



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



優質服務 敬老樂業
以人為本 全身投入

Interim Report
2023



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ngai Ka Yee

Ngai Shi Shing Godfrey (*Chairman and
Chief Executive Officer*)

Independent non-executive Directors

Or Kevin

Wong Vinci

Wu Wing Fong

Lo Ning

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1st Floor

Tung Wai Court

No. 3 Tsing Ling Path

Tuen Mun

New Territories

Hong Kong

COMPANY WEBSITE

www.elderlyhk.com

COMPANY SECRETARY

Kwok Chi Kan (*HKICPA*)

AUTHORISED REPRESENTATIVES

Ngai Shi Shing Godfrey

Kwok Chi Kan

BOARD COMMITTEES

Audit Committee

Or Kevin (*Chairman*)

Wong Vinci

Wu Wing Fong

Lo Ning

Remuneration Committee

Wong Vinci (*Chairman*)

Ngai Shi Shing Godfrey

Or Kevin

Lo Ning

Nomination Committee

Lo Ning (*Chairlady*)

Ngai Shi Shing Godfrey

Or Kevin

Wong Vinci



Corporate Information



CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

Loeb & Loeb LLP
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited
Shanghai Commercial Bank Limited





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.

Management Discussion and Analysis

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 ⁽¹⁾
Kato Home for the Aged	Tuen Mun	1998	86	37	123	EA2 ⁽²⁾
Fai-To Home for the Aged (On Lai) Branch ("Fai To Home (On Lai)")	Tuen Mun	1997	28	28	56	EA2 ⁽²⁾
Fai To Home for the Aged (Tuen Mun) Branch ("Fai To Home (Tuen Mun)")	Tuen Mun	1995	47	43	90	EA2 ⁽²⁾
Fai To Sino West Combined Home for the Aged ("Fai To Sino West Home")	To Kwa Wan	2000	148	146	294	EA1 ⁽¹⁾
Happy Luck Elderly Home Limited ("Happy Luck Home")	Tsuen Wan	2015	75	71	146	EA1 ⁽¹⁾
Tsuen Wan Elderly Centre Limited ("Tsuen Wan Centre")	Tsuen Wan	2008	79	71	150	EA1 ⁽¹⁾
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:

- 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 m².
- 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 m².

Management Discussion and Analysis

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

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

Management Discussion and Analysis

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.

Management Discussion and Analysis

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	%
Rendering of elderly home care services				
— 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
Sales of elderly home related goods	22,573	16.7	19,110	9.2
Rendering of elderly community care services	122,034	90.3	104,734	50.3
Rendering of medical and laboratory services	4,440	3.3	3,882	1.9
Rental and management fee income	5,551	4.1	226	0.1
Rendering of care support services to persons under quarantine	3,132	2.3	3,205	1.5
	—	—	96,232	46.2
Total	135,157	100.0	208,279	100.0

Management Discussion and Analysis



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 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 this business segment 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 in subcontracting fees from HK\$15.8 million for the Previous Period to HK\$3.1 million for the Period was 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.





Management Discussion and Analysis

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, 5 January 2024 to the owners of the Company whose names appeared on the register of members of the Company (the “**Register of Members**”) on Thursday, 21 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 Wednesday, 20 December 2023 to Thursday, 21 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 Tuesday, 19 December 2023.

LIQUIDITY AND FINANCIAL RESOURCES

The Group’s net assets remains stable at 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).

Management Discussion and Analysis



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. 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:

	HK\$'000
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	62,207
	116,664

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.



Management Discussion and Analysis

CAPITAL STRUCTURE

There had been no changes in the capital structure of the Group during the Period. As at the date of this report, 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 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, which is expected to commence operation in 2024.

Management Discussion and Analysis

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 report, 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 “**Company**” or 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 a 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 report, the Properties were 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 the existing 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.



Management Discussion and Analysis

EVENTS AFTER THE DATE OF REPORTING PERIOD

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

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 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 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.



Management Discussion and Analysis



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 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\$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.

USE OF PROCEEDS

The plan of use of proceeds has been set out in the prospectus dated 30 May 2019 (the **"Prospectus"**) and the announcement of the Company dated 4 January 2021. The analysis of the unutilised net proceeds, the actual use of proceeds and the expected timeline for utilising the unutilised net proceeds are set out below:

Business objective	Planned use of net proceeds as stated in the Prospectus HK\$'million	Change of allocation of the net proceeds HK\$'million	Revised allocation of the net proceeds HK\$'million	Unutilised net proceeds as at 31 March 2023 HK\$'million	Actual use of proceeds for the Period HK\$'million	Unutilised net proceeds as at 30 September 2023 HK\$'million	Expected timeline for utilising the unutilised net proceeds
Establishment of new care and attention homes for the elderly	86.3	(86.3)	—	—	—	—	—
Acquisition of a suitable property whereby a care and attention home will be established	—	86.3	86.3	—	—	—	Fully utilised
Renew and upgrade facilities of existing RCHes	27.2	—	27.2	4.1	(1.9)	2.2	By 31 March 2024
Upgrade information technology infrastructure	1.5	—	1.5	1.3	(0.1)	1.2	By 31 March 2024
General working capital	1.9	—	1.9	—	—	—	Fully utilised
Total	116.9	—	116.9	5.4	(2.0)	3.4	



Management Discussion and Analysis

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. Save as disclosed above, the remaining unutilised net proceeds will be used based on the strategies as disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

The unutilised net proceeds have been placed as interest bearing deposits with banks in Hong Kong.

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.

Management Discussion and Analysis



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.



Other Information

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

As at 30 September 2023, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) (i) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

Name of Directors	Nature of interests	Number of Shares held ⁽¹⁾	Percentage of shareholding in the Company's issued share capital (%) ⁽⁵⁾
Ms. Ngai Ka Yee (“Ms. Ngai”)	Settlor of a family trust	624,000,000(L) ⁽²⁾	63.40
	Beneficiary owner	10,000,000(L) ⁽³⁾	
Mr. Ngai	Beneficiary of a family trust	624,000,000(L) ⁽²⁾	63.50
	Beneficial owner	11,032,000(L) ⁽⁴⁾	

Other Information

Notes:

- (1) The letter “L” denotes a long position in the Shares.
- (2) These Shares were held by Sheung Fung Limited (“**Sheung Fung**”), which is wholly owned by Shi Fung (PTC) Limited (the “**Trustee**”), the trustee of a family trust, namely, The Kwong and Ngai Family Trust which was established pursuant to the trust deed dated 19 March 2018 as amended and supplemented by a deed of variation of removal of beneficiaries dated 17 July 2018 (the “**Family Trust**”). Ms. Ngai is the settlor of the Family Trust and Mr. Ngai is the sole beneficiary of the Family Trust. By virtue of the SFO, Ms. Ngai and Mr. Ngai are deemed to be interested in the Shares held by Sheung Fung.
- (3) It represents the interest in the 10,000,000 underlying Shares in respect of the share options granted by the Company to Ms. Ngai under the Share Option Scheme, details of which are disclosed in the section headed “Share Option Scheme” below.
- (4) It represents 1,032,000 Shares held by Mr. Ngai and 10,000,000 underlying Shares in respect of the share options granted by the Company to Mr. Ngai under the Share Option Scheme, details of which are disclosed in the section headed “Share Option Scheme” below.
- (5) The approximate percentages were calculated based on 1,000,000,000 Shares in issue as at 30 September 2023.

Save as disclosed above, as at 30 September 2023, none of the Directors nor chief executive of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



Other Information

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS OF THE COMPANY AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

So far as the Directors are aware, as at 30 September 2023, the following persons (not being Directors or chief executive of the Company) had or were deemed or taken to have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Nature of interests	Number of Shares held ⁽¹⁾	Percentage of shareholding in the Company's issued share capital (%) ⁽⁵⁾
Sheung Fung	Beneficial owner	624,000,000(L)	62.40
The Trustee	Trustee	624,000,000(L) ⁽²⁾	62.40
Ms. Wei Xiaoling	Interest of spouse	635,032,000(L) ⁽³⁾	63.50
Mr. Lam Kong ("Mr. Lam")	Beneficial owner	70,202,000(L) ⁽⁴⁾	7.02

Other Information

Notes:

- (1) The letter “L” denotes a long position in the Shares.
- (2) These Shares were held by Sheung Fung, which is wholly owned by the Trustee. Ms. Ngai is the settlor of the Family Trust and Mr. Ngai is the sole beneficiary of the Family Trust. By virtue of the SFO, the Trustee, Ms. Ngai and Mr. Ngai are deemed to be interested in the Shares held by Sheung Fung.
- (3) Ms. Wei Xiaoling is the spouse of Mr. Ngai and is deemed to be interested in the Shares which are interested by Mr. Ngai under the SFO.
- (4) It represents 60,202,000 Shares held by Mr. Lam and 10,000,000 underlying Shares in respect of the share options granted by the Company to Mr. Lam under the Share Option Scheme, details of which are disclosed in the section headed “Share Option Scheme” below.
- (5) The approximate percentages were calculated based on 1,000,000,000 Shares in issue as at 30 September 2023.

Save as disclosed above, as at 30 September 2023, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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. 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.

Other Information

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	Name of Grantee	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	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
			60,000,000	—	—	—	—	60,000,000			

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.

Other Information



As of 30 September 2023, 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 Rules. The number of Shares that may be issued in respect of options granted under the Share Option Scheme during the Period was 60,000,000. The weighted average number of shares for the Period was 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 reporting 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 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 report, 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.





Other Information

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 report, the Audit Committee is comprised of four independent non-executive Directors, 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.

On behalf of the Board

Ngai Shi Shing Godfrey

Chairman and executive Director

Hong Kong, 30 November 2023

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 September 2023

		For the six months ended 30 September	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
	Note		
Revenue	6	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	7	(4,654)	(3,813)
Profit before taxation	8	26,016	67,808
Income tax expense	9	(5,890)	(10,706)
Profit for the period		20,126	57,102
Profit/(loss) for the period attributable to			
— Owners of the Company		19,930	57,167
— Non-controlling interests		196	(65)
		20,126	57,102
Earnings per share attributable to the owners of the Company (in HK cents)			
— Basic	11	1.99	5.72
— Diluted	11	1.99	5.72

The above interim condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.



Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2023

	For the six months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Profit for the period	20,126	57,102
Other comprehensive loss:		
<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	(204)	(85)
Other comprehensive loss for the period, net of tax	(204)	(85)
Total comprehensive income for the period	19,922	57,017
Total comprehensive income/(loss) for the period attributable to		
— Owners of the Company	19,726	57,082
— Non-controlling interests	196	(65)
	19,922	57,017

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Financial Position

As at 30 September 2023

		As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000
	Note		
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	12	115,457	110,077
Investment properties		107,800	107,800
Right-of-use assets	13	319,215	337,729
Deferred tax assets		2,005	2,005
Prepayment and deposits	15	48,776	4,920
Financial assets at fair value through other comprehensive income		729	933
Total non-current assets		593,982	563,464
CURRENT ASSETS			
Trade receivables	14	12,006	44,127
Prepayments, deposits and other receivables	15	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
Total current assets		102,412	135,838
Total assets		696,394	699,302
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital		10,000	10,000
Reserves		361,335	362,629
		371,335	372,629
Non-controlling interests		507	311
Total equity		371,842	372,940

Interim Condensed Consolidated Statement of Financial Position

As at 30 September 2023

		As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000
	Note		
LIABILITIES			
NON-CURRENT LIABILITIES			
Accruals and other payables	17	5,538	5,350
Lease liabilities	13	135,633	149,475
Bank borrowings		102,248	86,023
Deferred tax liabilities		1,801	1,716
Total non-current liabilities		245,220	242,564
CURRENT LIABILITIES			
Trade and other payables	17	23,473	36,920
Contract liabilities	6	252	1,015
Bank borrowings		14,416	5,429
Lease liabilities	13	28,687	29,102
Income tax payable		12,504	11,332
Total current liabilities		79,332	83,798
Total liabilities		324,552	326,362
Total equity and liabilities		696,394	699,302

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2023

	Unaudited Attributable to the owners of the Company							Non- controlling interest HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Investment revaluation reserve HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
For the six months ended 30 September 2022									
At 1 April 2022	10,000	126,440	36	(7)	54	155,006	291,529	678	292,207
Total comprehensive income:									
Profit/(loss) for the period	—	—	—	—	—	57,167	57,167	(65)	57,102
Other comprehensive income	—	—	—	(85)	—	—	(85)	—	(85)
	—	—	—	(85)	—	57,167	57,082	(65)	57,017
Transactions with owners in their capacity as owners:									
Dividends	—	—	—	—	—	(25,000)	(25,000)	—	(25,000)
Share-based payment	—	—	—	—	980	—	980	—	980
At 30 September 2022	10,000	126,440	36	(92)	1,034	187,173	324,591	613	325,204
For the six months ended 30 September 2023									
At 1 April 2023	10,000	126,440	36	(17)	2,014	234,156	372,629	311	372,940
Total comprehensive income:									
Profit for the period	—	—	—	—	—	19,930	19,930	196	20,126
Other comprehensive income	—	—	—	(204)	—	—	(204)	—	(204)
	—	—	—	(204)	—	19,930	19,726	196	19,922
Transactions with owners in their capacity as owners:									
Dividends	—	—	—	—	—	(22,000)	(22,000)	—	(22,000)
Share-based payment	—	—	—	—	980	—	980	—	980
At 30 September 2023	10,000	126,440	36	(221)	2,994	232,086	371,335	507	371,842

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2023

		For the six months ended 30 September 2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
	Note		
Cash flows from operating activities			
Cash generated from operations	18	78,522	97,367
Hong Kong profits tax paid		(4,633)	—
Interest received		687	1
Net cash generated from operating activities		74,576	97,368
Cash flows from investing activities			
Capital expenditure		(54,766)	(25,385)
Change in short-term bank deposits		(33,190)	(277)
Net cash used in investing activities		(87,956)	(25,662)
Cash flows from financing activities			
Payment of principal and interest elements of lease liabilities		(16,846)	(15,474)
Dividends paid to shareholders		(22,000)	(25,000)
Proceeds from bank borrowings		30,000	—
Repayments of bank borrowings		(4,788)	(2,973)
Interest paid		(2,809)	(1,045)
Net cash used in financing activities		(16,443)	(44,492)
Net (decrease)/increase in cash and cash equivalents		(29,823)	27,214
Cash and cash equivalents at the beginning of period		71,439	51,446
Cash and cash equivalents at the end of period		41,616	78,660

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 consolidated 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.



Notes to the Interim Condensed Consolidated Financial Information

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 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to variety financial risks: market risk (cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2023.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Interim Condensed Consolidated Financial Information

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

	Less than 1 year HK\$'000	Between 1–2 years HK\$'000	Between 2–5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000	Carrying amount HK\$'000
As at 30 September 2023 (unaudited)						
Trade and other payables	15,027	—	—	—	15,027	15,027
Bank borrowings	21,110	21,110	39,733	79,732	161,685	116,664
Undiscounted lease liabilities	33,568	32,323	93,773	18,661	178,325	164,320
	69,705	53,433	133,506	98,393	355,037	296,011
As at 31 March 2023 (audited)						
Trade and other payables	19,506	—	—	—	19,506	19,506
Bank borrowing	9,093	9,093	27,278	72,745	118,209	91,452
Undiscounted lease liabilities	34,054	32,537	95,369	33,241	195,201	178,577
	62,653	41,630	122,647	105,986	332,916	289,535

There have been no other significant changes in the risk management policies since 31 March 2023.

4.2 Fair value estimation

The table below analyses the Group's financial instruments carried at fair values as at 30 September 2023 and 31 March 2023 by level of valuation techniques used to measure fair values. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Interim Condensed Consolidated Financial Information

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair values:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 September 2023 (unaudited)				
Investment properties	—	—	107,800	107,800
Financial asset at FVOCI				
— Listed equity investment	729	—	—	729
	729	—	107,800	108,529
As at 31 March 2023 (audited)				
Investment properties	—	—	107,800	107,800
Financial asset at FVOCI				
— Listed equity investment	933	—	—	933
	933	—	107,800	108,733

There were no transfer of financial assets and liabilities between the fair value hierarchy classifications during the six months ended 30 September 2023 and 2022.

The carrying values of the Group's financial assets, including trade receivables, deposits and other receivables, short-term bank deposits, restricted bank deposit and cash and cash equivalents, and financial liabilities, including trade and other payables, lease liabilities and bank borrowings approximate to their fair values due to their short-term maturities or with interest rate close to market rate. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

No financial assets and liabilities were subject to offsetting, enforceable master netting arrangements and similar arrangements as at 30 September 2023 and 31 March 2023.



5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2023.

6 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 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 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.



Notes to the Interim Condensed Consolidated Financial Information

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

An analysis of revenue is as follows:

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

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:

	As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000
Contract liabilities	252	1,015

Notes to the Interim Condensed Consolidated Financial Information

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Contract liabilities (Continued)

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

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

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.

7 FINANCE COSTS, NET

	For the six months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Bank interest income	687	1
Interest expenses on bank borrowings	(2,809)	(1,045)
Interest expenses on lease liabilities	(2,589)	(2,821)
Unwinding interest on rental deposits	57	52
	(4,654)	(3,813)

Notes to the Interim Condensed Consolidated Financial Information

8 PROFIT BEFORE TAXATION

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

	For the six months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Depreciation on property and equipment	5,477	3,157
Depreciation on 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
Loss allowance on trade receivables	18	—
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.

Notes to the Interim Condensed Consolidated Financial Information

9 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:

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

10 DIVIDENDS

	For the six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend proposed after the end of reporting period of HK1.0 cents per share (2022: HK2.2 cents per share)	10,000	22,000

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.

Notes to the Interim Condensed Consolidated Financial Information

11 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.

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

(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.



12 PROPERTY AND EQUIPMENT

(Unaudited)
HK\$'000

Six months ended 30 September 2022

Net book value as at 1 April 2022	15,154
Additions	8,501
Transfer from investment properties	43,200
Depreciation	(3,157)

Net book value as at 30 September 2022	63,698
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Six months ended 30 September 2023

Net book value as at 1 April 2023	110,077
Additions	10,857
Depreciation	(5,477)

Net book value as at 30 September 2023	115,457
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During the six months ended 30 September 2022, the Group transferred certain commercial complex which previously held for leasing in return for rental income from investment properties to property and equipment at a carrying amount of HK\$43,200,000 upon commencement of owner-occupation.



Notes to the Interim Condensed Consolidated Financial Information

13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The interim condensed consolidated statement of financial position shows the following amounts relating to the leases:

	As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000
Right-of-use assets		
Elderly residential care homes/day care centres/ medical laboratory and check-up centres	147,207	161,559
Staff quarters	4,377	5,097
Motor vehicle	119	214
Leasehold land	167,321	170,554
Warehouse	191	305
	319,215	337,729
Lease liabilities		
Current	28,687	29,102
Non-current	135,633	149,475
	164,320	178,577

Notes to the Interim Condensed Consolidated Financial Information

13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

No addition to the right-of-use assets during the six months ended 30 September 2023 (six months ended 30 September 2022: approximately HK\$1.8 million). Also, during the six months ended 30 September 2022, the Group transferred the leasehold land of commercial complex which previously held for leasing in return for rental income from investment properties to right-of-use asset at a carrying amount of HK\$108.8 million upon commencement of owner-occupation.

The interim condensed consolidated statement of profit or loss shows the following amounts relating to the leases:

	For the six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of right-of-use assets (Note 8)	18,479	17,475
Interest expenses on lease liabilities (Note 7)	2,589	2,821

During the six months ended 30 September 2023, total cash outflow for leases of approximately HK\$16.8 million (30 September 2022: HK\$15.5 million).

14 TRADE RECEIVABLES

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

Notes to the Interim Condensed Consolidated Financial Information

14 TRADE RECEIVABLES (CONTINUED)

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

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

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.

The Group's trading terms with its customers are mainly payment in advance. Generally, there is no credit term granted to customers. However, in practice, customers settled their outstanding balances shortly after the date when the amounts are due. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management. In view of the aforementioned and the fact that the Group's trade receivables are due from SWD and a large number of diversified customers with good repayment history, there is no provision of impairment from elderly home care services and related business during the six months ended 30 September 2023 and 2022.

The SWD and a number of independent customers for whom there is no recent history of default. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The ageing analysis of the trade receivables which are past due but not impaired is as above as there is no credit term granted. The Group's trade receivables balance does not contain impaired assets.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 September 2023, loss allowance of HK\$530,000 (31 March 2023: HK\$512,000) was provided for trade receivables from tenants.

The maximum exposure to credit risk at the end of reporting period was the carrying amounts of trade receivables mentioned above. The Group did not hold any collateral as security.

Notes to the Interim Condensed Consolidated Financial Information



15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000
Prepayments	1,072	1,367
Rental deposits	5,361	5,304
Utilities and other deposits	1,230	1,301
Other receivables (<i>note</i>)	5,713	10,019
Prepayments for property and equipment	43,909	110
	57,285	18,101
Less: non-current portion		
Prepayments for property and equipment	(43,909)	(110)
Rental deposits	(4,867)	(4,810)
	(48,776)	(4,920)
Current portion	8,509	13,181

Note:

As at 30 September 2023, included in other receivables are receivables from the Government of HKSAR amounted to HK\$5,226,000 (31 March 2023: HK\$9,613,000) with respect to the reimbursement for purchase of equipment on its behalf for the use in quarantine centres and Contracted Home.

Financial assets included in the above balances relate to receivables for which there was no recent history of default. The Group did not hold any collateral as security. The carrying amounts of deposits and other receivables approximate to their fair values due to their short maturities and are denominated in HK\$.



Notes to the Interim Condensed Consolidated Financial Information

16 RELATED PARTY BALANCES AND TRANSACTIONS

The Group is controlled by Sheung Fung Limited, a limited company incorporated in the British Virgin Islands, which owns 62% of the Company's shares as at 30 September 2023 and 31 March 2023.

(a) Significant transactions with related parties

The Group had the following significant transactions with related parties in the ordinary course of business:

		For the six months ended 30 September	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
	Note		
Repayment of principal and interest portion of lease liabilities and lease payments to related parties:			
— Ms. Ngai Ka Yee	(i)	335	335
— Mr. Ngai Shi Shing, Godfrey	(i)	119	109
— Ms. Lam Wan Fong	(ii)	90	90
— Mr. Lam Chung Ming	(ii)	36	72
— Mr. Ngai Ha Sang	(ii)	180	—
Repayment of principal and interest portion of lease liabilities and lease payments to related companies:			
— Classic Mate Limited	(iii)	618	618
— Kato Elderly Affairs Limited	(iii)	2,430	2,430
— Kato Property Limited	(iii)	1,188	1,188
— Perfect Cheer Investment Limited	(iii)	1,002	1,002
— Shing Kong Limited	(iii)	1,992	1,872
— Smarts Corporation Limited	(iii)	1,362	1,362
Laundry expenses paid/payable to a related company			
— Stand Harvest Limited	(iii)	—	731

The above-mentioned transactions were conducted in the normal course of business and the interest expenses, repayment of lease liabilities and laundry expenses were charged at terms mutually agreed by the relevant parties and companies.



16 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

Notes:

- (i) Ms. Ngai Ka Yee and Mr. Ngai Shi Shing, Godfrey are the executive directors of the Company.
- (ii) They are the close members of the family of the directors.
- (iii) The related companies are controlled by the Group's directors and/or the close members of the family of the directors.

(b) Key management compensation

Key management included the directors and senior management of the Group.

	For the six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	3,553	6,088
Retirement benefit scheme contribution	60	39
Share-based payment expenses	815	817
	4,428	6,944

Notes to the Interim Condensed Consolidated Financial Information

17 TRADE AND OTHER PAYABLES

	As at 30 September 2023 (Unaudited) HK\$'000	As at 31 March 2023 (Audited) HK\$'000
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
	29,011	42,270
Less: Non-current portion	(5,538)	(5,350)
Current portion	23,473	36,920

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:

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

Notes to the Interim Condensed Consolidated Financial Information



18 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash generated from operations

		For the six months ended 30 September	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
	Note		
Profit before taxation		26,016	67,808
Adjustments for:			
Interest income	7	(687)	(1)
Interest expenses	7	5,341	3,814
Depreciation of property and equipment		5,477	3,157
Depreciation of right-of-use assets		18,479	15,594
Loss allowance on trade receivables		18	—
Provision for long service payment		334	2,000
Share-based payment expenses		980	980
Operating profit before working capital change		55,958	93,352
Changes in working capital:			
Trade receivables		32,103	2,330
Prepayments, deposits and other receivables		4,782	(12,330)
Trade and other payables		(13,558)	13,658
Contract liabilities		(763)	527
Balance with a related company		—	(170)
Cash generated from operations		78,522	97,367



Notes to the Interim Condensed Consolidated Financial Information

19 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.

20 CONTINGENT LIABILITIES

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

