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Kato (Hong Kong) Holdings Limited

嘉濤（香港）控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2189)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE ACQUISITION

On 16 December 2024, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendors agreed to dispose of the Sale Shares, representing the entire issued share capital of the Target Company, together with the License, at a consideration of HK\$2,000,000. The Target Company owns and manages the operation of an elderly residential care home in Tsuen Wan, Hong Kong.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios under the Listing Rules exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

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The principal terms of the Sale and Purchase Agreement are as follows:

Date: 16 December 2024

Parties: (1) 耆樂物業管理有限公司, as the Purchaser; and
(2) Ms. Kwok and Ms. Lee, as the Vendors

To the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, the Vendors are independent third parties of the Company and its connected persons.

Assets to be acquired: Pursuant to the Sale and Purchase Agreement, the Purchaser agreed to acquire, and the Vendors agreed to dispose of the Sale Shares, representing the entire issued share capital of the Target Company, together with the License.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group.

The Target Company owns and manages the operation of the Premises which is an elderly residential care home in Tsuen Wan, Hong Kong.

Consideration: The Consideration for the Acquisition is HK\$2,000,000, which shall be paid in the following manner:

(a) HK\$1,000,000 shall be paid by the Purchaser to the Vendors' solicitors as stakeholder upon signing of the Sale and Purchase Agreement as deposit, pending Completion; and

- (b) the remaining balance of HK\$1,000,000 shall be paid by the Purchaser to the Vendors upon Completion.

The Consideration was arrived at after arm's length negotiation between the Purchaser and the Vendors and was determined with reference to (i) the cost of obtaining the License; and (ii) the undertaking of Ms. Kwok to indemnify the Purchaser for all debts and liabilities incurred by the Target Company for a period of three years prior to the date of the Completion, details of which are set out in the paragraph "Deed of Indemnity" below.

The Consideration will be funded by the internal resources of the Group.

Deposit to the Lands
Department:

Upon the Vendors' production of the original receipt and supporting document of the deposit in the sum of HK\$218,880 paid to the Lands Department in relation to the Premises and/or the License, and subject to verification by the Purchaser that such deposit is refundable, the Purchaser shall pay to the Vendors the said deposit in the sum of HK\$218,880 upon Completion.

Condition precedent:

Completion is conditional upon the Vendors' representation that upon Completion, the Target Company will have no unsettled liability of whatever nature, and the License shall remain valid. If the Purchaser, upon inspection of the Target Company's account and documents, reasonably considers that such condition cannot be fulfilled, the Purchaser shall not be bound to complete the Acquisition and the Purchaser may by notice rescind the Sale and Purchase Agreement without liability on their part. The Vendors shall forthwith cause their solicitors to return to the Purchaser the deposit being stake-held.

Completion:

Completion shall take place on or before 27 January 2025.

Deed of indemnity:

Ms. Kwok shall execute a deed of indemnity in favour of the Purchaser in relation to all debts and liabilities incurred by the Target Company prior to the date of Completion (save and except for all loss and damage at the Premises for the period between 1 August 2024 and up to the date of Completion) for a period of 3 years from the date of Completion.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability, which is principally engaged in the management and operation of the Premises which is an elderly residential care home in Tsuen Wan, Hong Kong.

As at the date of this announcement, the Target Company is owned as to 50% by Ms. Kwok and 50% by Ms. Lee.

Set out below is the unaudited financial information of the Target Company prepared in accordance with generally accepted accounting principles in Hong Kong for two years ended 31 March 2023 and 2024:

	For the year ended 31 March	
	2023	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	15,790	14,346
Loss before tax	(6,289)	(7,784)
Loss after tax	(6,289)	(7,784)

As at 31 March 2024, the unaudited net liabilities of the Target Company was approximately HK\$65.7 million.

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 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.

The Purchaser is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Group. The Purchaser is principally engaged in properties investment and management.

The Vendors

Each of Ms. Kwok and Ms. Lee are Hong Kong residents with years of experience in the management and operation of elderly residential care homes in Hong Kong. As at the date of this announcement, Ms. Kwok and Ms. Lee are the directors and shareholders of the Target Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has been actively considering and exploring opportunities to expand its market share.

Although the Target Company was loss making for the year ended 31 March 2024 and recorded net liabilities as at 31 March 2024, Ms. Kwok, a director and shareholder of the Target Company, has executed a deed of indemnity pursuant to which she will indemnify all debts and liabilities incurred by the Target Company for a period of three years prior to the date of the Completion. Furthermore, the Company intends to acquire the Target Company for its License to operate a new elderly residential care home. As at the date of this announcement, all residents of the existing elderly residential care home have evacuated from the Premises. The Board believes that, with its experienced management team who has extensive industry knowledge, it will be able to turn the Target Company into a profit after it has taken over the operations of the Target Company.

Having considered the above reasons, the Directors are of the view that the terms of the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Shareholders and the Group as a whole.

LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios under the Listing Rules exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares from the Vendors;
“Board”	the board of Directors;
“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;

“Completion”	completion of the Acquisition;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	HK\$2,000,000, representing the consideration for the Acquisition;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“License”	the business license for operating the elderly residential care home at the Premises in the name of the Target Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Ms. Kwok”	Ms. Kwok Hoi Yin, a director and shareholder of the Target Company;
“Ms. Lee”	Ms. Lee Tao Ying, a director and shareholder of the Target Company;
“Premises”	Shop 1A of G/F & Portion of 2/F, Allway Gardens Phase I, 195 Tsuen King Circuit, Tsuen Wan, New Territories, Hong Kong;
“Purchaser”	耆樂物業管理有限公司, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Group;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 16 December 2024 entered into between the Purchaser and the Vendors in relation to the acquisition of the Sale Shares;
“Sale Shares”	two ordinary shares of the Target Company, representing the entire issued share capital of the Target Company;

“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;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“Target Company”	Hong Tak Home For the Elderly (Tsuen Wan) Limited (康德護老院(荃灣)有限公司), a company incorporated in Hong Kong with limited liability;
“Vendors”	Ms. Kwok and Ms. Lee; and
“%”	per cent.

By Order of the Board
Kato (Hong Kong) Holdings Limited
Ngai Shi Shing Godfrey
Chairman and Executive Director

Hong Kong, 16 December 2024

As at the date of this announcement, the executive Directors are Ms. Ngai Ka Yee, Mr. Ngai Shi Shing Godfrey and Mr. Lau Kwok Wo; and the independent non-executive Directors are Mr. Or Kevin, Ms. Wu Wing Fong and Mr. Wong Chun Kit.