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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 2020

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

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

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

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

FINANCIAL HIGHLIGHTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Change % (approximate)
Consolidated statement of profit or loss and other comprehensive income			
Revenue	205,038	168,680	21.55%
EBITDA	100,733	64,534	56.09%
Profit for the year	52,883	30,544	73.14%
Consolidated statement of financial position			
Cash and cash equivalents	85,914	52,267	64.38%
Trade receivables	191	464	-58.84%
Net assets value	196,230	173,027	13.41%

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 2020 (the “**Reporting Year**”). The audited consolidated financial statements of the Group have been reviewed by the audit committee of the Company.

BUSINESS REVIEW AND OUTLOOK

The Group is an established operator of elderly residential care homes in Hong Kong providing comprehensive residential care home services to the elderly residents including: (i) the provision of accommodation with dietician-managed meal plans, 24-hour nursing and caretaking assistance and professional services such as regular medical consultation, physiotherapy, occupational therapy, psychological and social care services; and (ii) the sale of healthcare and medical consumable products and the provision of customisable add-on healthcare services to the elderly residents. During the Reporting 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.

In view of the recent outbreak of COVID-19 in Hong Kong, the Company has formed a crisis response team to monitor the situation of its residential care homes. The Group has launched a series of special measures to strengthen infection control, such as shortening the visiting time of the elderly residential care homes and preparing adequate reserve of health protection equipment for its employees and elderly residents. The crisis response team holds meetings regularly to review the adequacy of current measures. As at the date of this announcement, the outbreak of COVID-19 has not adversely affected the business and daily operation of the Group.

OPERATING PERFORMANCE

Revenue

The breakdown of revenue by types of services provided by the Group for the Reporting Year and for the year ended 31 December 2019 are set out as follows:

	2020		2019	
	Revenue	Percentage	Revenue	Percentage
	<i>HK\$'000</i>	of segment	<i>HK\$'000</i>	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”)	38,364	18.71%	34,729	20.59%
– residential care places leased by the SWD under the Bought Place Scheme on Day Care Units (the “Day Care Services”)	2,824	1.38%	–	–
– residential care places leased by individual customers	111,646	54.45%	91,461	54.22%
– residential care places leased by non-governmental organisations	828	0.40%	580	0.34%
	<u>153,662</u>	<u>74.94%</u>	<u>126,770</u>	<u>75.15%</u>
Sales of elderly related goods and provision of healthcare services	<u>51,376</u>	<u>25.06%</u>	<u>41,910</u>	<u>24.85%</u>
Total	<u><u>205,038</u></u>	<u><u>100.00%</u></u>	<u><u>168,680</u></u>	<u><u>100.00%</u></u>

During the Reporting Year, the Group's revenue increased from approximately HK\$168,680,000 for the last year to approximately HK\$205,038,000, representing an approximately 21.55% 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\$126,770,000 for the last year to approximately HK\$153,662,000 for the Reporting Year, representing an approximately 21.21% 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\$34,729,000 for the last year to approximately HK\$38,364,000, representing an approximately 10.47% 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 was approximately HK\$2,824,000.

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

The revenue derived from rendering of elderly home care services for individual customers, together with the unsubsidised portions paid by individual customers under the EBPS increased from approximately HK\$91,461,000 for the last year to approximately HK\$111,646,000 for the Reporting Year, representing an approximately 22.07% increase.

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

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

The revenue derived from the non-governmental organisations which leased residential care places from the Group's elderly residential care homes increased from approximately HK\$580,000 for the last year to approximately HK\$828,000 for the Reporting Year, representing an approximately 42.76% increase.

Sales of elderly related goods and provision of healthcare services

The revenue from sales of elderly related goods and provision of healthcare services was derived from the sales of adult nappies, nutritional milk, other medical consumable products, daily supplies and provision of additional healthcare services to the residents. The revenue increased from approximately HK\$41,910,000 for the last year to approximately HK\$51,376,000 for the Reporting Year, representing an approximately 22.59% 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:

	2020	2019
	approximate %	approximate %
Average occupancy rate		
– elderly residential care homes under the EBPS	93.54%	94.46%
– non-EBPS elderly residential care homes	87.70%	90.83%

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\$60,043,000 for the last year to approximately HK\$75,338,000 for the Reporting Year, representing an approximately 25.47% 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\$19,169,000 for the last year to approximately HK\$17,284,000 for the Reporting Year, representing an approximately 9.83% 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\$44,545,000 in total for the Reporting Year.

Profit for the year

During the Reporting Year, the Group recorded a profit of approximately HK\$52,883,000 and approximately HK\$30,544,000 was noted for the last year. Such increase was attributable to the increment in other income generated from services fee income for the provision of health and personal care services to service users of residential care homes who were admitted for quarantine by the Group during the Reporting Year.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL STRUCTURE

Liquidity

As at 31 December 2020, current assets amounted to approximately HK\$102,311,000 (2019: approximately HK\$69,293,000). Current liabilities were approximately HK\$51,319,000 (2019: approximately HK\$48,583,000).

Financial Resources

As at 31 December 2020, the Group had total cash and bank balances of approximately HK\$85,914,000 (2019: approximately HK\$52,267,000).

As at 31 December 2020, the Group had trade receivables of approximately HK\$191,000 (2019: approximately HK\$464,000).

Gearing

The gearing ratio of the Group as at 31 December 2020 was 10% (2019: 30%) as the Group incurred the lease liabilities with the adoption of IFRS 16 Leases. 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 2020, the total equity of the Group was approximately HK\$196,230,000 (2019: approximately HK\$173,027,000).

DIVIDEND

The Directors recommend the payment of a final dividend of HK\$0.08 per ordinary share, totaling HK\$32,000,000 (2019: HK\$24,000,000) for the Reporting Year.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 31 December 2020, 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 (the “**Prospectus**”) 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

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 2020, the Group had no material contingent liabilities (2019: nil).

CAPITAL EXPENDITURE

During the Reporting Year, the Group's capital expenditure amounted to approximately HK\$3,901,000 (2019: approximately HK\$1,463,000) 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 2020, the Group had 381 employees (2019: 340 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme (the "**Share Option Scheme**") and a share award scheme (the "**Share Award Scheme**") have been respectively adopted on 21 June 2017 and 6 November 2019 for, among others, the employees of the Group.

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

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

The Application was lapsed and the Company has made a submission to the Stock Exchange for the renewal of the Application on 3 February 2021.

For more details about the Proposed Transfer of Listing, please refer to the announcements of the Company dated 16 June 2020 and 3 February 2021, respectively. Further announcement(s) will be made by the Company to keep the shareholders of the Company ("**Shareholders**") and potential investors of the Company informed of the progress of the Proposed Transfer of Listing as and when appropriate, in accordance with the GEM Listing Rules and the Main Board Listing Rules.

The audited financial information for the year ended 31 December 2020 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 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	4	205,038	168,680
Other income	4	25,572	6,466
Staff costs		(75,338)	(60,043)
Property rental and related expenses		(17,284)	(19,169)
Depreciation and amortisation		(35,479)	(25,052)
Food		(5,543)	(4,722)
Medical fees		(9,359)	(8,377)
Professional and legal fees		(8,780)	(6,733)
Utility expenses		(3,620)	(3,798)
Consumables		(1,816)	(1,407)
Loss on disposal of property, plant and equipment		(321)	–
Other operating expenses		(7,816)	(6,363)
Finance cost	5	(4,350)	(2,781)
PROFIT BEFORE TAX	6	60,904	36,701
Income tax expenses	7	(8,021)	(6,157)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		52,883	30,544
Attributable to:			
Owners of the parent		46,182	28,235
Non-controlling interests		6,701	2,309
		52,883	30,544
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (<i>HK cents</i>)	9	11.55	7.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		As at 31 December	
		2020	2019
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		8,143	8,401
Right-of-use assets		77,563	102,515
Intangible assets		7,307	12,797
Goodwill		112,790	112,790
Deferred tax assets		2,897	1,290
		<hr/>	<hr/>
Total non-current assets		208,700	237,793
CURRENT ASSETS			
Trade receivables	10	191	464
Prepayments, other receivables and other assets		15,897	16,125
Tax recoverable		309	437
Cash and bank balances		85,914	52,267
		<hr/>	<hr/>
Total current assets		102,311	69,293
CURRENT LIABILITIES			
Trade payables	11	1,253	1,727
Other payables and accruals		20,594	18,563
Due to a related company		483	295
Tax payables		6,139	5,217
Lease liabilities		22,850	22,781
		<hr/>	<hr/>
Total current liabilities		51,319	48,583
NET CURRENT ASSETS			
		<hr/>	<hr/>
		50,992	20,710
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		259,692	258,503

	As at 31 December	
	2020	2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	63,462	84,731
Deferred tax liabilities	–	745
	<hr/>	<hr/>
Total non-current liabilities	63,462	85,476
	<hr/>	<hr/>
Net assets	196,230	173,027
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to the equity holder of the parent:		
Issued capital	4,000	4,000
Reserves	181,529	159,347
	<hr/>	<hr/>
	185,529	163,347
Non-controlling interests	10,701	9,680
	<hr/>	<hr/>
Total equity	196,230	173,027
	<hr/> <hr/>	<hr/> <hr/>

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 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 2020. 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 Conceptual Framework for Financial Reporting 2018 and the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any significant impact on the financial position and performance of the Group.

- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any significant impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to IFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any significant impact on the financial position and performance of the Group.
- (e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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\$41,188,000 for the year ended 31 December 2020 (year ended 31 December 2019: HK\$34,729,000), 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	
	2020	2019
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Rendering of elderly home care services	153,662	126,770
Sales of elderly related goods and provision of healthcare services	51,376	41,910
	<u>205,038</u>	<u>168,680</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Timing of revenue recognition		
Services transferred over time	176,667	146,184
Goods transferred at a point in time	28,371	22,496
	<u>205,038</u>	<u>168,680</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:

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of elderly home care services	222	125
Sale of elderly related goods and provision of healthcare services	31	37
	<u>253</u>	<u>162</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 2020 are as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Within one year	517	253
	21,852	3,537
	511	1,053
	2,644	1,290
	322	250
	243	336
	25,572	6,466

Other income

Government grants

Sundry income

Rental income

Bank interest income

Others

Year ended 31 December

2020

2019

HK\$'000

HK\$'000

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Interest on lease liabilities	4,350	2,781

6. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Cost of inventories sold	11,940	9,346
Depreciation of property, plant and equipment	3,328	3,902
Depreciation of right-of-use assets	26,661	16,250
Amortisation of intangible assets	5,490	4,900
Auditors' remuneration	2,100	1,650
Employee benefit expense (excluding Directors' and chief executive's remuneration):		
– Wages and salaries	67,602	52,902
– Pension scheme contributions	2,064	1,760
	<u>69,666</u>	<u>54,662</u>
Lease payment not included in the measurement of lease liabilities	17,284	19,169
Bank interest income*	(322)	(250)
Government grants*	(21,852)	(3,537)
Foreign exchange differences, net	–	58
	<u>–</u>	<u>58</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 2019: 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 (2019: HK\$2,000,000) of assessable profits of this subsidiary is are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	10,169	7,582
Overprovision in prior years	(267)	(262)
Deferred	<u>(1,881)</u>	<u>(1,163)</u>
Total tax charge for the year	<u>8,021</u>	<u>6,157</u>

8. DIVIDENDS

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed final – HK8.00 cents (2019: HK6.00 cents) per ordinary share	32,000	24,000

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 2020 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 400,000,000 (year ended 31 December 2019: 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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	46,182	28,235
	Year ended 31 December	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	400,000,000	400,000,000

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during these years.

10. TRADE RECEIVABLES

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	191	464

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:

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	1,253	1,727

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.

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 was granted, exercised or cancelled by the Company under the Scheme from during the Reporting Year and there was 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 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

The original tenancy agreements would expire on 30 June 2020. On 27 May 2020, 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 (collectively, the “**Tenancy Agreements**”) with Ever Premier Limited (“**Ever Premier**”) and Roymark Limited (“**Roymark**”), as landlords, respectively, to renew the original tenancy agreements dated 30 June 2019 (as supplemented and amended by the supplemental agreements dated 9 August 2019). The premises under the 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 2020 to 30 June 2021 at the monthly rental of HK\$150,000 and HK\$620,000 per month, respectively.

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 and Investment Limited), 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 Tenancy Agreements constitute continuing connected transactions of the Company under Chapter 20 of 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 and the terms of the 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 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 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 2020 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 Thursday, 6 May 2021. 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 Thursday, 6 May 2021 (the “**2021 AGM**”), the register of members of the Company will be closed from Monday, 3 May 2021 to Thursday, 6 May 2021, both days inclusive, during which period no transfer of Shares will be registered. The record date will be Thursday, 6 May 2021. In order to qualify for attending and voting at the 2021 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 Friday, 30 April 2021.

Entitlement to the Proposed Final Dividend

For the purposes of determining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 13 May 2021 to Tuesday, 18 May 2021, both days inclusive, during which period no share transfer will be effected. The record date will be Tuesday, 18 May 2021. In order to qualify for the entitlement of the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration 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 no later than 4:30 p.m. on Wednesday, 12 May 2021. If the resolution for approving the proposed final dividend is passed at the AGM, the proposed final dividend will be payable on Wednesday, 2 June 2021.

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, 19 March 2021

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.