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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 2022**

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

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

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

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

FINANCIAL HIGHLIGHTS

	2022 HK\$'000	2021 HK\$'000	Change % (approximate)
Consolidated statement of profit or loss and other comprehensive income			
Revenue	193,041	203,849	-5.30%
EBITDA	91,117	97,872	-6.90%
Profit for the year	<u>38,610</u>	<u>52,191</u>	<u>-26.02%</u>
Consolidated statement of financial position			
Cash and cash equivalents	38,491	66,329	-41.97%
Fixed bank deposits	37,826	–	N/A
Trade receivables	480	165	190.91%
Net assets value	<u>211,151</u>	<u>179,141</u>	<u>17.87%</u>

The board of Directors (the “**Board**”) of the Company is pleased to present the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Year**”). The audited consolidated financial statements of the Group have been reviewed by the audit committee of the Company.

BUSINESS REVIEW AND PROSPECT

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

In response to the outbreak of coronavirus in Hong Kong, the Company has formed a crisis response team to monitor the situation of its residential care homes and launched a series of special measures to strengthen infection control. The crisis response team holds meetings regularly to review the adequacy of current measures. During the Reporting Year, the Group’s revenue amounted to approximately HK\$193,041,000, representing a slight decrease of 5.30% as compared with that of last year. Profit for the year decreased by approximately 26.02%

to approximately HK\$38,610,000. The Group will continue to optimise existing resources, strengthen staff training, and save costs through cost control measures.

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

OPERATING PERFORMANCE

Revenue

The breakdown of revenue by types of services provided by the Group for the Reporting Year and year ended 31 December 2021 are set out as follows:

	2022		2021	
	Revenue	Percentage	Revenue	Percentage
	HK\$'000	of segment	HK\$'000	of segment
		revenue		revenue
		approximate		approximate
		%		%
Rendering of elderly home care services				
– residential care places leased by the Social Welfare Department (the “SWD”) under the Enhanced Bought Place Scheme (the “EBPS”)	40,067	20.75%	39,024	19.14%
– residential care places leased by the SWD under the Bought Place Scheme on Day Care Units (the “Day Care Services”)	4,805	2.49%	4,759	2.33%
– residential care places leased by individual customers	99,991	51.80%	107,488	52.73%
– residential care places leased by non-governmental organisations	281	0.15%	620	0.30%
	<u>145,144</u>	<u>75.19%</u>	<u>151,891</u>	<u>74.50%</u>
Sales of elderly related goods and provision of healthcare services	<u>47,897</u>	<u>24.81%</u>	<u>51,958</u>	<u>25.50%</u>
Total	<u>193,041</u>	<u>100.00%</u>	<u>203,849</u>	<u>100.00%</u>

During the Reporting Year, the Group's revenue slightly decreased from approximately HK\$203,849,000 for the last year to approximately HK\$193,041,000 representing an approximately 5.30% decrease.

Rendering of elderly home care services

The revenue from rendering of elderly home care services was derived from the provision of, among others, residence, nursing and caretaking services, health and medical services, rehabilitation services, meal preparation services and social care services in Hong Kong. The revenue decreased from approximately HK\$151,891,000 for the last year to approximately HK\$145,144,000 for the Reporting Year, representing an approximately 4.44% decrease.

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

During the Reporting Year, the revenue derived from the SWD, which leased a fixed number of residential care places at the Group's elderly residential care homes under the EBPS, increased from approximately HK\$39,024,000 for the last year to approximately HK\$40,067,000, representing an approximately 2.67% increase.

The increment was mainly due to that Guardian Home (Chun Shek) Limited has participated in the EBPS and has been classified as EA1 under the EBPS since October 2022. Therefore, the number of the Group's elderly residential care homes classified as EA1 under the EBPS increased from two elderly residential care homes for last year to three elderly residential care homes for the Reporting Year.

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

Two of the Group's elderly residential care homes under the EBPS have participated in the Day Care Services for elderly of the SWD. The Group provided 40 day care units with a range of centre-based care and services for elderly since May 2020.

During the Reporting Year, the revenue derived from the SWD, which elder persons nominated and arranged by the SWD to receive the Day Care Services at the Group's elderly residential care homes under the Day Care Services increased from approximately HK\$4,759,000 for the last year to approximately HK\$4,805,000, representing an approximately 0.97% increase.

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

The revenue derived from rendering of elderly home care services to individual customers, together with the unsubsidised portions paid by individual customers under the EBPS decreased from approximately HK\$107,488,000 for the last year to approximately HK\$99,991,000 for the Reporting Year, representing an approximately 6.98% decrease. The decrement was the result of less residents admitted during the Reporting Year.

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

The revenue derived from the non-governmental organisations which leased residential care places from the Group's elderly residential care homes decreased from approximately HK\$620,000 for the last year to approximately HK\$281,000 for the Reporting Year, representing an approximately 54.68% decrease. The decline in revenue was due to the reduction on referrals of customers from non-governmental organisation as a result of the epidemic.

Sales of elderly related goods and provision of healthcare services

The revenue from sales of elderly related goods and provision of healthcare services was derived from the sales of adult nappies, nutritional milk, other medical consumable products, daily supplies and provision of additional healthcare services to the residents. The revenue decreased from approximately HK\$51,958,000 for the last year to approximately HK\$47,897,000 for the Reporting Year, representing an approximately 7.82% decrease.

Average occupancy rate of the elderly residential care homes

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

	2022	2021
	approximate %	approximate %
Average occupancy rate		
– elderly residential care homes under the EBPS	87.49%	92.26%
– non-EBPS elderly residential care homes	<u>75.92%</u>	<u>82.17%</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. During the Reporting Year, since more staff have been employed for (i) providing health and personal care services to service users of residential care homes who were admitted for quarantine; and (ii) additional works of residential care homes under the ravages of the epidemic, the amount of staff costs increased from approximately HK\$83,464,000 for the last year to approximately HK\$99,781,000 for the Reporting Year, representing an approximately 19.55% 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\$18,540,000 for the last year to approximately HK\$13,638,000 for the Reporting Year, representing an approximately 26.44% 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\$6,542,000 in total for the Reporting Year.

Profit for the year

During the Reporting Year, the Group recorded a profit of approximately HK\$38,610,000 and approximately HK\$52,191,000 was noted for the last year. During the Reporting Year, the Group had allocated more resources in manpower and materials for epidemic prevention measures. This led to an increment in the costs and resulted in a drop in profit for the year.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL STRUCTURE

Liquidity

As at 31 December 2022, current assets amounted to approximately HK\$90,530,000 (2021: approximately HK\$74,917,000). Current liabilities were approximately HK\$69,023,000 (2021: approximately HK\$53,244,000).

Financial Resources

As at 31 December 2022, the Group had total fixed bank deposits and cash and cash equivalents of approximately HK\$37,826,000 and HK\$38,491,000 (2021: nil and approximately HK\$66,329,000) respectively.

As at 31 December 2022, the Group had trade receivables of approximately HK\$480,000 (2021: approximately HK\$165,000).

Gearing Ratio

The gearing ratio of the Group as at 31 December 2022 was 19% (2021: 15%) 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 2022, the total equity of the Group was approximately HK\$211,151,000 (2021: approximately HK\$179,141,000).

DIVIDEND

The Directors recommend the payment of a final dividend of HK\$0.10 per ordinary share, totaling HK\$40,000,000 (2021: nil) for the Reporting Year.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 31 December 2022, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

As at 31 December 2022, the Group did not have any plan for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

CHARGE ON GROUP ASSETS

As at 31 December 2022, the Group did not have any charge on its assets.

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 2022, the Group had no material contingent liabilities (2021: nil).

CAPITAL EXPENDITURE

During the Reporting Year, the Group's capital expenditure amounted to approximately HK\$31,291,000 (2021: approximately HK\$3,255,000) which was used for the acquisition of property, plant and equipment in the elderly residential care homes.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2022, the Group had 437 employees (2021: 389 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme (the "**Share Option Scheme**") has been adopted on 21 June 2017 for, among others, the employees of the Group.

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

The Company identified that (i) the use of properties (the "**Yau Tong Properties**") by Shui Jun Nursing Centre (Yau Tong) Company Limited ("**Shui Jun (Yau Tong)**") for the operation of an elderly residential care home is inconsistent with the user stated in the deed of mutual covenants and occupation permits, which also constitutes a breach of the government lease; and (ii) Shui Jun (Yau Tong) or the relevant landlords failed to serve a notice under Section 25 of the Buildings Ordinance (Cap. 123 of the Laws of Hong Kong) to the Building Authority about the intended change of user of the Yau Tong Properties.

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

The Company has prepared a relocation plan and has been considering potential relocation of the elderly residential care home operated by Shui Jun (Yau Tong) to other properties. In the event the Company could not find a suitable property, the Company may consider a potential disposal of Shui Jun (Yau Tong), subject to the then market condition, to minimise any impact of the aforesaid incident to the Group. As at the date of this announcement, the Group has not engaged in any formal negotiations or signed any documents regarding the potential disposal with any potential buyers.

CHANGE OF INDEPENDENT NON-EXECUTIVE DIRECTORS AND COMPOSITION OF BOARD COMMITTEES

Mr. Kwok Chi Shing (郭志成) has resigned as an independent non-executive Director, the chairman of the audit committee of the Company (the “**Audit Committee**”) and a member of the remuneration committee of the Company (the “**Remuneration Committee**”) with effect from 15 August 2022 in order to devote more time to his respective other business commitments.

Mr. Chan Ching Sum Sam (陳錚森) has been appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee with effect from 15 August 2022.

For details of the change of independent non-executive Directors, please refer to the announcement of the Company dated 15 August 2022.

APPOINTMENT OF JOINT COMPANY SECRETARY

Ms. Chu Kit Ying (朱潔瑩) has been appointed as the joint company secretary of the Company with effect from 15 August 2022. Ms. Leung Pui Shan, the existing company secretary of the Company, will continue to act as the other joint company secretary of the Company.

For details of the appointment of joint company secretary, please refer to the announcements of the Company dated 15 August 2022 and 23 September 2022, respectively.

ACQUISITION OF A PROPERTY

On 14 October 2022, Telecom World Limited (the “**Vendor**”), Shui On Nursing Home Holdings Limited (the “**Purchaser**”, an indirect wholly-owned subsidiary of the Company) and a third party property agent entered into the provisional agreement for sale and purchase, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell, the property which consists of Unit 1107 on 11/F of Tower III Enterprise Square, No.9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong (the “**Property**”) at the consideration of HK\$16,474,500 (before the Purchaser’s costs and expenses). On 7 November 2022, the Purchaser and the Vendor signed the formal agreement for sale and purchase in respect of the Property. The Group intends to use the Property as office.

Given that one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the acquisition of the Property exceed 5% but all are less than 25%, the acquisition of the Property constitutes a discloseable transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules.

For details of the acquisition of the Property, please refer to the announcements of the Company dated 14 October 2022 and 7 November 2022, respectively.

The audited financial information for the year ended 31 December 2022 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 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	4	193,041	203,849
Other income	6	49,595	31,462
Staff costs		(99,781)	(83,464)
Property rental and related expenses		(13,638)	(18,540)
Depreciation and amortisation		(41,295)	(32,381)
Food		(5,723)	(5,641)
Medical fees		(10,797)	(11,256)
Professional and legal fees		(4,086)	(5,504)
Utility expenses		(4,364)	(4,053)
Consumables		(2,713)	(1,975)
Other operating expenses		(10,417)	(7,006)
Finance costs	7	(3,702)	(3,684)
PROFIT BEFORE TAX		46,120	61,807
Income tax expenses	8	(7,510)	(9,616)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	9	38,610	52,191
Attributable to:			
Owners of the Company		36,498	46,954
Non-controlling interests		2,112	5,237
		38,610	52,191
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	11		
Basic and diluted (<i>HK cents</i>)		9.12	11.74

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		20,091	9,545
Right-of-use assets		98,889	64,038
Intangible assets		194	3,752
Goodwill		112,790	112,790
Deposits		12,548	10,176
Deferred tax assets		2,349	3,542
Total non-current assets		246,861	203,843
CURRENT ASSETS			
Trade receivables	<i>12</i>	480	165
Prepayments, deposits and other receivables		10,780	7,677
Tax recoverable		2,953	746
Fixed bank deposits		37,826	–
Cash and bank equivalents		38,491	66,329
Total current assets		90,530	74,917
CURRENT LIABILITIES			
Trade payables	<i>13</i>	1,244	1,289
Other payables and accruals		23,460	20,837
Amount due to a related company		527	511
Income tax payables		1,201	2,191
Lease liabilities		42,591	28,416
Total current liabilities		69,023	53,244
NET CURRENT ASSETS		21,507	21,673
TOTAL ASSETS LESS CURRENT LIABILITIES		268,368	225,516

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
NON-CURRENT LIABILITY		
Lease liabilities	<u>57,217</u>	<u>46,375</u>
Net assets	<u>211,151</u>	<u>179,141</u>
CAPITAL AND RESERVES		
Share capital	4,000	4,000
Reserves	<u>200,981</u>	<u>164,483</u>
Equity attributable to owners of the company	204,981	168,483
Non-controlling interests	<u>6,170</u>	<u>10,658</u>
Total equity	<u>211,151</u>	<u>179,141</u>

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Hang Chi Holdings Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands and its shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business of the Company is situated at Unit 09, 7/F., FTLife Tower, No. 18 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

In the opinion of the directors, the holding company of the Company is Shui Wah Limited (“**Shui Wah**”), which was incorporated in the British Virgin Islands (“**BVI**”). The Company’s ultimate holding company is Multifield Investment Development Limited, a company incorporated in the BVI with limited liability on 8 January 2010, which is wholly owned by Mr. Yik Tak Chi.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in the providing comprehensive residential care home services to the elderly residents and trading of healthcare and medical consumable products.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

In the current year, the Group has applied, for its first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the “**IASB**”) which are effective for the Group’s financial year beginning 1 January 2022.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous contracts: Cost of fulfilling a contract</i>
Amendments to IFRSs	<i>Annual Improvements to IFRS 2018–2020 cycle</i>

The application of the amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 amendment to IFRS17)	<i>Insurance Contracts</i> ¹
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture</i> ³
Amendments to IAS 1	<i>Classification of liabilities as Current or Non-current</i> ²
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i> ²
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that, the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Company Ordinance.

The consolidated financial statements have been prepared on historical cost basis at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique.

4. REVENUE

Revenue represents revenue arising from rendering of elderly home care services and sales of elderly related goods and provision of healthcare services. An analysis of the Group's revenue for the year is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
– Rendering of elderly home care services	145,144	151,891
– Sales of elderly related goods and provision of healthcare services	47,897	51,958
	<u>193,041</u>	<u>203,849</u>
Total revenue from contracts with customers	<u>193,041</u>	<u>203,849</u>

Disaggregation of revenue from contracts with customers by timing of recognition:

	Rendering of elderly home care services <i>HK\$'000</i>	Sales of goods and provision of healthcare services <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2022			
Timing of revenue recognition			
At a point in time	–	27,979	27,979
Over time	145,144	19,918	165,062
	<u>145,144</u>	<u>47,897</u>	<u>193,041</u>

	Rendering of elderly home care services <i>HK\$'000</i>	Sales of goods and provision of healthcare services <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2021			
Timing of revenue recognition			
At a point in time	–	29,797	29,797
Over time	151,891	22,161	174,052
	<u>151,891</u>	<u>51,958</u>	<u>203,849</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
– Rendering of elderly home care services	320	445
– Sales of elderly related goods and provision of healthcare services	137	72
	457	517

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.

Transaction price allocated to the remaining performance obligations for contracts with customers

The transaction prices allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2022 and 2021 and the expected timing of recognition are, as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	647	457

5. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker (the “CODM”), for the purpose of resource allocation and assessment of segment performance focuses on types of goods and services provided. No operating segments identified by the CODM has been aggregated in arriving at the reportable segments of the Group.

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 major customers

Revenue of approximately HK\$44,434,000 for the year ended 31 December 2022 (2021: HK\$43,783,000), 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”).

6. OTHER INCOME

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Bank interest income	263	21
Government grants (<i>note i</i>)	10,727	5,013
Others	902	1,797
Provision of care support services (<i>note ii</i>)	34,612	21,823
Rental income	2,949	2,720
Sundry income	142	88
	<u>49,595</u>	<u>31,462</u>

Notes:

- (i) During the year ended 31 December 2022, the Group recognised government grants of approximately HK\$5,648,000 (2021: HK\$1,199,000) in respect of COVID-19-related subsidies, of which amounted to approximately HK\$5,203,000 (2021: nil) related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. The remaining government grants of approximately HK\$5,079,000 (2021:HK\$3,814,000) related to the Infirmity Care Supplement, Dementia Supplement, Training Subsidy Scheme for Staff of Residential Care Homes, Elderly Health Care Voucher Scheme and Electrical Equipment Upgrade Scheme. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.
- (ii) During the year ended 31 December 2022 and 2021, the Group recognised the special allowance for residential care homes (RCHs) and those staff under on-site quarantine or isolation which supported by Social Welfare Department. The special allowance was terminated in December 2022.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interests on lease liabilities	<u>3,702</u>	<u>3,684</u>

8. INCOME TAX EXPENSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	7,183	10,837
Over provision in prior years:		
Hong Kong Profits Tax	(866)	(576)
Deferred tax	<u>1,193</u>	<u>(645)</u>
	<u>7,510</u>	<u>9,616</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the years ended 31 December 2022 and 2021, Hong Kong Profits Tax of the qualified entities of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other entities of the Group in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

The income tax expenses can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before tax	<u>46,120</u>	<u>61,807</u>
Tax at the domestic income tax rate of 16.5% (2021: 16.5%)	7,609	10,198
Tax effect of expenses not deductible for tax purposes	250	272
Tax effect of income not taxable for tax purposes (<i>note</i>)	(935)	(113)
Tax effect of deductible temporary differences not recognised	1,617	–
Effect of two-tiered profits tax rates regime	(165)	(165)
Over-provision in prior years	<u>(866)</u>	<u>(576)</u>
Income tax expenses for the year	<u>7,510</u>	<u>9,616</u>

Note:

Income not subject to tax mainly represented government grants related to Covid-19 and bank interest income during the years ended 31 December 2022 and 31 December 2021 which were not taxable in Hong Kong.

9. PROFIT FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments	5,853	4,839
Salaries, wages, allowances and other benefits	88,331	73,936
Contributions to retirement benefits scheme (excluding directors', chief executive's and supervisors' emoluments)	<u>2,693</u>	<u>2,308</u>
Total staff costs	<u>96,877</u>	<u>81,083</u>
Auditor's remuneration	1,200	1,680
Depreciation of property, plant and equipment	3,471	1,853
Depreciation of right-of-use assets	34,266	26,973
Amortisation of intangible assets	3,558	3,555
Amount of inventories recognised as an expense	12,865	12,804
Lease rentals for office premises (<i>note</i>)	<u>6,542</u>	<u>11,988</u>

Note:

The amounts represent lease rentals related to short-term leases under IFRS 16.

10. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim – Nil (2021: HK\$8 cents) per ordinary share	<u>–</u>	<u>32,000</u>

Subsequent to the end of the reporting period, a final dividend of HK1 cents per share in respect of the year ended 31 December 2022, in aggregate amount of HK\$40,000,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

No final dividend has been proposed by the Group for the year ended 31 December 2021.

The distribution amounts set out in the consolidated statement of changes in equity of HK\$6,600,000 (2021: HK\$5,280,000) for the year ended 31 December 2022 represented the dividends declared by Guardian Home Limited, a non-wholly-owned subsidiary of the Company, to its non-controlling shareholders.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>36,498</u>	<u>46,954</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<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 2022 and 2021 as the Group had no potentially dilutive ordinary shares in issue during these years.

12. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	<u>480</u>	<u>165</u>

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

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

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

13. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	<u><u>1,244</u></u>	<u><u>1,289</u></u>

The average credit period granted by its suppliers ranging from 30 to 60 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

CORPORATE GOVERNANCE PRACTICES

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

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

CODE OF CONDUCT OF DIRECTORS' SECURITIES TRANSACTIONS

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

COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 21 June 2017 which shall be valid and effective for a period of 10 years commencing on 21 June 2017, after which no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

The purpose of the Share Option Scheme is to provide incentives to or to reward the contributions of the Directors and other eligible participants. Eligible participants under the Share Option Scheme include any full-time or part-time employee of the Group, including any Directors, suppliers, customers, agents, advisors and consultants of the Group.

The total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and other share option scheme is 40,000,000, representing 10% of the Shares in issue as at the date of this announcement. The maximum number of shares issuable upon exercise of the options granted to each eligible participant under the Share Option Scheme and any other share option scheme of the Group in any twelve-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval. The total number of Shares issued and to be issued upon exercise of the options granted to each eligible participant under the Share Option Scheme and any other share option scheme of the Group in any twelve-month period shall not exceed 1% of the Shares in issue from time to time. Any further grant of share options in excess of this limit is subject to shareholders' approval.

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

ARRANGEMENTS TO ACQUIRE SHARES AND DEBENTURES

Other than the Share Option Scheme above, at no time during the Reporting Year, was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) or to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CONNECTED TRANSACTIONS

As the original tenancy agreements would expire on 30 June 2022, on 14 March 2022, 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 expired on 30 June 2022. 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 2022 to 30 June 2026 at the monthly rental of HK\$200,000 and HK\$890,000 per month, respectively.

As at the date of this announcement, (i) Roymark is beneficially owned as to 40% by Mr. Yik Tak Chi (易德智) (“**Mr. Yik**”) (through HCDI), 25% by Ms. Yik Wai Hang (易蔚恒) (“**Ms. WH Yik**”) and 35% by two other Independent Third Parties (as defined in the GEM Listing Rules); (ii) the board of directors of Roymark consists of five directors, including Mr. Yik, Ms. WH Yik, Mr. Lui Chi Tat (雷志達) (“**Mr. Lui**”) and two other Independent Third Parties (as defined in the GEM Listing Rules); (iii) Ever Premier is wholly-owned by Roymark; and (iv) the board of directors of Ever Premier consisted of two directors, including Mr. Yik and Mr. Lui.

As (a) Mr. Yik is an executive Director and a controlling shareholder of the Company; (b) Mr. Lui is the chief executive officer of the Company and an executive Director; and (c) Ms. WH Yik is a controlling shareholder of the Company, a sister of Mr. Yik and the mother of Mr. Lui, Roymark and Ever Premier are associates of connected persons of the Company under the GEM Listing Rules and the transactions contemplated under the Tenancy Agreements constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Furthermore, by virtue of the aforesaid relationship, the transactions contemplated under the Tenancy Agreements are required to be aggregated for the purpose of classification of connected transactions in accordance with Rule 20.79 of the GEM Listing Rules.

The aforesaid 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 holders of the Shares (the “**Shareholders**”) as a whole.

Pursuant to IFRS16, leases shall be recognised as right-of-use assets in the Group’s consolidated statement of financial position. Accordingly, the entering into of the Tenancy Agreements will be regarded as a one-off acquisition of assets of the Group for the purposes of the GEM Listing Rules.

Given that one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Tenancy Agreements based on the estimated value of right-of-use assets recognised by the Group pursuant to IFRS16 exceed 5% but all are less than 25%, the Tenancy Agreements, on an aggregate basis, constitute discloseable and connected transactions of the Company under Chapters 19 and 20 of the GEM Listing Rules and is subject to the reporting, announcement and independent shareholders’ approval requirements under the GEM Listing Rules.

Approval from independent Shareholders for the Tenancy Agreements and the transactions contemplated thereunder was obtained at the annual general meeting of the Company held on 27 June 2022.

The Group confirms that it has complied and will continue to comply with the relevant provisions of Chapters 19 and 20 of the GEM Listing Rules in relation to the 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 profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's independent auditor, Prism Hong Kong and Shanghai Limited (“Prism”), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Prism 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 Prism on this preliminary announcement.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established the Audit Committee with written terms of reference aligned with the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Ching Sum Sam, 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 (“AGM”)

The AGM will be held on Tuesday, 16 May 2023. 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 Tuesday, 16 May 2023 (the "2023 AGM"), the register of members of the Company will be closed from Thursday, 11 May 2023 to Tuesday, 16 May 2023, both days inclusive, during which period no transfer of Shares will be registered. The record date will be Tuesday, 16 May 2023. In order to qualify for attending and voting at the 2023 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 Wednesday, 10 May 2023.

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 Tuesday, 23 May 2023 to Thursday, 25 May 2023, both days inclusive, during which period no share transfer will be effected. The record date will be Thursday, 25 May 2023. 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 Monday, 22 May 2023. If the resolution for approving the proposed final dividend is passed at the AGM, the proposed final dividend will be payable on Friday, 9 June 2023.

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

Hong Kong, 21 March 2023

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. LAU Tai Chim, Mr. WONG Wai Ho and Mr. CHAN Ching Sum Sam.

This announcement will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at <http://www.hkexnews.hk> 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.