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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)

MAJOR TRANSACTION ACQUISITION OF TARGET COMPANY

BACKGROUND

The Board is pleased to announce that on 26 January 2021 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Vendors agreed to sell and assign, and the Purchaser conditionally agreed to purchase and accept the assignment of the Sale Share (representing the entire issued share capital of the Target Company) and the Sale Debt at a consideration of HK\$240,000,000.

IMPLICATIONS UNDER 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 Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further details of the Acquisition and other information required under the Listing Rules is expected to be despatched to the Shareholders within 15 business days after the publication of this announcement.

Written approval of the Acquisition will be obtained from Sheung Fung Limited, which is beneficially interested in 62.4% of the entire issued share capital of the Company as at the date of this announcement. Pursuant to Rule 14.44 of the Listing Rules, Sheung Fung Limited's written approval may be accepted in lieu of holding a general meeting. As such, the Company is not required to convene an extraordinary general meeting for approving the Acquisition.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Acquisition. As such, no Shareholder would be required to abstain from voting if a general meeting were convened to approve the Acquisition.

Shareholders and potential investors of the Company should note that the Completion of the Acquisition is subject to the fulfilment (or waiver, if applicable), of the Conditions Precedent, and the Completion may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 26 January 2021 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Vendors agreed to sell and assign, and the Purchaser conditionally agreed to purchase and accept the assignment of the Sale Share (representing the entire issued share capital of the Target Company) and the Sale Debt, at a consideration of HK\$240,000,000.

THE SALE AND PURCHASE AGREEMENT

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

Date: 26 January 2021

Parties:

- (1) the Purchaser, a wholly-owned subsidiary of the Company;
and
- (2) the Vendors (as sellers).

To the best of the knowledge, information and belief of the Directors, the Vendors are Independent Third Parties.

Subject matter: The Purchaser agreed to purchase and accept, and the Vendors agreed to sell and assign, the Sale Share and Sale Debt subject to and in accordance with the terms and conditions of the Sale and Purchase Agreement.

Assets to be acquired: Pursuant to the Sale and Purchase Agreement, the assets to be acquired by the Purchaser include the Sale Share (i.e. the entire issued share capital of the Target Company which is legally and beneficially owned by the Vendors) and the Sale Debt (i.e. all the loan owing by the Target Company to the Vendors upon Completion, which is interest-free, unsecured and repayable on demand).

The main asset of the Target Company is the Property held by Golden Grand located at New Kowloon Inland Lot No. 6377 comprising of:

- (i) cooked food stores and commercial complex of the Estate;
- (ii) the integrated HA accommodation; and
- (iii) car parking spaces.

Consideration: Subject to the adjustment set out in the paragraph headed “Consideration adjustment” below, the consideration is in the sum of HK\$240,000,000, which shall be paid by the Purchaser in the following manner:

1. HK\$48,000,000, being the deposit to be paid on or before the signing of the Sale and Purchase Agreement (the “**Deposit**”).
2. HK\$192,000,000 (subject to adjustment), being the balance of the Consideration, shall be paid upon Completion.

The consideration was determined after arm’s length negotiations between the Purchaser and the Vendors with reference to the prevailing market value of comparable properties available in the vicinity.

The Directors consider that the terms of the Sale and Purchase are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. It is expected that the consideration will be funded by internal resources, banking facilities and proceeds from the listing.

Consideration adjustment:

The Consideration payable by the Purchaser for the sale and purchase of the Sale Share and the Sale Debt shall be HK\$240,000,000 as adjusted by:

- (i) adding thereto the amount of Net Current Asset Value (if the amount of the Net Current Asset Value is positive) as computed based on the Proforma Completion Accounts; or
- (ii) deducting therefrom the absolute value of the amount of the Net Current Asset Value (if the amount of the Net Current Asset Value is negative) as computed based on the Proforma Completion Accounts.

Conditions Precedent:

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

- (i) the Vendors are the legal and beneficial owner of the Sale Share and the Sale Debt (if any);
- (ii) the Vendors shall show and prove title to the Property in accordance with sections 13 and 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong); and
- (iii) approval of the Acquisition by the Shareholders of the Company by means of the passing at a general meeting of ordinary resolution(s) or, subject to the permission of the Stock Exchange, the written approval by a shareholder or a group of shareholders of the Company, in compliance with the Listing Rules.

If the Conditions Precedent (i) or (ii) mentioned above is not fulfilled on or before the Completion Date, the Purchaser shall be entitled to terminate the Sale and Purchase Agreement by giving seven (7) business days' notice in writing to the Vendors and the Vendors shall return all the Deposit paid to the Purchaser. The Conditions Precedent (iii) mentioned above cannot be waived by the Purchaser or the Vendors.

Completion: Subject to satisfaction of the conditions to the Sale and Purchase Agreement, completion of the Acquisition shall take place at or before 1:00 p.m. on 26 February 2021 or such other date as agreed by the Company and the Vendors in writing.

REASONS FOR THE ACQUISITION

Having considered the surge in available properties in the market and significant decrease in property prices, the Board is of the view that instead of leasing from third parties for the operation of care and attention homes of the Group, acquisition of a suitable property and establishment of a care and attention home is in the best interest of the Company and the Shareholders. The Acquisition is considered by the Directors to be beneficial to the Group as the Group expects to establish a care and attention home in the Property.

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

INFORMATION OF THE PARTIES

The Group 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; and (ii) the sale of healthcare and medical goods and the provision of add-on healthcare services to the residents. The Purchaser, which is a wholly-owned subsidiary of the Company, is a company engaged in investment holding.

The Target Company

The Target Company is a company incorporated under the laws of the British Virgin Islands and is principally engaged in investment holding. As at the date of this announcement, the Vendors own 100% of the shareholding in the Target Company. As at the date of this announcement, the Target Company owns the entire shareholding of Golden Grand. Golden Grand is a company incorporated in Hong Kong with limited liability and is the registered owner of the Property.

As at the date of this announcement, Golden Grand holds properties situated at New Kowloon Inland Lot No. 6377 comprising of (i) cooked food stores and commercial complex of the Estate; (ii) the integrated HA accommodation; and (iii) car parking spaces.

Set out below is the unaudited consolidated financial information of the Target Group for the years ended 31 March 2019 and 31 March 2020 prepared based on the general acceptable accounting standards of Hong Kong:

	For the year ended	
	31 March	
	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	2,787	3,033
Profit/(loss) after taxation	2,303	(56)

The unaudited net assets of the Target Group as at 31 March 2020 was approximately HK\$49.7 million.

The financial information relating to the Target Group, as disclosed in this announcement are provided by the Vendors and is subject to the audited financial information of the Target Group. Upon Completion, the Target Group will become indirect wholly-owned subsidiaries of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the accounts of the Group.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors, the Target Company and Golden Grand is an Independent Third Party.

IMPLICATION UNDER 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 Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further details of the Acquisition and other information required under the Listing Rules is expected to be despatched to the Shareholders within 15 business days after the publication of this announcement.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Acquisition. As such, no Shareholder would be required to abstain from voting if a general meeting were convened to approve the Acquisition.

Written approval of the Acquisition will be obtained from Sheung Fung Limited, which is beneficially interested in 62.4% of the entire issued share capital of the Company as at the date of this announcement. Pursuant to Rule 14.44 of the Listing Rules, Sheung Fung Limited's written approval may be accepted in lieu of holding a general meeting. As such, the Company is not required to convene an extraordinary general meeting for approving the Acquisition.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the following meanings in this announcement:

“associate”	has the meaning ascribed to it under the Listing Rules
“Acquisition”	the acquisition of the Sale Share and the Sale Debt by the Company from the Vendors pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Consideration”	the sum of HK\$240,000,000, being the purchase price to be paid by the Company pursuant to the Sale and Purchase Agreement
“Company”	Kato (Hong Kong) Holdings Limited, a company incorporated in the Cayman Islands with limited liability and listed on the Main Board of the Stock Exchange (stock code: 2189)
“Completion”	completion of the Acquisition pursuant to the Sale and Purchase Agreement, which shall take place at or before 1:00 p.m. on 26 February 2021 or such other date as agreed by the Vendors and the Purchaser in writing

“Conditions Precedent”	the conditions precedents to the Completion
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Golden Grand”	Golden Grand Holdings Limited, a company incorporated under the laws of Hong Kong, wholly owned by the Target 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
“Independent Third Party(ies)”	third party(ies) independent of and not connected to the Company and any of its connected persons or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Net Current Asset Value”	means the aggregate of (a) trade and other receivables; (b) deposits and prepayments; and (c) profits tax prepaid, of the Target Group, minus the aggregate of (d) trade and other payables; (e) deposits received; (f) rental received in advance; (g) accruals; and (h) provision for taxation, of the Target Group
“Proforma Completion Accounts”	means collectively (i) the unaudited balance sheet and income statement of Golden Grand for the period from (and including) 1 April 2020 to (and including) the Completion Date; and (ii) the unaudited balance sheet and income statement of the Target Company prepared by a firm of certified public accountants (practising) for the period from (and including) 1 April 2020 to (and including) the Completion Date

“Property”	being, the property located in New Kowloon Inland Lot No. 6377 (the “ Lot ”) comprising of (i) cooked food stalls and commercial complex of Hing Tin Estate (興田邨) (the “ Estate ”); (ii) the integrated HA accommodation; and (iii) car parking spaces of the Estate
“Purchaser”	Kato Elderly Care Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the agreement for sale and purchase in relation to the Acquisition entered into between the Vendors and the Purchaser on 26 January 2021
“Sale Debt”	the loan owing by the Target Company to the Vendors as at the Completion
“Sale Share”	the two shares of and in the Target Company, representing the entire issued share capital of the Target Company
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company
“Sheung Fung Limited”	Sheung Fung Limited (上鋒有限公司), a limited liability company incorporated in the British Virgin Islands and a controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Rich Quest Asia Limited, a company incorporated under the laws of the British Virgin Islands, and the sole shareholder of Golden Grand
“Target Group”	the Target Company and Golden Grand

“Vendors”

Mr. Chan Ping Che (陳秉志) and Mr. Lin Tsz Fung (林子峰), each the sole legal and beneficial owner of 50% of the Sale Share and the Sale Debt

“%”

per cent

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

Hong Kong, 27 January 2021

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