai are the settlors of the Family Trust and Mr. Ngai is the sole beneficiary of the Family Trust. By virtue of the SFO, the Trustee, Mr. Kwong, Ms. Ngai and Mr. Ngai are deemed to be interested in the Shares held by Sheung Fung.
- (3) 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) These underlying Shares may be allotted and issued upon exercise of the share options granted to Mr. Lam Kong pursuant to the terms thereof.
- (5) 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 ASSETS OF THE GROUP**

As at the Latest Practicable Date, none of the Directors, proposed directors and the Independent Financial Adviser has, or had, any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2021, the date to which the latest published audited financial statements of the Company were made up.

**(D) INTERESTS OF DIRECTORS IN CONTRACTS AND ARRANGEMENT**

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. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there is no material adverse change in the financial or trading position of the Group since 31 March 2021, being the date to which the latest audited consolidated financial statements of the Group were made up.

## 5. INTERESTS IN COMPETING BUSINESS

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.

## 6. EXPERTS' QUALIFICATION AND CONSENTS

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:

<b>Name</b>	<b>Qualifications</b>
Get Nice Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Colliers International (Hong Kong) Limited	Independent qualified valuer

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, 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, 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 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

## 7. MISCELLANEOUS

The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

**8. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.elderlyhk.com](http://www.elderlyhk.com)) for the period of 14 days commencing from the date of this circular:

- (a) the Renewal Letters;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders;
- (c) the letter of advice from Independent Financial Adviser to the Independent Board Committee and Independent Shareholders; and
- (d) the written consents of the experts referred to in the paragraph headed “6. Experts’ Qualification and Consents” of this appendix.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting of Kato (Hong Kong) Holdings Limited 嘉濤(香港)控股有限公司 (the “**Company**”) will be held at Thornton Room, 3/F. South Tower, The Salisbury — YMCA of Hong Kong, 41 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 20 June 2022 at 3:00 p.m. and, if thought fit, pass, with or without modifications, the following resolutions as ordinary resolutions of the Company:

#### **ORDINARY RESOLUTIONS**

1. “**THAT:**

- (a) the transactions contemplated under the **Kato Elderly Home Tenancy Renewal Letter** (a copy of which has been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the **Kato Elderly Home Tenancy Renewal Letter** and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the **Kato Elderly Home Tenancy Renewal Letter** which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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2. “**THAT:**

- (a) the transactions contemplated under the **Kato Home for the Aged Tenancy Renewal Letter** (a copy of which has been produced to the meeting marked “**B**” and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the **Kato Home for the Aged Tenancy Renewal Letter** and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the **Kato Home for the Aged Tenancy Renewal Letter** which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

3. “**THAT:**

- (a) the transactions contemplated under the **Fai To Home (On Lai) Tenancy Renewal Letter** (a copy of which has been produced to the meeting marked “**C**” and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the **Fai To Home (On Lai) Tenancy Renewal Letter** and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the **Fai To Home (On Lai) Tenancy Renewal Letter** which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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4. “**THAT:**

- (a) the transactions contemplated under the **Fai To Home (Tuen Mun) Tenancy Renewal Letter** (a copy of which has been produced to the meeting marked “**D**” and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the **Fai To Home (Tuen Mun) Tenancy Renewal Letter** and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the **Fai To Home (Tuen Mun) Tenancy Renewal Letter** which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

5. “**THAT:**

- (a) the transactions contemplated under the **Tsuen Wan Centre Tenancy Renewal Letter** (a copy of which has been produced to the meeting marked “**E**” and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the **Tsuen Wan Centre Tenancy Renewal Letter** and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the **Tsuen Wan Centre Tenancy Renewal Letter** which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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6. “**THAT:**

- (a) the transactions contemplated under the **Happy Luck Home Tenancy Renewal Letter** (a copy of which has been produced to the meeting marked “**F**” and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the **Happy Luck Home Tenancy Renewal Letter** and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the **Happy Luck Home Tenancy Renewal Letter** which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

7. “**THAT:**

- (a) the transactions contemplated under the **Tsuen Wan Staff Quarters Tenancy Renewal Letter** (a copy of which has been produced to the meeting marked “**G**” and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the **Tsuen Wan Staff Quarters Tenancy Renewal Letter** and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the **Tsuen Wan Staff Quarters Tenancy Renewal Letter** which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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8. “**THAT:**

- (a) the transactions contemplated under the **Kato Staff Quarters Tenancy Renewal Letter** (a copy of which has been produced to the meeting marked “**H**” and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the **Kato Staff Quarters Tenancy Renewal Letter** and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the **Kato Staff Quarters Tenancy Renewal Letter** which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

9. “**THAT:**

- (a) the transactions contemplated under the **Staff Quarters Tenancy Renewal Letter** (a copy of which has been produced to the meeting marked “**I**” and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the **Staff Quarters Tenancy Renewal Letter** and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the **Staff Quarters Tenancy Renewal Letter** which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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10. **“THAT:**

- (a) the transactions contemplated under the **Fai To Sino West Staff Quarters Tenancy Renewal Letter** (a copy of which has been produced to the meeting marked “J” and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company or any other person authorised by the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the **Fai To Sino West Staff Quarters Tenancy Renewal Letter** and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the **Fai To Sino West Staff Quarters Tenancy Renewal Letter** which in their opinion is not of a material nature and to effect or implement any other matters referred to in this resolution.”

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

Hong Kong, 2 June 2022

*Registered office:*  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

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

*Notes:*

1. Shareholders are reminded to refer to section “Precautionary Measures or the EGM” on page ii of the circular dated 2 June 2022 issued by the Company for details.
2. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company’s branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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appointed for the holding of the EGM (i.e. not later than 3:00 p.m. on Saturday, 18 June 2022) or any adjournment thereof (as the case may be). **The Company reminds the Shareholders who wish to exercise his/her/its voting rights that they may appoint the Chairman of the EGM as their proxy to vote on the relevant resolution at the EGM.**

3. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 15 June 2022 to Monday, 20 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 14 June 2022.

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