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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)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Change % (approximate)
<b>Consolidated statement of profit or loss and other comprehensive income</b>			
Revenue	203,849	205,038	-0.58%
EBITDA	97,872	100,733	-2.84%
Profit for the year	<u>52,191</u>	<u>52,883</u>	<u>-1.31%</u>
<b>Consolidated statement of financial position</b>			
Cash and cash equivalents	66,329	85,914	-22.80%
Trade receivables	165	191	-13.61%
Net assets value	<u>179,141</u>	<u>196,230</u>	<u>-8.71%</u>

The board of Directors (the “**Board**”) of the Company is pleased to present the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Year**”). The audited consolidated financial statements of the Group have been reviewed by the audit committee of the Company.

## BUSINESS REVIEW AND PROSPECT

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 Year, 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.

In response to the outbreak of coronavirus in Hong Kong, the Company has formed a crisis response team to monitor the situation of its residential care homes and launched a series of special measures to strengthen infection control. The crisis response team holds meetings regularly to review the adequacy of current measures. During the Reporting Year, the Group’s revenue amounted to approximately HK\$203,849,000, representing a slight decrease of 0.58%

as compared with that of last year. Profit for the year decreased by approximately 1.31% to approximately HK\$52,191,000. The Group will continue to optimise existing resources, strengthen staff training, and save costs through cost control measures.

Hong Kong is experiencing the structural issue of aging population. According to the “Hong Kong Population Projections 2020–2069” of the Hong Kong SAR Government, the population of elderly will almost double by 2040. Therefore, demand of the society for elderly residential care services will continue to rise, and will become the main driver for the development and growth of the elderly residential care home industry. With the Group’s experienced management team and reputation in the market, the Group will strengthen talents training and continue to expand its network of elderly residential care homes at strategic locations in Hong Kong, so as to serve more elderly residents.

## OPERATING PERFORMANCE

### Revenue

The breakdown of revenue by types of services provided by the Group for the Reporting Year and year ended 31 December 2020 are set out as follows:

	2021		2020	
	Revenue	Percentage	Revenue	Percentage
	HK\$’000	of segment	HK\$’000	of segment
		revenue		revenue
		approximate		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”)	39,024	19.14%	38,364	18.71%
– residential care places leased by the SWD under the Bought Place Scheme on Day Care Units (the “Day Care Services”)	4,759	2.33%	2,824	1.38%
– residential care places leased by individual customers	107,488	52.73%	111,646	54.45%
– residential care places leased by non-governmental organisations	620	0.30%	828	0.40%
	<u>151,891</u>	<u>74.50%</u>	<u>153,662</u>	<u>74.94%</u>
<b>Sales of elderly related goods and provision of healthcare services</b>	<u>51,958</u>	<u>25.50%</u>	<u>51,376</u>	<u>25.06%</u>
<b>Total</b>	<u><u>203,849</u></u>	<u><u>100.00%</u></u>	<u><u>205,038</u></u>	<u><u>100.00%</u></u>

During the Reporting Year, the Group's revenue slightly decreased from approximately HK\$205,038,000 for the last year to approximately HK\$203,849,000, representing an approximately 0.58% decrease.

#### ***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 decreased from approximately HK\$153,662,000 for the last year to approximately HK\$151,891,000 for the Reporting Year, representing an approximately 1.15% decrease.

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

During the Reporting Year, 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\$38,364,000 for the last year to approximately HK\$39,024,000, representing an approximately 1.72% 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 40 day care units with a range of centre-based care and services for elderly since May 2020.

During the Reporting Year, 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 increased from approximately HK\$2,824,000 for the last year to approximately HK\$4,759,000, representing an approximately 68.52% increase. The increment was mainly due to recognition of whole year revenue generated from Day Care Services during the Reporting Year, whereas only eight months revenue was recognised for the last year.

- ***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 decreased from approximately HK\$111,646,000 for the last year to approximately HK\$107,488,000 for the Reporting Year, representing an approximately 3.72% decrease.

- *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 decreased from approximately HK\$828,000 for the last year to approximately HK\$620,000 for the Reporting Year, representing an approximately 25.12% decrease. The decline in revenue was due to the reduction on referrals of customers from non-government organisation as a result of the epidemic.

### **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\$51,376,000 for the last year to approximately HK\$51,958,000 for the Reporting Year, representing an approximately 1.13% increase.

### **Average occupancy rate of the elderly residential care homes**

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

	<b>2021</b>	2020
	<b>approximate %</b>	approximate %
Average occupancy rate		
– elderly residential care homes under the EBPS	<b>92.26%</b>	93.54%
– non-EBPS elderly residential care homes	<b>82.17%</b>	87.70%

### **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. During the Reporting Year, since more staff have been employed for providing health and personal care services to service users of residential care homes who were admitted for quarantine, the amount of staff costs increased from approximately HK\$75,338,000 for the last year to approximately HK\$83,464,000 for the Reporting Year, representing an approximately 10.79% 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 increased from approximately HK\$17,284,000 for the last year to approximately HK\$18,540,000 for the Reporting Year, representing an approximately 7.27% increase. 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\$41,546,000 in total for the Reporting Year.

## **Profit for the year**

During the Reporting Year, the Group recorded a profit of approximately HK\$52,191,000 and approximately HK\$52,883,000 was noted for the last year.

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

### **Liquidity**

As at 31 December 2021, current assets amounted to approximately HK\$85,093,000 (2020: approximately HK\$102,311,000). Current liabilities were approximately HK\$53,244,000 (2020: approximately HK\$51,319,000).

### **Financial Resources**

As at 31 December 2021, the Group had total cash and bank balances of approximately HK\$66,329,000 (2020: approximately HK\$85,914,000).

As at 31 December 2021, the Group had trade receivables of approximately HK\$165,000 (2020: approximately HK\$191,000).

### **Gearing Ratio**

The gearing ratio of the Group as at 31 December 2021 was 15% (2020: 10%) as the Group incurred the lease liabilities with the adoption of IFRS 16 Leases during the Reporting Year. The Group was not in need of any material debt financing during the Reporting Year.

The approach of the Board to manage the Group's working capital is to ensure sufficient liquid assets to meet its matured liabilities so as to avoid any unacceptable losses or damage to the Group's reputation.

## **Capital Structure**

The shares of the Company (the “**Shares**”) were successfully listed on GEM of the Stock Exchange on 12 July 2017. There has been no change in the capital structure of the Company since then. The capital of the Company only comprises of ordinary shares.

As at 31 December 2021, the total equity of the Group was approximately HK\$179,141,000 (2020: approximately HK\$196,230,000).

## **DIVIDEND**

The Board does not recommend the payment of a final dividend for the Reporting Year (2020: HK\$32,000,000).

## **SIGNIFICANT INVESTMENTS HELD BY THE GROUP**

As at 31 December 2021, there was no significant investment held by the Group.

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

As at 31 December 2021, the Group did not have any plan for material investments and capital assets.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the Reporting Year.

## **FOREIGN EXCHANGE EXPOSURE**

The Group’s sales and purchases were denominated in HK\$. As such, the Group has limited exposure to any significant foreign currency exchange risks. The Board does not expect any material impact on the Group’s operations caused by any foreign currency fluctuations. No financial instruments were employed by the Group for hedging purpose during the Reporting Year.

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group had no material contingent liabilities (2020: nil).

## **CAPITAL EXPENDITURE**

During the Reporting Year, the Group's capital expenditure amounted to approximately HK\$3,255,000 (2020: approximately HK\$3,901,000) which was used for the acquisition of plant and equipment in the elderly residential care homes.

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at 31 December 2021, the Group had 389 employees (2020: 381 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**”) has been adopted on 21 June 2017 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 (the “**Application**”) to the Stock Exchange in respect of the proposed transfer of listing of the Shares from GEM to the Main Board of Stock Exchange 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 and the relevant provisions of the GEM Listing Rules (the “**Proposed Transfer of Listing**”). The Proposed Transfer of Listing would not involve any issue of new Shares by the Company.

The renewal of the Application was submitted to the Stock Exchange on 3 February 2021 and has lapsed as six months or more had elapsed since the date of the submission for the renewal of the Application.

The Company has decided not to proceed with the Proposed Transfer of Listing. The Board believes that such decision has no material adverse impact on the financial or business operations of the Group.

For more details about the Proposed Transfer of Listing, please refer to the announcements of the Company dated 16 June 2020, 3 February 2021 and 3 August 2021, respectively.

## **POTENTIAL RELOCATION OF SHUI JUN NURSING CENTRE (YAU TONG) COMPANY LIMITED**

During preparation of the Proposed Transfer of Listing, the Company identified that (i) the use of properties located at (a) Shops 101 to 105, 127 to 142 and 158 to 165, 1st Floor, Ka Kwai Arcade and (b) Unit No. G67, Ground Floor and Unit B, 1st Floor, Ka Fat Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong (the “**Yau Tong Properties**”) by Shui Jun Nursing Centre (Yau Tong) Company Limited (“**Shui Jun (Yau Tong)**”) for the operation of an elderly residential care home is inconsistent with the user stated in the deed of mutual covenants and

occupation permits, which also constitutes a breach of the government lease; and (ii) Shui Jun (Yau Tong) or the relevant landlords failed to serve a notice under Section 25 of the Buildings Ordinance (Cap. 123 of the Laws of Hong Kong) to the Building Authority about the intended change of user of the Yau Tong Properties.

As at the date of this announcement, no warning letters from the Lands Department were received nor any inspection/fines/prosecution action had been taken by the Hong Kong Government or any competent authorities with respect to the said incident. As advised by the legal counsel, (a) the failure to issue the Section 25 notice to the Building Authority for change of land use took place before the 12-month prosecution time bar under section 40(8) of the Buildings Ordinance; and (b) the risk of enforcement action by the Lands Department in the form of re-entry is remote because Shui Jun (Yau Tong) has not received any warning letter from the Lands Department regarding misuse of the Yau Tong Properties.

The Company has prepared a relocation plan and has been trying to locate a suitable property for relocation of Shui Jun (Yau Tong). In the event the Company could not find a suitable property, the Company will consider other necessary actions to minimise the impact of the said incident to the Group, including but not limited to a potential disposal of Shui Jun (Yau Tong), subject to the then market condition. At the date of this announcement, the Group has not engaged in any formal negotiations or signed any documents regarding the potential disposal with any potential buyers.

## **EVENTS AFTER THE REPORTING YEAR**

Subsequent to the Reporting Year, the Group had following significant events taken place:

On 14 March 2022, Shui Jun (Yau Tong), as tenant, entered into two new tenancy agreements (collectively, the “**2022 Tenancy Agreements**”) with Ever Premier Limited (“**Ever Premier**”) and Roymark Limited (“**Roymark**”), as landlords, in relation to the Yau Tong Properties, respectively. The Yau Tong Properties will be rented by Shui Jun (Yau Tong) for the operation of the elderly residential care home under the name of Shui Jun Nursing Centre (Yau Tong) Company Limited (瑞臻護老中心 (油塘) 有限公司) from 1 July 2022 (or the date of fulfillment of the conditions as set out in the respective 2022 Tenancy Agreements, whichever is later) and expiring on 30 June 2026 (both dates inclusive) at the monthly rental of HK\$200,000 and HK\$890,000 per month, respectively. The entering into of the 2022 Tenancy Agreements is a transitional measure for operation of the elderly residential care home prior to adoption of the plan as disclosed in the paragraph headed “Potential Relocation of Shui Jun Nursing Centre (Yau Tong) Company Limited” above.

As at the date of this announcement, (i) Roymark is beneficially owned as to 40% by Mr. Yik Tak Chi (“**Mr. Yik**”) (through Hang Chi Development & Investment Limited (“**HCDI**”)), 25% by Ms. Yik Wai Hang (“**Ms. WH Yik**”) and 35% by two other independent third parties; (ii) the board of directors of Roymark consists of five directors, including Mr. Yik, Ms. WH Yik, Mr. Lui Chi Tai (“**Mr. Lui**”) and two other independent third parties; (iii) Ever Premier is wholly-owned by Roymark; and (iv) the board of directors of Ever Premier consisted of two directors, including Mr. Yik and Mr. Lui.

As (a) Mr. Yik is an executive Director and a controlling shareholder of the Company; (b) Mr. Lui is the chief executive officer of the Company and an executive Director; and (c) Ms. WH Yik is a controlling shareholder of the Company, a sister of Mr. Yik and the mother of Mr. Lui, Roymark and Ever Premier are associates of connected persons of the Company under the GEM Listing Rules and the transactions contemplated under the Tenancy Agreements constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Pursuant to IFRS16, leases shall be recognised as right-of-use assets in the Group's consolidated statement of financial position. Accordingly, the entering into of the 2022 Tenancy Agreements will be regarded as a one-off acquisition of assets of the Group for the purposes of the GEM Listing Rules. Given that one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the 2022 Tenancy Agreements based on the estimated value of right-of-use assets recognised by the Group pursuant to IFRS16 exceed 5% but all are less than 25%, the 2022 Tenancy Agreements, on an aggregate basis, constitute discloseable and connected transactions of the Company under Chapters 19 and 20 of the GEM Listing Rules and is subject to the reporting announcement and independent shareholders' approval requirements under the GEM Listing Rules.

As a good corporate governance practice, (i) both of Mr. Yik and Mr. Lui, who are considered to have a material interest in the transactions contemplated under the 2022 Tenancy Agreements, abstained from voting on the resolutions of the Board approving the 2022 Tenancy Agreements and the transactions contemplated thereunder; and (ii) pursuant to code provision C.5.7 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules, all independent non-executive directors who have no material interest in the transaction were present at the said Board meeting.

The Company will seek the independent shareholders' approval regarding the 2022 Tenancy Agreements and the transactions contemplated thereunder at the forthcoming annual general meeting.

For details of the 2022 Tenancy Agreements, please refer to the announcement of the Company dated 14 March 2022. For details of the existing tenancy agreements entered into by Shui Jun (Yau Tong) with Ever Premier and Roymark on 10 June 2021, respectively, please refer to the paragraph headed "Continuing Connected Transaction" on page 23 of this announcement.

The audited financial information for the year ended 31 December 2021 together with the comparative figures for the last year were as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>REVENUE</b>	4	<b>203,849</b>	205,038
Other income	4	<b>31,462</b>	25,572
Staff costs		<b>(83,464)</b>	(75,338)
Property rental and related expenses		<b>(18,540)</b>	(17,284)
Depreciation and amortisation		<b>(32,381)</b>	(35,479)
Food		<b>(5,641)</b>	(5,543)
Medical fees		<b>(11,256)</b>	(9,359)
Professional and legal fees		<b>(5,504)</b>	(8,780)
Utility expenses		<b>(4,053)</b>	(3,620)
Consumables		<b>(1,975)</b>	(1,816)
Loss on disposal of property, plant and equipment		–	(321)
Other operating expenses		<b>(7,006)</b>	(7,816)
Finance cost	5	<b>(3,684)</b>	(4,350)
<b>PROFIT BEFORE TAX</b>	6	<b>61,807</b>	60,904
Income tax expenses	7	<b>(9,616)</b>	(8,021)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>52,191</b>	52,883
Attributable to:			
Owners of the parent		<b>46,954</b>	46,182
Non-controlling interests		<b>5,237</b>	6,701
		<b>52,191</b>	52,883
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted ( <i>HK cents</i> )	9	<b>11.74</b>	11.55

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December	
	Notes	2021	2020
		HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		9,545	8,143
Right-of-use assets		64,038	77,563
Intangible assets		3,752	7,307
Goodwill		112,790	112,790
Deferred tax assets		3,542	2,897
		<hr/>	<hr/>
Total non-current assets		193,667	208,700
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Trade receivables	10	165	191
Prepayments, other receivables and other assets		17,853	15,897
Tax recoverable		746	309
Cash and bank balances		66,329	85,914
		<hr/>	<hr/>
Total current assets		85,093	102,311
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	1,289	1,253
Other payables and accruals		20,837	20,594
Due to a related company		511	483
Tax payables		2,191	6,139
Lease liabilities		28,416	22,850
		<hr/>	<hr/>
Total current liabilities		53,244	51,319
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>31,849</b>	<b>50,992</b>
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>225,516</b>	<b>259,692</b>
		<hr/>	<hr/>

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<u>46,375</u>	<u>63,462</u>
Total non-current liabilities	<u>46,375</u>	<u>63,462</u>
Net assets	<u><b>179,141</b></u>	<u>196,230</u>
<b>EQUITY</b>		
Equity attributable to the equity holder of the parent:		
Issued capital	<b>4,000</b>	4,000
Reserves	<u>164,483</u>	<u>181,529</u>
	<b>168,483</b>	185,529
Non-controlling interests	<u>10,658</u>	<u>10,701</u>
Total equity	<u><b>179,141</b></u>	<u>196,230</u>

## NOTES TO FINANCIAL STATEMENTS

### 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 the BVI with limited liability on 8 January 2010, which is wholly owned by Mr. Yik Tak Chi.

During the year, 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

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39,  
IFRS 7, IFRS 4 and IFRS 16

*Interest Rate Benchmark Reform – Phase 2*

Amendment to IFRS 16

*Covid-19-Related Rent Concessions beyond 30 June 2021  
(early adopted)*

The nature and the impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had no interest-bearing bank or other borrowings as at 31 December 2021.

- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid- 19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

### 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\$43,783,000 for the year ended 31 December 2021 (year ended 31 December 2020: HK\$41,188,000), which amounted to more than 10% of the Group’s revenue, was derived from the Hong Kong Government under the Enhanced Bought Place Scheme (“EBPS”) and the Bought Place Scheme on Day Care Units (“Day Care Services”).

### 4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Year ended 31 December	
	2021 HK\$’000	2020 HK\$’000
<b>Revenue from contracts with customers</b>		
Rendering of elderly home care services	151,891	153,662
Sales of elderly related goods and provision of healthcare services	51,958	51,376
	203,849	205,038
	203,849	205,038

## Revenue from contracts with customers

### (i) Disaggregated revenue information

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
<b>Timing of revenue recognition</b>		
Services transferred over time	174,052	176,667
Goods transferred at a point in time	29,797	28,371
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>203,849</b>	205,038
	<hr/> <hr/>	<hr/> <hr/>

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:

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
<b>Revenue recognised that was included in contract liabilities at the beginning of the reporting period:</b>		
Rendering of elderly home care services	445	222
Sale of elderly related goods and provision of healthcare services	72	31
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>517</b>	253
	<hr/> <hr/>	<hr/> <hr/>

### (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 31 December 2021 are as follows:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<u>457</u>	<u>517</u>
	<b>Year ended 31 December</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other income</b>		
Provision of care support service	21,823	7,956
Government grants	5,013	13,896
Rental income	2,720	2,644
Sundry income	88	511
Bank interest income	21	322
Others	<u>1,797</u>	<u>243</u>
	<u>31,462</u>	<u>25,572</u>

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>Year ended 31 December</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on lease liabilities	<u>3,684</u>	<u>4,350</u>

## 6. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Cost of inventories sold	12,804	11,940
Depreciation of property, plant and equipment	1,853	3,328
Depreciation of right-of-use assets	26,973	26,661
Amortisation of intangible assets	3,555	5,490
Auditors' remuneration	1,680	2,100
Employee benefit expense (excluding Directors' and chief executive's remuneration):		
– Wages and salaries	73,936	67,602
– Pension scheme contributions	2,308	2,064
	<u>76,244</u>	<u>69,666</u>
Lease payments not included in the measurement of lease liabilities	18,540	17,284
Bank interest income*	(21)	(322)
Government grants*	(5,013)	(13,896)
	<u>(5,013)</u>	<u>(13,896)</u>

\* Included in "Other income" in the 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 (year ended 31 December 2020: 16.5%), except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	10,837	10,169
Overprovision in prior years	(576)	(267)
Deferred	(645)	(1,881)
	<u>(645)</u>	<u>(1,881)</u>
Total tax charge for the year	<u>9,616</u>	<u>8,021</u>



## 10. TRADE RECEIVABLES

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	<u>165</u>	<u>191</u>

The Group normally requires its customers to make payments in advance. The Group's customers settle their bills in a timely manner and therefore, the Group's exposure to credit risks is insignificant.

The Group's trade receivables as at the end of the reporting period, based on the date of the service rendered, had maturity of less than three months and no impairment loss was recognised.

The carrying amounts of trade receivables approximate to their fair values.

## 11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	<u>1,289</u>	<u>1,253</u>

The trade payables are non-interest-bearing and are normally settled between 30 and 60 days. The carrying amounts of trade payables approximate to their fair values.

## **CORPORATE GOVERNANCE PRACTICES**

The Company believes that good corporate governance provides a framework that is crucial for effective management, healthy corporate culture, sustainable business growth and promoting shareholders' value. The corporate governance principles of the Company emphasise a quality Board, proper internal controls, and improves transparency and accountability for the benefit of the Shareholders.

During the Reporting Year, 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 Year.

## **COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

For the Reporting Year, 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**

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. The maximum number of shares issuable upon exercise of the options granted to each eligible participant under the Share Option Scheme and any other share option scheme of the Group in any twelve-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval. The total number of Shares issued and to be issued upon exercise of the options granted to each eligible participant under the Share Option Scheme and any other share option scheme of the Group in any twelve-month period shall not exceed 1% of the Shares in issue from time to time. Any further grant of share options in excess of this limit is subject to shareholders' approval.

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

## **ARRANGEMENTS TO ACQUIRE SHARES AND DEBENTURES**

Other than the Share Option Scheme above, at no time during the Reporting Year, was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **CONTINUING CONNECTED TRANSACTIONS**

As the original tenancy agreements would expire on 30 June 2021, on 10 June 2021, Shui Jun (Yau Tong), a wholly-owned subsidiary of the Company, as tenant, entered into two new tenancy agreements (collectively, the “**2021 Tenancy Agreements**”) with Ever Premier and Roymark, as landlords in relation to the Yau Tong Properties, respectively, to renew the original tenancy agreements dated 30 June 2020. The premises under the 2021 Tenancy Agreements are rented by Shui Jun (Yau Tong) for the operation of the elderly residential care home under the name of Shui Jun Nursing Centre (Yau Tong) Company Limited (瑞臻護老中心 (油塘) 有限公司) from 1 July 2021 to 30 June 2022 at the monthly rental of HK\$150,000 and HK\$620,000 per month, respectively.

By virtue of the relationship among Roymark, Ever Premier, Mr. Yik, Ms. WH Yik and Mr. Lui as disclosed on page 9 to page 10 of this announcement, the transactions contemplated under the 2021 Tenancy Agreements constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Details of the 2021 Tenancy Agreements are set out in the announcements of the Company dated 10 June 2021 and 15 June 2021.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive Directors, who are of the view that the transactions are on normal commercial terms and in the ordinary and usual course of business of the Group and the terms of the 2021 Tenancy Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 20.74 of the GEM Listing Rules, the Company is required to comply with the annual review and disclosure requirements, but is exempted from the circular (including independent financial advice) and shareholders' approval requirements if the Group continues to conduct the transactions under the 2021 Tenancy Agreements.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the company to the Stock Exchange.

The Group confirms that it has complied and will continue to comply with the relevant provisions of Chapter 20 of the GEM Listing Rules in relation to the continuing connected transactions of the Company.

Save as the transactions above, none of the related party transactions undertaken by the Group during the Reporting Year constituted connected transaction or continuing connected transaction under Chapter 20 of the GEM Listing Rules.

## **REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's independent auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young 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 Ernst & Young on this preliminary announcement.

## **AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS**

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company 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 reviewed with the management and the independent auditor of the Company the annual results and the audited consolidated financial statements of the Group for the Reporting Year, which are of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

## **ANNUAL GENERAL MEETING**

The AGM will be held on Friday, 27 May 2022. A formal notice of the AGM will be published and despatched to the Shareholders in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

### **Entitlement to Attend and Vote at the AGM**

For determining the Shareholders' eligibility to attend and vote at the forthcoming AGM to be held on Friday, 27 May 2022 (the "2022 AGM"), the register of members of the Company will be closed from Tuesday, 24 May 2022 to Friday, 27 May 2022, both days inclusive, during which period no transfer of Shares will be registered. The record date will be Friday, 27 May 2022. In order to qualify for attending and voting at the 2022 AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Monday, 23 May 2022.

By order of the Board  
**Hang Chi Holdings Limited**  
恒智控股有限公司  
**Yik Tak Chi**  
*Chairman and Executive Director*

Hong Kong, 21 March 2022

*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 will remain on the GEM website at [www.hkgem.com](http://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](http://www.shuionnc.com).*