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Hang Chi Holdings Limited

恒智控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8405)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 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

	Six months ended 30 June		Change % (approximate)
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	
Statement of profit or loss and other comprehensive income			
Revenue	102,551	95,864	6.98%
EBITDA	36,016	41,240	-12.67%
Profit for the period	<u>9,802</u>	<u>19,090</u>	<u>-48.65%</u>
	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)	Change % (approximate)
	Statement of financial position		
Cash and cash equivalents	40,463	38,491	5.12%
Fixed bank deposits	9,966	37,826	-73.65%
Trade receivables	733	480	52.71%
Net assets value	<u>180,953</u>	<u>211,151</u>	<u>-14.30%</u>

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 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\$102,551,000, representing a slight increase of 6.98% as compared with that of the same period last year. Since the increase in salary costs resulting from Hong Kong's labour shortage, coupled with the increase in property rentals, Profit for the period decreased by approximately 48.65% to approximately HK\$9,802,000. The Group will continue to optimise existing resources, strengthen staff training, and the management of the Group will also formulate various coping strategies and save costs through cost control measures.

Prospect

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

OPERATING PERFORMANCE

Revenue

The breakdown of revenue by types of services provided by the Group for the Reporting Period and for the six months ended 30 June 2022 are set out as follows:

	Six months ended 30 June			
	2023		2022	
	Revenue	Percentage of segment revenue	Revenue	Percentage of segment revenue
	<i>HK\$'000</i>	<i>Approximate %</i>	<i>HK\$'000</i>	<i>Approximate %</i>
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”)	23,639	23.05%	19,653	20.50%
– residential care places leased by the SWD under the Bought Place Scheme on Day Care Units (the “Day Care Services”)	2,380	2.32%	2,397	2.50%
– residential care places leased by individual customers	51,220	49.95%	50,171	52.33%
– residential care places leased by non-governmental organisations	176	0.17%	160	0.17%
	<u>77,415</u>	<u>75.49%</u>	<u>72,381</u>	<u>75.50%</u>
Sales of elderly related goods and provision of healthcare services	<u>25,136</u>	<u>24.51%</u>	<u>23,483</u>	<u>24.50%</u>
Total	<u><u>102,551</u></u>	<u><u>100.00%</u></u>	<u><u>95,864</u></u>	<u><u>100.00%</u></u>

During the Reporting Period, the Group’s revenue increased from approximately HK\$95,864,000 for the same period last year to approximately HK\$102,551,000 for the Reporting Period, representing an approximately 6.98% 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\$72,381,000 for the same period last year to approximately HK\$77,415,000 for the Reporting Period, representing an approximately 6.95% 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\$19,653,000 for the same period last year to approximately HK\$23,639,000 for the Reporting Period, representing an approximately 20.28% 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, decreased from approximately HK\$2,397,000 for the same period last year to approximately HK\$2,380,000 for the Reporting Period, representing an approximately 0.71% decrease.

- *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\$50,171,000 for the same period last year to approximately HK\$51,220,000 for the Reporting Period, representing an approximately 2.09% increase.

- *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\$160,000 for the same period last year to approximately HK\$176,000 for the Reporting Period, representing an approximately 10.00% 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\$23,483,000 for the same period last year to approximately HK\$25,136,000 for the Reporting Period, representing an approximately 7.04% increase.

Average occupancy rates of the elderly residential care homes

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

	Six months ended 30 June	
	2023	2022
	<i>approximate %</i>	<i>approximate %</i>
Average occupancy rates		
– elderly residential care homes under the EBPS	87.10%	85.05%
– non-EBPS elderly residential care homes	85.59%	75.39%

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 increased from approximately HK\$47,064,000 for the same period last year to approximately HK\$47,648,000 for the Reporting Period, representing an approximately 1.24% increase.

Property rental and related expenses

Property rental and related expenses mainly represented the rental and ancillary office payments under operating leases related to the elderly residential care homes. With the adoption of IFRS 16 Leases, the rental expenses were re-allocated between Property rental and related expenses, depreciation and Finance costs. The amount of property rental and related expenses decreased from approximately HK\$9,314,000 for the same period last year to approximately HK\$4,574,000 for the Reporting Period, representing an approximately 50.89% decrease. The rental and related expenses payments for the elderly residential care homes and office which were paid on cash basis amounted to approximately HK\$28,476,000 in total for the Reporting Period (30 June 2022: approximately HK\$24,817,000 in total).

Profit for the period

During the Reporting Period, the Group recorded a profit of approximately HK\$9,802,000 and approximately HK\$19,090,000 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.

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

Liquidity

As at 30 June 2023, current assets amounted to approximately HK\$62,008,000 (31 December 2022: approximately HK\$90,530,000). Current liabilities were approximately HK\$67,044,000 (31 December 2022: approximately HK\$69,023,000).

Financial Resources

As at 30 June 2023, the Group had total fixed bank deposits and cash and cash equivalents of approximately HK\$9,966,000 and HK\$40,463,000 (31 December 2022: approximately HK\$37,826,000 and HK\$38,491,000) respectively.

As at 30 June 2023, the Group had trade receivables of approximately HK\$733,000 (31 December 2022: approximately HK\$480,000).

As at 30 June 2023, the Group recorded net current liabilities of approximately HK\$5,036,000 (31 December 2022: net current assets of approximately HK\$21,507,000), mainly attributable to a total amount of HK\$40,000,000 cash being distributed as the 2022 final dividend in June 2023.

GEARING RATIO

The gearing ratio of the Group as at 30 June 2023 was 24% (31 December 2022: 19%) as the Group incurred the lease liabilities with the adoption of IFRS 16 Leases during the Reporting Period. The Group was not in need of any material debt financing during the Reporting Period.

The approach of the Board to manage the Group's working capital is to ensure sufficient liquid assets to meet its matured liabilities so as to avoid any unacceptable losses or damage to the Group's reputation.

CAPITAL STRUCTURE

The shares of the Company (the "Shares") were successfully listed on GEM of the Stock Exchange on 12 July 2017. There has been no change in the capital structure of the Company since then. The capital of the Company only comprises of ordinary shares.

As at 30 June 2023, the total equity of the Group was approximately HK\$180,953,000 (31 December 2022: approximately HK\$211,151,000).

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 June 2023, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

As at 30 June 2023, the Group did not have any plan for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

CHARGE ON GROUP ASSETS

As at 30 June 2023, 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 Period.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no material contingent liabilities (31 December 2022: nil).

CAPITAL EXPENDITURE

During the Reporting Period, the Group's capital expenditure amounted to approximately HK\$3,447,000 (30 June 2022: approximately HK\$2,329,000) which was used for the acquisition of plant and equipment in the elderly residential care homes.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed 430 employees (30 June 2022: 453 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 six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022 were as follows:

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

For the six months ended 30 June 2023

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
REVENUE	4	102,551	95,864
Other income	5	5,134	19,955
Staff costs		(47,648)	(47,064)
Property rental and related expenses		(4,574)	(9,314)
Depreciation and amortisation		(22,799)	(16,582)
Food		(3,338)	(2,788)
Medical fees		(5,052)	(4,780)
Professional and legal fees		(1,574)	(3,070)
Utility expenses		(2,356)	(1,814)
Consumables		(1,149)	(1,454)
Other operating expenses		(5,978)	(4,295)
Finance costs	6	(1,866)	(1,556)
PROFIT BEFORE TAX	7	11,351	23,102
Income tax expenses	8	(1,549)	(4,012)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>9,802</u>	<u>19,090</u>
Attributable to:			
Owners of the Company		9,419	17,420
Non-controlling interests		383	1,670
		<u>9,802</u>	<u>19,090</u>
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	10		
– Basic and diluted (<i>HK cents</i>)		<u>2.35</u>	<u>4.36</u>

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023 <i>HK\$'000</i> (unaudited)	As at 31 December 2022 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		21,215	20,091
Right-of-use assets		83,898	98,889
Intangible assets		2	194
Goodwill		112,790	112,790
Deposits		8,313	12,548
Deferred tax assets		2,639	2,349
		<hr/>	<hr/>
Total non-current assets		228,857	246,861
		<hr/>	<hr/>
CURRENT ASSETS			
Trade receivables	11	733	480
Prepayments, deposits and other receivables		8,827	10,780
Tax recoverable		2,019	2,953
Fixed bank deposits		9,966	37,826
Cash and cash equivalents		40,463	38,491
		<hr/>	<hr/>
Total current assets		62,008	90,530
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	12	2,242	1,244
Other payables and accruals		22,299	23,460
Amount due to a related company		484	527
Income tax payables		1,306	1,201
Lease liabilities		40,713	42,591
		<hr/>	<hr/>
Total current liabilities		67,044	69,023
		<hr/>	<hr/>
NET CURRENT (LIABILITIES) ASSETS		(5,036)	21,507
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		223,821	268,368
		<hr/>	<hr/>

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
NON-CURRENT LIABILITY		
Lease liabilities	<u>42,868</u>	<u>57,217</u>
Net assets	<u>180,953</u>	<u>211,151</u>
CAPITAL AND RESERVES		
Share capital	4,000	4,000
Reserves	<u>170,400</u>	<u>200,981</u>
Equity attributable to owners of the Company	174,400	204,981
Non-controlling interests	<u>6,553</u>	<u>6,170</u>
Total equity	<u>180,953</u>	<u>211,151</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 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 and subsequently with effective from 10 June 2023, was changed to Unit 1107, 11/F., Tower 3 Enterprise Square, No. 9 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 six months ended 30 June 2023 (the “**Condensed Financial Report**”) has been prepared in accordance with International Accounting Standards (“**IAS**”) 34 “Interim Reporting” issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The 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 six months ended 30 June 2023 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the six months ended 30 June 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 preparation of the Condensed Financial Report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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

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

3. OPERATING SEGMENT INFORMATION

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\$26,019,000 for the period ended 30 June 2023 (30 June 2022: HK\$22,050,000), which amounted to more than 10% of the Group’s revenue, was derived from the Hong Kong Government under the Enhanced Bought Place Scheme and the Bought Place Scheme on Day Care Units.

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:

	Six months ended 30 June	
	2023	2022
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
– Rendering of elderly home care services	77,415	72,381
– Sales of elderly related goods and provision of healthcare services	25,136	23,483
	<hr/>	<hr/>
Total revenue from contracts with customers	102,551	95,864
	<hr/> <hr/>	<hr/> <hr/>

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

	Rendering of elderly homecare services <i>HK\$'000</i> (unaudited)	Sales of goods and provision of healthcare services <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
For the period ended 30 June 2023			
Timing of revenue recognition			
At a point in time	–	15,187	15,187
Over time	77,415	9,949	87,364
	<u>77,415</u>	<u>9,949</u>	<u>87,364</u>
	<u><u>77,415</u></u>	<u><u>25,136</u></u>	<u><u>102,551</u></u>
For the period ended 30 June 2022			
Timing of revenue recognition			
At a point in time	–	13,185	13,185
Over time	72,381	10,298	82,679
	<u>72,381</u>	<u>10,298</u>	<u>82,679</u>
	<u><u>72,381</u></u>	<u><u>23,483</u></u>	<u><u>95,864</u></u>

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

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of elderly home care services	303	320
Sales of elderly related goods and provision of healthcare services	344	137
	<u>303</u>	<u>137</u>
	<u><u>647</u></u>	<u><u>457</u></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 30 June 2023 and 2022 and the expected timing of recognition are, as follows:

	As at 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Within one year	409	385

5. OTHER INCOME

An analysis of other income is as follows:

		Six months ended 30 June	
		2023	2022
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Bank interest income		1,007	19
Government grants	(i)	2,204	4,096
Others		285	222
Provision of care support services	(ii)	–	14,157
Rental income		1,534	1,345
Sundry income		104	116
		5,134	19,955

Notes:

- (i) During the six months ended 30 June 2023, the Group recognised government grants of approximately HK\$96,000 (six months ended 30 June 2022: approximately HK\$2,246,000) in respect of COVID-19-related subsidies, of which nil (six months ended 30 June 2022: approximately HK\$1,992,000) 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\$2,108,000 (six months ended 30 June 2022: approximately HK\$1,850,000) related to the Infirmary 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 six months ended 30 June 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 COST

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on lease liabilities	1,866	1,556

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Auditor's remuneration	612	400
Depreciation of property, plant and equipment	1,914	1,079
Depreciation of right-of-use assets	20,693	13,723
Amortisation of intangible assets	192	1,780
Amount of inventories recognised as an expense	6,931	6,549
Loss on written off on property, plant and equipment	411	–
Employee benefit expense including Directors' and chief executive's remuneration:		
– Wages and salaries	45,531	44,223
– Pension scheme contributions	1,298	1,284
Total staff costs	46,829	45,507

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	1,839	4,083
Deferred tax	<u>(290)</u>	<u>(71)</u>
Total tax charge for the period	<u>1,549</u>	<u>4,012</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 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 30 June 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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final – HK\$10.00 cents (six months ended 30 June 2022: Nil) per ordinary share	<u>40,000</u>	<u>–</u>

The Board does not recommend the payment of any dividend for the six months ended 30 June 2023 (30 June 2022: Nil).

The distribution amounts set out in the interim condensed consolidated statements of changes in equity of HK\$4,599,000 for the six months ended 30 June 2022 represented the dividends declared by Shui On Nursing Centre (Kwai Shing E.) Co. Limited and Guardian Home Limited, non-wholly-owned subsidiaries of the Company, to their non-controlling shareholders.

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:

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>9,419</u>	<u>17,420</u>
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Number of shares		
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 30 June 2023 and 2022 as the Group had no potentially dilutive ordinary shares in issue during both periods.

11. TRADE RECEIVABLES

	As at	As at
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Trade receivables	<u>733</u>	<u>480</u>

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

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

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

12. TRADE PAYABLES

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

	As at	As at
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Within 3 months	<u>2,242</u>	<u>1,244</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 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 person has or may have with the Group.

DIVIDEND

The Board does not recommend the payment of any dividend for the Reporting Period (30 June 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 INTERIM 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 are to assist the Board in fulfilling its audit duties through the review and supervision of the Company’s financial reporting, risk management and internal control systems.

The Audit Committee has discussed with the management of the Company and reviewed the interim results for the Reporting Period and the 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 August 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 “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.