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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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022**

#### **FINANCIAL HIGHLIGHTS**

- The Group recorded a total revenue for the Year of approximately HK\$320.3 million, representing an increase of approximately 24.9% as compared to the Previous Year.
- The Group recorded a profit attributable to the owners of the Company for the Year of approximately HK\$98.9 million, representing an increase of approximately 23.9% as compared to the Previous Year.
- The Board has recommended a final dividend of HK2.5 cents per share for the Year, which is subject to the approval of the Shareholders at the AGM.

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Kato (Hong Kong) Holdings Limited (the “**Company**”) hereby present the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2022 (the “**Year**”) together with the comparative figures for the year ended 31 March 2021 (the “**Previous Year**”), as follows:

### Consolidated Statement of Profit or Loss

*For the year ended 31 March 2022*

	<i>Note</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	<b>320,337</b>	256,531
Other income and other gains, net		<b>10,987</b>	1,370
Employee benefit expenses, net		<b>(119,787)</b>	(82,443)
Depreciation of property and equipment		<b>(6,115)</b>	(5,332)
Depreciation of right-of-use assets		<b>(30,453)</b>	(26,691)
Property rental and related expenses		<b>(2,971)</b>	(3,073)
Food and beverage costs		<b>(8,758)</b>	(8,067)
Utility expenses		<b>(5,103)</b>	(4,188)
Supplies and consumables		<b>(2,184)</b>	(3,535)
Repair and maintenance		<b>(3,925)</b>	(968)
Subcontracting fees, net		<b>(3,625)</b>	(2,411)
Laundry expenses		<b>(2,176)</b>	(2,280)
Medical fees and related expenses		<b>(3,491)</b>	(2,621)
Legal and professional fees		<b>(2,169)</b>	(6,128)
Other operating expenses		<b>(15,569)</b>	(11,263)
Finance costs, net		<b>(7,833)</b>	(4,923)
		<hr/>	<hr/>
Profit before taxation	4	<b>117,165</b>	93,978
Income tax expense	5	<b>(18,079)</b>	(14,476)
		<hr/>	<hr/>
<b>Profit for the year</b>		<b><u>99,086</u></b>	<b><u>79,502</u></b>

## Consolidated Statement of Profit or Loss (continued)

For the year ended 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Profit for the year attributable to:</b>			
— Owners of the Company		98,936	79,874
— Non-controlling interests		150	(372)
		<u>99,086</u>	<u>79,502</u>
<b>Earnings per share attributable to the owners of the Company (in HK cents)</b>			
— Basic	7	<u>9.89</u>	<u>7.99</u>
— Diluted	7	<u>9.89</u>	<u>7.99</u>

## Consolidated Statement of Comprehensive Income

For the year ended 31 March 2022

	<b>2022</b>	2021
<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Profit for the year</b>	<b>99,086</b>	79,502
<b>Other comprehensive (loss)/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	<u>(92)</u>	<u>85</u>
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<u>(92)</u>	<u>85</u>
<b>Total comprehensive income for the year</b>	<b><u>98,994</u></b>	<b><u>79,587</u></b>
<b>Total comprehensive income for the year attributable to:</b>		
— Owners of the Company	<b>98,844</b>	79,959
— Non-controlling interests	<u>150</u>	<u>(372)</u>
	<b><u>98,994</u></b>	<b><u>79,587</u></b>

## Consolidated Statement of Financial Position

As at 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment		15,154	16,733
Investment properties		249,400	244,100
Right-of-use assets		257,630	217,555
Deferred tax assets		2,096	1,907
Prepayments and deposits		6,649	4,343
Financial assets at fair value through other comprehensive income		943	704
Total non-current assets		<u>531,872</u>	<u>485,342</u>
<b>CURRENT ASSETS</b>			
Trade receivables	8	30,047	6,269
Prepayments, deposits and other receivables		1,459	1,871
Short-term bank deposits		203	1,002
Restricted bank deposit		6,590	—
Cash and cash equivalents		51,446	108,116
Total current assets		<u>89,745</u>	<u>117,258</u>
<b>Total assets</b>		<u><b>621,617</b></u>	<u><b>602,600</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		10,000	10,000
Reserves		281,529	222,631
		291,529	232,631
Non-controlling interests		678	528
<b>Total equity</b>		<u><b>292,207</b></u>	<u><b>233,159</b></u>

## Consolidated Statement of Financial Position (continued)

As at 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Accruals and other payables	9	5,132	3,197
Lease liabilities		173,234	197,624
Bank borrowing		90,828	112,960
Deferred tax liabilities		2,002	1,740
		<u>271,196</u>	<u>315,521</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	23,104	16,380
Contract liabilities	3	819	909
Amount due to a related company		170	202
Bank borrowing		6,127	7,040
Lease liabilities		24,603	24,423
Income tax payable		3,391	4,966
		<u>58,214</u>	<u>53,920</u>
Total current liabilities		<u>58,214</u>	<u>53,920</u>
<b>Total liabilities</b>		<u>329,410</u>	<u>369,441</u>
<b>Total equity and liabilities</b>		<u><u>621,617</u></u>	<u><u>602,600</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

These consolidated financial statements are presented in thousands of Hong Kong Dollar (“**HK\$’000**”), unless otherwise stated.

## 2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

### (a) Amendments to standards adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 April 2021:

HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest rate benchmark reform — phase 2
HKFRS 16 (Amendments)	Covid-19-related rent concessions
HKFRS 16 (Amendments)	Covid-19-related rent concessions beyond 2021

The amendments to standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**(b) New standards, amendments to standards, interpretations and accounting guidelines issued but not yet effective**

A number of new standards, amendments to standards, interpretations and accounting guidelines have been issued but not effective during the year and have not been early adopted by the Group in preparing these consolidated financial statements:

		<b>Effective for annual periods beginning on or after</b>
Annual Improvements Project (Amendments)	Annual improvements to HKFRSs 2018–2020	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments	1 January 2022
AG 5 (Revised)	Revised Accounting Guideline 5—merger accounting for common control combinations	1 January 2022
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause (HK Int 5 (2020))	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies	1 January 2023
HKAS 8 (Amendments)	Definition of accounting estimates	1 January 2023
HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of the Company have assessed the financial impact on the Group of the adoption of the above new standards, amendments to existing standards, interpretations and accounting guideline. These standards and amendments are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions. The Group intends to adopt the above new standards, amendments to existing standards interpretations and accounting guideline when they become effective.

### 3 REVENUE AND SEGMENT INFORMATION

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

During the years ended 31 March 2022 and 2021, the Group had one reportable operating segment, which was mainly the provision of elderly home care services, care support services to person under quarantine, elderly community care services and property investment and provision of management services. 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 years ended 31 March 2022 and 2021, and the non-current assets of the Group were located in Hong Kong as at 31 March 2022 and 2021.

Revenue of approximately HK\$189,170,000 (2021: HK\$141,559,000) for the year ended 31 March 2022 was derived from the Government of the Hong Kong Special Administrative Region ("Government of HKSAR") under the Enhanced Bought Place Scheme ("EBPS"), Bought Place Scheme ("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:

	2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15:		
<i>Recognised over time:</i>		
Rendering of elderly home care services	185,321	177,139
Rendering of care support services to persons under quarantine	86,411	42,147
Rendering of elderly community care services	6,572	3,949
Management fee income	878	185
Car park revenue	1,150	107
<i>Recognised at a point in time:</i>		
Sales of elderly home related goods	33,113	32,443
Revenue arising from operating lease within the scope of HKFRS 16:		
Fixed	6,886	556
Variable	6	5
	<u>320,337</u>	<u>256,531</u>

The Group did not recognise any revenue-related contract assets during the years ended 31 March 2022 and 2021.

(a) **Contract liabilities**

As at 31 March 2022 and 2021, the balances represent the receipt in advance from customers. The Group recognised the following revenue-related contract liabilities:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract liabilities	<b>819</b>	<b>909</b>

The following table shows the revenue recognised during the years ended 31 March 2022 and 2021 related to carried-forward contract liabilities:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance as at beginning of the year	<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 year end 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.

#### 4 PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

	2022 HK\$'000	2021 HK\$'000
Depreciation of property and equipment	6,115	5,332
Depreciation of right-of-use assets	30,453	26,691
Property rental and related expenses	2,971	3,073
Lease payments for short-term leases	165	410
Loss on lease modification	—	425
Building management fees and rates	2,806	2,238
Employee benefit expenses, net	119,787	82,443
Wages and salaries	110,789	85,274
Retirement benefit scheme contributions	2,083	2,132
Staff welfare and benefits	1,340	147
Provision for long service payments	1,689	72
Directors' remunerations	5,058	5,200
Share-based payment expenses for senior management and employee	36	—
Government subsidies	(1,208)	(10,382)
Legal and professional fees	2,169	6,128
Subcontracting fees, net	3,625	2,411
Subcontracting fees	11,595	10,009
Government subsidies	(7,970)	(7,598)
Auditor's remuneration	1,800	1,500
Accommodation	1,938	1,819
Insurance expenses	867	795
Loss allowance on trade receivables	512	—
Donation	90	600

## 5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the two-tiered rate of 8.25% for the first HK\$2,000,000 of the estimated assessable profit of the qualifying group entity and 16.5% on the remaining estimated assessable profit of the Group for the years ended 31 March 2022 and 2021.

An analysis of the income tax expense is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong profits tax		
Current year	17,613	14,557
Under/(over) provision in prior year	393	(260)
	<u>18,006</u>	<u>14,297</u>
Deferred tax	73	179
	<u>18,079</u>	<u>14,476</u>

## 6 DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
2020 final dividend paid (HK2.0 cents per share)	—	20,000
2021 interim dividend paid (HK2.0 cents per share)	—	20,000
2021 final dividend paid (HK2.0 cents per share)	20,000	—
2022 interim dividend paid (HK2.0 cents per share)	20,000	—
	<u>40,000</u>	<u>40,000</u>

A final dividend in respect of the year ended 31 March 2022 of HK2.5 cents per share, amounting to a total dividend of HK\$25,000,000, is to be proposed for approval at the forecoming annual general meeting. The proposed final dividend has not been recognised as a liability in the consolidated financial statements.

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

### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 March 2022 and 2021.

	2022	2021
Profit attributable to the owners of the Company (HK\$'000)	98,936	79,874
Weighted average number of shares in issue (thousand shares)	<u>1,000,000</u>	<u>1,000,000</u>
Basic earnings per share (in HK cents)	<u>9.89</u>	<u>7.99</u>

### (b) Diluted

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

For the year ended 31 March 2022, dilutive earnings per share was of the same amount as the basic earnings per share as the share options were anti-dilutive (2021: there were no potentially dilutive ordinary shares issued).

## 8 TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	30,559	6,269
Less: loss allowance	<u>(512)</u>	<u>—</u>
	<u>30,047</u>	<u>6,269</u>

The ageing analysis of the Group's gross trade receivables, based on invoice date, as at 31 March 2022 and 2021 are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	22,785	3,025
31–60 days	6,922	2,498
61–180 days	243	662
Over 180 days	609	84
	<u>30,559</u>	<u>6,269</u>

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

## 9 TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	3,029	2,704
Accruals and other payables	5,033	3,274
Accrued wages and salaries and contributions to MPF schemes	10,469	5,620
Deposits from customers	3,259	3,631
Rental deposits received	2,074	1,370
Provision for reinstatement cost	575	575
Provision for long service payments	3,797	2,403
	<u>28,236</u>	<u>19,577</u>
Less: Non-current portion	<u>(5,132)</u>	<u>(3,197)</u>
Current portion	<u>23,104</u>	<u>16,380</u>

As at 31 March 2022 and 2021, the carrying amounts of trade and other payables approximate to their fair values, as the impact of discounting is not significant, and are denominated in HK\$.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 60 days	<u>3,029</u>	<u>2,704</u>

## **10 EVENTS AFTER THE REPORTING PERIOD**

In April 2022, Kato Elderly Care Limited, an indirect wholly-owned subsidiary of the Company, entered into an alteration and addition works contract with Global Crown Limited, a related company, with a total contract sum of HK\$18,000,000 for carrying out the alteration and addition works on the commercial complex of Hing Tin Estate mainly for establishment of a new elderly residential care home.

The alteration and addition works began in April 2022. Investment properties with a carrying amount of HK\$152,000,000 would be recalssified as property and equipment upon the commencement of alteration and addition works.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Elderly home care services

The Group is an established operator of residential care homes for the elderly (the “**RCHE(s)**”) in Hong Kong offering a wide 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 31 March 2022, the Group had a network of eight (2021: eight) care and attention homes for the elderly with 1,129 residential care places (2021: 1,129 residential care places) strategically located across four districts in Hong Kong. The Group’s care and attention homes 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 entered into contractual arrangements pursuant to which the SWD purchased residential care places from the Group under the Enhanced Bought Place Scheme (“**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 31 March 2022 and 2021:

	Location	Year of commencement of operations 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 (" <b>Kato Elderly Home</b> ")	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 (" <b>Fai To Home (On Lai)</b> ")	Tuen Mun	1997	28	28	56	EA2
Fai To Home for the Aged (Tuen Mun) Branch (" <b>Fai To Home (Tuen Mun)</b> ")	Tuen Mun	1995	47	43	90	EA2
Fai To Sino West Combined Home for the Aged (" <b>Fai To Sino West Home</b> ")	To Kwa Wan	2000	148	146	294	EA1
Happy Luck Elderly Home Limited (" <b>Happy Luck Home</b> ")	Tsuen Wan	2015	75	71	146	EA1
Tsuen Wan Elderly Centre Limited (" <b>Tsuen Wan Centre</b> ")	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 care and attention homes as at 31 March 2022 and 2021:

	<b>Average monthly occupancy rate<sup>(Note)</sup> as at 31 March</b>	
	<b>2022</b> %	2021 %
Kato Elderly Home	<b>98.5</b>	97.2
Kato Home for the Aged	<b>97.9</b>	99.2
Fai To Home (On Lai)	<b>91.2</b>	92.9
Fai To Home (Tuen Mun)	<b>95.6</b>	98.9
Fai To Sino West Home	<b>93.1</b>	95.6
Happy Luck Home	<b>92.0</b>	98.6
Tsuen Wan Centre	<b>94.4</b>	92.7
Pine Villa	<b>96.5</b>	98.9
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Overall	<b>94.9</b>	<b>96.6</b>
	<hr/> <hr/>	<hr/> <hr/>

*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 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, including hospital outpatient and discharge escort, caregiver training, home safety assessment, physiotherapy, nursing support, etc.

As at 31 March 2022 and 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 has commenced providing day care services to elderly, covering a range of centre-based care and support services during daytime to enable the day care service users who suffer from moderate to severe level of impairment to achieve optimal level of functioning, develop their potential, improve their quality of life, and continue to live in their own homes wherever feasible and possible. As at 31 March 2022 and 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 RCHEs and in view of the logistical issues and unsuitability of arranging special medical equipment and facilities to be sent to general quarantine centres, the government of the HKSAR (the "Government") invited various RCHE players to participate in setting up quarantine and community treatment facilities. The Company was selected and participated in setting up a temporary quarantine centre for residents of RCHEs, housing nursing staffs on duty round the clock and designated staffs responsible for assisting elderly residents' needs. The facility helped to triage patients from public hospitals and allowed public hospitals to concentrate their manpower and resources on taking care of patients who needed more healthcare services.

## FINANCIAL REVIEW

### 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 Year and the Previous Year:

	2022		2021	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
<b>Rendering of elderly home care services</b>				
— residential care places purchased by the SWD under the EBPS	<b>96,633</b>	<b>30.2</b>	95,723	37.3
— residential care places purchased by individual customers	<b>88,688</b>	<b>27.7</b>	81,416	31.8
<b>Sales of elderly home related goods</b>	<b>33,113</b>	<b>10.3</b>	32,443	12.6
	<b>218,434</b>	<b>68.2</b>	209,582	81.7
<b>Rendering of elderly community care services</b>	<b>6,572</b>	<b>2.1</b>	3,949	1.5
<b>Rendering of care support services to persons under quarantine</b>	<b>86,411</b>	<b>27.0</b>	42,147	16.4
<b>Rental and management fee income</b>	<b>8,920</b>	<b>2.7</b>	853	0.4
Total	<b><u>320,337</u></b>	<b><u>100.0</u></b>	<b><u>256,531</u></b>	<b><u>100.0</u></b>

The total revenue of the Group increased by approximately HK\$63.8 million or 24.9% from approximately HK\$256.5 million for the Previous Year to approximately HK\$320.3 million for the Year, which was mainly due to increase in revenue from rendering of elderly community care services and care support services to persons under quarantine and elderly home care services during the Year.

Revenue from provision of elderly home care services mainly represent (i) the rendering of elderly home care services (such as residence, professional nursing and caretaking services, nutritional management, medical services, psychological and social care and individual care plans); and (ii) sales of elderly home related goods which include the sale of diapers, nutritional milk, wipes, and blood glucose test strips to our residents on an as-needed basis. The increase in revenue from provision of elderly home care services from approximately HK\$209.6 million in the Previous Year to approximately HK\$218.4 million for the Year was mainly attributed to (i) increase in average price of monthly residential fee for individual customers and sales of elderly home related goods; and (ii) increase in base rate charge per residential care place purchased by the SWD under the EBPS for rendering of elderly home care services.

### **Employee benefit expenses**

Employee benefit expenses comprised of wages and salaries, retirement benefit scheme contributions, staff welfare and benefits, directors' remunerations, provision for long service payments and share-based payment expense. The employee benefits expenses increased from approximately HK\$82.4 million for the Previous Year to approximately HK\$119.8 million for the Year, which was mainly due to (i) the increase in number of staff for rendering care support services to persons under quarantine; and (ii) absence of non-recurring wage subsidies from the Government under the anti-epidemic fund scheme during the Year (Previous Year: HK\$8.3 million).

### **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 and staff quarters. Property rental and related expenses remained relatively stable from approximately HK\$3.1 million for the Previous Year to approximately HK\$3.0 million for the Year.

### **Profit for the Year**

As a result of the foregoing, profit for the Year increased by approximately 24.6% to approximately HK\$99.1 million for the Year as compared to HK\$79.5 million for the Previous Year.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group's net assets increased to approximately HK\$292.2 million as at 31 March 2022 (2021: approximately HK\$233.2 million). Such increase was mainly the result of the cash inflow from operating activities during the Year. As at 31 March 2022, the Group's net current assets was approximately HK\$31.5 million (2021: approximately HK\$63.3 million), including cash and cash equivalents of approximately HK\$51.4 million (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 1.5 times as at 31 March 2022 (2021: approximately 2.2 times).

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

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

The gearing ratio as at 31 March 2022 and 2021 were as follows:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank borrowing	<b>96,955</b>	120,000
Lease liabilities	<b>197,837</b>	222,047
	<b>294,792</b>	342,047
Less: Cash and cash equivalents	<b>(51,446)</b>	(108,116)
Short-term bank deposits	<b>(203)</b>	(1,002)
Restricted bank deposit	<b>(6,590)</b>	—
	<b>(58,239)</b>	(109,118)
Net debt	<b>236,553</b>	232,929
Total equity	<b>292,207</b>	233,159
Gearing ratio	<b>81.0%</b>	99.9%

As at 31 March 2022, the gearing ratio of the Group decreased to 81.0% due to the repayment of bank borrowing and decrease in lease liabilities.

Although the Group adopted a lower finance leverage compared to the Previous Year, the Directors would pay careful consideration to cash flow management and performance of the Group to ensure the Group would meet its future finance requirements.

As at 31 March 2022, bank borrowing of the Group bore floating interest rates and denominated in HK\$. The maturity profile of bank borrowing of the Group are set out as follows:

	<i>HK\$'000</i>
Within 1 year	6,127
More than 1 year but less than 2 years	6,238
More than 2 years but less than 5 years	19,431
More than 5 years	65,159
	<b>96,955</b>

## **COMMITMENTS**

As at 31 March 2022, the Group had capital commitments for property and equipment, amounting to approximately HK\$2.0 million after netting off the prepayment for the purchase of property and equipment.

As at 31 March 2021, the Group did not have any material capital commitment.

## **SIGNIFICANT INVESTMENTS**

During the Year and Previous Year, the Group had no significant investment in equity interest in any other company.

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

The Group did not conduct any material acquisition or disposal of subsidiaries, associates and joint ventures during the Year.

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

The Group completed the acquisition of the commercial complex located in Hing Tin Estate in February 2021. In May 2022, the Group started to carry out the alteration and addition works on the entire commercial complex so as to establish a new care and attention home with 250 residential care places, restructure the existing shops for letting and renovate the public area.

In July 2021, the Group completed acquisition of four parcels of land in Yuen Long for establishment of another new care and attention home with 280 residential care places and expected commencement of operation in early 2025.

Save as disclosed above and elsewhere in this announcement, the Group did not have any plans for material investments and capital assets as at 31 March 2022 and up to the date of this announcement.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 31 March 2022 and 2021.

## **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 HK\$. 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 Year but the management will continuously monitor foreign exchange exposure and will consider hedging significant foreign currency exposure where appropriate.

## **PLEDGE OF ASSETS**

As at 31 March 2022, investment properties with carrying amount of approximately HK\$221.8 million (2021: HK\$244.1 million) and restricted bank deposit of approximately HK\$6.6 million (2021: Nil) were pledged to secure banking facilities granted to the Group. Save for the above, the Group had no other pledge of assets as at 31 March 2022 and 2021.

## **EMPLOYEES AND REMUNERATION POLICIES**

The total number of full-time and part-time employees were 596 and 498 as at 31 March 2022 and 2021, respectively. The Group's employee benefit expenses mainly includes salaries, discretionary bonuses, medical insurance coverage, staff quarter, other staff benefits and contributions to retirement schemes. Share options are granted to certain Directors, senior management and employees of the Group to reward their contributions under the share option scheme of the Company. During the Year, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$119.8 million (2021: approximately HK\$82.4 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 and general market conditions.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

The Group recognises the importance of compliance with regulatory requirements and that the risks of non-compliance with such requirements. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Hong Kong in all material respects during the Year.

The Group also complies with the requirements under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) for the disclosure of information and corporate governance.

## **ENVIRONMENTAL POLICY**

The Group recognises its responsibility to protect the environment from its business activities. The Group continually seeks to identify and manage environmental impacts.

## **RELATIONSHIPS WITH STAKEHOLDERS**

The Group recognises employees as valuable assets of the Group. In order to motivate employees, the Group provides reasonable remuneration package, implements periodic appraisal system and provide on-going trainings to our employees.

The Group treasures the long-term relationships developed with its customers and suppliers. The Group put emphasis on efficient communication, response and feedback actions, which are crucial for building stable relationships with business partners.

The Group values relationships with its stakeholders. The Group maintains an ongoing dialogue with its stakeholders, employees and customers through general meetings, regular performance reviews, appraisals and interview sessions so as to facilitate efficient communication and collective constructive feedback. Such feedback is considered essential in the decision-making process of the Group’s daily operation from improving its business performance to bringing insights for future development.

## **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. According to “Hong Kong Population Projections 2020-2069”, the government estimates that in 20 years’ time, the numbers of elderly persons aged 65 and above will nearly double from 1.32 million in 2019 to 2.52 million or 33.3% of our population in 2039. It is expected that the population ageing will continue and will contribute further to the growing market in the RCHE industry.

We take an active role during the Year in various community initiatives in the area of elderly care and disadvantaged community not only for business growth but also for the wellness and sustainability of the 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 provide 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 RCHE, the Group will continue to expand its network of RCHE in strategic locations in Hong Kong to serve more elderly residents when there are suitable opportunities. As at 31 March 2022, the Group has completed the acquisition of certain properties located in Lam Tin and Yuen Long, which is expected to provide approximately an aggregate of 530 residential care places in the future. 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 SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the Year and up to the date of this announcement.

## **DIVIDEND**

The Board has recommended the declaration of a final dividend of HK2.5 cents per share for the Year (2021: HK2.0 cents per share) to the shareholders of the Company (the "Shareholders"). The proposed final dividend, subject to the approval of the Shareholders, is expected to be paid on Friday, 26 August 2022 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 16 August 2022.

An interim dividend of HK2.0 cents per share was paid by the Company on 23 December 2021 (2021: HK2.0 cents per share paid on 18 December 2020).

## **THE FORTHCOMING ANNUAL GENERAL MEETING**

The forthcoming annual general meeting of the Company (the “**AGM**”) will be held on Monday, 8 August 2022, and the notice convening such meeting will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining Shareholders’ entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 3 August 2022 to Monday, 8 August 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer of the shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on Tuesday, 2 August 2022.

For determining Shareholders’ entitlement to the proposed final dividend (subject to approval by the Shareholders at the AGM), the register of members of the Company will be closed from Monday, 15 August 2022 to Tuesday, 16 August 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar 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, 12 August 2022.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

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

## **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. Save as disclosed below, the Company had complied with all the provisions in the CG Code during the Year.

Mr. Ngai Shi Shing Godfrey (“**Mr. Ngai**”) is the chief executive officer of the Company and was appointed the chairman of the Board on 15 October 2020. Although this deviates from the practice under code provision C.2.1 of the CG Code, 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.

## **REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS**

The audit committee of the Company (the “**Audit Committee**”) has reviewed the accounting policies adopted by the Group and the consolidated financial statements for the Year. The Audit Committee is satisfied that the audited consolidated financial statements of the Group for the Year were prepared in accordance with the applicable accounting standards and fairly present the Group’s financial position and results for the Year.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the Year as set out in this announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

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

This announcement is published on the Company's website at [www.elderlyhk.com](http://www.elderlyhk.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The annual report of the Company for the Year containing all the information required under the Listing Rules will be published on the aforesaid websites of the Company and the Stock Exchange and will be despatched to the Shareholders in due course.

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

Hong Kong, 24 June 2022

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