

# TARGET

## Intelligence Report

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**KATO (HONGKONG) HOLDINGS LTD:  
THE CONTROLLING FAMILY HAS BEEN  
USING THIS COMPANY AS THEIR PRIVATE LITTLE ‘BANK’**

A salient feature that cannot be ignored on scanning the Share Offer Prospectus of Kato (Hongkong) Holdings Ltd ([ ]) (Code: 2189, Main Board, The Stock Exchange of Hongkong Ltd) is that at least 11 shareholders, which included one Executive Director and one Non-Executive Director of the Company, being husband and wife, have been accustomed to using the Company as their private little ‘bank’.

For this recreational pursuit to be amongst the accepted normal practice in a privately owned, limited liability company, or a firm with unlimited liability, little obloquy may be mounted, but for a publicly listed company, this has to be a real no-no, for the most part.

This is because, by and large, if an individual, be he/she/it a shareholder or a director of a publicly listed company, cannot obtain a loan from a bank due to the fact that the bank is not willing to accept the risk of lending money to such an applicant, for what reasonable and/or valid reason should the publicly listed company be asked to take it upon itself to accept the risk?

In the case of Kato (Hongkong) Holdings Ltd, at Page 273 of the Share Offer Prospectus, dated May 30, 2019, one discovers the following intelligence, stated under the general heading of ‘**FINANCIAL INFORMATION**’:

***‘Amount due from the shareholders***

*‘As at 31 March 2016, 2017 and 2018 and 30 November 2018, the amounts due from shareholders amounted to approximately HK\$10.6 million, HK\$14.3 million, HK\$20.1 million and HK\$20.3 million, respectively. The following table sets forth the details of amounts due from the shareholders:*

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>As at 30 November 2018</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
<i>Mr. Au Wai Kwan ()</i>	287	317	—	—
<i>Mr. Lam Kong ()</i>	1,375	1,415	3,046	3,046
<i>Mr. Kwong Kai To</i>	4,244	4,389	7,233	7,233
<i>Ms. Kwong Mei Ping ()</i>	688	708	1,523	1,523
<i>Mr. Kwong Wai Ping, Thomas ()</i>	477	527	—	—
<i>Mr. Ngai Chi Hang ()</i>	344	354	762	762
<i>Mr. Ngai Ha Sang ()</i>	1,190	1,315	—	—
<i>Ms. Ngai Ka Yee</i>	1,548	4,714	7,536	7,700
<i>Mr. Ngai Yiu Pan, Louis ()</i>	238	263	—	—
<i>Ms. So Wai Ha ()</i>	85	95	—	—
<i>Mr. Zhang Jun Xue ()</i>	<u>170</u>	<u>190</u>	=	=
	<b><u>10,646</u></b>	<b>14,287</b>	<b>20,100</b>	<b>20,264</b>

*‘Our (the Company) amounts due from the shareholders were denominated in HK\$, unsecured, interest-free, repayable on demand and non-trade in nature. Our Directors confirm that all amounts due from the shareholders will be settled before the Listing.’*

Of the above-named persons, Ms Ngai Ka Yee () (formerly known as Ms Ngai Fung

()), and Mr Kwong Kai To () are an Executive Director and a Non-Executive Director, respectively, of Kato (Hongkong) Holdings Ltd.

In addition, at Appendix I-45 of the Share Offer Prospectus, it is shown that Mr Godfrey Ngai Shi Shing () (formerly known as Mr Lam Shing []), also an Executive Director of the Company, is said to have borrowed \$HK4,679,000 from the Company in respect of the 2018 Financial Year, ended March 31, 2018, and he owed the Company, the sum of \$HK2,557,000, as at November 30, 2018.

There are many other incestuous financial activities that have been – and, probably, shall continue in spite of the fact that this Company's shares are, today, listed on the Main Board of The Stock Exchange of Hongkong Ltd – considered par for the course.

Further, there is no definitive statement in the Share Offer Prospectus to indicate that such activities shall cease in the future.

### **The Initial Public Offering (IPO) Of Kato (Hongkong) Holdings Ltd**

On May 30, 2019, Senior Management of Kato (Hongkong) Holdings Ltd pitched an IPO on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC). ... [CLICK TO ORDER FULL ARTICLE](#)

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