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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 2024**

#### **FINANCIAL HIGHLIGHTS**

- The Group recorded a total revenue for the six months ended 30 September 2024 of approximately HK\$148.0 million, representing an increase of approximately 9.5% as compared to that of the six months ended 30 September 2023.
- The Group recorded a profit attributable to the owners of the Company for the six months ended 30 September 2024 of approximately HK\$25.7 million, representing an increase of approximately 28.8% as compared to that of the six months ended 30 September 2023.
- The Board did not recommend the payment of interim dividend for the six months ended 30 September 2024 (six months ended 30 September 2023: 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 2024 (the “**Period**”), together with the comparative figures for the six months ended 30 September 2023 (the “**Previous Period**”) as follows:

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2024

	Note	For the six months ended 30 September	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue	4	147,971	135,157
Employee benefit expenses, net		(58,496)	(54,474)
Depreciation of property and equipment		(5,919)	(5,477)
Depreciation of right-of-use assets		(17,683)	(18,479)
Property rental and related expenses		(3,798)	(2,484)
Food and beverage costs		(6,289)	(4,943)
Utility expenses		(3,826)	(3,821)
Supplies and consumables		(1,225)	(1,237)
Repair and maintenance		(1,416)	(885)
Subcontracting fees, net		(1,492)	(3,126)
Laundry expenses		(1,252)	(1,198)
Medical fees and related expenses		(1,373)	(1,306)
Legal and professional fee		(789)	(706)
Other operating expenses		(6,589)	(6,719)
Other income and other gains, net		581	368
Finance costs, net		(8,148)	(4,654)
Profit before taxation	5	30,257	26,016
Income tax expense	6	(4,756)	(5,890)
Profit for the period		<u>25,501</u>	<u>20,126</u>
<b>Profit/(loss) for the period attributable to</b>			
— Owners of the Company		25,664	19,930
— Non-controlling interests		(163)	196
		<u>25,501</u>	<u>20,126</u>
<b>Earnings per share attributable to the owners of the Company (in HK cents)</b>			
— Basic	8	<u>2.57</u>	<u>1.99</u>
— Diluted	8	<u>2.57</u>	<u>1.99</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	<b>For the six months ended 30 September</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<b>25,501</b>	20,126
<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	<u>(43)</u>	<u>(204)</u>
<b>Other comprehensive loss for the period, net of tax</b>	<u>(43)</u>	<u>(204)</u>
<b>Total comprehensive income for the period</b>	<u><b>25,458</b></u>	<u>19,922</u>
<b>Total comprehensive income/(loss) for the period attributable to</b>		
— Owners of the Company	<b>25,621</b>	19,726
— Non-controlling interests	<u>(163)</u>	<u>196</u>
	<u><b>25,458</b></u>	<u>19,922</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

	As at 30 September 2024 (Unaudited) <i>HK\$'000</i>	As at 31 March 2024 (Audited) <i>HK\$'000</i>
	<i>Note</i>	
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property and equipment	102,741	105,014
Investment properties	368,100	368,100
Right-of-use assets	265,674	282,115
Deferred tax assets	2,485	2,485
Prepayment and deposits	7,437	4,946
Financial assets at fair value through other comprehensive income	654	697
	<hr/>	<hr/>
Total non-current assets	747,091	763,357
<b>CURRENT ASSETS</b>		
Trade receivables	9 17,876	12,682
Prepayments, deposits and other receivables	12,437	9,251
Short-term bank deposits	1,100	30,100
Restricted bank deposit	10,491	10,491
Cash and cash equivalents	50,002	37,420
	<hr/>	<hr/>
Total current assets	91,906	99,944
	<hr/>	<hr/>
<b>Total assets</b>	<b>838,997</b>	<b>863,301</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to the owners of the Company</b>		
Share capital	10,000	10,000
Reserves	430,894	424,293
	<hr/>	<hr/>
	440,894	434,293
Non-controlling interests	71	234
	<hr/>	<hr/>
<b>Total equity</b>	<b>440,965</b>	<b>434,527</b>
	<hr/>	<hr/>

		<b>As at 30 September 2024 (Unaudited) HK\$'000</b>	<b>As at 31 March 2024 (Audited) HK\$'000</b>
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Accruals and other payables	10	5,747	6,672
Lease liabilities		106,907	121,206
Bank borrowings		194,093	207,991
		<u>306,747</u>	<u>335,869</u>
Total non-current liabilities			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	26,265	24,376
Contract liabilities	4	1,068	964
Amount due to a director		—	250
Bank borrowings		27,214	26,323
Lease liabilities		29,622	28,783
Income tax payable		7,116	12,209
		<u>91,285</u>	<u>92,905</u>
Total current liabilities			
<b>Total liabilities</b>		<u><b>398,032</b></u>	<u><b>428,774</b></u>
<b>Total equity and liabilities</b>		<u><b>838,997</b></u>	<u><b>863,301</b></u>

# 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 and its subsidiaries (collectively, 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 25 November 2024.

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 2024 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 2024, 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 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 2024, 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.

The CODM has determined the operating segments based on these reports. The Group is organised into two business segments:

- (a) elderly care services segment (“**Elderly care services**”); and
- (b) investment properties holding segment (“**Investment properties holding**”).

(a) **Segment revenue and results**

The following tables present revenue and segment results regarding the Group's reportable segments for the six months ended 30 September 2024 and 2023 respectively.

**For the six months ended 30 September 2024 (Unaudited)**

	<b>Elderly care services HK\$'000</b>	<b>Investment properties holding HK\$'000</b>	<b>Total HK\$'000</b>
<b>Revenue from contract with customers within the scope of HKFRS 15</b>			
<i>Recognised over time:</i>			
Rendering of elderly home care services	109,503	—	109,503
Rendering of elderly community home care services	1,563	—	1,563
Rendering of medical and laboratory services	4,141	—	4,141
Rental and properties management fee income	—	871	871
<i>Recognised at a point in time:</i>			
Sales of elderly home related goods	24,548	—	24,548
<b>Revenue arising from operating lease within the scope of HKFRS 16:</b>			
Fixed	—	7,345	7,345
Segment revenue	<u>139,755</u>	<u>8,216</u>	<u>147,971</u>
Segment results	<u>37,284</u>	<u>5,332</u>	<u>42,616</u>
Corporate and other unallocated expenses			(4,211)
Finance costs, net			<u>(8,148)</u>
Profit before taxation			<u>30,257</u>
<b>Other information:</b>			
Depreciation of property and equipment	(5,919)	—	(5,919)
Depreciation of right-of-use assets	(16,332)	(1,351)	(17,683)
Capital expenditures	<u>(3,646)</u>	<u>—</u>	<u>(3,646)</u>



**For the six months ended 30 September 2023 (Unaudited)**

	Elderly care services <i>HK\$'000</i>	Investment properties holding <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue from contract with customers</b>			
<b>within the scope of HKFRS 15</b>			
<i>Recognised over time:</i>			
Rendering of elderly home care services	99,461	—	99,461
Rendering of elderly community home care services	4,440	—	4,440
Rendering of medical and laboratory services	5,551	—	5,551
Rental and properties management fee income	—	719	719
<i>Recognised at a point in time:</i>			
Sales of elderly home related goods	22,573	—	22,573
<b>Revenue arising from operating lease</b>			
<b>within the scope of HKFRS 16:</b>			
Fixed	—	2,401	2,401
Variable	—	12	12
	<u>132,025</u>	<u>3,132</u>	<u>135,157</u>
Segment revenue			
	<u>132,025</u>	<u>3,132</u>	<u>135,157</u>
Segment results	<u>33,879</u>	<u>(348)</u>	<u>33,531</u>
Corporate and other unallocated expenses			(2,861)
Finance costs, net			<u>(4,654)</u>
Profit before taxation			<u>26,016</u>
<b>Other information:</b>			
Depreciation of property and equipment	(5,477)	—	(5,477)
Depreciation of right-of-use assets	(17,128)	(1,351)	(18,479)
Capital expenditures	<u>10,857</u>	<u>—</u>	<u>10,857</u>

The Group's revenue was derived solely from its operations in Hong Kong during the six months ended 30 September 2024 (2023: same), and the non-current assets of the Group were located in Hong Kong as at 30 September 2024 (31 March 2024: same).

Revenue of approximately HK\$65,602,000 (2023: HK\$62,299,000) for the six months ended 30 September 2024 was derived from the Government of HKSAR under the Enhanced Bought Place Scheme (“**EBPS**”), Bought Place Scheme (“**BPS**”) and provision of residential care services in the Contract Home, which amounted to more than 10% (2023: same) of the Group's revenue.

The Group did not recognise any revenue-related contract assets during the six months ended 30 September 2024 (2023: Nil).

**(b) Segment assets and liabilities**

**As at 30 September 2024 (Unaudited)**

	<b>Elderly care services HK\$'000</b>	<b>Investment properties holding HK\$'000</b>	<b>Total HK\$'000</b>
<b>Assets</b>			
Segment assets	<u>384,753</u>	<u>442,594</u>	<u>827,347</u>
Unallocated:			
Financial assets at fair value through other comprehensive income			654
Short-term bank deposits			1,100
Cash and cash equivalents			<u>9,896</u>
Total assets			<u><u>838,997</u></u>
<b>Liabilities</b>			
Segment liabilities	<u>167,322</u>	<u>4,428</u>	<u>171,750</u>
Unallocated:			
Bank borrowings			221,307
Other payables			<u>4,975</u>
Total liabilities			<u><u>398,032</u></u>

**As at 31 March 2024 (Audited)**

	Elderly care services <i>HK\$'000</i>	Investment properties holding <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>			
Segment assets	<u>389,737</u>	<u>436,588</u>	<u>826,325</u>
Unallocated:			
Financial assets at fair value through other comprehensive income			697
Short-term bank deposits			30,100
Cash and cash equivalents			<u>6,179</u>
Total assets			<u><u>863,301</u></u>
<b>Liabilities</b>			
Segment liabilities	<u>184,046</u>	<u>4,416</u>	<u>188,462</u>
Unallocated:			
Bank borrowings			234,314
Other payables			5,748
Amount due to a director			<u>250</u>
Total liabilities			<u><u>428,774</u></u>

An analysis of revenue is as follows:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
<i>Recognised over time:</i>		
Rendering of elderly home care services	<b>109,503</b>	99,461
Rendering of elderly community care services	<b>1,563</b>	4,440
Management fee income and car park revenue	<b>871</b>	719
<i>Recognised at a point in time:</i>		
Sales of elderly home related goods	<b>24,548</b>	22,573
Rendering of medical and laboratory services	<b>4,141</b>	5,551
Revenue arising from operating lease within the scope of HKFRS 16:		
Fixed	<b>7,345</b>	2,401
Variable	<b>—</b>	12
	<b>147,971</b>	135,157

The Group did not recognise any revenue-related contract assets during the six months ended 30 September 2024 and 2023.

### **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>2024</b>	2024
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Contract liabilities	<b>1,068</b>	964

The following table shows the revenue recognised during the six months ended 30 September 2024 and 2023 related to carried-forward contract liabilities:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue recognised that was included in the contract liabilities balance as at beginning of the period	<b>964</b>	<b>1,015</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>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation on property and equipment	<b>5,919</b>	5,477
Depreciation on right-of-use assets	<b>17,683</b>	18,479
Property rental and related expenses	<b>3,798</b>	2,484
Employee benefit expenses, net	<b>58,496</b>	54,474
— Wages and salaries	<b>53,457</b>	51,146
— Retirement benefit scheme contributions	<b>1,716</b>	2,013
— Staff welfare and benefits	<b>76</b>	328
— Provision for long service payments	<b>—</b>	334
— Directors' remunerations	<b>3,010</b>	2,288
— Share-based payment expenses: staff portion	<b>652</b>	652
— Government subsidies	<b>(415)</b>	(2,287)
Subcontracting fees, net	<b>1,492</b>	3,126
— Subcontracting fees	<b>5,202</b>	6,239
— Government subsidies	<b>(3,710)</b>	(3,113)
Legal and professional fee	<b>789</b>	706
Loss allowance on trade receivables	<b>—</b>	18
Medical fees and related expenses	<b>1,373</b>	1,306

As at 30 September 2024, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (31 March 2024: same).

## 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 2024 and 2023.

An analysis of the income tax expenses is as follows:

	For the six months ended	
	30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current tax	4,756	5,805
Deferred tax	—	85
	<u>4,756</u>	<u>5,890</u>

## 7 DIVIDENDS

The Board has resolved not to recommend the payment of interim dividend for the six months ended 30 September 2024 (six months ended 30 September 2023: HK1.0 cent per share).

## 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 2024 and 2023.

	For the six months ended 30 September	
	2024 (Unaudited)	2023 (Unaudited)
Profit attributable to the owners of the Company ( <i>HK\$'000</i> )	25,664	19,930
Weighted average number of shares in issue ( <i>thousand shares</i> )	<u>1,000,000</u>	<u>1,000,000</u>
Basic earnings per share ( <i>HK cents</i> )	<u><u>2.57</u></u>	<u><u>1.99</u></u>

### (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 2024 and 2023, 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

	As at 30 September 2024 (Unaudited) <i>HK\$'000</i>	As at 31 March 2024 (Audited) <i>HK\$'000</i>
Trade receivables	17,894	12,700
Less: loss allowance	<u>(18)</u>	<u>(18)</u>
Trade receivables	<u><b>17,876</b></u>	<u><b>12,682</b></u>

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

	As at 30 September 2024 (Unaudited) <i>HK\$'000</i>	As at 31 March 2024 (Audited) <i>HK\$'000</i>
Within 30 days	9,958	7,566
31–60 days	109	4,779
61–180 days	5,596	101
Over 180 days	<u>2,231</u>	<u>254</u>
	<u><b>17,894</b></u>	<u><b>12,700</b></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

	As at 30 September 2024 (Unaudited) HK\$'000	As at 31 March 2024 (Audited) HK\$'000
Trade payables	1,878	2,310
Accruals and other payables	12,073	11,901
Accrued wages and salaries and contributions to MPF scheme	7,785	6,746
Deposits from customers	4,366	3,111
Rental deposits received	4,013	3,861
Provision for reinstatement cost	575	575
Employee benefit obligations	1,322	2,544
	<u>32,012</u>	<u>31,048</u>
Less: Non-current portion	<u>(5,747)</u>	<u>(6,672)</u>
Current portion	<u><u>26,265</u></u>	<u><u>24,376</u></u>

As at 30 September 2024 and 31 March 2024, 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:

	As at 30 September 2024 (Unaudited) HK\$'000	As at 31 March 2024 (Audited) HK\$'000
Within 60 days	1,693	2,310
Over 90 days	185	—
	<u><u>1,878</u></u>	<u><u>2,310</u></u>

## 11 CAPITAL COMMITMENT

As at 30 September 2024, the Group had capital commitments for property and equipment, amounting to approximately HK\$13.6 million (31 March 2024: approximately HK\$13.9 million) after netting off the prepayment for the purchase of property and equipment.

## 12 CONTINGENT LIABILITIES

As at 30 September 2024 and 31 March 2024, 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 2024, the Group had a network of eleven (31 March 2024: nine) care and attention homes for the elderly with 1,378 residential care places (31 March 2024: 1,229 residential care places) strategically located across six (31 March 2024: 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”, “Ka Shui Garden 嘉瑞園” and “Hing Tin Elderly Centre”, 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 2024:

	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 or 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	80	23	103	EA1 <sup>(1)(3)</sup>
Fai-To Home for the Aged (On Lai) Branch ("Fai To Home (On Lai)")	Tuen Mun	1997	28	19	47	EA1 <sup>(1)(3)</sup>
Fai To Home for the Aged (Tuen Mun) Branch ("Fai To Home (Tuen Mun)")	Tuen Mun	1995	44	46	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
Hing Tin Elderly Centre ("Hing Tin Centre")	Lam Tin	2024	—	76	76	N/A
Ka Shui Garden Nursing Home for the Elderly (Tak Tin) ("KSG Tak Tin")	Lam Tin	2024	42	60	102	N/A
			702	676	1,378	

*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>.
3. Fai To Home (On Lai) and Kato Home for the Aged upgraded to EA1 since August 2024 and September 2024 respectively.

The following table sets forth the average monthly occupancy rate of each respective RCHes as at 30 September 2024 and 31 March 2024:

	<b>Average monthly occupancy rate</b> <sup>(Note)</sup>	
	<b>As at 30 September 2024</b> %	<b>As at 31 March 2024</b> %
Kato Elderly Home	<b>97.1</b>	96.0
Kato Home for the Aged	<b>81.9</b>	83.9
Fai To Home (On Lai)	<b>86.8</b>	75.1
Fai To Home (Tuen Mun)	<b>86.3</b>	89.6
Fai To Sino West Home	<b>93.5</b>	84.4
Happy Luck Home	<b>90.6</b>	85.4
Tsuen Wan Centre	<b>82.4</b>	81.1
Pine Villa	<b>98.3</b>	97.1
KSG Nursing Home	<b>91.5</b>	92.9
Hing Tin Centre	<b>65.8</b>	N/A
KSG (Tak Tin)	<b>94.1</b>	N/A
<b>Overall</b>	<b>89.7</b>	87.3

*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/period is calculated by dividing the sum of the monthly occupancy rates by the total number of months in that year/period.

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

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

The Group offered 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 2024, Fai To Sino West Home, 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 four (31 March 2024: five) contract homes, with a total capacity of centre-based services of 100 (31 March 2024: 120) places and home-based services of 800 (31 March 2024: 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 2024 and 31 March 2024, 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 2024, the Group had three (31 March 2024: five) medical and health check-up centres located across three (31 March 2024: four) districts in Hong Kong.

## 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) rental and management fee income; (iv) rendering of medical and laboratory services; and (v) rendering of elderly community care services. 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 2024 (the "Period") and the six months ended 30 September 2023 (the "Previous Period"):

	For the six months ended 30 September			
	2024		2023	
	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	62,739	42.3	60,471	44.8
— residential care places purchased by individual customers	46,764	31.6	38,990	28.8
<b>Sales of elderly home related goods</b>	<u>24,548</u>	<u>16.6</u>	<u>22,573</u>	<u>16.7</u>
	134,051	90.5	122,034	90.3
<b>Rental and management fee income</b>	8,216	5.6	3,132	2.3
<b>Rendering of medical and laboratory services</b>	4,141	2.8	5,551	4.1
<b>Rendering of elderly community care services</b>	<u>1,563</u>	<u>1.1</u>	<u>4,440</u>	<u>3.3</u>
Total	<u><u>147,971</u></u>	<u><u>100.0</u></u>	<u><u>135,157</u></u>	<u><u>100.0</u></u>

The revenue increased from approximately HK\$135.2 million for the Previous Period to approximately HK\$148.0 million for the Period mainly due to (i) increase in revenue from rendering of elderly home care services as two new care and attention homes located in Lam Tin commenced operation during the Period; and (ii) increase in rental and management fee income as the Group completed acquisition of the properties located at Tsuen Wan in February 2024 and rented to an independent third party for operation of an elderly home since then.

## **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 increased from approximately HK\$54.5 million for the Previous Period to approximately HK\$58.5 million for the Period. The increase was primarily due to (i) increase in number of staff due to commencement of operation for two care and attention homes located in Lam Tin with 178 residential care places during the Period; and (ii) general salaries increment for staff.

## **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\$6.3 million for the Period (Previous Period: approximately HK\$4.9 million) mainly due to (i) commencement of operation for two care and attention homes located in Lam Tin during the Period; and (ii) increase in average monthly occupancy rate.

## **Profit for the Period**

As a result of the foregoing, the profit for the Period increased by approximately 26.7% to approximately HK\$25.5 million as compared to approximately HK\$20.1 million for the Previous Period.

## **INTERIM DIVIDEND**

The Board has resolved not to recommend the payment of interim dividend for the Period (Previous Period: HK1.0 cent per share).

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's net assets was approximately HK\$441.0 million as at 30 September 2024 (31 March 2024: approximately HK\$434.5 million). As at 30 September 2024, the Group's net current assets was approximately HK\$0.6 million (31 March 2024: approximately HK\$7.0 million), including cash and cash equivalents of approximately HK\$50.0 million (31 March 2024: approximately HK\$37.4 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 1.0 times as at 30 September 2024 (31 March 2024: approximately 1.1 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 has been applied, including the use of bank borrowings or placing of new shares. The management will continue its efforts to obtain the best rates and most favourable terms available to the Group for its financing.

The Group monitors its capital with reference to its gearing ratio, which is expressed as a percentage of net debt divided by total capital. Net debt is calculated as the sum of bank borrowings and lease liabilities less the sum of cash and cash equivalents, short-term bank deposits and restricted bank deposits. Total capital represents total equity as shown on the interim condensed consolidated statement of financial position of the Group.

The gearing ratio as at 30 September 2024 and 31 March 2024 were as follows:

	<b>30 September 2024 HK\$'000</b>	31 March 2024 HK\$'000
Bank borrowings	<b>221,307</b>	234,314
Lease liabilities	<b>136,529</b>	149,989
	<b>357,836</b>	384,303
Less: Cash and cash equivalents	<b>(50,002)</b>	(37,420)
Short-term bank deposits	<b>(1,100)</b>	(30,100)
Restricted bank deposit	<b>(10,491)</b>	(10,491)
	<b>(61,593)</b>	(78,011)
Net debt	<b>296,243</b>	306,292
Total equity	<b>440,965</b>	434,527
Gearing ratio	<b>67.2%</b>	70.5%



As at 30 September 2024, 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	27,214
More than 1 year but less than 2 years	25,846
More than 2 years but less than 5 years	53,091
More than 5 years	<u>115,156</u>
	<u><u>221,307</u></u>

## **CAPITAL COMMITMENTS**

As at 30 September 2024, the Group had capital commitments for property and equipment, amounting to approximately HK\$13.6 million (31 March 2024: approximately HK\$13.9 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 elderly home, commercial complex, retail shops, fresh market stalls, cooked food stalls, storerooms and car park spaces in Lam Tin and Tsuen Wan and are leased to third parties under operating leases for rental income. As at 30 September 2024, the Group's investment properties amounted to HK\$368.1 million (31 March 2024: HK\$368.1 million).

## **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**

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, which is 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.

## **CONTINGENT LIABILITIES**

As at 30 September 2024 and 31 March 2024, the Group did not have any significant contingent liabilities.

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

There is no material event after the date of reporting period and up to the date of this announcement.

## **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 any foreign currency risk on transaction that is in a currency other than the functional currency of the Group. 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 2024, investment properties, property and equipment and right-of-use assets with an aggregate carrying amount of approximately HK\$453.3 million (31 March 2024: approximately HK\$455.1 million) and restricted bank deposit of approximately HK\$10.5 million (31 March 2024: approximately HK\$10.5 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 2024 and 31 March 2024.

## EMPLOYEES AND REMUNERATION POLICIES

The total number of full-time and part-time employees was 581 as at 30 September 2024 (31 March 2024: 469). 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 were granted to certain Directors and other eligible employees of the Group to reward their contributions under the share option scheme of the Company (the "**Share Option Scheme**"). The Group's total employee benefit expenses (including directors' emoluments) for the Period amounted to approximately HK\$58.5 million (Previous Period: approximately HK\$54.5 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.

The Directors confirm that there is no material change in the nature of business of the Group and consider the above change in the use of proceeds is fair and reasonable as this allows the Group to deploy its financial resources more effectively to enhance the profitability of the Group and is in the interests of the Group and its shareholders as a whole.

## PROSPECTS

According to Hong Kong population projections for 2022–2046 released by the Census and Statistics Department, the number of elderly persons in Hong Kong is projected to increase from 1.45 million in 2021 to 2.74 million, over a third of the total number of people in the city, by 2046. This is partly as a result of the unique demographic challenges that Hong Kong faces. It has the highest life expectancy in the world, with women living on average to 87.9 years old and men 82.5 years, while its birth rate plummeted to 4.4 per 1,000 population in 2023, which invariably leads to escalating demand on residential care home services among older adults.

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-centred 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. In June 2024, a new care and attention home located in Lam Tin with 76 residential care places under first phase commenced operation, second phase with approximately 146 residential care places is expected to commence operation in late 2024. Also, another new care and attention home located in Lam Tin with 102 residential care places commenced operation in September 2024.

Having considered the surge in available properties in the market and significant decrease in property prices, the Group completed the acquisition of four pieces of lands in Yuen Long in July 2021 for establishment of a 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 market share in this industry.

The Group are confident in 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 the Company listed securities during the Period (including sale of treasury shares). As of the end of the Period, no treasury shares were held by the Company.

## 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**”) contained in Appendix C3 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). 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 was conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules 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					Exercise Price Per Share (Note 1)	Vested Date (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)	
			Balance as at 1 April 2024	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled/ Forfeited during the Period				Balance as at 30 September 2024
			22/03/2022	Mr. Ngai Shi Shing Godfrey	Chairman of the Board, executive Director, chief executive officer and controlling Shareholder	10,000,000	—				—
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 2024, 60,000,000 share options were granted to the Directors and other eligible employees.

As of 30 September 2024, the total number of options available for grant at the beginning and the end of the Period under the Share Option Scheme was 40,000,000 shares, representing 4.0% of the total number of issued shares of the Company. 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 number of shares that may be issued in respect of options granted under the Share Option Scheme during the Period divided by the weighted average number of Shares in issue for the Period was 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 C1 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 officer should be separate and should not be performed by the same individual. Mr. Ngai Shi Shing Godfrey (“**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 three 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 are to assist the Board: (i) making recommendations 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 and risk management procedures. As at the date of this announcement, the Audit Committee is comprised of three independent non-executive Directors, namely, Mr. Or Kevin, Mr. Wong Vinci and Ms. Wu Wing Fong. 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 upon request 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, 25 November 2024

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