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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 2021**

#### **FINANCIAL HIGHLIGHTS**

- The Group recorded a total revenue for the six months ended 30 September 2021 of approximately HK\$150.3 million, representing an increase of approximately 30.0% as compared to the six months ended 30 September 2020.
- The Group recorded a profit attributable to owners of the Company for the six months ended 30 September 2021 of approximately HK\$44.1 million, representing an increase of approximately 30.8% as compared to the six months ended 30 September 2020.
- The Board declared an interim dividend of HK2.0 cents 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 2021 (the “**Period**”), together with the comparative figures for the six months ended 30 September 2020 (the “**Previous Period**”) as follows:

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2021

	Note	For the six months ended 30 September	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	4	150,277	115,638
Other income		72	336
Employee benefit expenses, net		(54,186)	(38,559)
Depreciation of property and equipment		(2,966)	(2,275)
Depreciation of right-of-use assets		(14,213)	(12,822)
Property rental and related expenses		(1,712)	(1,345)
Food and beverage costs		(3,417)	(3,868)
Utility expenses		(2,975)	(2,394)
Supplies and consumables		(1,175)	(1,984)
Repair and maintenance		(1,172)	(489)
Subcontracting fees, net		(920)	(1,029)
Laundry expenses		(1,071)	(1,144)
Medical fees and related expenses		(1,744)	(592)
Donations		—	(500)
Other operating expenses		(8,635)	(5,609)
Finance costs, net		(4,264)	(1,835)
		<hr/>	<hr/>
Profit before taxation	5	51,899	41,529
Income tax expense	6	(8,022)	(7,980)
		<hr/>	<hr/>
Profit for the period		<u>43,877</u>	<u>33,549</u>
<b>Profit/(loss) for the period attributable to</b>			
— owners of the Company		44,060	33,718
— non-controlling interest		(183)	(169)
		<hr/>	<hr/>
		<u>43,877</u>	<u>33,549</u>
<b>Earnings per share attributable to the owners of the Company</b>			
— Basic (HK cents)	8	4.41	3.37
— Diluted (HK cents)	8	4.41	3.37
		<hr/>	<hr/>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	For the six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Profit for the period</b>	<b>43,877</b>	33,549
<b>Other comprehensive income:</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	(178)	—
<b>Other comprehensive income for the period, net of tax</b>	<b>(178)</b>	—
<b>Total comprehensive income for the period</b>	<b><u>43,699</u></b>	<b><u>33,549</u></b>
<b>Total comprehensive income for the period attributable to</b>		
— Owners of the Company	43,882	33,718
— Non-controlling interests	(183)	(169)
	<b><u>43,699</u></b>	<b><u>33,549</u></b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	As at 30 September 2021 (Unaudited) <i>Note</i>	As at 31 March 2021 (Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property and equipment	17,012	16,733
Investment properties	244,100	244,100
Right-of-use assets	272,426	217,555
Deferred tax assets	1,829	1,907
Prepayment and deposits	5,659	4,343
Financial assets at fair value through other comprehensive income	858	704
	<u>541,884</u>	<u>485,342</u>
Total non-current assets		
<b>CURRENT ASSETS</b>		
Trade receivables	9 7,002	6,269
Prepayments, deposits and other receivables	3,123	1,871
Short-term bank deposits	1,002	1,002
Cash and cash equivalents	47,032	108,116
	<u>58,159</u>	<u>117,258</u>
Total current assets		
Total assets	<u><u>600,043</u></u>	<u><u>602,600</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	10,000	10,000
Reserves	246,513	222,631
	<u>256,513</u>	<u>232,631</u>
Non-controlling interests	345	528
Total equity	<u><u>256,858</u></u>	<u><u>233,159</u></u>

		As at <b>30 September 2021</b> (Unaudited) <i>Note</i> <i>HK\$'000</i>	As at 31 March 2021 (Audited) <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Accruals and other payables	<i>10</i>	<b>4,050</b>	3,197
Lease liabilities		<b>185,472</b>	197,624
Bank borrowing		<b>93,874</b>	112,960
Deferred tax liabilities		<b>1,871</b>	1,740
		<hr/>	<hr/>
Total non-current liabilities		<b>285,267</b>	315,521
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>10</i>	<b>14,262</b>	16,380
Contract liabilities	<i>4</i>	<b>801</b>	909
Amount due to a related company		<b>177</b>	202
Bank borrowing		<b>6,126</b>	7,040
Lease liabilities		<b>24,522</b>	24,423
Income tax payable		<b>12,030</b>	4,966
		<hr/>	<hr/>
Total current liabilities		<b>57,918</b>	53,920
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>343,185</b>	369,441
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>600,043</b>	602,600
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

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

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

The Company’s shares were listed on the Main Board of Stock Exchange on 13 June 2019.

This interim condensed consolidated financial information is presented in thousands of units 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 26 November 2021.

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 2021 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 2021, 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 measured 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 2021, 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 of the Company, 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 of the Company that are used to make strategic decisions.

During the six months ended 30 September 2021 and 2020, the Group had one reportable operating segment, which is mainly the provision of elderly home care services, care support services to persons under quarantine and elderly community care service. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

The Group’s revenue was derived solely from its operations in Hong Kong during the six months ended 30 September 2021 and 2020, and the non-current assets of the Group were located in Hong Kong as at 30 September 2021 and 31 March 2021.

Revenue of approximately HK\$81,002,000 for the six months ended 30 September 2021 (six months ended 30 September 2020: HK\$59,252,000) was derived from the Government of HKSAR under the Enhanced Bought Place Scheme (“EBPS”), Bought Place Scheme Day Care Units for the Elderly (the “BPS”) and care support services to persons under quarantine, which amounted to more than 10% of the Group’s revenue.

An analysis of revenue is as follows:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue from contracts with customers within the scope of HKFRS 15:		
<i>Recognised over time:</i>		
Rendering of elderly home care services	<b>92,450</b>	88,301
Rendering of care support services to persons under quarantine	<b>30,896</b>	10,085
Rendering of elderly community care services	<b>3,226</b>	1,415
<i>Recognised at a point in time:</i>		
Sales of elderly home related goods	<b>19,239</b>	15,837
Revenue from contracts with customers within the scope of HKFRS 15:		
Fixed	<b>3,985</b>	—
Variable	<b>481</b>	—
	<b>150,277</b>	<b>115,638</b>

The Group did not recognise any revenue-related contract assets during the six months ended 30 September 2021 and 2020.

### **Contract liabilities**

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

	<b>As at</b>	<b>As at</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2021</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Contract liabilities	<b>801</b>	<b>909</b>

The following table shows the revenue recognised during the six months ended 30 September 2021 and 2020 related to carried-forward contract liabilities:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<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>909</b>	<b>1,184</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>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation	17,179	15,097
— Property and equipment	2,966	2,275
— Right-of-use assets	14,213	12,822
Employee benefit expenses, net	54,186	38,559
— Wages and salaries	50,678	40,801
— Retirement benefit scheme contributions	1,035	1,102
— Staff welfare and benefits	440	40
— Provision for long service payments	230	615
— Directors' remunerations	2,356	2,310
— Government subsidies	(553)	(6,309)
Property rental and related expenses	1,712	1,345
Legal and professional fee	1,398	1,225
Medical fees and related expenses	1,744	592
Subcontracting fees, net	920	1,029
— Subcontracting fees	5,014	4,757
— Government subsidies	(4,094)	(3,728)

## 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 profits of the qualifying group entity and 16.5% on the remaining estimated assessable profit of the Group for the six months ended 30 September 2021 and 2020.

An analysis of the income tax expenses is as follows:

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong profits tax		
Current tax	7,813	7,885
Deferred tax	209	95
	<u>8,022</u>	<u>7,980</u>

## 7 DIVIDENDS

	For the six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interim dividend proposed after the end of reporting period of HK2.0 cents per share (2020: HK2.0 cents per share)	<u>20,000</u>	<u>20,000</u>

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 interim dividend has not been recognised as a liability in this interim condensed consolidated financial information.

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

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2021 and 2020.

	For the six months ended 30 September	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	44,060	33,718
Weighted average number of shares in issue (thousand shares)	<u>1,000,000</u>	<u>1,000,000</u>
Basic earnings per share (HK cents)	<u>4.41</u>	<u>3.37</u>

### (b) Diluted

Diluted earnings per share for the six months ended 30 September 2021 and 2020 are the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

## 9 TRADE RECEIVABLES

	<b>As at 30 September 2021 (Unaudited) HK\$'000</b>	<b>As at 31 March 2021 (Audited) HK\$'000</b>
Trade receivables	<b><u>7,002</u></b>	<b><u>6,269</u></b>

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

	<b>As at 30 September 2021 (Unaudited) HK\$'000</b>	<b>As at 31 March 2021 (Audited) HK\$'000</b>
Within 30 days	<b>3,435</b>	3,025
31–60 days	<b>2,301</b>	2,498
61–180 days	<b>768</b>	662
Over 180 days	<b><u>498</u></b>	<u>84</u>
	<b><u>7,002</u></b>	<b><u>6,269</u></b>

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 during the six months ended 30 September 2021 and 2020.

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 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.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 September 2021 and 31 March 2021, the expected credit loss rate of trade receivables is assessed to be close to zero and considered to be not material to the consolidated financial statements, thus, no provision was made against the gross amounts of trade receivables.

## 10 TRADE AND OTHER PAYABLES

	As at 30 September 2021 (Unaudited) <i>HK\$'000</i>	As at 31 March 2021 (Audited) <i>HK\$'000</i>
Trade payables	1,305	2,704
Accruals and other payables	1,988	3,274
Accrued wages and salaries and retirement benefit scheme contributions	6,294	5,620
Deposits from customers	3,315	3,631
Rental deposits received	2,202	1,370
Provision for reinstatement cost	575	575
Provision for long service payments	2,633	2,403
	<u>18,312</u>	<u>19,577</u>
Less: non-current portion	<u>(4,050)</u>	<u>(3,197)</u>
Current portion	<u><u>14,262</u></u>	<u><u>16,380</u></u>

As at 30 September 2021 and 31 March 2021, the carrying amounts of trade and other payables and deposits from customers 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 2021 (Unaudited) <i>HK\$'000</i>	As at 31 March 2021 (Audited) <i>HK\$'000</i>
Within 60 days	<u><u>1,305</u></u>	<u><u>2,704</u></u>

## 11 CAPITAL COMMITMENT

As at 30 September 2021, the Group had capital commitment in respect of property and equipment amounted to approximately HK\$2.0 million.

As at 31 March 2021, the Group had no material capital commitments for property and equipment.

## 12 CONTINGENT LIABILITIES

As at 30 September 2021 and 31 March 2021, 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 “**RCHEs**”) 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 2021 and 31 March 2021, the Group had a network of eight care and attention homes for the elderly with 1,129 residential care places strategically located across four 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” and “Pine Villa” 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 has entered into contractual arrangements pursuant to which the SWD purchased residential care places from the Group under the Enhanced Bought Place Scheme (the “**EBPS**”); and (ii) individual customers who settled their own residential fee 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 2021 and 31 March 2021:

	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	For individual customers not under the EBPS		
Kato Home for the Elderly ("Kato Elderly Home")	Tuen Mun	1999	126	54	180	EA1
Kato Home for the Aged	Tuen Mun	1998	86	37	123	EA2
Fai-To Home for the Aged (On Lai) Branch ("Fai To Home (On Lai)")	Tuen Mun	1997	28	28	56	EA2
Fai To Home for the Aged (Tuen Mun) Branch ("Fai To Home (Tuen Mun)")	Tuen Mun	1995	47	43	90	EA2
Fai To Sino West Combined Home for the Aged ("Fai To Sino West Home")	To Kwa Wan	2000	148	146	294	EA1
Happy Luck Elderly Home Limited ("Happy Luck Home")	Tsuen Wan	2015	75	71	146	EA1
Tsuen Wan Elderly Centre Limited ("Tsuen Wan Centre")	Tsuen Wan	2008	79	71	150	EA1
Pine Villa	Tseung Kwan O	2013	N/A	90	90	N/A
			<u>589</u>	<u>540</u>	<u>1,129</u>	

The following table sets forth the average monthly occupancy rate of each respective RCHEs as at 30 September 2021 and 31 March 2021:

	<b>Average monthly occupancy rate (Note)</b>	
	<b>As at 30 September 2021 %</b>	<b>As at 31 March 2021 %</b>
Kato Elderly Home	<b>100.0</b>	97.2
Kato Home for the Aged	<b>99.2</b>	99.2
Fai To Home (On Lai)	<b>94.6</b>	92.9
Fai To Home (Tuen Mun)	<b>98.9</b>	98.9
Fai To Sino West Home	<b>96.9</b>	95.6
Happy Luck Home	<b>90.4</b>	98.6
Tsuen Wan Centre	<b>96.7</b>	92.7
Pine Villa	<b>96.7</b>	98.9
Overall	<b><u>96.8</u></b>	<b><u>96.6</u></b>

*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***

Since May 2020, 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, services including hospital outpatient and discharge escort, caregiver training, home safety assessment, physiotherapy, nursing support, etc.

As at 30 September 2021 and 31 March 2021, 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, since May 2020, the Group 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 2021 and 31 March 2021, 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").

**Care support services to persons under quarantine**

To cope with the COVID-19 outbreak in residential care homes for the elderly 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 invited various RCHE players to participate in setting up quarantine and community treatment facilities. The Company was selected and participated in setting up a temporary quarantine centre for residents of residential care homes for the elderly, housing nursing staff on duty round the clock and designated staff responsible for assisting elderly residents' needs.



## 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 care support services to persons under quarantine; and (v) rental and management fee income. 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 2021 (the "Period") and the six months ended 30 September 2020 (the "Previous Period"):

	For the six months ended 30 September			
	2021		2020	
	HK\$'000	%	HK\$'000	%
<b>Rendering of elderly home care services</b>				
— residential care places purchased by the SWD under the EBPS	48,316	32.2	47,933	41.5
— residential care places purchased by individual customers	44,134	29.4	40,368	34.9
<b>Sales of elderly home related goods</b>	<u>19,239</u>	<u>12.8</u>	<u>15,837</u>	<u>13.7</u>
	111,689	74.4	104,138	90.1
<b>Rendering of elderly community care services</b>	3,226	2.1	1,415	1.2
<b>Rendering of care support services to persons under quarantine</b>	30,896	20.5	10,085	8.7
<b>Rental and management fee income</b>	<u>4,466</u>	<u>3.0</u>	<u>—</u>	<u>—</u>
Total	<u><u>150,277</u></u>	<u><u>100.0</u></u>	<u><u>115,638</u></u>	<u><u>100.0</u></u>

The revenue increased from HK\$115.6 million for the Previous Period to approximately HK\$150.3 million for the Period mainly due to (i) increase in base rate charged per residential care place purchased by the individual customers for rendering of elderly home care services; (ii) increase in average price of sales of elderly home related goods; (iii) participation in care support services to persons under quarantine since July 2020; and (iv) participation in rental and management business since March 2021.

## **Employee benefit expenses**

Employee benefit expenses comprised of wages and salaries, retirement benefit scheme contributions, staff welfare and benefits, directors' remunerations and provision for long service payments. The employee benefits expenses increased from approximately HK\$38.6 million for the Previous Period to approximately HK\$54.2 million for the Period. The increase was primarily due to the (i) increase in average number of staff for rendering care support services to persons under quarantine; (ii) general salaries increment for staff; and (iii) absence of wage subsidies from the Government under anti-epidemic fund scheme during the Period which is non-recurring in nature.

## **Property rental and related expenses**

Property rental and related expenses comprised lease payments for short-term lease, building management fee and rates for RCHEs, day care centres, staff quarters and motor vehicles. Property rental and related expenses increased from HK\$1.3 million for the Previous Period to HK\$1.7 million for the Period due to increase in lease payments associated with short-term leases and variable lease payments that do not meet the definition of lease liability for the Group as lessee under HKFRS 16 for the Period.

## **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 slightly decreased to approximately HK\$3.4 million for the Period (Previous Period: approximately HK\$3.9 million).

## **Profit for the Period**

As a result of the foregoing, the profit for the Period significantly increased by approximately 30.8% to approximately HK\$43.9 million as compared to approximately HK\$33.5 million for the Previous Period.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK2.0 cents per share payable on or around 23 December 2021 to owners of the Company whose names appear on the register of members of the Company (the “**Register of Members**”) on 14 December 2021.

## 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 Monday, 13 December 2021 to Tuesday, 14 December 2021 (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 Friday, 10 December 2021.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group’s net assets increased to approximately HK\$256.9 million as at 30 September 2021 (31 March 2021: approximately HK\$233.2 million). Such increase was mainly a result of the operating profits during the Period. As at 30 September 2021, the Group’s net current assets was approximately HK\$0.2 million (31 March 2021: approximately HK\$63.3 million), including cash and cash equivalents of approximately HK\$47.0 million (31 March 2021: approximately HK\$108.1 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 2021 (31 March 2021: approximately 2.2 times).

The Group monitors its capital on the basis of the gearing ratio. As at 30 September 2021, the Group’s gearing ratio was approximately 102.0% (31 March 2021: 99.9%). The gearing ratio is calculated as a percentage of net debt divided by total equity. Net debt is calculated as total bank borrowings and lease liabilities less cash and cash equivalents and short-term bank deposits.

As at 30 September 2021, bank borrowing of the Group bore floating interest rate and was denominated in HK\$, the maturity profile are set out as follows:

	<i>HK\$’000</i>
Within 1 year	6,126
More than 1 year but less than 2 years	6,232
More than 2 years but less than 5 years	19,348
More than 5 years	68,294
	<hr/>
	<u>100,000</u>

## **CAPITAL COMMITMENTS**

As at 30 September 2021, the Group had capital commitment in respect of property and equipment amounting to approximately HK\$2.0 million.

As at 31 March 2021, the Group had no material capital commitments for 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.

## **SIGNIFICANT INVESTMENTS**

During the Period, the Group did not hold any significant investment in equity interest in any other company.

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

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

## **CONTINGENT LIABILITIES**

As at 30 September 2021 and 31 March 2021, the Group did not have any significant contingent liabilities.

## **FOREIGN EXCHANGE EXPOSURE**

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

## **PLEDGE OF ASSETS**

As at 30 September 2021, investment properties with carrying amount of approximately HK\$216.5 million (31 March 2021: approximately HK\$244.1 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 2021 and 31 March 2021.

## **EMPLOYEES AND REMUNERATION POLICIES**

The total number of full-time and part-time employees was 507 as at 30 September 2021 (31 March 2021: 498). The Group's employee benefit expenses mainly include salaries, discretionary bonuses, medical insurance coverage, staff quarter, other staff benefits and contributions to retirement schemes. The Group's total employee benefit expenses (including directors' emoluments) for the Period amounted to approximately HK\$54.2 million (Previous Period: approximately HK\$38.6 million).

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

## **PROSPECTS**

The demand for residential care home services for the elderly in Hong Kong remains surging due to a sizeable and ageing population, an increased prevalence of chronic diseases among the elderly and a high institutionalisation rate. It is expected that this trend will continue in the next few decades and will contribute further to the growing market in the elderly residential care home industry.

Not only for business growth, but also for the wellness and sustainability of the community, we take an active role in various community initiatives in the area of elderly care and disadvantaged community. With support and in-line with the Government's initiative in promotion of "ageing-in-place" and "money follows the person", the Group started to have participated in the CCSV Scheme to provide assistance to elderly with needs. In May 2020, the Group commenced providing a range of home-based and centre-based care and support services during daytime to enable frail elders including the demented suffering from moderate or severe level of impairment to maintain their optimal level of functioning, develop their potential, improve their quality of life and to enable them to live in their own homes wherever feasible and possible. The Directors believe that provision of community care services enables the Group to utilise its existing resources more efficiently and provide more comprehensive services to the elderly.

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 the 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 the network of care and attention homes for the elderly.

Building on the strength of the Group's established reputation, the size of the Group and the financial resources, as well as the Group's proven track record in operating a network of residential care homes for the elderly, the Group will continue to expand its network of elderly residential care homes in strategic locations in Hong Kong to serve more elderly residents when there are suitable opportunities. The Directors believe that the Group is poised to further capture new market opportunities driven by the strong demand for residential care home services in Hong Kong.

## **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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE “MODEL CODE”)**

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Company’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company’s securities. Upon specific enquiry, all Directors have confirmed that they have complied with the Model Code during the Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Company during the Period.

## **SHARE OPTION SCHEME**

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

No share options were granted since the adoption of the Share Option Scheme and there are no outstanding share options as at 30 September 2021.

## **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 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 maintain 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 had complied with all the provisions in the CG Code during the Period.

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 A.2.1 of the CG Code, where it provides that the 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 its 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 Rules 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The primary duties of the Audit Committee include, but are not limited to, the following: (i) making recommendations to the Board on the appointment and removal of the external auditor; (ii) reviewing the financial statements of the Group and monitoring the integrity of such financial statements; and (iii) overseeing the financial reporting system and internal control procedures. The Audit Committee comprises of three members, namely Ms. Chiu Lai Kuen Susanna, Mr. Or Kevin and Mr. Wong Vinci. The chairman of the Audit Committee is Ms. Chiu Lai Kuen Susanna, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The unaudited condensed consolidated financial statements of the Group for the Period have been reviewed by the Audit Committee.

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

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

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

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

Hong Kong, 26 November 2021

*As at the date of this announcement, the executive Directors are Ms. Ngai Ka Yee and Mr. Ngai Shi Shing Godfrey; the non-executive Directors are Mr. Cheng Man Tak Richard and Mr. Poon Kai Kit Joe; and the independent non-executive Directors are Ms. Chiu Lai Kuen Susanna, Mr. Or Kevin and Mr. Wong Vinci.*