
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



Kato (Hong Kong) Holdings Limited

嘉濤（香港）控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2189)

MAJOR TRANSACTION ACQUISITION OF PROPERTIES

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 4 to 13 of this circular.

A notice convening the EGM of Kato (Hong Kong) Holdings Limited to be held at 4/F., Hoi Tat Estate Ancillary Facilities Block, 38 Sham Mong Road, Kowloon, Hong Kong on Monday, 18 December 2023 at 5:00 p.m. is set out on pages EGM-1 to EGM-3 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.

28 November 2023

CONTENTS

| | <i>Page</i> |
|---|-------------|
| DEFINITIONS | 1 |
| LETTER FROM THE BOARD | 4 |
| APPENDIX I — FINANCIAL INFORMATION OF THE GROUP | I-1 |
| APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP | II-1 |
| APPENDIX III — PROPERTY VALUATION OF THE PROPERTIES | III-1 |
| APPENDIX IV — GENERAL INFORMATION | IV-1 |
| NOTICE OF EXTRAORDINARY GENERAL MEETING | EGM-1 |

DEFINITIONS

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

| | |
|--------------------------|---|
| “Acquisition” | the acquisition of the Properties pursuant to the Provisional Agreement and the Formal Agreement |
| “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 |
| “Company” or “Purchaser” | 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 (stock code: 2189) |
| “Completion” | completion of the Acquisition pursuant to the Provisional Agreement and the Formal Agreement, which shall take place on or before 6 February 2024 or such other date as agreed by the Vendor and the Purchaser in writing |
| “Conditions Precedent” | the conditions precedent to the Completion |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company to be held to approve the Provisional Agreement, the Side Letter, the Formal Agreement and the transactions contemplated thereunder |

DEFINITIONS

| | |
|--------------------------------|---|
| “Formal Agreement” | the formal agreement dated 1 August 2023 entered into between the Vendor and the Purchaser in respect of the sale and purchase of the Properties, which has incorporated the terms and conditions contained in the Provisional Agreement and any other terms mutually agreed amongst the Purchaser and the Vendor |
| “Group” | the Company and its subsidiaries |
| “HKFRS” | Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Third Party(ies)” | 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 |
| “Latest Practicable Date” | 22 November 2023, 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. Ngai” | Mr. Ngai Shi Shing Godfrey, an executive Director and a controlling shareholder of the Company |
| “Personal Guarantee” | the personal guarantee(s) provided by Mr. Ngai to the Vendor in favour of the Company in connection with all the contractual obligations of the Company under the Provisional Agreement and the Formal Agreement |

DEFINITIONS

| | |
|-------------------------|--|
| “Properties” | Department Store on Ground Floor of Phase 1 of the Commercial Development and Department Store on Second Floor of Phase 1 of the Commercial Development, Allway Gardens, Nos. 187–195 Tsuen King Circuit, Nos. 2–22 On Yat Street, Tsuen Wan, New Territories, Hong Kong |
| “Provisional Agreement” | the provisional agreement dated 21 July 2023 entered into between the Vendor and the Purchaser in respect of the sale and purchase of the Properties |
| “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 |
| “Side Letter” | the side letter dated 21 July 2023 entered into among the Vendor, the Purchaser and Mr. Ngai in connection with the Provisional Agreement |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Vendor” | Kingdom Mark Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party |
| “%” | per cent. |

LETTER FROM THE BOARD



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

Independent non-executive Directors:

Mr. Or Kevin

Mr. Wong Vinci

Ms. Wu Wing Fong

Ms. Lo Ning

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

28 November 2023

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION ACQUISITION OF PROPERTIES

INTRODUCTION

The Board announced on 21 July 2023 (after trading hours) that, the Purchaser entered into the Provisional Agreement with the Vendor, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, the Properties at a consideration of HK\$170 million. The terms of the Provisional Agreement were supplemented by the Side Letter, pursuant to which, among other terms, Mr. Ngai agreed to provide the Personal Guarantee in favour of the Company in connection with all the contractual obligations of the Company under the Provisional Agreement. The Purchaser has subsequently entered into the Formal Agreement with the Vendor on 1 August 2023.

LETTER FROM THE BOARD

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

The purpose of this circular is to provide you with, among other things, (i) further details of the Provisional Agreement, the Side Letter and the Formal Agreement; (ii) financial information of the Group; (iii) unaudited pro forma financial information of the Group upon Completion; (iv) property valuation of the Properties; and (v) the notice of the EGM.

THE ACQUISITION

The Board announced on 21 July 2023 (after trading hours) that, the Vendor and the Purchaser entered into the Provisional Agreement which was supplemented by the Side Letter. The principal terms of the Provisional Agreement and the Side Letter are as follows:

Date: 21 July 2023

Parties: (1) Kato (Hong Kong) Holdings Limited (as the Purchaser)

(2) Kingdom Mark Limited (as the Vendor); and

(3) Mr. Ngai Shi Shing Godfrey (as the guarantor).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owners (if any) are Independent Third Parties.

Properties to be acquired: Department Store on Ground Floor of Phase 1 of the Commercial Development and Department Store on Second Floor of Phase 1 of the Commercial Development, Allway Gardens, Nos. 187–195 Tsuen King Circuit, Nos. 2–22 On Yat Street, Tsuen Wan, New Territories, Hong Kong

LETTER FROM THE BOARD

Consideration: The consideration is HK\$170 million, which shall be paid in the following manner:

- (a) HK\$17 million, being the initial deposit, has been paid on or before 1 August 2023;
- (b) HK\$17 million, being the further deposit, has been paid on or before 15 August 2023; and
- (c) HK\$136 million on or before Completion.

As at the Latest Practicable Date, the consideration in the amount of HK\$34 million has been paid by the Company to the Vendor.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the prevailing market value of comparable properties available in the vicinity. For details of the valuation, please refer to Appendix III to this circular.

The consideration has been and will be funded by internal resources and banking facilities.

Conditions Precedent: Completion is conditional upon the fulfilment of a number of conditions, including but not limited to the following:

- (a) the Provisional Agreement and the transactions contemplated thereunder having been approved by the Shareholders at the extraordinary general meeting of the Company;
- (b) all necessary consents and approval in connection with the Provisional Agreement and the transactions contemplated thereunder having been obtained by the respective parties to the Provisional Agreement; and

LETTER FROM THE BOARD

(c) given that the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, the performance of the Provisional Agreement shall comply with all relevant requirements of the Listing Rules.

Personal Guarantee:

Mr. Ngai unconditionally and irrevocably undertakes to the Vendor that the Purchaser shall fulfill the Conditions Precedent on or before Completion, failing of which Mr. Ngai shall complete the Acquisition in accordance with the terms of the Provisional Agreement.

Completion:

Subject to satisfaction of the Conditions Precedent, Completion shall take place on or before 6 February 2024 or such other date as agreed by the Purchaser and the Vendor in writing.

Existing Lease:

The Properties are currently rented to an Independent Third Party for a term from 1 June 2018 to 31 May 2031 (both days inclusive), with a yearly rent of approximately HK\$13,800,000 inclusive of government rent, exclusive of government rates and management fees.

The Vendor and the Purchaser have entered into the Formal Agreement on 1 August 2023. The Formal Agreement has incorporated the terms and conditions contained in the Provisional Agreement and any other terms mutually agreed between the Purchaser and the Vendor.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As at the date of this circular, the Properties are being rented to an Independent Third Party for the operation of an elderly home. The rental period of the existing lease is from 1 June 2018 to 31 May 2031. The Company intends to continue to rent the Properties to such tenant until the expiration of rental period. As such, upon Completion, the Acquisition will contribute rental income to the Group which will have a positive effect on the earnings of the Group.

Taking into account the above factors, the Directors consider that the terms of the Provisional Agreement, the Side Letter and the Formal Agreement (including the consideration) are on normal commercial terms, fair and reasonable and the Acquisition is in the interests of the Shareholders and the Company as a whole.

LETTER FROM THE BOARD

INFORMATION ON THE PARTIES

The Group and the Purchaser

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

The Vendor

The Vendor is a limited liability company incorporated under the laws of Hong Kong and is principally engaged in investment holding. The Vendor is indirectly wholly-owned by Mr. Law Sau Fai Francis, who is a resident in Hong Kong and an independent businessman.

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

FINANCIAL EFFECTS OF THE ACQUISITION

Earnings

Pursuant to the existing tenancy agreement, the Group expects that there will be (i) an increase in the annual rental income by approximately HK\$13.8 million relating to the Properties; and (ii) an increase in interest expense on bank borrowings after Completion. Therefore, it is expected that the earnings of the Group will increase.

Assets and Liabilities

Based on the unaudited pro forma financial information of the Group set out in Appendix II to this circular, it is expected that upon Completion, (a) total assets will increase by approximately HK\$110.0 million, including an increase in investment properties of approximately HK\$178.6

LETTER FROM THE BOARD

million and a decrease in cash and cash equivalents of approximately HK\$68.6 million; and (b) total liabilities will increase by approximately HK\$110.0 million, including an increase in bank borrowings of approximately HK\$110.0 million.

Details of the estimated effect of the Acquisition on the assets and liabilities of the Group is set out in Appendix II to this circular.

APPLICATION FOR WAIVER FROM STRICT COMPLIANCE WITH RULE 14.67(6)(b)(i) OF THE LISTING RULES

Pursuant to Rule 14.67(6)(b)(i) of the Listing Rules, in respect of revenue-generating properties with an identifiable income stream or assets valuation, the Company is required to include in this circular a profit and loss statement for the three preceding financial years (or less, where the asset has been held by the vendor for a shorter period) on the identifiable net income stream, and valuation in relation to such assets which must be reviewed by the auditors or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records (the “**P&L Disclosure**”). Given that the Properties are rented to an Independent Third Party since 1 June 2018 (the “**Existing Lease**”), according to Rule 14.67(6)(b)(i) of the Listing Rules, the Properties are subject to the P&L Disclosure.

The Company has applied for a waiver from strict compliance with the requirements under Rule 14.67(6)(b)(i) of the Listing Rules on the following grounds:

- i. The P&L Disclosure requires the Company to prepare a profit and loss statement and valuation (where available) for the three preceding financial years (i.e. the three financial years ended 31 March 2021, 2022 and 2023) and a stub period covering a financial period ended six months or less before this circular is issued (collectively the “**Relevant Period**”) on the identifiable net income stream and valuation of the Properties. In order to comply with the P&L Disclosure requirement, the Company and its auditors would need to have access to the underlying books and records as regards to the Properties from which the necessary information are to be extracted. Despite the Company’s request, the Company had not been granted access to the Vendor’s underlying books and records for the Relevant Period concerning the Properties given that those books and records contain other information which is confidential and not relevant to the Acquisition and that the Vendor is under no legal obligation to provide such relevant information to the Company. Without those books and records, the Company is unable to properly compile the profit and loss statement for the Properties’ net income stream in the Relevant Period.

LETTER FROM THE BOARD

- ii. The Company has engaged ValQuest Advisory (Hong Kong) Limited, an independent property valuer, to provide an opinion on the market value of the Properties as at 30 September 2023 (the “**Valuation Report**”). The full text of the Valuation Report is included in Appendix III to this circular.

- iii. In addition to the Valuation Report, the Company has also included a summary of the Existing Lease and a table of monthly income and expenses estimated to be incurred by the Group for the Properties from 1 April 2023 to 31 March 2024 (together with the Valuation Report, the “**Alternative Disclosures**”) in this circular as alternative disclosures to the P&L Disclosure. The Alternative Disclosures will provide the Shareholders with sufficient information necessary for making a properly informed assessment on the Acquisition, and therefore the omission of the P&L Disclosure would not render this circular materially incomplete, misleading or deceptive.

In light of the above, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.67(6)(b)(i) of the Listing Rules, on the condition that this circular must contain details of such waiver and the alternative disclosures submitted by the Company. As Alternative Disclosures, the Company has set out the Valuation Report in Appendix III to this circular and a summary of the Existing Lease and the monthly income and expenses estimated to be incurred by the Group for the Properties after the Acquisition are set out below.

Summary of the Existing Lease

| | |
|----------------------------|---|
| Date of tenancy agreement: | 11 May 2018 |
| Landlord: | The Vendor |
| Tenant: | Hong Tak Home For The Elderly (Tsuen Wan) Limited, an Independent Third Party |
| Term: | 1 June 2018 to 31 May 2031 (both days inclusive) |
| Rental amount: | Monthly rental amount is inclusive of government rent, exclusive of government rates and management fees. |

LETTER FROM THE BOARD

So far as the Company is aware and in accordance with the terms of the tenancy agreement, the annual rental amount paid by the tenant to the Vendor was HK\$10,000,000 for the year ended 31 March 2019, HK\$12,000,000 for each of the year ended 31 March 2020, 2021, 2022 and 2023 and HK\$7,750,000 for the seven months ended 31 October 2023.

Deposits:

(i) HK\$3,143,274 payable upon signing of the lease agreement

(ii) HK\$450,000 payable on or before 1 June 2023

(iii) HK\$517,500 payable on or before 1 June 2028

Subject to the terms of the tenancy agreement, the deposits shall be returned to the tenant without any interest within 14 days from the date of delivery of vacant possession of the premises by the tenant to the Vendor at the expiration of the term or early termination of the tenancy agreement.

Estimated monthly income and expenses

**Estimated monthly recurring
income and expenses**
HK\$'000

| | |
|--|-------|
| Rental income ⁽¹⁾ | 1,150 |
| Rates and government rent ⁽²⁾ | (57) |
| Management fee ⁽³⁾ | (30) |

Notes:

1. Based on the monthly rent in the amount of HK\$1,150,000 per calendar month during the period from 1 June 2023 to 31 May 2028 pursuant to the terms of the tenancy agreement.
2. Based on the demand notes issued by the Rating and Valuation Department in Hong Kong for rates and government rent in respect of the Properties for the July to September quarter in 2023 provided by the Vendor and the payable quarterly rates and government rent in respect of the Properties as shown in the website of the Rating and Valuation Department for the financial year commencing from 1 April 2023.
3. Based on the payment notice of management fee in respect of the Properties for the month ended 31 October 2023 provided by the Vendor.

LETTER FROM THE BOARD

4. The management of the Company, based on their experiences in renting properties in similar nature of the Properties, estimate that apart from the management fee and rates and government rent, other expenses such as repair and maintenance cost in respect of the Properties payable by the Company after the Acquisition will be insignificant. Therefore, no other expenses are included in the above financial information.

A valuation report of the Properties as at 30 September 2023 as appraised by ValQuest Advisory (Hong Kong) Limited is set out in Appendix III to this circular.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Mr. Ngai is an executive Director and a controlling shareholder of the Company, who is interested in 63.5% of the issued Shares. Mr. Ngai is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the provision of the Personal Guarantee constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Given that the Board considers the terms of the Personal Guarantee is on normal commercial terms or better and the provision of such guarantee is not secured by the assets of the Group, the provision of the Personal Guarantee is fully exempted from reporting, announcement and the independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

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

Mr. Ngai and his associates shall abstain from voting on the resolutions in respect of the Provisional Agreement, the Side Letter and the Formal Agreement at the EGM. To the best of knowledge, information and belief of the Directors, as at the Latest Practicable Date, save for Mr. Ngai and his associates, none of the Shareholders has a material interest in the Acquisition and is required to abstain from voting on the resolutions in respect of the Provisional Agreement, the Side Letter and the Formal Agreement at the EGM.

RECOMMENDATION

The Board considers that the transactions contemplated under the Provisional Agreement, the Side Letter and the Formal Agreement 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. The Board therefore recommends the Shareholders to vote in favour of the relevant resolution set out in the notice of the EGM.

LETTER FROM THE BOARD

FURTHER INFORMATION

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

THE EGM

Set out on pages EGM-1 to EGM-3 of this circular is a notice convening the EGM to be held at 4/F., Hoi Tat Estate Ancillary Facilities Block, 38 Sham Mong Road, Kowloon, Hong Kong on Monday, 18 December 2023 at 5:00 p.m. at which the relevant resolutions will be proposed at the EGM to approve, among other things, the Provisional Agreement, the Side Letter and the Formal Agreement, 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, 13 December 2023 to Monday, 18 December 2023, 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, 12 December 2023.

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

1. FINANCIAL INFORMATION

The consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 31 March 2021, 2022 and 2023 are disclosed in the annual reports of the Company for the financial years ended 31 March 2021 (pages 65 to 123), 31 March 2022 (pages 71 to 134) and 31 March 2023 (pages 83 to 142) are incorporated by reference into this circular.

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

- Annual report of the Company for the year ended 31 March 2023 published on 18 July 2023
(www1.hkexnews.hk/listedco/listconews/sehk/2023/0718/2023071800251.pdf)
- Annual report of the Company for the year ended 31 March 2022 published on 8 July 2022
(www1.hkexnews.hk/listedco/listconews/sehk/2022/0708/2022070801235.pdf)
- Annual report of the Company for the year ended 31 March 2021 published on 8 July 2021
(www1.hkexnews.hk/listedco/listconews/sehk/2021/0708/2021070800481.pdf)

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 30 September 2023, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding bank borrowings of approximately HK\$116.7 million secured by fixed charges on certain properties of the Group and unsecured lease liabilities of approximately HK\$164.3 million.

Save as disclosed above or otherwise disclosed in this circular and except for the inter-group liabilities and normal trade payables during the ordinary course of business, as at the close of business on 30 September 2023, the Group did not have any debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, bank overdrafts, other borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities, whether guaranteed, unguaranteed, secured or unsecured.

3. CONTINGENT LIABILITIES

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

4. WORKING CAPITAL

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2023, being the date to which the latest published audited financial statements of the Group were made.

6. FINANCIAL AND TRADING PROSPECTUS OF THE GROUP

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

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

Having considered the surge in available properties in the market and significant decrease in property prices, in February 2021, the Group completed the acquisition of a suitable property to establish a care and attention home for provision of approximately 220 residential care places which is expected to operate in 2024. In July 2021, the Group completed the acquisition of four pieces of lands in Yuen Long for establishment of another new care and attention home, which is anticipated to provide approximately 250 residential care places for the elderly. It is expected to commence operation in late 2026.

As reflected in the Company's motto: "Quality Service; Respecting and Positive; People-oriented; and Full Dedication (優質服務, 敬老樂業, 以人為本, 全身投入)", we are committed to providing quality residential care home services to our residents. As part of our continuing effort to maintain a high quality of our services, we have implemented standardised management and operational procedures and quality controls across our network of care and attention homes for the elderly. With the Group's experienced management team and reputation in the market, the Group will continue to expand its network of RCHE in strategic locations in Hong Kong to serve more elderly residents when there are suitable opportunities.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Group (the “**Unaudited Pro Forma Financial Information**”) prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below, to illustrate the financial position of the Group as if the Acquisition had been completed on 31 March 2023. This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Group had the Acquisition been completed on 31 March 2023 or at any future date.

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

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

| | Consolidated statement of assets and liabilities of the Group as at 31 March 2023 <i>HK\$'000</i> <i>Note 1</i> | Pro forma adjustment <i>HK\$'000</i> <i>Note 2</i> | Unaudited pro forma adjusted consolidated statement of assets and liabilities of the Group <i>HK\$'000</i> |
|--|--|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property and equipment | 110,077 | — | 110,077 |
| Investment properties | 107,800 | 178,633 | 286,433 |
| Right-of-use assets | 337,729 | — | 337,729 |
| Deferred tax assets | 2,005 | — | 2,005 |
| Prepayments and deposits | 4,920 | — | 4,920 |
| Financial assets at fair value through other comprehensive income | 933 | — | 933 |
| Total non-current assets | 563,464 | 178,633 | 742,097 |
| CURRENT ASSETS | | | |
| Trade receivables | 44,127 | — | 44,127 |
| Prepayments, deposits and other receivables | 13,181 | — | 13,181 |
| Short-term bank deposits | 501 | — | 501 |
| Restricted bank deposit | 6,590 | — | 6,590 |
| Cash and cash equivalents | 71,439 | (68,633) | 2,806 |
| Total current assets | 135,838 | (68,633) | 67,205 |
| TOTAL ASSETS | 699,302 | 110,000 | 809,302 |

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

| | Consolidated statement of assets and liabilities of the Group as at 31 March 2023 <i>HK\$'000</i> <i>Note 1</i> | Pro forma adjustment <i>HK\$'000</i> <i>Note 2</i> | Unaudited pro forma adjusted consolidated statement of assets and liabilities of the Group <i>HK\$'000</i> |
|--------------------------------------|--|---|--|
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Accruals and other payables | 5,350 | — | 5,350 |
| Lease liabilities | 149,475 | — | 149,475 |
| Bank borrowings | 86,023 | 101,665 | 187,688 |
| Deferred tax liabilities | 1,716 | — | 1,716 |
| Total non-current liabilities | 242,564 | 101,665 | 344,229 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 36,920 | — | 36,920 |
| Contract liabilities | 1,015 | — | 1,015 |
| Bank borrowings | 5,429 | 8,335 | 13,764 |
| Lease liabilities | 29,102 | — | 29,102 |
| Income tax payable | 11,332 | — | 11,332 |
| Total current liabilities | 83,798 | 8,335 | 92,133 |
| TOTAL LIABILITIES | 326,362 | 110,000 | 436,362 |
| Net assets | 372,940 | — | 372,940 |

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 March 2023 as set out in the published 2023 annual report of the Company.
2. The adjustment represents (i) the consideration of acquiring the Properties amounting to approximately HK\$170 million; (ii) estimated transaction costs, professional fees and related taxes of approximately HK\$8.6 million that are directly attributable to the Acquisition and will be capitalised in investment properties.

| | |
|--|-----------------|
| | <i>HK\$'000</i> |
| Consideration of Properties | 170,000 |
| Transaction costs, professional fees and related taxes | 8,633 |
| | <hr/> |
| | 178,633 |
| | <hr/> <hr/> |

The Group intends to finance the Acquisition through internal resources and new banking facilities of HK\$110.0 million comprising a five-year term loan of HK\$25.0 million and a fifteen-year mortgage loan of HK\$85.0 million.

3. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2023. Unless otherwise stated, the adjustment above does not have a recurring effect.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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

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



羅兵咸永道

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

To the Directors of Kato (Hong Kong) Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Kato (Hong Kong) Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 March 2023 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-4 of the Company’s circular dated 28 November 2023, in connection with the proposed acquisition of the department store on Ground Floor of Phase 1 of the Commercial Development and the department store on Second Floor of Phase 1 of the Commercial Development, Allway Gardens, Nos. 187–195 Tsuen King Circuit, Nos. 2–22 On Yat Street, Tsuen Wan, New Territories, Hong Kong (the “**Acquisition**”) by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-4 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group’s financial position as at 31 March 2023 as if the Acquisition had taken place at 31 March 2023. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the year ended 31 March 2023, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Management

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

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

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

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

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 31 March 2023 would have been as presented.

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

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

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

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

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

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 November 2023

The following is the full text of the letter, summary of value and valuation report, prepared for the purpose of incorporation in this circular received from ValQuest Advisory (Hong Kong) Limited, an independent valuer, in connection with the valuation of the property to be acquired by the Company as of 30 September 2023.

ValQuest Advisory (Hong Kong) Limited

Unit 02-03, 25/F
Railway Plaza,
39 Chatham Road South
Tsim Sha Tsui
Hong Kong
Tel: +852 2180 6460



www.valquestadv.com

The Board of Directors

28 November 2023

Kato (Hong Kong) Holdings Limited

1st Floor, Tung Wai Court
No. 3 Tsing Ling Path
Tuen Mun
New Territories
Hong Kong

Re: Valuation of Department Store on Ground Floor and 2nd Floor of Phase 1 of the Commercial Development, Allway Gardens, Nos. 187-195 Tsuen King Circuit and Nos. 2-22 On Yat Street, Tsuen Wan, New Territories, Hong Kong (the “Property”)

**Instructions,
purpose and
valuation date**

We refer to the instructions from Kato (Hong Kong) Holdings Limited (the “Company”) to value the Property to be acquired by the Company located in Hong Kong (as more particularly described in the attached valuation report), we confirm that we have carried out site inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as of 30 September 2023 (the “**Valuation Date**”).

Basis of value

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

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

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

We confirm that the valuation and report were undertaken in accordance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; The HKIS Valuation Standards 2020 (effective from 31 January 2020) published by HKIS; and The RICS Valuation — Global Standards incorporating the IVSC International Valuation Standards (effective from 31 January 2022) published by the Royal Institution of Chartered Surveyors.

General valuation assumptions

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

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

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

Our valuation of the Property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the Property.

**Valuation
methodology**

Having considered the presence of relevant property sales transaction data, we have valued the Property using the direct comparison method by making reference to comparable sale evidences available in the local market, and with adjustments to reflect the differences between the Property and the comparables in terms of various factors such as transaction timing, location, floor level and maintenance conditions etc. The direct comparison method is considered as the most appropriate method with the presence of comparable sales data.

The key input for the direct comparison method valuation is the adopted unit price. In the course of our valuation, we gathered certain comparable sale transactions from market sources as well as the Hong Kong Land Registry. The adopted unit price is derived after considering necessary adjustments on the unit prices of those comparable transactions we identified. Please refer to the valuation report session for further details.

| | |
|---|---|
| Nature and source of information | <p>We have relied to a considerable extent on the information provided by the Company in respect of the Property, and have accepted advice on such matters as identification of the Property, land tenure, floor areas, year of completion, occupancy status, tenancy details, planning approvals, statutory notices, easements and all other relevant matters.</p> <p>We have had no reason to doubt the truth and accuracy of the information furnished to us by the Company. We have also sought confirmation from the Company that no material factor has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.</p> |
| Title investigation | <p>We have caused land searches to be made at the Hong Kong Land Registry for the Property, and have made relevant enquiries where applicable. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us by the Company.</p> |
| Site inspection | <p>We have inspected the exterior and, where possible, the interior of the Property. During the course of our inspection, we noted that the Property appeared to be in a generally reasonable state of repair commensurate with its age and use. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are, however, unable to report whether the Property is free of rot, infestation or any other structural defect as we are not qualified structural engineers who could advise on those. No test was carried out on any of the services.</p> <p>Similarly, we are not qualified land surveyors and hence we have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Property, but have assumed that the areas shown on the documents and/or official plans handed to us by the Company are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.</p> |
| Currency & exchange rates | <p>Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollar (HK\$).</p> |

**Confirmation of
independence**

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

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

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

Note: Mr. Norris Nie is a member of the China Institute of Real Estate Appraiser, a member of The Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. He has over 25 years of experience in the professional property valuation and advisory services in the Mainland China, Hong Kong and other overseas countries.

SUMMARY OF VALUE

Group I — Property to be acquired by the Group in Hong Kong

| No. Address | Market value in existing state as of 30 September |
|---|---|
| | 2023 HK\$ |
| 1. Department Store on Ground Floor of Phase 1 of the Commercial Development and Department Store on 2nd Floor of Phase 1 of the Commercial Development Allway Gardens Nos. 187–195 Tsuen King Circuit and Nos. 2–22 On Yat Street Tsuen Wan New Territories Hong Kong | 201,000,000 |
| Total: | 201,000,000 |

VALUATION REPORT

Group I — Property to be acquired by the Group in Hong Kong

| Property | Description and tenure | Particulars of occupancy | Market value in existing state as of 30 September 2023 HK\$ |
|--|--|---|--|
| 1. Department Store on Ground Floor of Phase 1 of the Commercial Development and Department Store on 2nd Floor of Phase 1 of the Commercial Development Allway Gardens Nos. 187–195 Tsuen King Circuit and Nos. 2–22 On Yat Street Tsuen Wan New Territories Hong Kong <i>(545/30,167th parts or shares of and in Tsuen Wan Town Lot No. 236 and the extension thereto)</i> | <p>The Property comprises portion of ground floor and 2nd floor of the Phase 1 commercial complex within a medium-scale residential development known as ‘Allway Gardens’ which was completed in about 1978. The subject area is predominately an established residential area dominated by several small- to medium-scale residential developments, with the lower floors are designated for retail and/or carpark uses.</p> <p>The Property has a total gross floor area of approximately 38,103 square feet.</p> <p>The land tenure of the Property is held under New Grant No. TW5350 for a term of 99 years commencing on 1 July 1898 and statutorily renewed until 30 June 2047.</p> <p>The government rent payable for the Property is equivalent to 3% of the then rateable value of the Property from time to time.</p> <p>The subject site is zoned for “Residential (Group A)” use under the Draft Tsuen Wan Outline Zoning Plan No. S/TW/36 exhibited on 28 April 2023. Residential institution and social welfare facility are always permitted under the current town planning zoning.</p> | <p>The property is subject to a single tenancy for various term within the latest expiry date being 30 June 2031 at a currently monthly rent of HK\$1,150,000 inclusive of government rent, but is exclusive of government rates and management fees.</p> | 201,000,000 |

Notes:-

- (1) The registered owner of the Property is Kingdom Mark Limited registered vide memorial no. 13062801940254 dated 31 May 2013. The consideration of the Property was HK\$105,000,000.
- (2) The Property is subject to the following:
 - a. Deed of Mutual Covenant registered vide memorial no. TW165671 dated 21 September 1978, and re-registered vide memorial no. TW358241;
 - b. Certificate of Compliance registered vide memorial no. TW1392379 dated 30 August 1990;
 - c. Sub-deed of Mutual Covenant registered vide memorial no. 08013102580011 dated 2 January 2008;
 - d. Sub-sub-deed of Mutual Covenant registered vide memorial no. 13062502120046 dated 31 May 2013;
 - e. Mortgage to secure all monies in respect of general banking facilities in favour of Bank of China (Hong Kong) Limited registered vide memorial no. 13091600960153 dated 29 August 2013;
 - f. Assignment of Rentals in favour of Bank of China (Hong Kong) Limited registered vide memorial no. 13091701070013 dated 29 August 2013;
 - g. Notice No. “UMB/MB03/2103-101/0001” by the Building Authority under s. 30B(3) of the Buildings Ordinance registered vide memorial no. 23020101400435 dated 30 August 2022 (re: common part(s) only); and
 - h. Notice No. “UMW/MB03/2103-101/0001” by the Building Authority under s. 30C(3) of the Buildings Ordinance registered vide memorial no. 23020101400447 dated 30 August 2022 (re: common part(s) only).
- (3) The Property was inspected by Ray Ko, a valuer with three years of real estate valuation experience on 30 July 2023.
- (4) In the course of our valuation using the direct comparison method (which is the most common and widely accepted valuation method), we have analysed three comparable sale transactions of elderly centres in various locations of Hong Kong with details as follows:
 - (a) Comparable 1: Ground floor and first floor, Cheung Ling Mansion, Nos. 162–164 Connaught Road West, Kennedy Town, Hong Kong. The property has a total gross floor area of 12,303 square feet and was transacted in December 2022 at a consideration of HK\$117,000,000 or HK\$9,510 per square foot (on gross floor area basis);
 - (b) Comparable 2: Ground floor (part), first and second floor of Fuk Hing Building, Nos. 20–28 Fuk Tsun Street, Tai Kok Tsui, Kowloon, Hong Kong. The property has a total gross floor area of 8,800 square feet and was transacted in April 2023 at a consideration of HK\$58,000,000 or HK\$6,591 per square foot (on gross floor area basis); and
 - (c) Comparable 3: Ground floor (part), first, second, third and fourth floor of Tai Koon Mansion, Nos. 42–52 Woosung Street, Kowloon, Hong Kong. The property has a total gross floor area of 20,893 square feet and was transacted in January 2023 at a consideration of HK\$146,100,000 or HK\$6,993 per square foot (on gross floor area basis).

The above transactions were sourced from either the Hong Kong Land Registry or MSCI Real Capital Analytics (a reputable property market data provider), and were selected and analysed as they are subject to the same use as the Property (i.e., elderly centre), and they are located in non-primary locations in Hong Kong (which are comparable to the Property in location characteristics).

- (5) In the course of our valuation, given the differences between the Property and the comparables we identified above, we have considered the following adjustments:
- (a) Time: reflect the difference in the market conditions between the Valuation Date and the transaction date of each of the comparables. This is done with reference to the private retail price indices published by the Rating and Valuation Department;
 - (b) Location: reflect the difference in location characteristics between the Property and the comparables we identified. Downward adjustments have been made as the Property is inferior to the comparables in terms of the distance to the local town centre and accessibility via public transportation means;
 - (c) Building conditions: the Property has undergone renovation in the recent years and hence upward adjustments have been made to the comparables which are of inferior maintenance conditions;
 - (d) Floor level: Comparable 3 involves more floor levels than the Property and hence upward adjustment has been considered;
 - (e) Vertical access: reflect the difference in vertical access (such as the number of lifts and staircases etc.) between the Property and the comparables we identified; and
 - (f) Size: we consider that the average unit price would be lower for properties of larger size as compared to those smaller. We have considered downward adjustments to all comparables as they are smaller in size as compared to the Property.
- (6) Having considered the nature and location of the Property, and the presence of comparable sale transactions, we consider the adoption of the direct comparison method to be appropriate in deriving the value of the Property in its existing state as of the Valuation Date. Based on our analysis of the comparable sale transactions, we have adopted a unit price of HK\$5,300 per square foot (on gross floor area basis), and derived a value of HK\$201,000,000 (rounded) based on the total gross floor area of 38,103 square foot.

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 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

| Name of Director | Nature of interests | Number of Shares held ⁽¹⁾ | Total | Percentage of shareholding in the Company's issued share capital ⁽⁵⁾ (%) |
|---|-------------------------------|---|-------------|--|
| Ms. Ngai Ka Yee ("Ms. Ngai") | Settlor of a family trust | 624,000,000 (L) ⁽²⁾ 10,000,000 (L) ⁽³⁾ | 634,000,000 | 63.40 |
| Mr. Ngai Shi Shing, Godfrey ("Mr. Ngai") | Beneficiary of a family trust | 624,000,000 (L) ⁽²⁾ 11,032,000 (L) ⁽³⁾ | 635,032,000 | 63.50 |

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**”). Ms. Ngai is the settlor of the Family Trust and Mr. Ngai is the sole beneficiary of the Family Trust. By virtue of the SFO, Ms. Ngai and Mr. Ngai are deemed to be interested in the Shares held by Sheung Fung.
- (3) It represents the interests in underlying Shares in respect of the share option granted by the Company. Ms. Ngai has 10,000,000 share options.
- (4) It represents 1,032,000 Shares held by Mr. Ngai and 10,000,000 underlying Shares granted to Mr. Ngai in respect of the share option granted by the Company.
- (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, 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 ⁽¹⁾ | Percentage of shareholding in the Company's issued share capital ⁽⁵⁾ (%) |
|-----------------------------|---------------------|--------------------------------------|--|
| Sheung Fung | Beneficial owner | 624,000,000 (L) | 62.40 |
| Trustee | Trustee | 624,000,000 (L) ⁽²⁾ | 62.40 |
| Ms. Wei Xiaoling | Beneficial owner | 635,032,000 (L) ⁽³⁾ | 63.50 |
| Mr. Lam Kong ("Mr. Lam") | Beneficial owner | 70,202,000 (L) ⁽⁴⁾ | 7.02 |

Notes:

- (1) The letter "L" denotes a long position in the Shares.
- (2) These Shares were held by Sheung Fung, which is wholly owned by the Trustee. Ms. Ngai is the settlor of the Family Trust and Mr. Ngai is the sole beneficiary of the Family Trust. By virtue of the SFO, the Trustee, Ms. Ngai and Mr. Ngai are deemed to be interested in the Shares held by Sheung Fung.
- (3) Ms. Wei Xiaoling is the spouse of Mr. Ngai and is deemed to be interested in the Shares which are interested by Mr. Ngai under the SFO.
- (4) It represents 60,202,000 Shares held by Mr. Lam and 10,000,000 underlying Shares granted to him in respect of the share option granted by the Company.
- (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 THE ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had, since 31 March 2023, being the date of the latest published audited financial statements of the Company, been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

(D) INTERESTS OF DIRECTORS IN CONTRACTS OF THE GROUP

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

3. DIRECTORS' SERVICE CONTRACTS

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

4. COMPETING INTERESTS

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

5. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following are contracts (not being contracts entered into in the ordinary course of business) entered into by the members of the Group within the two years immediately preceding the date of this circular and which is or may be material or of significance:

- (a) the renewal letter dated 17 May 2022 entered into between Kato Kung Limited as tenant and Kato Elderly Affairs Limited as landlord in relation to the leasing of the premises situated at Shops 8–12 on G/F and 1/F, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong;
- (b) the renewal letter dated 17 May 2022 entered into between Kato Kung Limited as tenant and Kato Property Limited as landlord in relation to the leasing of the premises situated at 1/F, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong;
- (c) the renewal letter dated 17 May 2022 entered into between Crawfield International as tenant and Classic Mate as landlord in relation to the leasing of the premises situated at Shops 1–17 on 1/F, On Lai Building, 3 Tsing To Path, Tuen Mun, New Territories, Hong Kong;
- (d) the renewal letter dated 17 May 2022 entered into between Crawfield International Limited as tenant and Perfect Cheer Investment Limited as landlord in relation to the leasing of the premises situated at 1/F, including Entrance on G/F, Florence Mansion, 6 Tsing Ling Path, Area 4B, Tuen Mun, New Territories, Hong Kong;
- (e) the renewal letter dated 17 May 2022 entered into between Tsuen Wan Elderly Centre Limited as tenant and Shing Kong Limited as landlord in relation to the leasing of the premises situated at Shop C1, 1/F, Tsuen Wan Centre Shopping Arcade, 87–105 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong;
- (f) the renewal letter dated 17 May 2022 entered into between Happy Luck Elderly Home Limited as tenant and Smarts Corporation Limited as landlord in relation to the leasing of the premises situated 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;

- (g) the renewal letter dated 17 May 2022 entered into between Tsuen Wan Elderly Centre Limited as tenant and Mr. Ngai and Mr. Lam Kong as landlord in relation to the leasing of the premises situated at Flat C, 24/F, Block 9 (Nanking House), Tsuen Wan Centre, 89 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong;
- (h) the renewal letter dated 17 May 2022 entered into between Kato Kung as tenant and Ms. Ngai Ka Yee and Kato Elderly Affairs as landlord in relation to the leasing of the premises situated at Rooms C and D on 2/F and Flat Roof, Lakeshore Building, 7 Tseng Choi Street, Tuen Mun, New Territories, Hong Kong;
- (i) the renewal letter dated 17 May 2022 entered into between Oriental Chinese Medicine Limited as tenant and Ms. Ngai Ka Yee as landlord in relation to the leasing of the premises situated at Room 10 on 3/F and Flat Roof, Tung Shun Hing Building, 22 Chi Kiang Street, Kowloon, Hong Kong;
- (j) the renewal letter dated 17 May 2022 entered into between Happy Luck Elderly Home Limited, Jane's Home, Oriental Chinese Medicine Limited and Tsuen Wan Elderly Centre Limited as tenants and Ms. Ngai Ka Yee as landlord in relation to the leasing of the premises situated at 3/F, Four Sea Mansion, 11 Fa Yuen Street, Mongkok, Hong Kong;
- (k) the contract dated 21 April 2022 entered into between Kato Elderly Care Limited and Global Crown Limited in relation to the alteration and addition works on a commercial complex of the Company G/F, 1/F & R/F, Hing Tin Commercial Centre Complex, Hing Tin Estate, 8 Lin Tak Road, Lam Tin, Kowloon, Hong Kong.

6. LITIGATION

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

7. MATERIAL ACQUISITION

Since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Group have been made up and up to the Latest Practicable Date, no member of the Group has acquired, or agreed to acquire, or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditors' report or next published audited consolidated financial statements of the Group.

8. EXPERT QUALIFICATION AND CONSENT

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

| Name | Qualifications |
|---------------------------------------|--|
| PricewaterhouseCoopers | Certified Public Accountants under Professional Accountant Ordinance (Cap. 50 of Laws of Hong Kong) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of Laws of Hong Kong) |
| ValQuest Advisory (Hong Kong) Limited | Qualified surveyors |

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

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

As at the Latest Practicable Date, each of the experts named above did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. DOCUMENTS ON DISPLAY

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

- (a) the annual reports of the Company for the financial years ended 31 March 2021, 2022 and 2023;
- (b) the Valuation Report;

- (c) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Company;
- (d) the written consents of the experts referred to in the paragraph headed “8. Expert Qualification and Consent” of this appendix;
- (e) the material contracts referred to in the paragraph headed “5. Material Contracts” in this appendix; and
- (f) this circular.

10. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Kwok Chi Kan. He is a Practicing Certified Public Accountant in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (c) The Company’s head office and principal place of business is at 1st Floor, Tung Wai Court, No. 3 Tsing Ling Path, Tuen Mun, New Territories, Hong Kong.
- (d) The Cayman Islands principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, Grand Cayman, KY1-1111, Cayman Islands.
- (e) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited, Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 (the “**Company**”) will be held at 4/F., Hoi Tat Estate Ancillary Facilities Block, 38 Sham Mong Road, Kowloon, Hong Kong on Monday, 18 December 2023 at 5:00 p.m. and, if thought fit, pass, with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the Provisional Agreement, the Side Letter and the Formal Agreement, together with the transactions contemplated under thereunder (a copy of each of the Provisional Agreement, the Side Letter and the Formal Agreement has been produced to the meeting marked “A”, “B” and “C” respectively 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 Provisional Agreement, the Side Letter and the Formal Agreement, and other matters contemplated thereunder or ancillary thereto, to waive

NOTICE OF EXTRAORDINARY GENERAL MEETING

compliance from and/or agree to any amendment or supplement to any of the provisions of the Provisional Agreement, the Side Letter and the Formal Agreement 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, 28 November 2023

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. A member of the Company (the “**Member**”) entitled to attend and vote at the extraordinary general meeting of the Company (the “**EGM**”) convened by the above Notice or its adjourned meeting (as the case may be) is entitled to appoint one or more proxies to attend and, subject to the provisions of the Articles, to vote on his/her/its behalf. A proxy need not be a Member but must be present in person at the EGM to represent the Member. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, 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 not later than 48 hours before the time for holding the EGM or its adjourned meeting. Completion and return of a form of proxy will not preclude a Member from attending in person and voting at the EGM or its adjourned meeting should he/she/it so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. Where there are joint holders of any Share, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such Share as if he/she/it were solely entitled thereto; but should more than one of such joint holders be present at the EGM in person or by proxy, that one of the said joint holders so present whose name stands first on the register of members of the Company in respect of such Share(s) shall alone be entitled to vote in respect thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. For determining Members' entitlement to attend and vote at the EGM, the register of Members will be closed from Wednesday, 13 December 2023 to Monday, 18 December 2023 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the EGM, all transfer documents 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 not later than 4:00 p.m. on Tuesday, 12 December 2023.
5. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 12:00 noon on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the HKExnews website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.elderlyhk.com and to notify Members of the date, time and venue of the rescheduled meeting.

As at the date of this notice, the executive Directors are Ms. Ngai Ka Yee and Mr. Ngai Shi Shing Godfrey; and the independent non-executive Directors are Mr. Or Kevin, Mr. Wong Vinci, Ms. Wu Wing Fong and Ms. Lo Ning.