



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



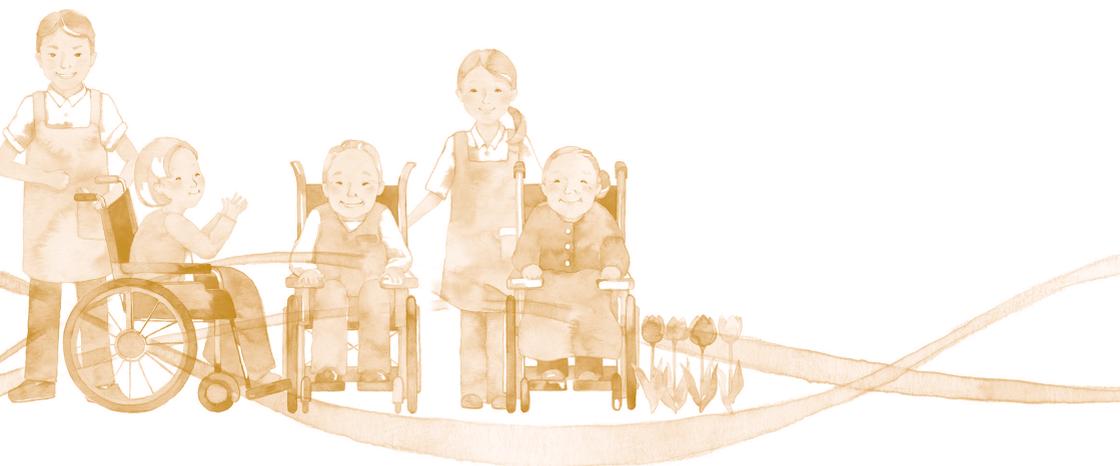
Interim Report
2021

優質服務 敬老樂業
以人為本 全身投入



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Cheng Man Tak Richard
Poon Kai Kit Joe

Independent non-executive Directors

Chiu Lai Kuen Susanna
Or Kevin
Wong Vinci

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

Chiu Lai Kuen Susanna (*Chairman*)
Or Kevin
Wong Vinci

Remuneration Committee

Wong Vinci (*Chairman*)
Ngai Shi Shing Godfrey
Or Kevin

Nomination Committee

Or Kevin (*Chairman*)
Ngai Shi Shing Godfrey
Wong Vinci

Corporate Information

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
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
United Overseas 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 “**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.

Management Discussion and Analysis

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
			589	540	1,129	

Management Discussion and Analysis

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

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

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.

Management Discussion and Analysis

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.

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 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	%
Rendering of elderly home care services				
— 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
Sales of elderly home related goods	19,239	12.8	15,837	13.7
	111,689	74.4	104,138	90.1
Rendering of elderly community care services	3,226	2.1	1,415	1.2
Rendering of care support services to persons under quarantine	30,896	20.5	10,085	8.7
Rental and management fee income	4,466	3.0	—	—
Total	150,277	100.0	115,638	100.0

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.

Management Discussion and Analysis

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.



Management Discussion and Analysis

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2.0 cents per share (“**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.

Management Discussion and Analysis

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:

	HK\$'000
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
	100,000

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 report, 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.



Management Discussion and Analysis

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.

Management Discussion and Analysis

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 as 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 2021 HK\$'million	Actual use of proceeds for the Period HK\$'million	Unutilised net proceeds as at 30 September 2021 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	18.6	(3.2)	15.4	By 31 March 2022
Upgrade information technology infrastructure	1.5	–	1.5	1.5	–	1.5	By 31 March 2022
General working capital	1.9	–	1.9	0.4	(0.4)	–	Fully utilised
Total	116.9	–	116.9	20.5	(3.6)	16.9	

The Directors confirm that there is no material change in the nature of business of the Group and consider the 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. For details, please refer to the announcement of the Company dated 4 January 2021. 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.



Management Discussion and Analysis

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.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS 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 2021, the interests and short positions of the Directors and the chief executives 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 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 of 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 ⁽⁴⁾
Ms. Ngai Ka Yee ("Ms. Ngai")	Settlor of a family trust	624,000,000(L) ⁽²⁾	62.40
Mr. Ngai Shi Shing Godfrey ("Mr. Ngai")	Beneficiary of a family trust	624,000,000(L) ⁽²⁾	62.40
	Beneficial owner	1,032,000(L)	0.10
Ms. Chiu Lai Kuen Susanna	Beneficial owner	400,000(L)	0.04
Mr. Cheng Man Tak Richard ("Mr. Cheng")	Interest in controlled corporation	5,000,000(L) ⁽³⁾	0.50
Mr. Poon Kai Kit Joe	Beneficial owner	8,912,000(L)	0.89



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) These Shares were held by Dynasty Power Limited, which is wholly owned by Mr. Cheng.
- (4) The approximate percentages were calculated based on 1,000,000,000 shares in issue as at 30 September 2021.

Save as disclosed above, as at 30 September 2021, 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 2021, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest or short position in the Shares or the 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:

Name of Shareholders	Nature of interests	Number of Shares held⁽¹⁾	Percentage of shareholding in the Company's issued share capital⁽⁴⁾
Sheung Fung	Beneficial owner	624,000,000(L)	62.40
The Trustee	The Trustee	624,000,000(L) ⁽²⁾	62.40
Ms. Wei Xiaoling ⁽³⁾	Interest of spouse	625,032,000(L)	62.50
Mr. Lam Kong	Beneficial owner	52,134,000(L)	5.21



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) The approximate percentages were calculated based on 1,000,000,000 shares in issue as at 30 September 2021.

Save as disclosed above, as at 30 September 2021, 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.

Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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.



Other Information

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.

On behalf of the Board

Ngai Shi Shing Godfrey

Chairman and executive Director

Hong Kong, 26 November 2021

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	6	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	7	(4,264)	(1,835)
Profit before taxation	8	51,899	41,529
Income tax expense	9	(8,022)	(7,980)
Profit for the period		43,877	33,549
Profit/(loss) for the period attributable to			
— owners of the Company		44,060	33,718
— non-controlling interest		(183)	(169)
		43,877	33,549
Earnings per share attributable to the owners of the Company			
— Basic (HK cents)	11	4.41	3.37
— Diluted (HK cents)	11	4.41	3.37

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 2021

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

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 2021

	<i>Note</i>	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	12	17,012	16,733
Investment properties		244,100	244,100
Right-of-use assets	13	272,426	217,555
Deferred tax assets		1,829	1,907
Prepayment and deposits	15	5,659	4,343
Financial assets at fair value through other comprehensive income		858	704
Total non-current assets		541,884	485,342
CURRENT ASSETS			
Trade receivables	14	7,002	6,269
Prepayments, deposits and other receivables	15	3,123	1,871
Short-term bank deposits		1,002	1,002
Cash and cash equivalents		47,032	108,116
Total current assets		58,159	117,258
Total assets		600,043	602,600
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		10,000	10,000
Reserves		246,513	222,631
		256,513	232,631
Non-controlling interests		345	528
Total equity		256,858	233,159

Interim Condensed Consolidated Statement of Financial Position

As at 30 September 2021

	<i>Note</i>	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
LIABILITIES			
NON-CURRENT LIABILITIES			
Accruals and other payables	17	4,050	3,197
Lease liabilities	13	185,472	197,624
Bank borrowing		93,874	112,960
Deferred tax liabilities		1,871	1,740
Total non-current liabilities		285,267	315,521
CURRENT LIABILITIES			
Trade and other payables	17	14,262	16,380
Contract liabilities	6	801	909
Amount due to a related company	16(a)	177	202
Bank borrowing		6,126	7,040
Lease liabilities	13	24,522	24,423
Income tax payable		12,030	4,966
Total current liabilities		57,918	53,920
Total liabilities		343,185	369,441
Total equity and liabilities		600,043	602,600

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 2021

	Unaudited Attributable to owners of the Company						Non- controlling interest	Total equity
	Share capital	Share premium	Capital reserve	Investment revaluation reserve	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
For the six months ended 30 September 2020								
At 1 April 2020	10,000	126,440	36	—	56,196	192,672	—	192,672
<i>Comprehensive income:</i>								
Profit/(loss) and total comprehensive income for the period	—	—	—	—	33,718	33,718	(169)	33,549
<i>Transactions with owners in their capacity as owners:</i>								
Capital contribution by non-controlling interests	—	—	—	—	—	—	300	300
Dividends	—	—	—	—	(20,000)	(20,000)	—	(20,000)
At 30 September 2020	10,000	126,440	36	—	69,914	206,390	131	206,521
For the six months ended 30 September 2021								
At 1 April 2021	10,000	126,440	36	85	96,070	232,631	528	233,159
<i>Comprehensive income:</i>								
Profit/(loss) for the period	—	—	—	—	44,060	44,060	(183)	43,877
Other comprehensive income	—	—	—	(178)	—	(178)	—	(178)
<i>Transactions with owners in their capacity as owners:</i>								
Dividends	—	—	—	—	(20,000)	(20,000)	—	(20,000)
At 30 September 2021	10,000	126,440	36	(93)	120,130	256,513	345	256,858

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 2021

	Note	For the six months ended 30 September	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Cash flows from operating activities			
Cash generated from operations	19	69,958	58,643
Hong Kong profits tax paid		(748)	—
Interest received		13	762
Net cash generated from operating activities		69,223	59,405
Cash flows from investing activities			
Capital expenditure		(4,746)	(5,110)
Investment in financial assets fair value through other comprehensive income		(332)	(173)
Change in short-term bank deposits		—	6,569
Net cash (used in)/generated from investing activities		(5,078)	1,286
Cash flows from financing activities			
Payment of principal and interest elements of lease liabilities		(84,289)	(12,356)
Dividends paid to shareholders		(20,000)	(20,000)
Proceeds from bank borrowings		100,000	—
Repayments of bank borrowings		(120,000)	—
Interest paid		(940)	—
Capital contribution by non-controlling interests		—	300
Net cash used in financing activities		(125,229)	(32,056)
Net (decrease)/increase in cash and cash equivalents		(61,084)	28,635
Cash and cash equivalents at the beginning of period		108,116	43,245
Cash and cash equivalents at the end of period		47,032	71,880

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 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 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 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.

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 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 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 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 2021.

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.

	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
As at 30 September 2021 (unaudited)					
Trade and other payables	8,810	—	—	—	8,810
Amount due to a related company	177	—	—	—	177
Bank borrowings	7,796	7,796	23,389	74,072	113,053
Undiscounted lease liabilities	30,298	30,236	94,480	79,527	234,541
	47,081	38,032	117,869	153,599	356,581

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
As at 31 March 2021 (audited)					
Trade and other payables	10,979	—	—	—	10,979
Amount due to a related company	202	—	—	—	202
Bank borrowings	9,124	9,124	27,373	91,264	136,885
Undiscounted lease liabilities	30,552	29,956	93,683	95,556	249,747
	50,857	39,080	121,056	186,820	397,813

There have been no other significant changes in the risk management policies since 31 March 2021.

4.2 Fair value estimation

The table below analyses the Group's financial instruments carried at fair values as at 30 September 2021 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 as at 30 September 2021:

	Unaudited			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Investment properties Financial asset at fair value through other comprehensive income	—	—	244,100	244,100
— Listed equity investment	858	—	—	858

There were no transfer of financial assets and liabilities between the fair value hierarchy classifications during the six months ended 30 September 2021.

The carrying values of the Group's financial assets, including trade receivables, deposits and other receivables, short-term bank deposits and cash and cash equivalents, and financial liabilities, including trade and other payables and amount due to a related company, approximate to their fair values due to their short-term maturities. 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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim condensed consolidated financial information requires management to make judgements, 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 judgements 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 2021.

Notes to the Interim Condensed Consolidated Financial Information

6 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:

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

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

Notes to the Interim Condensed Consolidated Financial Information

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Contract liabilities

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

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

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

	For the six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue recognised that was included in the contract liabilities balance as at beginning of the period	909	1,184

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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Bank interest income	13	762
Interest expenses on bank borrowings	(940)	—
Interest expenses on lease liabilities	(3,152)	(2,175)
Unwinding interest on rental deposits	(185)	(422)
	(4,264)	(1,835)

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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
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)

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 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:

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

10 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)	20,000	20,000

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 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 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)	1,000,000	1,000,000
Basic earnings per share (HK cents)	4.41	3.37

(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.

Notes to the Interim Condensed Consolidated Financial Information

12 PROPERTY AND EQUIPMENT

(Unaudited)
HK\$'000

Six months ended 30 September 2020

Net book value as at 1 April 2020	8,918
Additions	10,157
Depreciation	(2,275)

Net book value as at 30 September 2020 16,800

Six months ended 30 September 2021

Net book value as at 1 April 2021	16,733
Additions	3,245
Depreciation	(2,966)

Net book value as at 30 September 2021 17,012

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 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Right-of-use assets		
Elderly residential care homes/day care centres	197,513	211,205
Staff quarters	5,328	5,754
Motor vehicle	501	596
Land	69,084	—
	272,426	217,555
Lease liabilities		
Current	24,522	24,423
Non-current	185,472	197,624
	209,994	222,047

Additions to the right-of-use assets during the six months ended 30 September 2021 were approximately HK\$69,084,000 (six months ended 30 September 2020: HK\$86,173,000).

Notes to the Interim Condensed Consolidated Financial Information

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

The interim condensed consolidated statement of comprehensive income shows the following amounts relating to the leases in respect of elderly centers:

	For the six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Depreciation of right-of-use assets (Note 8)	14,213	12,822
Interest expenses on lease liabilities (Note 7)	3,152	2,175

During the six months ended 30 September 2021, total cash outflow for leases of approximately HK\$86.0 million (30 September 2020: HK\$12.5 million).

14 TRADE RECEIVABLES

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

Notes to the Interim Condensed Consolidated Financial Information

14 TRADE RECEIVABLES (CONTINUED)

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

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

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.

Notes to the Interim Condensed Consolidated Financial Information

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Prepayments	2,510	109
Rental deposits	4,205	4,390
Utilities deposits	1,698	1,698
Other receivables	369	17
	8,782	6,214
Less: Non-current portion	(5,659)	(4,343)
Current portion	3,123	1,871

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 and are denominated in HK\$.

16 RELATED PARTY BALANCES AND TRANSACTIONS

(a) Balance with a related company

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Amount due to a related company Stand Harvest Limited	177	202

Amount due to Stand Harvest Limited is unsecured, interest-free, trade in nature and repayable within 30 days from invoice date.

The carrying amount of the balance with a related company approximates to its fair value due to its short maturity and is denominated in HK\$.

Notes to the Interim Condensed Consolidated Financial Information

16 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(b) 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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Repayment of principal and interest portion of lease liabilities and lease payments for short-term leases to related parties:		
– Ms. Ngai Ka Yee	335	261
– Mr. Ngai Shi Shing, Godfrey	73	57
– Mr. Lam Chung Ming	72	–
Repayment of principal and interest portion of lease liabilities and lease payments for short-term leases to related companies:		
– Classic Mate Limited	618	481
– Kato Elderly Affairs Limited	2,430	1,890
– Kato Property Limited	1,188	924
– Perfect Cheer Investment Limited	1,002	779
– Shing Kong Limited	1,872	1,301
– Smarts Corporation Limited	1,362	1,059
Laundry expenses paid/payable to a related company		
– Stand Harvest Limited	1,071	1,144

Interest expense on and repayment of lease liabilities, property rental and laundry expenses were conducted in normal course of business and charged at terms mutually agreed by the relevant parties.

(c) Key management compensation

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

	For the six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Salaries and other short-term employee benefits	4,113	4,101
Retirement benefit scheme contribution	38	38
	4,151	4,139

Notes to the Interim Condensed Consolidated Financial Information

17 TRADE AND OTHER PAYABLES

	As at 30 September 2021 (Unaudited) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
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
	18,312	19,577
Less: non-current portion	(4,050)	(3,197)
Current portion	14,262	16,380

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) HK\$'000	As at 31 March 2021 (Audited) HK\$'000
Within 60 days	1,305	2,704

Notes to the Interim Condensed Consolidated Financial Information

18 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash generated from operations

	<i>Note</i>	For the six months ended 30 September	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Profit before taxation		51,899	41,529
Adjustments for:			
Interest income	7	(13)	(762)
Interest expenses	7	4,277	2,597
Depreciation of property and equipment		2,966	2,275
Depreciation of right-of-use assets		14,213	12,822
Operating profit before working capital change		73,342	58,461
Changes in working capital:			
Trade receivables		(733)	(1,093)
Prepayments, deposits and other receivables		(1,252)	(3,160)
Trade and other payables		(1,266)	4,653
Contract liabilities		(108)	(221)
Balance with a related company		(25)	3
Cash generated from operations		69,958	58,643

19 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.

20 CONTINGENT LIABILITIES

As at 30 September 2021 and 31 March 2021, the Group had no material contingent liabilities.