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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 2019**

**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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	Change % (approximate)
<b>Consolidated statement of profit or loss and other comprehensive income</b>			
Revenue	168,680	135,516	24.47%
EBITDA	64,534	35,600	81.28%
Profit for the year	30,544	23,709	28.83%
<b>Consolidated statement of financial position</b>			
Cash and cash equivalents	52,267	59,283	-11.83%
Trade receivables	464	204	127.45%
Net assets value	173,027	146,990	17.71%

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 2019 (the “**Reporting Year**”). The audited consolidated financial statements of the Group have been reviewed by the audit committee of the Company.

## BUSINESS AND OPERATIONAL REVIEW

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. In July 2019, the Group completed the acquisition of 60% of the issued share capital of Guardian Home Limited, as a result of which the Group came to hold 60% interest in Guardian Home (Chun Shek) Limited, which is an operator of an elderly residential care home under the name of Guardian Home (Chun Shek) Integrated Nursing Home (佳安家 (秦石) 綜合護老中心) in Sha Tin. 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.

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

## OPERATING PERFORMANCE

### Revenue

The breakdown of revenue by types of services provided by the Group for the Reporting Year and for the year ended 31 December 2018 are set out as follows:

	2019		2018	
	Revenue	Percentage	Revenue	Percentage
	HK\$'000	of segment	HK\$'000	of segment
		revenue		revenue
		approximate %		approximate %
<b>Rendering of elderly home care services</b>				
– residential care places leased by the Social Welfare Department (the “SWD”) under the Enhanced Bought Place Scheme (the “EBPS”)	34,729	20.59%	30,109	22.22%
– residential care places leased by individual customers	91,461	54.22%	73,775	54.44%
– residential care places leased by non-governmental organisations	580	0.34%	443	0.33%
	<u>126,770</u>	<u>75.15%</u>	<u>104,327</u>	<u>76.99%</u>
<b>Sales of elderly related goods and provision of healthcare services</b>	<u>41,910</u>	<u>24.85%</u>	<u>31,189</u>	<u>23.01%</u>
<b>Total</b>	<u><u>168,680</u></u>	<u><u>100.00%</u></u>	<u><u>135,516</u></u>	<u><u>100.00%</u></u>

During the Reporting Year, the Group's revenue increased from approximately HK\$135,516,000 for the last year to approximately HK\$168,680,000 representing an approximately 24.47% increase.

### ***Rendering of elderly home care services***

The revenue from rendering of elderly home care services was derived from the provision of, among others, residence, nursing and caretaking services, health and medical services, rehabilitation services, meal preparation services and social care services in Hong Kong. The revenue increased from approximately HK\$104,327,000 for the last year to approximately HK\$126,770,000 for the Reporting Year, representing an approximately 21.51% increase.

- *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\$30,109,000 for the last year to approximately HK\$34,729,000, representing an approximately 15.34% 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 increased from approximately HK\$73,775,000 for the last year to approximately HK\$91,461,000 for the Reporting Year, representing an approximately 23.97% increase.

The increment was mainly due to completion of the acquisition of Guardian Home Limited on 12 July 2019 which increased the total number of residential care places. After the acquisition of Guardian Home Limited, the Group owned and operated seven elderly residential care homes with a total of 1,085 residential care places; while there were six elderly residential care homes with a total of 816 residential care places for last year. With over 90% occupancy rate of all elderly residential care homes recorded for both Reporting Year and last year, the revenue amount increased.

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

The revenue derived from the non-governmental organisations which leased residential care places from the Group's elderly residential care homes increased from approximately HK\$443,000 for the last year to approximately HK\$580,000 for the Reporting Year, representing an approximately 30.93% increase.

### **Sales of elderly related goods and provision of healthcare services**

The revenue from sales of elderly related goods and provision of healthcare services was derived from the sales of adult nappies, nutritional milk, other medical consumable products, daily supplies and provision of additional healthcare services to the residents. The revenue increased from approximately HK\$31,189,000 for the last year to approximately HK\$41,910,000 for the Reporting Year, representing an approximately 34.37% increase.

## Average occupancy rates of the elderly residential care homes

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

	2019 approximate %	2018 approximate %
<b>Average occupancy rates</b>		
– elderly residential care homes under the EBPS	94.46%	97.03%
– non-EBPS elderly residential care homes	<u>90.95%</u>	<u>93.95%</u>

## Staff costs

Staff costs are the largest component of the operating expenses, which comprised of wages, salaries, bonuses, long service payments, retirement benefit costs and other allowances and benefits payable to employees. Due to the increase in the number of elderly residential care homes operated by the Group which increased the total number of staff, the amount of staff costs increased from approximately HK\$54,511,000 for the last year to approximately HK\$60,043,000 for the Reporting Year, representing an approximately 10.15% increase.

## Property rental and related expenses

Property rental and related expenses mainly represented by the rental and ancillary office payments under operating leases related to the elderly residential care homes. The amount of property rental and related expenses decreased from approximately HK\$27,209,000 for the last year to approximately HK\$19,169,000 for the Reporting Year, representing an approximately 29.55% decrease. With the adoption of IFRS 16 Leases during the Reporting Year, 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\$34,265,000 in total for the Reporting Year.

## Profit for the year

During the Reporting Year, the Group recorded a profit of approximately HK\$30,544,000 and approximately HK\$23,709,000 was noted for the last year. Such increase was attributable to the increment in revenue and better cost control policy implemented during the Reporting Year.

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

### **Liquidity**

As at 31 December 2019, current assets amounted to approximately HK\$69,293,000 (2018: approximately HK\$69,280,000). Current liabilities were approximately HK\$48,583,000 (2018: approximately HK\$18,469,000).

### **Financial Resources**

As at 31 December 2019, the Group had total cash and bank balances of approximately HK\$52,267,000 (2018: approximately HK\$59,283,000).

As at 31 December 2019, the Group had trade receivables of approximately HK\$464,000 (2018: approximately HK\$204,000).

### **Gearing**

The gearing ratio of the Group as at 31 December 2019 was 30% (2018: nil) 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 2019, the total equity of the Group was approximately HK\$173,027,000 (2018: approximately HK\$146,990,000).

### **DIVIDEND**

The Directors recommend the payment of a final dividend of HK\$0.06 per ordinary share, totaling HK\$24,000,000 (2018: nil) for the Reporting Year.

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

As at 31 December 2019, there was no significant investment held by the Group.

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

Save as disclosed above and in the prospectus of the Company dated 28 June 2017 and the announcement of the Company dated 26 October 2018, the Group does not have other plans for material investments and capital assets.

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

### **Acquisition of Guardian Home Limited**

On 11 March 2019, Shui On Nursing Home Holdings Limited (“**Shui On Holdings (HK)**”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with, among others, Jun Pak Limited, pursuant to which Shui On Holdings (HK) agreed to acquire and Jun Pak Limited agreed to sell 60% of the issued share capital of Guardian Home Limited (“**Guardian Home**”) at the consideration of HK\$63,000,000 (the “**Acquisition**”). The Acquisition constituted a major and connected transaction of the Company under the GEM Listing Rules. The Acquisition was completed on 12 July 2019.

Guardian Home is an investment holding company, which holds the entire issued share capital of Guardian Home (Chun Shek) Limited (“**Guardian Home (Chun Shek)**”) and Glory Crest Limited (“**Glory Crest**”). Guardian Home (Chun Shek) operates Guardian Home (Chun Shek) Integrated Nursing Home in Sha Tin, whereas Glory Crest holds approximately 33.33% of the issued share capital of Shui On Nursing Centre (Kwai Shing E.) Co. Limited (“**Shui On (KSE)**”). Since completion of the Acquisition, Guardian Home has been owned as to 60% by Shui On Holdings (HK) and 40% by an independent third party, and the Company has been indirectly holding 60% of the issued share capital of Guardian Home (Chun Shek) and an effective equity interest of approximately 86.67% of the issued share capital of Shui On (KSE) through Shui On Holdings (HK).

The Directors considered the Acquisition would allow the Group to expand its network of elderly residential care homes in Hong Kong and enhance the Group’s competitiveness in the market. The Acquisition also enabled the Group to further consolidate its interests in Shui On (KSE), such that the effective equity interests held by the Group in Shui On (KSE) has increased from approximately 66.67% to 86.67% since completion of the Acquisition.

For more information on the Acquisition, please refer to the Company’s announcements dated 11 March 2019 and 12 July 2019 and the Company’s circular dated 21 June 2019.

Save as the Acquisition, 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 2019, the Group had no material contingent liabilities (2018: nil).

## **CAPITAL EXPENDITURE**

During the Reporting Year, the Group's capital expenditure amounted to approximately HK\$1,463,000 (2018: approximately HK\$3,175,000) 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 2019, the Group had 340 employees (2018: 277 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme (the "**Share Option Scheme**") and a share award scheme (the "**Share Award Scheme**") have been respectively adopted on 21 June 2017 and 6 November 2019 for, among others, the employees of the Group.

## **USE OF PROCEEDS**

The net proceeds (the "**Net Proceeds**") from the listing of the Shares on GEM (the "**Listing**") received by the Company, after deducting underwriting fees and related expenses in connection with the Listing, was approximately HK\$45.5 million, which had been fully utilised as at 31 December 2019.

As at 31 December 2019, (i) approximately HK\$25.0 million of the Net Proceeds had been applied towards the acquisition of an operating elderly residential care home; (ii) approximately HK\$2.0 million of the Net Proceeds had been applied to establish the Group's headquarters and on-the-job training centre; (iii) approximately HK\$2.0 million of the Net Proceeds had been applied to renew and upgrade the facilities at the Group's elderly residential care homes; (iv) approximately HK\$2.6 million of the Net Proceeds had been applied to upgrade the Group's information technology infrastructure; (v) approximately HK\$0.1 million of the Net Proceeds had been used as the Group's general working capital; and (vi) approximately HK\$13.8 million of the Net Proceeds had been applied to settle part of the consideration of the Acquisition as detailed below.

As disclosed in the announcement of the Company dated 26 October 2018 (the "**Announcement**"), due to the Company's difficulty in finding a suitable leased property for setting up a new residential care home in Hong Kong, the Board had resolved to adjust the allocation of the use of the Net Proceeds and change the use of the unutilised Net Proceeds of approximately HK\$13.8 million (the "**Unutilised Proceeds**") to acquiring another operating residential care home in Hong Kong. It was also disclosed in the Announcement that, the Company was evaluating the feasibility of acquiring an operating residential care home located in the New Territories, but there had been no substantive discussion or execution of agreement between the Group and the potential seller as at the date of the Announcement. No particular target for acquisition had been confirmed by the Company as at the date of the Announcement.

Pursuant to Rule 18.32(8)(b) of the GEM Listing Rules, the Company is required to disclose, among other things, the expected timeline for the use of the Unutilised Proceeds in the annual report. However, as at the date of the 2018 Annual Report, i.e. 27 February 2019, the Company had not made any substantive plan on the timeframe for application of the Unutilised Proceeds, and the plan of using the Unutilised Proceeds specifically for the Acquisition had not existed. In light of the above, it was practically difficult for the Company to disclose a detailed timeline for utilising the Unutilised Proceeds in the 2018 Annual Report as required under the GEM Listing Rules.

The plan on the timeframe for application of the Unutilised Proceeds was only materialised in mid-March of 2019, in or around the time when the Group entered in to a sale and purchase agreement in relation to the Acquisition with, among others, Jun Pak Limited on 11 March 2019. Pursuant to the aforesaid sale and purchase agreement, a sum of HK\$20,000,000, representing part of the consideration of the Acquisition, shall be paid by the Group on the date of despatch of the circular in relation to the Acquisition. Accordingly, the Unutilised Proceeds was applied to settle part of such amount when the aforesaid circular was despatched in late June 2019.

The Company confirms that, despite the omission to strictly following the requirement under Rule 18.32(8)(b) of the GEM Listing Rules, the use of the Unutilised Proceeds by the Company did not deviate from its intended use as disclosed in the 2018 Annual Report.

## **SUBSEQUENT EVENTS**

### **Adoption of the Share Award Scheme**

On 6 November 2019, the Board resolved to adopt the Share Award Scheme, pursuant to which Shares were awarded to the selected participants in accordance with the rules of the Share Award Scheme. Each selected participant shall be a full-time employee of the Group who is not a Director or connected person of the Company. The maximum number of awarded shares which may be awarded under the Share Award Scheme shall be 1,360,000 Shares, representing approximately 0.34% of the total number of issued Shares as at 31 December 2019.

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

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

The audited financial information for the year ended 31 December 2019 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 2019*

	<i>Notes</i>	Year ended 31 December	
		2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
<b>REVENUE</b>	4	<b>168,680</b>	135,516
Other income	4	<b>6,466</b>	5,554
Staff costs		<b>(60,043)</b>	(54,511)
Property rental and related expenses		<b>(19,169)</b>	(27,209)
Depreciation and amortisation		<b>(25,052)</b>	(7,515)
Food		<b>(4,722)</b>	(4,021)
Medical fees		<b>(8,377)</b>	(6,931)
Professional and legal fees		<b>(6,733)</b>	(3,842)
Utility expenses		<b>(3,798)</b>	(3,231)
Consumables		<b>(1,407)</b>	(1,335)
Other operating expenses		<b>(6,363)</b>	(4,390)
Finance costs	5	<b>(2,781)</b>	–
<b>PROFIT BEFORE TAX</b>	6	<b>36,701</b>	28,085
Income tax expenses	7	<b>(6,157)</b>	(4,376)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>30,544</u></b>	<b><u>23,709</u></b>
Attributable to:			
Owners of the parent		<b>28,235</b>	21,901
Non-controlling interests		<b>2,309</b>	1,808
		<b><u>30,544</u></b>	<b><u>23,709</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (HK cents)	9	<b><u>7.06</u></b>	<b><u>5.48</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		As at 31 December	
		2019	2018
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		8,401	10,603
Right-of-use assets		102,515	–
Intangible assets		12,797	5,250
Goodwill		112,790	79,940
Deferred tax assets		1,290	772
		<u>237,793</u>	<u>96,565</u>
Total non-current assets			
<b>CURRENT ASSETS</b>			
Trade receivables	10	464	204
Prepayments, other receivables and other assets		16,125	9,587
Tax recoverable		437	206
Cash and cash equivalents		52,267	59,283
		<u>69,293</u>	<u>69,280</u>
Total current assets			
<b>CURRENT LIABILITIES</b>			
Trade payables	11	1,727	879
Other payables and accruals		18,563	16,267
Due to a related company		295	274
Tax payables		5,217	1,049
Lease liabilities		22,781	–
		<u>48,583</u>	<u>18,469</u>
Total current liabilities			
<b>NET CURRENT ASSETS</b>		<u>20,710</u>	<u>50,811</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>258,503</u>	<u>147,376</u>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		84,731	–
Deferred tax liabilities		745	386
		<u>85,476</u>	<u>386</u>
Total non-current liabilities			
Net assets		<u>173,027</u>	<u>146,990</u>

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>EQUITY</b>		
Equity attributable to owners of the parent:		
Issued capital	<b>4,000</b>	4,000
Reserves	<b>159,347</b>	140,906
	<hr/>	<hr/>
	<b>163,347</b>	144,906
Non-controlling interests	<b>9,680</b>	2,084
	<hr/>	<hr/>
Total equity	<b>173,027</b>	146,990
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## NOTES TO CONSOLIDATED 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 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 2019. 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	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015–2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's financial statements, the nature and impact of the IFRS 16 is described below:

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17 and related interpretations.

### 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\$34,729,000 for the year ended 31 December 2019 (year ended 31 December 2018: HK\$30,109,000), 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").

### 4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
<b>Revenue from contracts with customers</b>		
Rendering of elderly home care services	126,770	104,327
Sales of elderly related goods and provision of healthcare services	41,910	31,189
	<u>168,680</u>	<u>135,516</u>

#### Revenue from contracts with customers

(i) *Disaggregated revenue information*

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
<b>Timing of revenue recognition</b>		
Services transferred over time	146,184	119,035
Goods transferred at a point in time	22,496	16,481
	<u>168,680</u>	<u>135,516</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:

	<b>Year ended 31 December</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue recognised that was included in contract liabilities at the beginning of the reporting period:</b>		
Rendering of elderly home care services	125	93
Sales of elderly related goods and provision of healthcare services	37	28
	<u>162</u>	<u>121</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 31 December 2019 are as follows:

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<u>253</u>	<u>162</u>

An analysis of other income is as follows:

	<b>Year ended 31 December</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other income</b>		
Government grants	3,537	3,149
Sundry income	1,053	1,186
Rental income	1,290	888
Bank interest income	250	211
Others	336	120
	<u>6,466</u>	<u>5,554</u>

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Interest on lease liabilities	<u>2,781</u>	<u>–</u>

## 6. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Cost of inventories sold	9,346	8,343
Depreciation of property, plant and equipment	3,902	4,129
Depreciation of right-of-use assets	16,250	–
Amortisation of intangible assets	4,900	3,386
Auditors' remuneration	1,650	1,500
Employee benefit expense (excluding directors' and chief executive's remuneration):		
– Wages and salaries	52,902	47,862
– Pension scheme contributions	<u>1,760</u>	<u>1,655</u>
	<u>54,662</u>	<u>49,517</u>
Minimum lease payments under operating leases of land and buildings	–	27,209
Lease payment not included in the measurement of lease liabilities	19,169	–
Bank interest income*	(250)	(211)
Government grants*	(3,537)	(3,149)
Foreign exchange differences, net	<u>58</u>	<u>–</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 2018: 16.5%).

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	7,582	5,465
Overprovision in prior years	(262)	(268)
Deferred	(1,163)	(821)
	<u>6,157</u>	<u>4,376</u>
Total tax charge for the year	<u>6,157</u>	<u>4,376</u>

## 8. DIVIDENDS

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Proposed final – HK6.00 cents (2018: Nil) per ordinary share	<u>24,000</u>	<u>–</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year ended 31 December 2019 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 400,000,000 (year ended 31 December 2018: 400,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of basic earnings per share is based on:

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<u>28,235</u>	<u>21,901</u>
	<u>400,000,000</u>	<u>400,000,000</u>
<b>Share</b>		
Weighted average number of ordinary shares in issue during the year 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 years ended 31 December 2019 and 2018 as the Group had no potentially dilutive ordinary shares in issue during these years.

#### 10. TRADE RECEIVABLES

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade receivables	<b>464</b>	204

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 reporting period, based on the invoice date, is as follows:

	<b>As at 31 December</b>	
	<b>2019</b>	2018
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 3 months	<b>1,727</b>	879

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 places high value on the corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the shareholders of the Company (the “**Shareholders**”).

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

## **INTERESTS OF COMPLIANCE ADVISER**

As confirmed by the Company’s compliance adviser, Guotai Junan Capital Limited (the “**Compliance Adviser**”), as at 31 December 2019, save and except for the compliance adviser’s agreement entered into between the Company and the Compliance Adviser dated 14 February 2017, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Group pursuant to Rule 6A.32 of 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 compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

## **SHARE OPTION SCHEME**

Pursuant to the resolution passed by the Shareholders on 21 June 2017, the Company has adopted the Share Option Scheme which is valid and effective for a period of 10 years from 21 June 2017. The purpose of the Share Option Scheme is 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 part-time 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 is 40,000,000, representing 10% of the Shares in issue as at the date of this announcement. No share option was granted, exercised or cancelled by the Company under the Share Option Scheme during the Reporting Year and there was no outstanding share option as at the date of this report.

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

Save as disclosed in 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 OF THE COMPANY**

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**

On 30 June 2019, Shui Jun Nursing Centre (Yau Tong) Company Limited (“**Shui Jun (Yau Tong)**”), a wholly-owned subsidiary of the Company, as tenant, entered into two new tenancy agreements (which were amended and supplemented by two supplemental agreements dated 9 August 2019) (collectively, the “**Tenancy Agreements**”) with Ever Premier Limited and Roymark Limited, as landlords, respectively, to renew the original tenancy agreements dated 30 June 2016. The premises under the Tenancy Agreements are rented by Shui Jun (Yau Tong) for the operation of the elderly residential care home in its ordinary course of business from 1 July 2019 to 30 June 2020 at the monthly rental of HK\$150,000 and HK\$620,000 per month, respectively.

As Mr. Yik is the director and one of the ultimate shareholders of both Ever Premier Limited and Roymark Limited, Ever Premier Limited and Roymark Limited are associates of a connected person of the Company under the GEM Listing Rules. Accordingly, the Tenancy Agreements and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the GEM Listing Rules.

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, their terms 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 exempt from the circular (including independent financial advice) and shareholders' approval requirements if the Group continues to conduct the transactions under the 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 of the Company has issued its letter containing its findings and conclusions in respect of the aforesaid continuing connected transactions 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.

## **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 2019 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 annual general meeting (the “**AGM**”) will be held on Wednesday, 6 May 2020. 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, the register of members of the Company will be closed from Tuesday, 28 April 2020 to Wednesday, 6 May 2020, both days inclusive, during which period no transfer of Shares will be registered. The record date will be Tuesday, 28 April 2020. In order to qualify for attending and voting at the 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, 27 April 2020.

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

Hong Kong, 17 March 2020

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

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” 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).*