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Hang Chi Holdings Limited

恒智控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8405)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of Hang Chi Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FINANCIAL HIGHLIGHTS

	Nine months ended 30 September		
	2020	2019	Change %
	HK\$'000	HK\$'000	(approximate)
	(unaudited)	(unaudited)	
Statement of profit or loss and other comprehensive income			
Revenue	153,798	120,123	28.03%
EBITDA	73,456	44,405	65.42%
Profit for the period	<u>36,125</u>	<u>21,752</u>	<u>66.08%</u>

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 30 September 2020 (the “**Reporting Period**”). The unaudited condensed consolidated financial statements of the Group have been reviewed by the audit committee of the Company.

BUSINESS REVIEW AND OUTLOOK

The Group is an established operator of elderly residential care homes in Hong Kong providing comprehensive residential care home services to the elderly residents including: (i) the provision of accommodation with dietician-managed meal plans, 24-hour nursing and caretaking assistance and professional services such as regular medical consultation, physiotherapy, occupational therapy, psychological and social care services; and (ii) the sale of healthcare and medical consumable products and the provision of customisable add-on healthcare services to the elderly residents. During the Reporting Period, the Group derived its revenue from seven elderly residential care homes across different districts in Hong Kong, including four “Shui On瑞安”, one “Shui Hing瑞興”, one “Shui Jun瑞臻” and one “Guardian Home佳安家” branded elderly residential care homes.

The Directors are of the view that the enormous demand for residential care home services is the key driver for the growth of the elderly residential care home industry in Hong Kong. With the Group’s experienced management team and reputation in the market, the Group will continue to expand its network of elderly residential care homes in strategic locations in Hong Kong to serve more elderly residents.

In view of the recent outbreak of coronavirus in Hong Kong, the Company has formed a crisis response team to monitor the situation of its residential care homes. The Group has launched a series of special measures to strengthen infection control. As at the date of this announcement, the outbreak of coronavirus has not adversely affected the business and daily operation of the Group.

OPERATING PERFORMANCE

Revenue

The breakdown of revenue by types of services provided by the Group for the Reporting Period and nine months ended 30 September 2019 are set out as follows:

	Nine months ended 30 September		2019	
	2020	Percentage of segment revenue	Revenue	Percentage of segment revenue
	HK\$'000	approximate%	HK\$'000	approximate%
Rendering of elderly home care services				
– residential care places leased by the Social Welfare Department (the “SWD”) under the Enhanced Bought Place Scheme (the “EBPS”)	28,687	18.65%	25,396	21.14%
– residential care places leased by the SWD under the Bought Place Scheme on Day Care Units (the “Day Care Services”)	1,645	1.07%	–	–
– residential care places leased by individual customers	84,069	54.67%	64,580	53.76%
– residential care places leased by non-governmental organisations	663	0.43%	415	0.35%
	<u>115,064</u>	<u>74.82%</u>	<u>90,391</u>	<u>75.25%</u>
Sales of elderly related goods and provision of healthcare services	<u>38,734</u>	<u>25.18%</u>	<u>29,732</u>	<u>24.75%</u>
Total	<u><u>153,798</u></u>	<u><u>100.00%</u></u>	<u><u>120,123</u></u>	<u><u>100.00%</u></u>

During the Reporting Period, the Group’s revenue increased from approximately HK\$120,123,000 for the same period last year to approximately HK\$153,798,000, representing an approximately 28.03% increase.

Rendering of elderly home care services

The revenue from rendering of elderly home care services was derived from the provision of, among others, residence, nursing and caretaking services, health and medical services, rehabilitation services, meal preparation services and social care services in Hong Kong. The revenue increased from approximately HK\$90,391,000 for the same period last year to approximately HK\$115,064,000 for the Reporting Period, representing an approximately 27.30% increase.

- ***Residential care places leased by the SWD under the EBPS***

During the Reporting Period, the revenue derived from the SWD, which leased a fixed number of residential care places at the Group's elderly residential care homes under the EBPS, increased from approximately HK\$25,396,000 for the same period last year to approximately HK\$28,687,000 representing an approximately 12.96% increase.

- ***Residential care places leased by the SWD under the Day Care Services***

Two of the Group's elderly residential care homes under the EBPS have participated in the Day Care Services for elderly of the SWD. The Group provided 20 day care units with a range of centre-based care and support services for elderly since May 2020.

During the Reporting Period, the revenue derived from the SWD, which elder persons nominated and arranged by the SWD to receive the Day Care Services at the Group's elderly residential care homes under the Day Care Services was approximately HK\$1,645,000.

- ***Residential care places leased by individual customers***

The revenue derived from rendering of elderly home care services for individual customers, together with the unsubsidised portions paid by individual customers under the EBPS increased from approximately HK\$64,580,000 for the same period last year to approximately HK\$84,069,000 for the Reporting Period, representing an approximately 30.18% increase.

The increment was mainly due to recognition of nine months revenue of Guardian Home Limited during the Reporting Period, whereas only two months revenue of Guardian Home Limited was recognised for the same period last year after Guardian Home Limited became a subsidiary of the Group in July 2019.

- ***Residential care places leased by non-governmental organisations***

The revenue derived from the non-governmental organisations which leased residential care places from the Group's elderly residential care homes increased from approximately HK\$415,000 for the same period last year to approximately HK\$663,000 for the Reporting Period, representing an approximately 59.76% increase.

Sales of elderly related goods and provision of healthcare services

The revenue from sales of elderly related goods and provision of healthcare services was derived from the sales of adult nappies, nutritional milk, other medical consumable products, daily supplies and provision of additional healthcare services to the residents. The revenue increased from approximately HK\$29,732,000 for the same period last year to approximately HK\$38,734,000 for the Reporting Period, representing an approximately 30.28% increase.

Average occupancy rates of the elderly residential care homes

The average occupancy rates of the Group's elderly residential care homes for the Reporting Period and the same period last year are set out as follows:

	Nine months ended 30 September	
	2020	2019
	<i>approximate %</i>	<i>approximate %</i>
Average occupancy rates		
– elderly residential care homes under the EBPS	93.02%	94.51%
– non-EBPS elderly residential care homes	88.17%	92.02%

Staff costs

Staff costs are the largest component of the operating expenses, which comprised of wages, salaries, bonuses, long service payments, retirement benefit costs and other allowances and benefits payable to employees. Due to the increase in the number of elderly residential care homes operated by the Group which increased the total number of staff, the amount of staff costs increased from approximately HK\$43,866,000 for the same period last year to approximately HK\$55,688,000 for the Reporting Period, representing an approximately 26.95% increase.

Property rental and related expenses

Property rental and related expenses mainly represented by the rental and ancillary office payments under operating leases related to the elderly residential care homes. The amount of property rental and related expenses decreased from approximately HK\$14,793,000 for the same period last year to approximately HK\$12,809,000 for the Reporting Period, representing an approximately 13.41% decrease. With the adoption of IFRS 16 Leases, the rental expenses were re-allocated between Property rental and related expenses, Depreciation and amortisation and Finance costs. The rental and related expenses payments for the elderly residential care homes and office amounted to approximately HK\$33,166,000 in total for the Reporting Period.

Profit for the period

During the Reporting Period, the Group recorded a profit of approximately HK\$36,125,000, compared to that of approximately HK\$21,752,000 for the same period last year. Such increase was attributable to the increment in revenue and better cost control policy implemented during the Reporting Period.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (30 September 2019: nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 September 2020, the Group had 374 employees (30 September 2019: 335 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme (the “**Share Option Scheme**”) and a share award scheme (the “**Share Award Scheme**”) have been respectively adopted on 21 June 2017 and 6 November 2019 for, among others, the employees of the Group.

PROPOSED TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD OF STOCK EXCHANGE

On 16 June 2020, the Company submitted a formal application to the Stock Exchange in respect of the proposed transfer of listing of the shares of the Company (the “**Shares**”) from GEM to the Main Board of Stock Exchange (“**Main Board**”) of (i) all the Shares in issue; and (ii) any Shares which may be issued upon the exercise of any share options which may be granted under the Share Option Scheme, on the Main Board by way of transfer of listing pursuant to Chapter 9A of and Appendix 28 to the Rules Governing the Listing of Securities on the Stock Exchange (“**Main Board Listing Rules**”) and the relevant provisions of the GEM Listing Rules (the “**Proposed Transfer of Listing**”). The Proposed Transfer of Listing will not involve any issue of new Shares by the Company.

For more details about the Proposed Transfer of Listing, please refer to the announcement of the Company dated 16 June 2020. Further announcement(s) will be made by the Company to keep the shareholders of the Company (the “**Shareholders**”) and potential investors of the Company informed of the progress of the Proposed Transfer of Listing as and when appropriate, in accordance with the GEM Listing Rules and the Main Board Listing Rules.

The unaudited financial information for the nine months ended 30 September 2020 together with the comparative figures for the corresponding period in 2019 were as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
REVENUE	4	52,630	48,826	153,798	120,123
Other income	4	9,465	1,624	16,199	4,680
Staff costs		(18,511)	(15,842)	(55,688)	(43,866)
Property rental and related expenses		(4,211)	(4,904)	(12,809)	(14,793)
Depreciation and amortisation		(8,859)	(7,605)	(26,758)	(16,246)
Food		(1,372)	(1,277)	(4,164)	(3,345)
Medical fees		(2,816)	(2,176)	(7,514)	(6,363)
Professional and legal fees		(1,580)	(1,095)	(5,804)	(4,203)
Utility expenses		(1,240)	(1,399)	(2,850)	(2,866)
Consumables		(501)	(366)	(1,368)	(1,014)
Other operating expenses		(1,977)	(1,957)	(6,344)	(3,890)
Other gain, net		–	(58)	–	(58)
Finance costs	5	(1,081)	(949)	(3,335)	(1,633)
PROFIT BEFORE TAX	6	19,947	12,822	43,363	26,526
Income tax expenses	7	(3,176)	(2,234)	(7,238)	(4,774)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		16,771	10,588	36,125	21,752
Attributable to:					
Owners of the parent		14,646	9,631	31,545	20,229
Non-controlling interests		2,125	957	4,580	1,523
		16,771	10,588	36,125	21,752
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
– Basic and diluted (<i>HK cents</i>)	9	3.66	2.41	7.89	5.06

Details of the dividends during the reporting period are disclosed in note 8 to the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	Attributable to owners of the parent						Non-Controlling interests	Total equity
	Issued capital	Share premium	Merger reserve	Other reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 31 December 2019 and 1 January 2020 (audited)	4,000	109,298	5	(10,840)	60,884	163,347	9,680	173,027
Profit and total comprehensive income for the period	-	-	-	-	31,545	31,545	4,580	36,125
Final/interim dividend declared	-	-	-	-	(24,000)	(24,000)	(5,681)	(29,681)
At 30 September 2020 (unaudited)	<u>4,000</u>	<u>109,298</u>	<u>5</u>	<u>(10,840)</u>	<u>68,429</u>	<u>170,892</u>	<u>8,579</u>	<u>179,471</u>

For the nine months ended 30 September 2019

	Attributable to owners of the parent						Non-Controlling interests	Total equity
	Issued capital	Share premium	Merger reserve	Other reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 31 December 2018 and 1 January 2019 (audited)	4,000	109,298	5	(1,046)	32,649	144,906	2,084	146,990
Profit and total comprehensive income for the period	-	-	-	-	20,229	20,229	1,523	21,752
Acquisition of non-controlling interests	-	-	-	(11,184)	-	(11,184)	(1,442)	(12,626)
Acquisition of a subsidiary	-	-	-	-	-	-	12,290	12,290
Interim dividend declared	-	-	-	-	-	-	(4,400)	(4,400)
At 30 September 2019 (unaudited)	<u>4,000</u>	<u>109,298</u>	<u>5</u>	<u>(12,230)</u>	<u>52,878</u>	<u>153,951</u>	<u>10,055</u>	<u>164,006</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT

For the nine months ended 30 September 2020

1. CORPORATE INFORMATION

Hang Chi Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, with the registered address of Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. In the opinion of the directors, the holding company of the Company is Shui Wah Limited (“**Shui Wah**”), which was incorporated in the British Virgin Islands (“**BVI**”). The Company’s ultimate holding company is Multifield Investment Development Limited, a company incorporated in BVI with limited liability on 8 January 2010, which is wholly owned by Mr. Yik Tak Chi.

During the period, the Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in the operation of elderly residential care homes in Hong Kong.

2.1 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2020 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting*.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issue but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the unaudited condensed consolidated financial statements of the Group.

The Group has adopted the following revised IFRSs for the first time for the current period’s unaudited condensed consolidated financial statements:

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The directors of the Company considered that the application of the new and revised IFRSs and IASs do not have material impact on the Group’s unaudited consolidated financial results.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the operation of residential care homes. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Geographical information is not presented since all of the Group's revenue from external customers is generated in Hong Kong and all of the non-current assets of the Group are located in Hong Kong. The non-current asset information is based on the locations of assets and excludes financial instruments and deferred tax assets.

Information about a major customer

Revenue of approximately HK\$30,332,000 for the nine months ended 30 September 2020 (nine months ended 30 September 2019: HK\$25,396,000), which amounted to more than 10% of the Group's revenue, was derived from the Hong Kong Government under the Enhanced Bought Place Scheme and the Bought Place Scheme on Day Care Units.

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from contracts with customers				
Rendering of elderly home care services	39,041	36,227	115,064	90,391
Sales of elderly related goods and provision of healthcare services	13,589	12,599	38,734	29,732
	52,630	48,826	153,798	120,123

Revenue from contracts with customers

(i) Disaggregated revenue information

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Timing of revenue recognition				
Services transferred over time	45,514	42,443	132,510	104,298
Goods transferred at a point in time	7,116	6,383	21,288	15,825
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with customers	52,630	48,826	153,798	120,123
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:				
Rendering of elderly home care services	263	70	192	125
Sale of elderly related goods and provision of healthcare services	87	22	61	37
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	350	92	253	162
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(ii) **Performance obligations**

Information about the Group's performance obligations is summarised below:

Rendering of services

The performance obligation is satisfied over time as services are rendered and advance payments are normally required for home care services and certain healthcare services. For other healthcare services, payment is generally due within 30 days.

Sale of goods

The performance obligation is satisfied upon delivery of the goods and advance payments are generally required. For other goods where advance payment is not required, payment is generally due within 30 days from delivery.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 September 2020 and 31 December 2019 are as follows:

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 December 2019 HK\$'000 (audited)
Within one year	512	253

An analysis of other income is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Other income				
Government grants	8,568	974	13,240	2,659
Sundry income	148	420	500	953
Rental income	694	113	1,956	701
Bank interest income	13	55	280	231
Others	42	62	223	136
	9,465	1,624	16,199	4,680

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended		Nine months ended	
	September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on lease liabilities	1,081	949	3,335	1,633

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cost of inventories sold	3,211	3,008	9,071	7,106
Depreciation of property, plant and equipment	897	1,013	2,509	3,080
Depreciation of right-of-use assets	6,754	5,007	20,034	9,889
Amortisation of intangible assets	1,208	1,585	4,215	3,277
Auditors' remuneration	607	300	1,407	1,000
Employee benefit expense including Directors' and chief executive's remuneration:				
– Wages and salaries	17,801	14,898	53,563	41,325
– Pension scheme contributions	534	481	1,579	1,375
	18,335	15,379	55,142	42,700
Bank interest income*	(13)	(55)	(280)	(231)
Government grants*	(8,568)	(974)	(13,240)	(2,659)

* Included in "Other income" in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX EXPENSES

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the reporting period (nine months ended 30 September 2019: 16.5%).

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current – Hong Kong				
Charge for the period	3,375	2,569	7,933	5,485
Deferred tax	(199)	(335)	(695)	(711)
	<u>3,176</u>	<u>2,234</u>	<u>7,238</u>	<u>4,774</u>
Total tax charge for the period	3,176	2,234	7,238	4,774

8. DIVIDENDS

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Final – HK6.00 cents (nine months ended 30 September 2019: Nil) per ordinary share	<u>–</u>	<u>–</u>	<u>24,000</u>	<u>–</u>

No dividend has been proposed by the Group for the nine months ended 30 September 2020.

The distribution amounts set out in the unaudited condensed consolidated statements of changes in equity of HK\$5,681,000 for the nine months ended 30 September 2020 represented the dividends declared by Shui On Nursing Centre (Kwai Shing E.) Co. Limited and Guardian Home Limited, non-wholly-owned subsidiaries of the Company, to their non-controlling shareholders.

The distribution amounts set out in the unaudited condensed consolidated statements of changes in equity of HK\$4,400,000 for the nine months ended 30 September 2019 represented the dividends declared by Shui On Nursing Centre (Kwai Shing E.) Co. Limited, a non-wholly-owned subsidiary of the Company, to its non-controlling shareholders.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the nine months ended 30 September 2020 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 400,000,000 (nine months ended 30 September 2019: 400,000,000) in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of basic earnings per share is based on:

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings				
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	14,646	9,631	31,545	20,229
	2020	2019	2020	2019
Shares				
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	400,000,000	400,000,000	400,000,000	400,000,000

No adjustment has been made to the basic earnings per share amounts presented for the nine months ended 30 September 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during these periods.

CORPORATE GOVERNANCE PRACTICES

The Company places high value on the corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the Shareholders.

During the Reporting Period, the Company has adopted and complied with, where applicable, the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules.

CODE OF CONDUCT OF DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the “**Required Standard of Dealings**”) as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. In response to the specific enquiry made by the Company, all Directors confirmed that they fully complied with the Required Standard of Dealings throughout the Reporting Period.

COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

For the Reporting Period, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) are engaged in any business that competes or may complete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

SHARE OPTION SCHEME

Pursuant to the resolution passed by the Shareholders on 21 June 2017, the Company has adopted the Share Option Scheme which is valid and effective for a period of 10 years from 21 June 2017. The purpose of the Share Option Scheme is to provide incentives or rewards to the eligible persons for their contributions of to the Group. Eligible person under the Share Option Scheme means any full-time or parttime employee of the Company or any member of the Group, including any executive Directors, non-executive Directors and independent non-executive Directors, suppliers, customers, agents, advisors and consultants of the Group who, in the sole opinion of the Board, will contribute or have contributed to the Group. The Board may, at its discretion, invite any of the aforesaid eligible persons to take up the options. There is no change to the terms of the Share Option Scheme since adoption.

The total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and other share option scheme is 40,000,000, representing 10% of the Shares in issue as at the date of this announcement.

No share option had been granted, exercised or cancelled by the Company under the Share Option Scheme since adoption and during the Reporting Period and there is no outstanding share option as at the date of this announcement.

SHARE AWARD SCHEME

On 6 November 2019, the Board resolved to adopt the Share Award Scheme, pursuant to which ordinary Shares were awarded to the selected participants in accordance with the rules of the Share Award Scheme. Each selected participant shall be a full-time employee of the Group who is not a Director or connected person of the Company. The maximum number of awarded shares which may be awarded under the Share Award Scheme shall be 1,360,000 Shares, representing approximately 0.34% of the total number of issued Shares.

On 22 January 2020, 1,336,000 Shares, representing approximately 0.33% of the total number of issued Shares, were awarded to the selected participants, all of whom are independent third parties and full-time employees of the Group, pursuant to the rules of the Share Award Scheme. The Share Award Scheme lapsed after completion of the transfer of the awarded shares on the same date.

For details of the Share Award Scheme, please refer to the Company's announcement dated 6 November 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE AND REVIEW OF THE THIRD QUARTERLY RESULTS

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee (the "**Audit Committee**") with written terms of reference aligned with the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. Kwok Chi Shing, Mr. Lau Tai Chim and Mr. Wong Wai Ho. The main role and functions of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control systems.

The Audit Committee has discussed with the management and the independent auditor of the Company and reviewed the unaudited results for the Reporting Period and the unaudited condensed consolidated financial statements of the Group for the Reporting Period, which is of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosure has been made in respect thereof.

By order of the Board
Hang Chi Holdings Limited
Yik Tak Chi
Chairman and Executive Director

Hong Kong, 6 November 2020

As at the date of this announcement, the executive Directors are Mr. YIK Tak Chi, Mr. LUI Chi Tat, Mr. CHUNG Kin Man and Ms. CHUNG Wai Man, the non-executive Director is Mr. LAU Joseph Wan Pui and the independent non-executive Directors are Mr. WONG Wai Ho, Mr. LAU Tai Chim and Mr. KWOK Chi Shing.

This announcement, for which all the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and will also be published on the Company’s website at www.shuionnc.com.