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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)**

### **CHANGE IN USE OF PROCEEDS FROM THE SHARE OFFER**

Reference is made to (i) the section headed “Future Plans and Use of Proceeds” in the prospectus issued by Kato (Hong Kong) Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 30 May 2019 (the “**Prospectus**”); and (ii) the paragraph headed “Management Discussion and Analysis — Use of Proceeds” in the 2020 interim report published by the Company on 2 December 2020 (the “**2020 Interim Report**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Prospectus.

### **CHANGE IN USE OF PROCEEDS**

As disclosed in the 2020 Interim Report, Net Proceeds of approximately HK\$116.9 million from the Listing will be utilised by the Group in accordance with the planned use of proceeds set out in the Prospectus. As at the date of this announcement, the unutilised amount of Net Proceeds amounted to approximately HK\$109.4 million (the “**Unutilised Net Proceeds**”). The Board has resolved to change the use of the Unutilised Net Proceeds as follows:

	Planned use of Net Proceeds as stated in the Prospectus and 2020 Interim Report		Unutilised Net Proceeds as at the date of this announcement	Revised allocation of Unutilised Net Proceeds	
	<i>HK\$'million</i>	<i>%</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>%</i>
Establishment of new care and attention homes for the elderly	86.3	73.8	86.3	—	—

	Planned use of Net Proceeds as stated in the Prospectus and 2020 Interim Report		Unutilised Net Proceeds as at the date of this announcement	Revised allocation of Unutilised Net Proceeds	
	<i>HK\$'million</i>	<i>%</i>	<i>HK\$'million</i>	<i>HK\$'million</i>	<i>%</i>
Acquisition of a suitable property whereby a care and attention home will be established	—	—	—	86.3	78.9
Renew and upgrade facilities of existing RCHEs	27.2	23.3	20.7	20.7	18.9
Upgrade information technology infrastructure	1.5	1.3	1.5	1.5	1.4
General working capital	1.9	1.6	0.9	0.9	0.8
<b>Total</b>	<b>116.9</b>	<b>100.0</b>	<b>109.4</b>	<b>109.4</b>	<b>100.0</b>

## REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

In order to improve the benefit and investment return on the use of proceeds, after re-calculation and assessment by the Company, the Board has resolved to re-allocate 73.8% of the Net Proceeds originally assigned to “establishing new care and attention homes for the elderly” which included, inter alia, locating, leasing and renovating suitable properties for the Group’s expansion of network of care and attention homes in Hong Kong to “acquisition of a suitable property whereby a care and attention home will be established”.

In view of the outbreak of novel coronavirus disease (COVID-19) pandemic (the “**Pandemic**”) since January 2020, the Hong Kong Government has implemented various social distancing measures such as travel restrictions, border control measures, suspension of schooling, work from home arrangements and restrictions on retail services to control and prevent the spread of COVID-19. As a result of such measures, retail businesses in Hong Kong have been severely affected. Retail sales (except those in supermarkets or daily necessities) have fallen sharply. This has caused a significant increase in the supply of properties in the market resulting in a decline in property prices.

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 RCHE industry in Hong Kong is characterised as shortage of land and high capital requirements due to the increasing operating costs such as high rental costs. The Directors believe that establishing a care and attention home in self-owned property will minimise the risks arising from the fluctuations in retail rental market and possible non-renewal and/or early termination of leases.

The change in use of proceeds is prudently proposed by the Company based on the current situation and future development and prospect of the industry. The Directors confirm that there is no material change in the nature of business of the Group as set out in the Prospectus. The Board is of the view that the reallocation of the Net Proceeds is fair and reasonable, in line with the business strategy and will not adversely affect the operation and business of the Group and is in the best interest of the Company and the Shareholders as a whole. As at the date of this announcement, the Directors are in the progress of locating suitable properties for acquisition for establishing a care and attention home for the Group.

The Directors will continuously revisit the plans for the use of the Unutilised Net Proceeds and may amend such plans where necessary, to cope with the changing market conditions and strive for better business performance for the Group. The Board confirms that, save for those disclosed herein, there are no other changes in the use of Net Proceeds.

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

Hong Kong, 4 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.*