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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)**

**FIRST QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE THREE MONTHS ENDED 31 MARCH 2023**

**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

	Three months ended		
	31 March		
	2023	2022	Change %
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	(approximate)
<b>Statement of profit or loss and other comprehensive income</b>			
Revenue	48,927	48,549	0.78%
EBITDA	15,594	19,195	-18.76%
Profit for the period	<u>2,746</u>	<u>8,295</u>	<u>-66.90%</u>

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2023 (the “**Reporting Period**”). The unaudited condensed 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 Period, the Group derived its revenue from seven elderly residential care homes across different districts in Hong Kong, including four “Shui On 瑞安”, one “Shui Hing 瑞興”, one “Shui Jun 瑞臻” and one “Guardian Home 佳安家” branded elderly residential care homes.

### Business and Operational Review

Even though the pandemic is over, the Group has learned from the experience of fighting it in the past three years, and our established crisis response team will continue to regularly monitor the situation of our elderly residential care homes and hold meetings to prepare for the future. The Group is also actively increasing interaction with the staff of the elderly residential care homes, in order to timely solve the difficulties faced by the staff in various positions, as well as improve the level of nursing care and work efficiency. During the Reporting Period, the Group’s revenue amounted to approximately HK\$48,927,000, representing a slight increase of 0.78% as compared with that of the same period last year. Profit for the period decreased by approximately 66.90% to approximately HK\$2,746,000. The Group will continue to optimise existing resources, strengthen staff training, and save costs through cost control measures.

## Prospect

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

## OPERATING PERFORMANCE

### Revenue

The breakdown of revenue by types of services provided by the Group for the Reporting Period and for the three months ended 31 March 2022 are set out as follows:

	Three months ended 31 March		Three months ended 31 March	
	2023	Percentage of segment	2022	Percentage of segment
	Revenue	revenue	Revenue	revenue
	HK\$’000	approximate %	HK\$’000	approximate %
<b>Rendering of elderly home care services</b>				
– residential care places leased by the Social Welfare Department (the “SWD”) under the Enhanced Bought Place Scheme (the “EBPS”)	11,344	23.19%	9,782	20.15%
– residential care places leased by the SWD under the Bought Place Scheme on Day Care Units (the “Day Care Services”)	1,204	2.46%	1,193	2.46%
– residential care places leased by individual customers	24,920	50.93%	25,877	53.30%
– residential care places leased by non-governmental organisations	104	0.21%	99	0.20%
	<u>37,572</u>	<u>76.79%</u>	<u>36,951</u>	<u>76.11%</u>
<b>Sales of elderly related goods and provision of healthcare services</b>	<u>11,355</u>	<u>23.21%</u>	<u>11,598</u>	<u>23.89%</u>
<b>Total</b>	<u><u>48,927</u></u>	<u><u>100.00%</u></u>	<u><u>48,549</u></u>	<u><u>100.00%</u></u>

During the Reporting Period, the Group's revenue slightly increased from approximately HK\$48,549,000 for the same period last year to approximately HK\$48,927,000 for the Reporting Period, representing an approximately 0.78% 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\$36,951,000 for the same period last year to approximately HK\$37,572,000 for the Reporting Period, representing an approximately 1.68% increase.

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

During the Reporting Period, the revenue derived from the SWD, which leased a fixed number of residential care places at the Group's elderly residential care homes under the EBPS, increased from approximately HK\$9,782,000 for the same period last year to approximately HK\$11,344,000 for the Reporting Period, representing an approximately 15.97% 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 the same period last year to three elderly residential care homes for the Reporting Period.

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

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

During the Reporting Period, the revenue derived from the SWD, which elder persons nominated and arranged by the SWD to receive the Day Care Services at the Group's elderly residential care homes under the Day Care Services increased from approximately HK\$1,193,000 for the same period last year to approximately HK\$1,204,000 for the Reporting Period, representing an approximately 0.92% increase.

- *Residential care places leased by individual customers*

The revenue derived from rendering of elderly home care services for individual customers, together with the unsubsidised portions paid by individual customers under the EBPS decreased from approximately HK\$25,877,000 for the same period last year to approximately HK\$24,920,000 for the Reporting Period, representing an approximately 3.70% decrease.

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

The revenue derived from the non-governmental organisations which leased residential care places from the Group's elderly residential care homes increased from approximately HK\$99,000 for the same period last year to approximately HK\$104,000 for the Reporting Period, representing an approximately 5.05% 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 decreased from approximately HK\$11,598,000 for the same period last year to approximately HK\$11,355,000 for the Reporting Period, representing an approximately 2.10% decrease.

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

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

	<b>Three months ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<i>approximate %</i>	<i>approximate %</i>
<b>Average occupancy rate</b>		
– elderly residential care homes under the EBPS	<b>85.66%</b>	86.38%
– non-EBPS elderly residential care homes	<b>81.04%</b>	77.25%

### **Staff costs**

Staff costs are the largest component of the operating expenses, which comprised of wages, salaries, bonuses, long service payments, retirement benefit costs and other allowances and benefits payable to employees. During the Reporting Period, the amount of staff costs slightly decreased from approximately HK\$24,253,000 for the same period last year to approximately HK\$23,981,000 for the Reporting Period, representing an approximately 1.12% decrease.

## **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\$4,640,000 for the same period last year to approximately HK\$2,257,000 for the Reporting Period, representing an approximately 51.36% 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 which were paid on cash basis amounted to approximately HK\$14,152,000 in total for the Reporting Period (31 March 2022: approximately HK\$12,126,000 in total).

## **Profit for the period**

During the Reporting Period, the Group recorded a profit of approximately HK\$2,746,000 and approximately HK\$8,295,000 was noted for the same period last year. As the COVID-19 pandemic is over, special allowance received from the Social Welfare Department regarding to the provision of care support service to service users who were admitted to residential care homes for quarantine was terminated in December 2022. This resulted in a drop in Profit for the period.

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at 31 March 2023, the Group had 429 employees (31 March 2022: 398 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.

## **USE OF PROPERTIES BY SHUI JUN NURSING CENTRE (YAU TONG) COMPANY LIMITED**

As disclosed in the Company’s 2022 annual report, the Company identified that the use of properties located in Yau Tong, Kowloon (the “**Yau Tong Properties**”) by Shui Jun Nursing Centre (Yau Tong) Company Limited (瑞臻護老中心(油塘)有限公司) (“**Shui Jun (Yau Tong)**”) for the operation of an elderly residential care home is inconsistent with the user stated in the deed of mutual covenants and occupation permits of the Yau Tong Properties and Shui Jun (Yau Tong) or the relevant landlords failed to serve a notice under Section 25 of the Buildings Ordinance (Cap. 123 of the Laws of Hong Kong) to the Building Authority about the intended change of user of the Yau Tong Properties.

As at the date of this announcement, no warning letters from the Lands Department had been received nor any inspection, fines or prosecution action had been taken by the Hong Kong Government or any competent authorities with respect to the said incident. The Company will keep the shareholders of the Company (the “**Shareholders**”) and potential investors informed of any material development in connection with the above matter as and when appropriate in compliance with the GEM Listing Rules.

The unaudited financial information for the three months ended 31 March 2023 together with the comparative figures for the corresponding periods in 2022 were as follows:

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

*For the three months ended 31 March 2023*

	Notes	Three months ended 31 March	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
<b>REVENUE</b>	4	<b>48,927</b>	48,549
Other income	5	<b>2,014</b>	9,031
Staff costs		<b>(23,981)</b>	(24,253)
Property rental and related expenses		<b>(2,257)</b>	(4,460)
Depreciation and amortisation		<b>(11,373)</b>	(8,274)
Food		<b>(1,612)</b>	(1,445)
Medical fees		<b>(2,517)</b>	(3,303)
Professional and legal fees		<b>(753)</b>	(750)
Utility expenses		<b>(973)</b>	(726)
Consumables		<b>(508)</b>	(858)
Other operating expenses		<b>(2,746)</b>	(2,410)
Finance costs	6	<b>(958)</b>	(816)
<b>PROFIT BEFORE TAX</b>	7	<b>3,263</b>	10,105
Income tax expenses	8	<b>(517)</b>	(1,810)
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b><u>2,746</u></b>	<b><u>8,295</u></b>
Attributable to:			
Owners of the Company		<b>2,920</b>	7,455
Non-controlling interests		<b>(174)</b>	840
		<b><u>2,746</u></b>	<b><u>8,295</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY</b>	10		
– Basic and diluted ( <i>HK cents</i> )		<b><u>0.73</u></b>	<b><u>1.86</u></b>

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

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	Attributable to the owners of the Company						Non-controlling interests	Total equity
	Issued capital	Share Premium*	Merger Reserve*	Other Reserve*	Retained Profits*	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2023 (audited)	4,000	109,298	5	(10,840)	102,518	204,981	6,170	211,151
Profit and total comprehensive income for the period	-	-	-	-	2,920	2,920	(174)	2,746
At 31 March 2023 (unaudited)	<u>4,000</u>	<u>109,298</u>	<u>5</u>	<u>(10,840)</u>	<u>105,438</u>	<u>207,901</u>	<u>5,996</u>	<u>213,897</u>

For the three months ended 31 March 2022

	Attributable to the owners of the Company						Non-controlling interests	Total equity
	Issued capital	Share Premium*	Merger Reserve*	Other Reserve*	Retained Profits*	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022 (audited)	4,000	109,298	5	(10,840)	66,020	168,483	10,658	179,141
Profit and total comprehensive income for the period	-	-	-	-	7,455	7,455	840	8,295
At 31 March 2022 (unaudited)	<u>4,000</u>	<u>109,298</u>	<u>5</u>	<u>(10,840)</u>	<u>73,475</u>	<u>175,938</u>	<u>11,498</u>	<u>187,436</u>

\* These reserve accounts comprise the consolidated reserves of approximately HK\$203,901,000 and HK\$171,938,000 in the unaudited condensed consolidated statement of financial position as at 31 March 2023 and 2022 respectively.

# NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 March 2023*

## 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 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, 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

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information of the Group for the three months ended 31 March 2023 (the “**Condensed Financial Report**”) has been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The Condensed Financial Report should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2022 (the “**2022 Annual Financial Statements**”). The principal accounting policies used in the Condensed Financial Report are consistent with those adopted in the 2022 Annual Financial Statements, except for the adoption of the new or amended International Financial Reporting Standards (“**IFRSs**”) issued by the IASB which are relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2023.

The adoption of the new and revised IFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the three months ended 31 March 2023 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the three months ended 31 March 2023.

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

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

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

### 3. OPERATING SEGMENT INFORMATION

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 a major customer

Revenue of approximately HK\$12,548,000 for the period ended 31 March 2023 (31 March 2022: HK\$10,975,000), 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

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 period is as follows:

	Three months ended 31 March	
	2023	2022
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
– Rendering of elderly home care services	37,572	36,951
– Sales of elderly related goods and provision of healthcare services	11,355	11,598
	<u>48,927</u>	<u>48,549</u>
	<u><u>48,927</u></u>	<u><u>48,549</u></u>

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

<b>For the period ended 31 March 2023</b>	<b>Rendering of elderly homecare services <i>HK\$'000</i> (unaudited)</b>	<b>Sales of goods and provision of healthcare services <i>HK\$'000</i> (unaudited)</b>	<b>Total <i>HK\$'000</i> (unaudited)</b>
<b>Timing of revenue recognition</b>			
At a point in time	–	7,212	7,212
Over time	<u>37,572</u>	<u>4,143</u>	<u>41,715</u>
	<u><b>37,572</b></u>	<u><b>11,355</b></u>	<u><b>48,927</b></u>

<b>For the period ended 31 March 2022</b>	<b>Rendering of elderly homecare services <i>HK\$'000</i> (unaudited)</b>	<b>Sales of goods and provision of healthcare services <i>HK\$'000</i> (unaudited)</b>	<b>Total <i>HK\$'000</i> (unaudited)</b>
<b>Timing of revenue recognition</b>			
At a point in time	–	7,178	7,178
Over time	<u>36,951</u>	<u>4,420</u>	<u>41,371</u>
	<u><b>36,951</b></u>	<u><b>11,598</b></u>	<u><b>48,549</b></u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	<b>Three months ended 31 March</b>	
	<b>2023 <i>HK\$'000</i> (unaudited)</b>	<b>2022 <i>HK\$'000</i> (unaudited)</b>
<b>Revenue recognised that was included in contract liabilities at the beginning of the reporting period:</b>		
Rendering of elderly home care services	<b>303</b>	320
Sales of elderly related goods and provision of healthcare services	<u><b>344</b></u>	<u>137</u>
	<u><b>647</b></u>	<u>457</u>

## 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 March 2023 and 2022 and the expected timing of recognition are, as follows:

	As at ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Within one year	<u>642</u>	<u>600</u>

## 5. OTHER INCOME

An analysis of other income is as follows:

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank interest income	78	3
Government grants ( <i>note i</i> )	976	1,224
Others	139	108
Provision of care support services ( <i>note ii</i> )	–	6,907
Rental income	751	734
Sundry income	<u>70</u>	<u>55</u>
	<u>2,014</u>	<u>9,031</u>

*Notes:*

- (i) During the three months ended 31 March 2023, the Group recognised government grants of approximately HK\$96,000 (31 March 2022: HK\$254,000) in respect of COVID-19-related subsidies. The remaining government grants of approximately HK\$880,000 (31 March 2022: HK\$970,000) 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 three months ended 31 March 2023, the Group did not recognise any 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.

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>Three months ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Interest on lease liabilities	<b>958</b>	<b>816</b>

## 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	<b>Three months ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Depreciation of property, plant and equipment	<b>1,455</b>	523
Depreciation of right-of-use assets	<b>9,726</b>	6,862
Amortisation of intangible assets	<b>192</b>	889
Amount of inventories recognised as an expense	<b>3,263</b>	3,693
Employee benefit expense including Directors' and chief executive's remuneration:		
– Wages and salaries	<b>22,834</b>	23,020
– Pension scheme contributions	<b>632</b>	641
Total staff costs	<b>23,466</b>	23,661

## 8. INCOME TAX EXPENSES

	<b>Three months ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Current tax:		
Hong Kong Profits Tax	<b>548</b>	1,829
Deferred tax	<b>(31)</b>	(19)
Total tax charge for the period	<b>517</b>	1,810

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 gazette 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 periods ended 31 March 2023 and 2022, 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%.

## 9. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2023 (31 March 2022: Nil).

## 10. 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:

	<b>Three months ended 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Earnings</b>		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>2,920</u>	<u>7,455</u>
	<b>2023</b>	<b>2022</b>
<b>Shares</b>		
Weighted average number of ordinary shares for the purpose of calculating 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 periods ended 31 March 2023 and 2022 as the Group had no potentially dilutive ordinary shares in issue during both periods.

## **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 enhancement of transparency and accountability for the benefit of the Shareholders.

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

## **CODE OF CONDUCT OF DIRECTORS' SECURITIES TRANSACTIONS**

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

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

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

## **DIVIDEND**

The Board does not recommend the payment of any dividend for the Reporting Period (31 March 2022: nil).

## **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 or rewards to the eligible persons for their contributions of to the Group. Eligible person under the Share Option Scheme means any full-time or part-time employee of the Company or any member of the Group, including any executive Directors, non-executive Directors and independent non-executive Directors, suppliers, customers, agents, advisors and consultants of the Group who, in the sole opinion of the Board, will contribute or have contributed to the Group. The Board may, at its discretion, invite any of the aforesaid eligible persons to take up the options. There is no change to the terms of the Share Option Scheme since adoption.

The total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and other share option scheme is 40,000,000, representing 10% of the Shares in issue as at the date of this announcement.

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

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

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

## **AUDIT COMMITTEE AND REVIEW OF THE FIRST QUARTERLY RESULTS**

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company has 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. 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 discussed with the management of the Company and reviewed the unaudited results for the Reporting Period and the unaudited condensed consolidated financial statements of the Group for the Reporting Period, and is of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosure has been made in respect thereof.

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

Hong Kong, 9 May 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. WONG Wai Ho, Mr. LAU Tai Chim and Mr. CHAN Ching Sum Sam.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and will also be published on the Company’s website at [www.shuionnc.com](http://www.shuionnc.com).*