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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

#### **FINANCIAL HIGHLIGHTS**

- The Group recorded a total revenue for the six months ended 30 September 2023 of approximately HK\$135.2 million, representing a decrease of approximately 35.1% as compared to that of the six months ended 30 September 2022.
- The Group recorded a profit attributable to the owners of the Company for the six months ended 30 September 2023 of approximately HK\$19.9 million, representing a decrease of approximately 65.1% as compared to that of the six months ended 30 September 2022.
- The Board declared an interim dividend of HK1.0 cent per Share.

#### **INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Kato (Hong Kong) Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2023 (the “**Period**”), together with the comparative figures for the six months ended 30 September 2022 (the “**Previous Period**”) as follows:

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2023

	Note	For the six months ended 30 September	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue	4	135,157	208,279
Other income and other gains, net		368	3,684
Employee benefit expenses, net		(54,474)	(78,067)
Depreciation of property and equipment		(5,477)	(3,157)
Depreciation of right-of-use assets		(18,479)	(17,475)
Property rental and related expenses		(2,484)	(1,695)
Food and beverage costs		(4,943)	(4,696)
Utility expenses		(3,821)	(2,927)
Supplies and consumables		(1,237)	(1,883)
Repair and maintenance		(885)	(639)
Subcontracting fees, net		(3,126)	(15,834)
Laundry expenses		(1,198)	(1,099)
Medical fees and related expenses		(1,306)	(2,434)
Legal and professional fee		(706)	(1,215)
Other operating expenses		(6,719)	(9,221)
Finance costs, net		(4,654)	(3,813)
Profit before taxation	5	26,016	67,808
Income tax expense	6	(5,890)	(10,706)
Profit for the period		<u>20,126</u>	<u>57,102</u>
<b>Profit/(loss) for the period attributable to</b>			
— Owners of the Company		19,930	57,167
— Non-controlling interests		196	(65)
		<u>20,126</u>	<u>57,102</u>
<b>Earnings per share attributable to the owners of the Company (in HK cents)</b>			
— Basic	8	<u>1.99</u>	<u>5.72</u>
— Diluted	8	<u>1.99</u>	<u>5.72</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2023*

	<b>For the six months ended 30 September</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<b>20,126</b>	57,102
<b>Other comprehensive loss:</b>		
<i>Item that will not be reclassified to profit or loss</i>		
Fair value changes of financial assets at fair value through other comprehensive income	(10)	(85)
<b>Other comprehensive loss for the period, net of tax</b>	<b>(10)</b>	(85)
<b>Total comprehensive income for the period</b>	<b><u>20,116</u></b>	<b><u>57,017</u></b>
<b>Total comprehensive income/(loss) for the period attributable to</b>		
— Owners of the Company	<b>19,920</b>	57,082
— Non-controlling interests	<b>196</b>	(65)
	<b><u>20,116</u></b>	<b><u>57,017</u></b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	As at 30 September 2023 (Unaudited) <i>HK\$'000</i>	As at 31 March 2023 (Audited) <i>HK\$'000</i>
	<i>Note</i>	
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property and equipment	115,457	110,077
Investment properties	107,800	107,800
Right-of-use assets	319,215	337,729
Deferred tax assets	2,005	2,005
Prepayment and deposits	48,776	4,920
Financial assets at fair value through other comprehensive income	729	933
	<hr/>	<hr/>
Total non-current assets	593,982	563,464
<b>CURRENT ASSETS</b>		
Trade receivables	9 12,006	44,127
Prepayments, deposits and other receivables	8,509	13,181
Short-term bank deposits	33,691	501
Restricted bank deposit	6,590	6,590
Cash and cash equivalents	41,616	71,439
	<hr/>	<hr/>
Total current assets	102,412	135,838
	<hr/>	<hr/>
<b>Total assets</b>	<b>696,394</b>	<b>699,302</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to the owners of the Company</b>		
Share capital	10,000	10,000
Reserves	361,335	362,629
	<hr/>	<hr/>
	371,335	372,629
Non-controlling interests	507	311
	<hr/>	<hr/>
<b>Total equity</b>	<b>371,842</b>	<b>372,940</b>
	<hr/>	<hr/>

		<b>As at 30 September 2023 (Unaudited) HK\$'000</b>	<b>As at 31 March 2023 (Audited) HK\$'000</b>
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Accruals and other payables	<i>10</i>	<b>5,538</b>	5,350
Lease liabilities		<b>135,633</b>	149,475
Bank borrowings		<b>102,248</b>	86,023
Deferred tax liabilities		<b>1,801</b>	1,716
		<hr/>	<hr/>
Total non-current liabilities		<b>245,220</b>	242,564
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>10</i>	<b>23,473</b>	36,920
Contract liabilities	<i>4</i>	<b>252</b>	1,015
Bank borrowings		<b>14,416</b>	5,429
Lease liabilities		<b>28,687</b>	29,102
Income tax payable		<b>12,504</b>	11,332
		<hr/>	<hr/>
Total current liabilities		<b>79,332</b>	83,798
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>324,552</b>	326,362
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>696,394</b>	699,302
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Kato (Hong Kong) Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 19 April 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as combined and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and together with its subsidiaries (the “**Group**”) principally engage in the provision of residential care services and day care services for the elderly in Hong Kong.

This interim condensed consolidated financial information is presented in thousands of Hong Kong Dollar (“**HK\$’000**”), unless otherwise stated.

This interim condensed consolidated financial information was approved for issue by the Board of Directors of the Company on 30 November 2023.

This interim condensed consolidated financial information has not been audited.

## 2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 September 2023 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This interim condensed consolidation financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

The interim condensed consolidated financial information have been prepared under the historical cost convention, except for the financial asset at fair value through profit or loss, the financial assets at fair value through other comprehensive income (“**FVOCI**”) and investment properties, which are carried at fair values.

### 3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 March 2023, as described in those annual consolidated financial statements, except for the adoption of new and amended standards as set out below.

#### 3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

#### 3.2 Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### 4 REVENUE AND SEGMENT INFORMATION

The executive directors, who are the chief operating decision-maker (the “**CODM**”) of the Group, review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors that are used to make strategic decisions.

During the six months ended 30 September 2023, the CODM has continuously reassess their internal reports in order to allocate resources and evaluate the Group’s performance and the CODM considered that the Group’s operations are generally operated and managed as a single segment, which was mainly the provision of elderly home care services and elderly community care service (30 September 2022: the provision of elderly home care services, care support services to person under quarantine and elderly community care service). The Group also engaged in the property investment, provision of management services and provision of the medial and laboratory services during the six months ended 30 September 2023 which the CODM considered that these services are only incidental to the activities of the Group and are not operating segments (30 September 2022: same). Since the Group had only one operating segment, no further operating segment analysis thereof is presented. The CODM evaluates the performance of the operating segment mainly based on segment revenue as a whole.

The Group’s revenue was derived solely from its operations in Hong Kong during the six months ended 30 September 2023 and 2022, and all the non-current assets of the Group were located in Hong Kong as at 30 September 2023 and 31 March 2023.

Revenue of approximately HK\$62,299,000 for the six months ended 30 September 2023 (six months ended 30 September 2022: HK\$146,789,000) was derived from the Government of the Hong Kong Special Administrative Region (the “**Government of HKSAR**”) under the Enhanced Bought Place Scheme (the “**EBPS**”), Bought Place Scheme Day Care Units for the Elderly (the “**BPS**”), provision of residential care services in the Contract Home and care support services to persons under quarantine, which amounted to more than 10% of the Group’s revenue.

An analysis of revenue is as follows:

	<b>For the six months ended 30</b>	
	<b>September</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
<i>Recognised over time:</i>		
Rendering of elderly home care services	<b>99,461</b>	85,624
Rendering of elderly community care services	<b>4,440</b>	3,882
Management fee income and car park revenue	<b>719</b>	573
Rendering of care support services to persons under quarantine	—	96,232
<i>Recognised at a point in time:</i>		
Sales of elderly home related goods	<b>22,573</b>	19,110
Rendering of medical and laboratory services	<b>5,551</b>	226
Revenue arising from operating lease within the scope of HKFRS 16:		
Fixed	<b>2,401</b>	2,591
Variable	<b>12</b>	41
	<b><u>135,157</u></b>	<b><u>208,279</u></b>

The Group did not recognise any revenue-related contract assets during the six months ended 30 September 2023 and 2022.

### **Contract liabilities**

The balances represent the receipt in advance from customers. The Group recognised the following revenue-related contract liabilities:

	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2023</b>	2023
	<b>(Unaudited)</b>	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract liabilities	<b><u>252</u></b>	<b><u>1,015</u></b>



The following table shows the revenue recognised during the six months ended 30 September 2023 and 2022 related to carried-forward contract liabilities:

	<b>For the six months ended 30</b>	
	<b>September</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance as at beginning of the period	<b><u>1,015</u></b>	<b><u>819</u></b>

Due to the short-term nature of the related service contracts, the entire contract liabilities balance at the end of reporting period would be recognised into revenue in the next period. As permitted under HKFRS 15, the transaction price allocated to those unsatisfied contracts which have an original expected duration of one year or less is not disclosed.

## 5 PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting) the following:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation of property and equipment	5,477	3,157
Depreciation of right-of-use assets	18,479	17,475
Employee benefit expenses, net	54,474	78,067
— Wages and salaries	51,146	67,494
— Retirement benefit scheme contributions	2,013	1,050
— Staff welfare and benefits	328	7,654
— Provision for long service payments	334	2,000
— Directors' remunerations	2,288	3,662
— Share-based payment expenses for senior management and employee	652	655
— Government subsidies ( <i>Note (i)</i> )	(2,287)	(4,448)
Property rental and related expenses	2,484	1,695
Legal and professional fee	706	1,215
Medical fees and related expenses	1,306	2,434
Subcontracting fees, net	3,126	15,834
— Subcontracting fees	6,239	19,831
— Government subsidies	(3,113)	(3,997)

As at 30 September 2023, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (31 March 2023: same).

*Note:*

- (i) During the six months ended 30 September 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government of HKSAR. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. There are no unfulfilled conditions or other contingencies attaching to these grants.

## 6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the two-tiered rate of 8.25% for the first HK\$2,000,000 of the estimated assessable profit of the qualifying group entity and 16.5% on the remaining estimated assessable profit of the Group for the six months ended 30 September 2023 and 2022.

An analysis of the income tax expenses is as follows:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong profits tax		
Current tax	<b>5,805</b>	10,651
Deferred tax	<b>85</b>	55
	<hr/>	<hr/>
	<b>5,890</b>	<b>10,706</b>
	<hr/> <hr/>	<hr/> <hr/>

## 7 DIVIDENDS

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend proposed after the end of reporting period of HK1.0 cent per share (2022: HK2.2 cents per share)		
	<b>10,000</b>	<b>22,000</b>
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The amount of interim dividend declared was calculated based on the number of ordinary shares in issue at the date of approval of the interim condensed consolidated financial information. The proposed interim dividend has not been recognised as a liability in this interim condensed consolidated financial information.

## 8 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2023 and 2022.

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to the owners of the Company ( <i>HK\$'000</i> )	<b>19,930</b>	57,167
Weighted average number of shares in issue ( <i>thousand shares</i> )	<b>1,000,000</b>	1,000,000
Basic earnings per share ( <i>HK cents</i> )	<b><u>1.99</u></b>	<b><u>5.72</u></b>

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option schemes are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average daily quoted market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the six months ended 30 September 2023 and 2022, dilutive earnings per share was of the same amount as the basic earnings per share as the share options were anti-dilutive.

## 9 TRADE RECEIVABLES

	<b>As at</b>	As at
	<b>30 September</b>	31 March
	<b>2023</b>	2023
	<b>(Unaudited)</b>	(Audited)
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade receivables	<b>12,536</b>	44,639
Less: loss allowance	<b>(530)</b>	(512)
Trade receivables	<b><u>12,006</u></b>	<b><u>44,127</u></b>

The ageing analysis of the Group's gross trade receivables based on invoice date are as follows:

	<b>As at 30 September 2023 (Unaudited) HK\$'000</b>	<b>As at 31 March 2023 (Audited) HK\$'000</b>
Within 30 days	10,461	36,959
31–60 days	212	4,920
61–180 days	945	1,994
Over 180 days	918	766
	<u>12,536</u>	<u>44,639</u>

The Group's trade receivables are denominated in HK\$. The carrying amounts of trade receivables approximate to their fair values due to their short maturities.

## 10 TRADE AND OTHER PAYABLES

	<b>As at 30 September 2023 (Unaudited) HK\$'000</b>	<b>As at 31 March 2023 (Audited) HK\$'000</b>
Trade payables	1,665	2,370
Accruals and other payables	9,381	13,261
Accrued wages and salaries and contributions to MPF scheme	8,889	17,669
Deposits from customers	3,179	2,961
Rental deposits received	802	914
Provision for reinstatement cost	575	575
Provision for long service payments	4,520	4,520
	<u>29,011</u>	<u>42,270</u>
Less: Non-current portion	<u>(5,538)</u>	<u>(5,350)</u>
Current portion	<u>23,473</u>	<u>36,920</u>

As at 30 September 2023 and 31 March 2023, the carrying amounts of trade and other payables approximate to their fair values, as the impact of discounting is not significant, and are denominated in HK\$.

Trade payables are unsecured, non-interest bearing and repayable in accordance with contractual terms. The ageing analysis of trade payables by invoice date is as follows:

	<b>As at 30 September 2023 (Unaudited) HK\$'000</b>	<b>As at 31 March 2023 (Audited) HK\$'000</b>
Within 60 days	<b><u>1,665</u></b>	<b><u>2,370</u></b>

## **11 CAPITAL COMMITMENT**

As at 30 September 2023, the Group had capital commitments for property and equipment, amounting to approximately HK\$6.8 million (31 March 2023: HK\$9.1 million) after netting off the prepayment for the purchase of property and equipment.

## **12 CONTINGENT LIABILITIES**

As at 30 September 2023 and 31 March 2023, the Group had no material contingent liabilities.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Elderly home care services

Kato (Hong Kong) Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) is an established operator of residential care homes for the elderly (the “**RCHE(s)**”) in Hong Kong offering a comprehensive 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.

As at 30 September 2023 and 31 March 2023, the Group had a network of nine care and attention homes for the elderly with 1,229 residential care places strategically located across five districts in Hong Kong. The Group’s care and attention homes for the elderly operate under the brand names of “Fai To 輝濤”, “Kato 嘉濤”, “Happy Luck Home”, “Tsuen Wan Centre”, “Pine Villa” and “Ka Shui Garden 嘉瑞園”, all bearing the same logo.

The Group’s customers primarily consisted of two groups, namely (i) the Social Welfare Department (the “**SWD**”) with which the Group entered into contractual arrangements pursuant to which the SWD purchased residential care places from the Group under the Enhanced Bought Place Scheme (the “**EBPS**”) or pursuant to which the SWD subsidised residential care places from the Group under the awarded tender operating a Contract Home; and (ii) individual customers who settled their own residential fee, being those who were subsidised by the SWD under the Residential Care Service Voucher Scheme for the Elderly, and those who were subsidised by the SWD under the EBPS but settled the unsubsidised portion by themselves.

The following table sets forth a summary of the basic information of the Group's RCHEs as at 30 September 2023 and 31 March 2023:

	Location	Year of commencement of operation by the Group	Number of residential care places (excluding isolated beds)		Total	Classification under the EBPS
			Under the EBPS and Contract Home	For individual customers not under the EBPS and Contract Home		
Kato Home for the Elderly ("Kato Elderly Home")	Tuen Mun	1999	126	54	180	EA1 <sup>(1)</sup>
Kato Home for the Aged	Tuen Mun	1998	86	37	123	EA2 <sup>(2)</sup>
Fai-To Home for the Aged (On Lai) Branch ("Fai To Home (On Lai)")	Tuen Mun	1997	28	28	56	EA2 <sup>(2)</sup>
Fai To Home for the Aged (Tuen Mun) Branch ("Fai To Home (Tuen Mun)")	Tuen Mun	1995	47	43	90	EA2 <sup>(2)</sup>
Fai To Sino West Combined Home for the Aged ("Fai To Sino West Home")	To Kwa Wan	2000	148	146	294	EA1 <sup>(1)</sup>
Happy Luck Elderly Home Limited ("Happy Luck Home")	Tsuen Wan	2015	75	71	146	EA1 <sup>(1)</sup>
Tsuen Wan Elderly Centre Limited ("Tsuen Wan Centre")	Tsuen Wan	2008	79	71	150	EA1 <sup>(1)</sup>
Pine Villa	Tseung Kwan O	2013	N/A	90	90	N/A
Ka Shui Garden Nursing Home for the Elderly ("KSG Nursing Home")	Sham Shui Po	2023	80	20	100	N/A
			669	560	1,229	

*Notes:*

1. Being one of the two categories under the EBPS. EA1 homes have higher requirements in terms of staffing and per capita net floor space as compared to EA2 homes. As required under the EBPS, the staffing requirement for an EA1 home with 40 places is 21.5, calculated on the basis of eight working hours per staff per day including relief staff and its per capita net floor area is 9.5 m<sup>2</sup>.
2. Being one of the two categories under the EBPS. EA2 homes have lower requirements in terms of staffing and per capita net floor area as compared to EA1 homes. As required under the EBPS, the staffing requirement for an EA2 home with 40 places is 19, calculated on the basis of eight working hours per staff per day, including relief staff, and its per capita floor net area is 8 m<sup>2</sup>.



The following table sets forth the average monthly occupancy rate of each respective RCHEs as at 30 September 2023 and 31 March 2023:

	<b>Average monthly occupancy rate <sup>(Note)</sup></b>	
	<b>As at 30 September 2023 %</b>	<b>As at 31 March 2023 %</b>
Kato Elderly Home	<b>94.4</b>	88.2
Kato Home for the Aged	<b>88.1</b>	88.7
Fai To Home (On Lai)	<b>75.3</b>	83.2
Fai To Home (Tuen Mun)	<b>87.6</b>	79.7
Fai To Sino West Home	<b>80.7</b>	78.4
Happy Luck Home	<b>85.0</b>	86.2
Tsuen Wan Centre	<b>81.0</b>	83.3
Pine Villa	<b>97.0</b>	96.5
KSG Nursing Home	<b>90.0</b>	48.5
 Overall	 <b>86.2</b>	 84.1

*Note:*

The monthly occupancy rate is calculated by dividing the number of beds occupied as at the month end by the total number of beds available at each of our care and attention homes for the elderly as at the relevant month end. The average monthly occupancy rate for the year is calculated by dividing the sum of the monthly occupancy rates by the total number of months in that year.

## **Community care and day care services for the elderly**

### ***(i) Home-based and centre-based services***

The Group has expanded its scope to community care by offering home-based services under the pilot scheme on Community Care Service Voucher (the “CCSV”) for the elderly launched by the SWD, which aim to help families in need of home care services while relieving their financial and caregiving pressures. Our home-based services include hospital outpatient and discharge escort, caregiver training, home safety assessment, physiotherapy, nursing support, etc.

As at 30 September 2023 and 31 March 2023, Fai To Sino West Home, Ka Shui Garden Day Care Centre (Hung Hom), Ka Shui Garden Day Care Centre (Tsuen Wan), Kato Elderly Home and Pine Villa are the recognised service providers under the pilot scheme on CCSV, covering five contract homes, with a total capacity of centre-based services of 120 places and home-based services of 1,000 voucher holders.

***(ii) Day care service***

Day-care centres for elderly provide on-site elderly care services during daytime, which generally exclude overnight care services. To extend the Group's reach to non-residents. The Group has commenced providing day care services to elderly, covering a range of centre-based care and support services during daytime to enable the day care service users who suffer from moderate to severe level of impairment to achieve optimal level of functioning, develop their potential, improve their quality of life, and continue to live in their own homes wherever feasible and possible. As at 30 September 2023 and 31 March 2023, two of the Group's care and attention homes for the elderly were entitled to offer day care services with a total of 30 subsidised day care places pursuant to the Bought Place Scheme Day Care Units for the Elderly (the "BPS").

**Medical and laboratory services**

The Group tapped into medical diagnostic and imaging and health check markets in Hong Kong in 2022. The Group provides versatile healthcare services, including but not limited to general physical examinations, X-ray, ECG, mammography, ultrasound, DEXA Bone Densitometry and various laboratory tests. As at 30 September 2023 and 31 March 2023, the Group had five medical and health check-up centres located across four districts in Hong Kong.

**Care support services to persons under quarantine**

To cope with the COVID-19 outbreak in RCHEs and in view of the logistical issues and unsuitability of arranging special medical equipment and facilities to be sent to general quarantine centres, the government of the HKSAR (the "Government") invited various RCHE players to participate in setting up quarantine and community treatment facilities. The Company was selected and participated in operation of temporary quarantine centres for residents of RCHEs, housing nursing staffs on duty round the clock and designated staffs responsible for assisting elderly residents' needs. The facility helped to triage patients from public hospitals and allowed public hospitals to concentrate their manpower and resources on taking care of patients who needed more healthcare services.

## FINANCIAL HIGHLIGHTS

### Revenue

The Group's revenue was principally generated from the provision of residential care services and day care services for the elderly in Hong Kong. The Group's revenue was derived from (i) rendering of elderly home care services; (ii) sales of elderly home related goods; (iii) rendering of elderly community care services; (iv) rendering of medical and laboratory services; (v) rental and management fee income; and (vi) rendering of care support services to persons under quarantine. The following table sets forth the breakdown of revenue for the Group's revenues by types of services for the six months ended 30 September 2023 (the "Period") and the six months ended 30 September 2022 (the "Previous Period"):

	For the six months ended 30 September			
	2023		2022	
	HK\$'000	%	HK\$'000	%
<b>Rendering of elderly home care services</b>				
— residential care places purchased by the SWD under the EBPS and the Contract Home	60,471	44.8	48,751	23.4
— residential care places purchased by individual customers	38,990	28.8	36,873	17.7
<b>Sales of elderly home related goods</b>	22,573	16.7	19,110	9.2
	<b>122,034</b>	<b>90.3</b>	104,734	50.3
<b>Rendering of elderly community care services</b>	4,440	3.3	3,882	1.9
<b>Rendering of medical and laboratory services</b>	5,551	4.1	226	0.1
<b>Rental and management fee income</b>	3,132	2.3	3,205	1.5
<b>Rendering of care support services to persons under quarantine</b>	—	—	96,232	46.2
<b>Total</b>	<b>135,157</b>	<b>100.0</b>	<b>208,279</b>	<b>100.0</b>

The revenue decreased from approximately HK\$208.3 million for the Previous Period to approximately HK\$135.2 million for the Period mainly due to absent of revenue from care support services to persons under quarantine during the Period, which was partially offset by (i) increase in revenue from rendering of elderly home care services attributed by the

increase in average monthly occupancy rate; and (ii) increase in revenue from rendering of medical and laboratory services as the business has become more established.

### **Employee benefit expenses**

Employee benefit expenses comprised of wages and salaries, retirement benefit scheme contributions, staff welfare and benefits, directors' remunerations, provision for long service payments and share-based payment expense. The employee benefits expenses decreased from approximately HK\$78.1 million for the Previous Period to approximately HK\$54.5 million for the Period. The decrease was primarily due to the decrease in number of staff for rendering of care support services to persons under quarantine, which partially offset by the decrease in wage subsidies from the Employment Support Scheme under the Anti-epidemic Fund of approximately HK\$4.0 million.

### **Food and beverage costs**

Food and beverage costs are food ingredients and beverages costs used for the provision of meals to the residents. Food and beverage costs increased to approximately HK\$4.9 million for the Period (Previous Period: approximately HK\$4.7 million) mainly due to (i) commencement of operation for care and attention home located in Sham Shui Po in the first quarter of 2023; and (ii) increase in average monthly occupancy rate.

### **Subcontracting fees, net**

Subcontracting fees, net mainly represents fees paid to occupational therapists, occupational therapist assistants, physiotherapists and physiotherapist assistants, offset by government subsidies. The significant decrease from HK\$15.8 million for the Previous Period to HK\$3.1 million for the Period mainly attributed by the decrease in subcontracting fee for outsourcing labour costs due to cessation of rendering care support services to persons under quarantine during the Period.

### **Profit for the Period**

As a result of the foregoing, the profit for the Period decreased by approximately 64.8% to approximately HK\$20.1 million as compared to approximately HK\$57.1 million for the Previous Period.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK1.0 cent per share (the “**Share(s)**”) payable on or around Friday, 29 December 2023 to the owners of the Company whose names appear on the register of members of the Company (the “**Register of Members**”) on Monday, 18 December 2023.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement of the shareholders of the Company (the “**Shareholders**”) to the interim dividend, the Register of Members will be closed from Friday, 15 December 2023 to Monday, 18 December 2023 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on Thursday, 14 December 2023.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group’s net assets remains stable to approximately HK\$371.8 million as at 30 September 2023 (31 March 2023: approximately HK\$372.9 million). As at 30 September 2023, the Group’s net current assets was approximately HK\$23.1 million (31 March 2023: approximately HK\$52.0 million), including cash and cash equivalents of approximately HK\$41.6 million (31 March 2023: approximately HK\$71.4 million) which were denominated in Hong Kong Dollar.

The current ratio, which is calculated as the total current assets divided by the total current liabilities, was approximately 1.3 times as at 30 September 2023 (31 March 2023: approximately 1.6 times).

The Group has established a treasury policy with the objective of lowering cost of funds. Therefore, funding for all its operations have been centrally reviewed and monitored at the Group level. To manage the Group’s exposure to fluctuations in interest rates, appropriate funding policies will be applied, including the use of bank borrowings or placing of new shares. The management will continue its efforts to obtain the most privileged rates and favourable terms available to the Group for its financing.

The Group monitors its capital on the basis of the gearing ratio. As at 30 September 2023, the Group’s gearing ratio was 53.5% (31 March 2023: 51.3%). The gearing ratio is calculated as a percentage of net debt divided by total capital. Net debt is calculated as the sum of bank borrowing and lease liabilities less the sum of cash and cash equivalents, short-term bank deposits and restricted bank deposit. Total capital represents total equity as shown on the interim condensed consolidated statement of financial position of the Group.

As at 30 September 2023, bank borrowing of the Group bore floating interest rate and was denominated in HK\$, the maturity profile of which are set out as follows:

	<i>HK\$'000</i>
Within 1 year	14,416
More than 1 year but less than 2 years	15,073
More than 2 years but less than 5 years	24,968
More than 5 years	<u>62,207</u>
	<u><u>116,664</u></u>

## **CAPITAL COMMITMENTS**

As at 30 September 2023 and 31 March 2023, the Group had capital commitments for property and equipment, amounting to approximately HK\$6.8 million (31 March 2023: approximately HK\$9.1 million) after netting off the prepayment for the purchase of property and equipment.

## **CAPITAL STRUCTURE**

There had been no changes in the capital structure of the Group during the Period. As at the date of this announcement, the share capital of the Company only comprised of ordinary shares.

## **INVESTMENT PROPERTIES**

The Group's investment properties comprise commercial complex, retail shops, fresh market stalls, cooked food stalls, storerooms and car park spaces in Hing Tin Estate and are leased to third parties under operating leases for rental income. As at 30 September 2023 and 31 March 2023, the Group's investment properties amounted to HK\$107.8 million and were revalued based on valuations performed by an independent professionally qualified valuer.

## **SIGNIFICANT INVESTMENTS**

During the Period, the Group did not hold any significant investment.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES**

During the Period, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Group completed the acquisition of the commercial complex located in Hing Tin Estate in February 2021. In April 2022, the Group started to carry out the alteration and addition works on the entire commercial complex so as to establish a new care and attention home with approximately 220 residential care places, restructure the existing shops for letting and renovate the public area and expected to commence operation in 2024.

In July 2021, the Group completed acquisition of four parcels of land in Yuen Long for establishment of another new care and attention home with approximately 250 residential care places and expected to commence operation in late 2026.

Save as disclosed elsewhere in this announcement, the Group does not have any plans for material investments and capital assets acquisitions for the coming 12 months.

## **PROPOSED ACQUISITION OF PROPERTIES**

In July 2023, Kato (Hong Kong) Holdings Limited (the “**Purchaser**”) and Mr. Ngai Shi Shing Godfrey (“**Mr. Ngai**”) entered into the Provisional Agreement and side letter with Kingdom Mark Limited (the “**Vendor**”), an independent third party, pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, the properties located at Tsuen Wan (the “**Properties**”) at a consideration of HK\$170 million. The terms of the Provisional Agreement were supplemented by the side letter dated 21 July 2023, pursuant to which, among other terms, Mr. Ngai agreed to provide the personal guarantee in favour of the Company in connection with all the contractual obligations of the Company under the Provisional Agreement. The Purchaser has subsequently entered into the Formal Agreement with the Vendor on 1 August 2023.

As at the date of this announcement, the Properties are being rented to an independent third party for the operation of an elderly home. The rental period of the existing lease is from 1 June 2018 to 31 May 2031. The Company intends to continue to rent the Properties to such tenant until the expiration of rental period. As such, upon completion, the acquisition is expected to contribute rental income to the Group which will have a positive effect on the earnings of the Group.

Subject to satisfaction of the conditions precedent, completion shall take place on or before 6 February 2024 or such other date as agreed by the Purchaser and the Vendor in writing. For further details, please refer to the announcements of the Company dated 21 July 2023, 11 August 2023, 31 August 2023, 29 September 2023 and 31 October 2023; and circular dated 28 November 2023.

## **EVENTS AFTER THE DATE OF REPORTING PERIOD**

Save as disclosed in this announcement, there is no other material event after the date of reporting period and up to the date of this announcement.

## **CONTINGENT LIABILITIES**

As at 30 September 2023 and 31 March 2023, the Group did not have any significant contingent liabilities.

## **FOREIGN EXCHANGE EXPOSURE**

The Group solely operates in Hong Kong and the majority of the Group's transactions and the Group's cash and cash equivalents are denominated in Hong Kong Dollar. The Group is not exposed to foreign currency risk on transaction that is in a currency other than the respective functional currency of the group entities. The Group did not resort to any foreign currency hedging facilities during the Period, but the management will continuously monitor foreign exchange exposure and will consider hedging significant foreign currency exposure where appropriate.

## **PLEDGE OF ASSETS**

As at 30 September 2023, investment properties, property and equipment and right-of-use assets with an aggregate carrying amount of approximately HK\$224.3 million (31 March 2023: approximately HK\$229.2 million) and restricted bank deposit of approximately HK\$6.6 million (31 March 2023: approximately HK\$6.6 million) were pledged to secure banking facilities granted to the Group. Save for the above, the Group had no other pledge of assets as at 30 September 2023 and 31 March 2023.



## **EMPLOYEES AND REMUNERATION POLICIES**

The total number of full-time and part-time employees was 530 as at 30 September 2023 (31 March 2023: 518). The Group's employee benefit expenses mainly include salaries, discretionary bonuses, medical insurance coverage, staff quarter, other staff benefits and contributions to retirement schemes. Share options are granted to certain Directors and other eligible employees of the Group to reward their contributions under the share option scheme of the Company. The Group's total employee benefit expenses (including directors' emoluments) for the Period amounted to approximately HK\$54.5 million (Previous Period: approximately HK\$78.1 million).

Remuneration is determined generally with reference to the qualification, experience and work performance of the relevant employee, whereas the payment of discretionary bonus is generally subject to work performance of the relevant employee, the financial performance of the Group in that particular year and general market conditions.

## **PROSPECTS**

Our principal business objectives are to solidify our established market position in the private RCHE industry in Hong Kong and enhance our market position in the care and attention homes sector. Also, the Group will continue to participate in various community care related programmes for the provision of accessible, comprehensive, co-ordinated and person-centered care services to the community.

As reflected in the Company's motto: "Quality Service; Respecting and Positive; People-oriented; and Full Dedication (優質服務，敬老樂業，以人為本，全身投入)", the Group is committed to providing quality residential care home services to our residents. As part of our continuing effort to maintain a high quality of our services, the Group has implemented standardised management and operational procedures and quality controls across our network of care and attention homes for the elderly. With the Group's experienced management team and reputation in the market, the Group will continue to expand its network of RCHE in strategic locations in Hong Kong to serve more elderly residents when there are suitable opportunities.

Having considered the surge in available properties in the market and significant decrease in property prices, the Group completed the acquisition of a property in Lam Tin in February 2021 to establish a care and attention home for provision of approximately 220 residential care places, which is expected to commence operation in 2024. In July 2021, the Group completed the acquisition of four pieces of lands in Yuen Long for establishment of another new care and attention home, which is anticipated to provide approximately 250 residential care places and expected to commence operation in late 2026.

In 2022, the Group has been taking initiatives to diversify its business with an objective to broaden its income stream and expand into targeting segments. The Group tapped into medical diagnostic and imaging and health check markets in Hong Kong to raise public awareness of the importance of preventive healthcare and regular check-ups. We provide a wide variety of services to meet incremental, preventive and other health-related needs of the public, including but not limited to health check-ups, mammography, ultrasound, DEXA Bone Densitometry and various laboratory tests. With the ageing population and the increase in health awareness of the public in Hong Kong, we believe our Group could seize the opportunity to gradually expand its operation in this industry.

The Group are confident for its sustainable growth and believes that its management team with extensive industry experience and its agile operations team are able to adapt to the rapid changes of the demand from the community and adjust the business strategy in accordance with market trends.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the Period.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). In response to the specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the Period.

## SHARE OPTION SCHEME

The share option scheme (the “**Share Option Scheme**”) was conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules on the Stock Exchange by written resolutions of all the Shareholders passed on 20 May 2019.

Movements in the outstanding share options granted under the Share Option Scheme during the Period are set out below:

Date of Grant (dd/mm/yyyy)	Name of Grantees	Position/Capacity	Number of Shares over which Share Options are Exercisable					Balance as at 30 September 2023	Exercise Price Per Share (Note 1)	Vested Date (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
			Balance as at 1 April 2023	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled/ Forfeited during the Period				
22/03/2022	Mr. Ngai	Chairman of the Board, executive Director, chief executive officer and controlling Shareholder	10,000,000	—	—	—	—	10,000,000	HK\$0.6	22/03/2025	22/03/2032
22/03/2022	Ms. Ngai Ka Yee	Executive director and controlling Shareholder	10,000,000	—	—	—	—	10,000,000	HK\$0.6	22/03/2025	22/03/2032
22/03/2022		Other eligible employees	40,000,000	—	—	—	—	40,000,000	HK\$0.6	22/03/2025	22/03/2032
			<u>60,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>60,000,000</u>			

*Note:*

- (1) The closing price of the Shares immediately before the date on which the share options were granted (i.e. 22 March 2022) was HK\$0.6 per share.

During the Period, no share option was granted, exercised, lapsed, cancelled or forfeited under the Share Option Scheme, and as at 30 September 2023, 60,000,000 share options were granted to the Directors and other eligible employees.

The total number of options available for grant at the beginning and the end of the Period under the Share Option Scheme is 40,000,000 shares, representing 4.0% of the total number of issued Shares. There is no service provider sublimit set under the Share Option Scheme; and no share options were issued to service providers under Rule 17.03(3) of the Listing Rules. The number of shares that may be issued in respect of options granted under the Share Option Scheme during the Period were 60,000,000. The weighted average number of shares for the Period were 1,000,000,000. The calculation pursuant to Rule 17.07(3) of the Listing Rules is 0.06.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Board has adopted the principles and the code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Part 2 of Appendix 14 to the Listing Rules to ensure that the Company’s business activities and decision making processes are regulated in a proper and prudent manner. The Company is committed to attaining and maintaining high standards of corporate governance to safeguard interest of the Shareholders and ensure the quality of the constitution of the Board and transparency and accountability to the Shareholders. The Company complied with all the code provisions in the CG Code during the Period and up to the date of this announcement, except for the deviation from code provision C.2.1 of the CG Code as noted hereunder.

Code provision C.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ngai is the chief executive officer of the Company and was appointed as the chairman of the Board on 15 October 2020. Although this deviates from the practice under code provision C.2.1 of the CG Code, which provides that these two positions should be held by two different individuals, as Mr. Ngai has considerable experience in the enterprise operation and management of the Company, the Board believes that it is in the best interests of the Company and the Shareholders as a whole to have Mr. Ngai as chairman of the Board so that it can benefit from his experience and capability in leading the Board in the long-term development of the Company and for more effective planning and execution of business strategies. As all major decisions are made in consultation with the members of the Board, and there are four independent non-executive Directors on the Board offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board.

## **AUDIT COMMITTEE**

The Board has set up an audit committee on 20 May 2019 (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code. The primary duties of the Audit Committee include, but are not limited to, the following: (i) making recommendations to the Board on the appointment and removal of the external auditor; (ii) reviewing the financial statements of the Group and monitoring the integrity of such financial statements; and (iii) overseeing the financial reporting system and internal control procedures. As at the date of this announcement, the Audit Committee comprised four members, namely, Mr. Or Kevin, Mr. Wong Vinci, Ms. Wu Wing Fong and Ms. Lo Ning. The chairman of the Audit Committee is Mr. Or Kevin, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The unaudited condensed consolidated financial statements of the Group for the Period have been reviewed by the Audit Committee.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement of the Group for the Period is available for viewing on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.elderlyhk.com](http://www.elderlyhk.com).

The interim report of the Group for the Period, containing all the information required by the Listing Rules, will be despatched to the Shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 30 November 2023

*As at the date of this announcement, the executive Directors are Ms. Ngai Ka Yee and Mr. Ngai Shi Shing Godfrey; and the independent non-executive Directors are Mr. Or Kevin, Mr. Wong Vinci, Ms. Wu Wing Fong and Ms. Lo Ning.*