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Kafelaku Coffee Holding Limited

猫屎咖啡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1869)

DISCLOSEABLE TRANSACTION ACQUISITION OF LAND USE RIGHTS

STATE-OWNED LAND USE RIGHTS TRANSFER CONTRACT

The Company announces that Jiangsu Kafelaku, a wholly-owned subsidiary of the Company, entered into the State-Owned Land Use Rights Transfer Contract with Dongtai Bureau in relation to the Acquisition at a consideration of RMB5,790,180 on 5 August 2024.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but all applicable percentage ratios are below 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement under the Listing Rules.

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STATE-OWNED LAND USE RIGHTS TRANSFER CONTRACT

The major terms of the State-Owned Land Use Rights Transfer Contract are set out as follows:

Date:	5 August 2024
Parties:	(1) Dongtai Bureau, as transferor (2) Jiangsu Kafelaku, as transferee
The Land:	a parcel of land with land lot number 2024(工)11號 and with a total land area of approximately 26,319 square metres, which is located at the east side of Yingbin Avenue, Coastal Economic Zone and south side of Haiwang Road of Dongtai City, Jiangsu Province, the PRC (中國江蘇省東台市沿海經濟區迎賓大道東側、海旺路南側)
Duration of Land Use Rights:	50 years from the date of delivery of the Land
Nature of Land Use:	Industrial
Consideration:	The consideration for the Acquisition is RMB5,790,180. The consideration shall be payable in full by Jiangsu Kafelaku within 30 days of the entering into of the State-Owned Land Use Rights Transfer Contract.
Delivery of the Land:	The Land shall be delivered to Jiangsu Kafelaku on or before 3 November 2024.
Construction on the Land:	Jiangsu Kafelaku agrees that the construction of building on the Land shall commence on or before 3 November 2025 and complete on or before 3 November 2028.

As at the date of this announcement, the Land had been delivered to Jiangsu Kafelaku and the consideration for the Acquisition had been fully paid by Jiangsu Kafelaku.

BASIS OF DETERMINATION OF THE CONSIDERATION

The consideration was determined by the Group after taking into consideration, among others, (i) the location, use and potential development prospects of the Land and (ii) market conditions in the surrounding areas of the Land. The Directors are of the view that the consideration for the Acquisition is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

The total consideration for the Acquisition was fully funded by the Group's internal resources.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is undergoing a rebranding process and developing its civet coffee business, including setting up coffee shops and coffee trading business in the PRC so as to diversify the Group's food and beverage business. In view of the development of the civet coffee business of the Group, the Directors have been exploring the opportunities to set up an in-house civet coffee production base for the processing of coffee beans for the supply of its own coffee shops and coffee trading business. The Directors are of the view that vertical integration into the coffee bean production enables the Group to gain better control over product quality and ensure a stable supply of coffee beans, which are key elements for the healthy and stable development of the Group's civet coffee business.

The Land is located near the PRC headquarters of the Group. The Directors are of the view that strategically locating the civet coffee production base in the Land allows the Group to enhance operational efficiency by facilitating swift communications between the production base and the PRC headquarters, thereby allowing swift decision-making especially decisions relating to the operation of the production base.

Based on the above, the Directors are of the view that the Acquisition is in line with the Company's strategies and in favor of the Group's business development. The Directors are of the view that the terms of the Acquisition are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION OF THE PARTIES

Information of Jiangsu Kafelaku and the Group

Jiangsu Kafelaku is a wholly-owned subsidiary of the Company established in Dongtai City, Jiangsu Province, the PRC. Jiangsu Kafelaku is principally engaged in civet coffee business. The Group is principally engaged in the provision of food and beverage services in Hong Kong and the PRC.

Information of Dongtai Bureau

Dongtai Bureau is a government entity under the Dongtai Municipal People's Government of the PRC which is responsible for, among others, the granting of land use rights in Dongtai City, Jiangsu Province, the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as of the date of this announcement, Dongtai Bureau and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but all applicable percentage ratios are below 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but exempt from Shareholders' approval requirement under the Listing Rules.

The Company should have complied with the relevant notification and announcement requirements under Rule 14.34 of the Listing Rules in respect of the Acquisition as and when such obligation arose. Regrettably, the Company acknowledges that such compliance with the Listing Rules has been delayed due to unintentional oversight by the management of Jiangsu Kafelaku who failed to report the transaction to the Group in a timely manner.

REMEDIAL ACTIONS

To prevent the re-occurrence of similar incident in the future, the Company has implemented the following internal control procedures with immediate effect:

1. the Company will circulate specific guidelines on notifiable and connected transactions under the Listing Rules and arrange trainings to the directors and the person(s)-in-charge of its operating subsidiaries on regulatory compliance matters, including but not limited to notifiable and connected transactions, to strengthen and reinforce their knowledge on the Listing Rules and their ability to identify potential issues at an early stage, and to highlight the importance of complying with the Listing Rules;
2. the Company will consult with professional advisers as appropriate and necessary before entering into any potential notifiable transaction. If necessary, the Company may also consult with the Stock Exchange on the obligations of the proposed transaction; and
3. the executive Directors and members of the senior management team will continuously monitor the internal control measures of the Group and will report findings and make appropriate recommendations to the Board on a regular basis.

DEFINITION

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition for the land use rights of the Land
“Board”	the board of Directors

“Company”	Kafelaku Coffee Holding Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Dongtai Bureau”	Dongtai Bureau of Natural Resources and Planning* (東台市自然資源和規劃局), a government entity under the Dongtai Municipal People’s Government of the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Jiangsu Kafelaku”	Jiangsu Kafelaku Holding Co., Ltd.* (江蘇貓鼬控股有限公司), wholly-owned subsidiary of the Company and a limited liability company established in Dongtai City, Jiangsu Province, the PRC
“Land”	a parcel of land with land lot number 2024(工)11號 and with a total land area of approximately 26,319 square metres, which is located at the east side of Yingbin Avenue, Coastal Economic Zone and south side of Haiwang Road of Dongtai City, Jiangsu Province, the PRC (中國江蘇東台市沿海經濟區迎賓大道東側、海旺路南側)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to the “PRC” do not apply to Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of share(s) of the Company

“State-Owned Land Use Rights Transfer Contract”	the State-Owned Land Use Rights Transfer Contract entered into between Jiangsu Kafelaku and Dongtai Bureau on 5 August 2024 in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board
Kafelaku Coffee Holding Limited
Liang Naiming
Chairman

Hong Kong, 17 December 2024

As at the date of this announcement, the executive Directors are Mr. Liang Naiming and Mr. Ma Xiaoping; the non-executive Director is Mr. Cui Zifeng; and the independent non-executive Directors are Mr. Liu Huaiyu, Mr. Chan Yan Kin Philip and Ms. Zhang Guangfang.