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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

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

	Six months ended 30 June		
	2022 <i>HK\$'000</i> (unaudited)	2021 <i>HK\$'000</i> (unaudited)	Change % (approximate)
Statement of profit or loss and other comprehensive income			
Revenue	95,864	102,031	-6.04%
EBITDA	41,239	47,453	-13.10%
Profit for the period	<u>19,090</u>	<u>24,730</u>	<u>-22.81%</u>
	30 June		Change % (approximate)
	2021 <i>HK\$'000</i> (unaudited)	31 December 2021 <i>HK\$'000</i> (audited)	
Statement of financial position			
Cash and bank balances	80,109	66,329	20.78%
Trade receivables	509	165	208.48%
Net assets value	<u>193,632</u>	<u>179,141</u>	<u>8.09%</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 six months ended 30 June 2022 (the “**Reporting Period**”). The unaudited condensed consolidated financial statements of the Group have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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.

Business and Operational Review

In response to the outbreak of coronavirus in Hong Kong, the Company's crisis response team has continued 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 Period, the Group's revenue amounted to approximately HK\$95,864,000, representing a slight decrease of 6.04% as compared with that of the same period last year. Profit for the period decreased by approximately 22.81% to approximately HK\$19,090,000 due to an increment in the operation costs of the Group as a result of the COVID-19 pandemic. The Group will continue to optimise existing resources, strengthen staff training, and save costs through cost control measures.

Prospect

Hong Kong is experiencing the structural issue of aging population. According to the "Hong Kong Population Projections 2020–2069" published by 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 Period and for the six months ended 30 June 2021 are set out as follows:

	Six months ended 30 June			
	2022	Percentage of segment revenue	2021	Percentage of segment revenue
	Revenue HK\$'000	approximate %	Revenue 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”)	19,653	20.50%	19,459	19.07%
– residential care places leased by the SWD under the Bought Place Scheme on Day Care Units (the “Day Care Services”)	2,397	2.50%	2,373	2.32%
– residential care places leased by individual customers	50,171	52.33%	54,275	53.19%
– residential care places leased by non-governmental organisations	160	0.17%	400	0.40%
	<u>72,381</u>	<u>75.50%</u>	<u>76,507</u>	<u>74.98%</u>
Sales of elderly related goods and provision of healthcare services	<u>23,483</u>	<u>24.50%</u>	<u>25,524</u>	<u>25.02%</u>
Total	<u><u>95,864</u></u>	<u><u>100.00%</u></u>	<u><u>102,031</u></u>	<u><u>100.00%</u></u>

During the Reporting Period, the Group’s revenue decreased from approximately HK\$102,031,000 for the same period last year to approximately HK\$95,864,000 for the Reporting Period, representing an approximately 6.04% 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\$76,507,000 for the same period last year to approximately HK\$72,381,000 for the Reporting Period, representing an approximately 5.39% decrease.

- *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\$19,459,000 for the same period last year to approximately HK\$19,653,000 for the Reporting Period, representing an approximately 1.00% 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 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 increased from approximately HK\$2,373,000 for the same period last year to approximately HK\$2,397,000 for the Reporting Period, representing an approximately 1.01% increase.

- *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\$54,275,000 for the same period last year to approximately HK\$50,171,000 for the Reporting Period, representing an approximately 7.56% 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\$400,000 for the same period last year to approximately HK\$160,000 for the Reporting Period, representing an approximately 60.00% decrease. The decline in revenue was due to the reduction on referrals of customers from non-government organisation as a result of the COVID-19 pandemic.

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 decreased from approximately HK\$25,524,000 for the same period last year to approximately HK\$23,483,000 for the Reporting Period, representing an approximately 8.00% decrease.

Average occupancy rate 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:

	Six months ended 30 June	
	2022	2021
	<i>approximate %</i>	<i>approximate %</i>
Average occupancy rate		
– elderly residential care homes under the EBPS	85.05%	94.56%
– non-EBPS elderly residential care homes	75.39%	82.06%

The decrease in average occupancy rates during the Reporting Period was attributable to the decrease in the number of residents admitted to the Group's elderly residential care homes as a result of the COVID-19 pandemic.

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 period, 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\$40,785,000 for the same period last year to approximately HK\$47,064,000 for the Reporting Period, representing an approximately 15.40% 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 slightly decreased from approximately HK\$9,344,000 for the same period last year to approximately HK\$9,314,000 for the Reporting Period, representing an approximately 0.32% 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\$15,503,000 in total for the Reporting Period.

Profit for the period

During the Reporting Period, the Group recorded a profit of approximately HK\$19,090,000 and approximately HK\$24,730,000 was noted for the same period last year. During the Reporting Period, the fifth wave of COVID-19 was ravaging Hong Kong. In response to the COVID-19 pandemic, the Group allocated more resources in manpower and materials for epidemic prevention measures. This led to an increment in the costs and resulted in a drop in profit for the period.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

Liquidity

As at 30 June 2022, current assets amounted to approximately HK\$101,863,000 (31 December 2021: approximately HK\$85,093,000). Current liabilities were approximately HK\$54,939,000 (31 December 2021: approximately HK\$53,244,000).

Financial Resources

As at 30 June 2022, the Group had total cash and bank balances of approximately HK\$80,109,000 (31 December 2021: approximately HK\$66,329,000).

As at 30 June 2022, the Group had trade receivables of approximately HK\$509,000 (31 December 2021: approximately HK\$165,000).

GEARING RATIO

The gearing ratio of the Group as at 30 June 2022 was 1% (31 December 2021: 15%) as the Group incurred the lease liabilities with the adoption of IFRS 16 Leases during the Reporting Period. The Group was not in need of any material debt financing during the Reporting Period.

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 30 June 2022, the total equity of the Group was approximately HK\$193,632,000 (31 December 2021: approximately HK\$179,141,000).

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 June 2022, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

As at 30 June 2022, 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 Period.

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 Period.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: nil).

CAPITAL EXPENDITURE

During the Reporting Period, the Group's capital expenditure amounted to approximately HK\$2,329,000 (30 June 2021: approximately HK\$959,000) which was used for the acquisition of plant and equipment in the elderly residential care homes.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2022, the Group had 453 employees (30 June 2021: 372 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.

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

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 collectively, (the “**Yau Tong Properties**”) by Shui Jun Nursing Centre (Yau Tong) Company Limited (瑞臻護老中心 (油塘) 有限公司) (“**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 of the Yau Tong Properties, 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 had been received nor any inspection, fines or 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 considering potential relocation of the elderly residential care home operated by Shui Jun (Yau Tong) to other properties. In the event the Company could not find a suitable property, the Company may consider a potential disposal of Shui Jun (Yau Tong), subject to the then market condition, to minimise any impact of the aforesaid incident to the Group. As 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.

DISCLOSEABLE AND CONNECTED TRANSACTIONS – TENANCY AGREEMENTS

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 an elderly residential care home from 1 July 2022 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 to maintain 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 Yak 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 Tat (“**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 2022 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, had 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 has obtained the independent shareholders' approval for the 2022 Tenancy Agreements and the transactions contemplated thereunder at the annual general meeting of the Company held on 27 June 2022.

For details of the 2022 Tenancy Agreements, please refer to (i) the announcements of the Company dated 14 March 2022, 26 April 2022 and 27 June 2022; and (ii) the circular of the Company dated 25 May 2022.

The unaudited financial information for the six months ended 30 June 2022 together with the comparative figures for the corresponding periods in 2021 were as follows:

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

For the six months ended 30 June 2022

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
REVENUE	4	95,864	102,031
Other income	5	19,955	12,856
Staff costs		(47,064)	(40,785)
Property rental and related expenses		(9,314)	(9,344)
Depreciation and amortisation		(16,582)	(15,794)
Food		(2,788)	(2,793)
Medical fees		(4,780)	(5,114)
Professional and legal fees		(3,070)	(3,572)
Utility expenses		(1,814)	(1,796)
Consumables		(1,454)	(910)
Other operating expenses		(4,295)	(3,120)
Finance costs	6	(1,556)	(1,829)
PROFIT BEFORE TAX	7	23,102	29,830
Income tax expenses	8	(4,012)	(5,100)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		19,090	24,730
Attributable to:			
Owners of the Company		17,420	22,118
Non-controlling interests		1,670	2,612
		19,090	24,730
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted (<i>HK cents</i>)	10	4.36	5.53

Details of the dividends during the reporting period are disclosed in note 9 to the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		10,705	9,545
Right-of-use assets		50,315	64,038
Intangible assets		1,972	3,752
Goodwill		112,790	112,790
Deferred tax assets		3,613	3,542
		<hr/>	<hr/>
Total non-current assets		179,395	193,667
CURRENT ASSETS			
Trade receivables	11	509	165
Prepayments, other receivables and other assets		21,060	17,853
Tax recoverable		185	746
Cash and bank balances		80,109	66,329
		<hr/>	<hr/>
Total current assets		101,863	85,093
CURRENT LIABILITIES			
Trade payables	12	1,488	1,289
Other payables and accruals		19,155	20,837
Due to a related company		325	511
Tax payables		5,815	2,191
Lease liabilities		28,156	28,416
		<hr/>	<hr/>
Total current liabilities		54,939	53,244
NET CURRENT ASSETS		<hr/>	<hr/>
		46,924	31,849
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		226,319	225,516

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
NON-CURRENT LIABILITY		
Lease liabilities	<u>32,687</u>	<u>46,375</u>
Total non-current liability	<u>32,687</u>	<u>46,375</u>
Net assets	<u>193,632</u>	<u>179,141</u>
CAPITAL AND RESERVES		
Issued capital	4,000	4,000
Reserves	<u>181,903</u>	<u>164,483</u>
Equity attributable to the owners of the Company	185,903	168,483
Non-controlling interests	<u>7,729</u>	<u>10,658</u>
Total equity	<u>193,632</u>	<u>179,141</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION

Hang Chi Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company’s registered office is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s principal place of business is situated at Unit 09, 7/F., FTLife Tower, No. 18 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

The Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the operation of elderly residential care homes in Hong Kong.

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.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2022 (the “**Condensed Financial Report**”) has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The Condensed Financial Report should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2021 (the “**2021 Annual Financial Statements**”). The principal accounting policies used in the Condensed Financial Report are consistent with those adopted in the 2021 Annual Financial Statements, except for the adoption of the new or amended International Financial Reporting Standards (“**IFRSs**”) issued by the IASB which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2022.

The adoption of the new and revised IFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the six months ended 30 June 2022 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the six months ended 30 June 2022.

The Group has not applied any new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group’s results of operations and financial position.

The preparation of the Condensed Financial Report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Condensed Financial Report has been prepared under the historical cost convention. The Condensed Financial Report is presented in Hong Kong dollars (“**HK\$**”) which is also the functional currency of the Company and all values are rounded to the nearest thousands (“**HK\$’000**”) unless otherwise stated.

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditor, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

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\$22,050,000 for the period ended 30 June 2022 (6 months ended 30 June 2021: HK\$21,832,000), 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

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Rendering of elderly home care services	72,381	76,507
Sales of elderly related goods and provision of healthcare services	23,483	25,524
	95,864	102,031

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Timing of revenue recognition		
Services transferred over time	82,679	86,993
Goods transferred at a point in time	13,185	15,038
Total revenue from contracts with customers	<u>95,864</u>	<u>102,031</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:

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of elderly home care services	320	445
Sale of elderly related goods and provision of healthcare services	137	72
	<u>457</u>	<u>517</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 June 2022 and 2021 are as follows:

	As at 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Within one year	385	417

5. OTHER INCOME

An analysis of other income is as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Provision of care support services	14,157	8,620
Government grants (<i>note</i>)	4,096	2,486
Sundry income	116	57
Rental income	1,345	1,429
Bank interest income	19	16
Others	222	248
	19,955	12,856

Note: During the six months ended 30 June 2022, the Group recognised government grants of HK\$2,246,000 (six months ended 30 June 2021: HK\$524,000) in respect of COVID-19-related subsidies, of which amounted to approximately HK\$1,992,000 (six months ended 30 June 2021: nil) related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. The remaining government grants of approximately HK\$1,850,000 (six months ended 30 June 2021: HK\$1,962,000) related to the Infirmity Care Supplement, Dementia Supplement, Training Subsidy Scheme for Staff of Residential Care Homes, Elderly Health Care Voucher Scheme and Electrical Equipment Upgrade Scheme. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

6. FINANCE COST

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on lease liabilities	1,556	1,829

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Cost of inventories sold	6,549	6,426
Depreciation of property, plant and equipment	1,079	769
Depreciation of right-of-use assets	13,723	13,248
Amortisation of intangible assets	1,780	1,777
Auditor's remuneration	400	800
Employee benefit expense including Directors' and chief executive's remuneration:		
– Wages and salaries	44,223	38,294
– Pension scheme contributions	1,284	1,164
	<u>45,507</u>	<u>39,458</u>
Bank interest income*	(19)	(16)
Government grants*	<u>(4,096)</u>	<u>(2,486)</u>

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

8. 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 (six months ended 30 June 2021: 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 (six months ended 30 June 2021: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (six months ended 30 June 2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2021: 16.5%).

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Current – Hong Kong		
Charge for the period	4,083	5,393
Deferred tax	(71)	(293)
	<u>4,012</u>	<u>5,100</u>

9. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interim – Nil (six months ended 30 June 2021: HK\$8.00 cents) per ordinary share	–	32,000

No interim dividend has been proposed by the Group for the six months ended 30 June 2022.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2022 attributable to the owners of the Company, and the weighted average number of ordinary shares of 400,000,000 (six months ended 30 June 2021: 400,000,000) in issue during the period.

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to the owners of the Company used in the basic earnings per share calculation	<u>17,420</u>	<u>22,118</u>
	Six months ended 30 June	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>400,000,000</u>	<u>400,000,000</u>

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2022 and 2021 as the Group had no potentially dilutive ordinary shares in issue during these periods.

11. TRADE RECEIVABLES

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Trade receivables	<u>509</u>	<u>165</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.

12. 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 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Within 3 months	<u>1,488</u>	<u>1,289</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 of the Company (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.

DIVIDEND

The Board does not recommend the payment of any dividend for the Reporting Period.

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.

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 INTERIM RESULTS

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has established 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 of the Company and reviewed the interim results for the Reporting Period and the interim 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
恒智控股有限公司
Yik Tak Chi
Chairman and Executive Director

Hong Kong, 9 August 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 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.