



Hang Chi Holdings Limited 恒智控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8405



2023
Third Quarterly Report

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

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This report, 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 report 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 report misleading.



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Corporate Information

Board of Directors

Executive Directors

Mr. Yik Tak Chi (*Chairman*)
Mr. Chung Kin Man
Ms. Chung Wai Man
Mr. Lui Chi Tat

Non-executive Director

Mr. Lau Joseph Wan Pui

Independent non-executive Directors

Mr. Chan Ching Sum Sam
Mr. Lau Tai Chim
Mr. Wong Wai Ho

Board Committees

Audit Committee

Mr. Chan Ching Sum Sam (*Chairman*)
Mr. Lau Tai Chim
Mr. Wong Wai Ho

Nomination Committee

Mr. Yik Tak Chi (*Chairman*)
Mr. Lau Tai Chim
Mr. Wong Wai Ho

Remuneration Committee

Mr. Lau Joseph Wan Pui (*Chairman*)
Mr. Chan Ching Sum Sam
Mr. Lau Tai Chim

Joint Company Secretary

Ms. Leung Pui Shan (*HKICPA*)
Ms. Chu Kit Ying

Authorised Representatives

Mr. Chung Kin Man
Ms. Leung Pui Shan

Compliance Officer

Mr. Chung Kin Man

Registered Office

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in Hong Kong

Unit 1107, 11/F.
Tower 3 Enterprise Square
No. 9 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

Auditor

Prism Hong Kong and Shanghai Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal Bankers

Hang Seng Bank Limited
CMB Wing Lung Bank Limited
Bank of China (Hong Kong) Limited
China Construction Bank (Asia)
Corporation Limited

Corporate Information

Principal Share Registrar and Transfer Office in the Cayman Islands

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F.
148 Electric Road
North Point
Hong Kong

Stock Code

8405

Company's Website

www.shuionnc.com

Contact Information

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Financial Highlights

	Nine months ended 30 September		
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	Change % (approximate)
Condensed consolidated statement of profit or loss and other comprehensive income			
Revenue	157,158	144,467	8.78%
EBITDA	56,045	63,138	-11.23%
Profit for the period	16,704	29,632	-43.63%

Management Discussion and Analysis

The Company and its subsidiaries (collectively, the “Group”) are 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 nine months ended 30 September 2023 (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\$157,158,000, representing an increase of 8.78% as compared with that of the same period last year. Due to 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 43.63% to approximately HK\$16,704,000. The Group will continue to optimise existing resources and 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.

Management Discussion and Analysis

Operating Performance

Revenue

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

	Nine months ended 30 September			
	2023		2022	
	Revenue HK\$'000	Percentage of segment revenue Approximate%	Revenue HK\$'000	Percentage of segment revenue 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")	35,766	22.76%	29,524	20.44%
- residential care places leased by the SWD under the Bought Place Scheme on Day Care Units (the "Day Care Services")	3,641	2.32%	3,601	2.49%
- residential care places leased by individual customers	78,337	49.84%	75,041	51.95%
- residential care places leased by non-governmental organisations	239	0.15%	207	0.14%
	117,983	75.07%	108,373	75.02%
Sales of elderly related goods and provision of healthcare services	39,175	24.93%	36,094	24.98%
Total	157,158	100.00%	144,467	100.00%

During the Reporting Period, the Group's revenue increased from approximately HK\$144,467,000 for the same period last year to approximately HK\$157,158,000 for the Reporting Period, representing an approximately 8.78% increase.

Management Discussion and Analysis

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\$108,373,000 for the same period last year to approximately HK\$117,983,000 for the Reporting Period, representing an approximately 8.87% 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\$29,524,000 for the same period last year to approximately HK\$35,766,000 for the Reporting Period, representing an approximately 21.14% 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\$3,601,000 for the same period last year to approximately HK\$3,641,000 for the Reporting Period, representing an approximately 1.11% increase.

Management Discussion and Analysis

- *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\$75,041,000 for the same period last year to approximately HK\$78,337,000 for the Reporting Period, representing an approximately 4.39% 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\$207,000 for the same period last year to approximately HK\$239,000 for the Reporting Period, representing an approximately 15.46% 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\$36,094,000 for the same period last year to approximately HK\$39,175,000 for the Reporting Period, representing an approximately 8.54% 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:

	Nine months ended 30 September	
	2023 approximate %	2022 approximate %
Average occupancy rates		
– elderly residential care homes under the EBPS	85.68%	86.17%
– non-EBPS elderly residential care homes	87.31%	75.34%

Management Discussion and Analysis

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\$71,708,000 for the same period last year to approximately HK\$72,076,000 for the Reporting Period, representing an approximately 0.51% 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\$15,038,000 for the same period last year to approximately HK\$6,942,000 for the Reporting Period, representing an approximately 53.84% 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\$42,831,000 in total for the Reporting Period (30 September 2022: approximately HK\$38,735,000 in total).

Profit for the period

During the Reporting Period, the Group recorded a profit of approximately HK\$16,704,000 and approximately HK\$29,632,000 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 30 September 2023, the Group had 454 employees (30 September 2022: 494 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.

Management Discussion and Analysis

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 report, 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.

Other Information

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 of Directors of the Company (the "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.

Other Information

Dividend

The Board does not recommend the payment of any dividend for the Reporting Period (30 September 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 report.

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 report.

Other Information

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 30 September 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures 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) ("SFO")) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the Shares

Name of Directors/ Chief executive	Capacity/ Nature of interests	Number of Shares held/ interested in	Approximate percentage of shareholding ^(Note 1)
Mr. Yik Tak Chi ("Mr. Yik")	(i) Interest of controlled corporation ^(Note 2)	258,336,000	64.58%
	(ii) Beneficial owner ^(Note 2)		
Mr. Lui Chi Tat ("Mr. Lui")	(i) Beneficial owner ^(Note 3)	36,032,000	9.01%
	(ii) Interest of spouse ^(Note 3)		
Mr. Chung Kin Man ("Mr. Chung")	Beneficial owner	40,000	0.01%
Ms. Chung Wai Man ("Ms. Chung")	Beneficial owner	20,000	0.005%

Other Information

Notes:

1. The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at 30 September 2023.
2. As at 30 September 2023, Mr. Yik was interested in 258,336,000 Shares, of which 248,700,000 Shares were held by Shui Wah Limited ("Shui Wah") and 9,636,000 Shares were directly held by him. Shui Wah was owned as to 100.00% by Lucky Expert Investments Limited ("Lucky Expert"), which was in turn owned as to 59.88% by Hang Chi Development & Investment Limited ("HCDI"). Mr. Yik indirectly owned the entire issued share capital of HCDI through Multifield Investment Development Limited ("Multifield"). By virtue of the SFO, Mr. Yik is deemed to be interested in the same number of shares in Lucky Expert held by HCDI, same number of shares in Shui Wah held by Lucky Expert, and all the Shares held by Shui Wah. Mr. Yik is the sole director of Shui Wah, Lucky Expert, HCDI and Multifield.
3. As at 30 September 2023, Mr. Lui was interested in 36,032,000 Shares, of which 36,020,000 Shares were directly held by him and 12,000 Shares were held by his spouse. By virtue of the SFO, Mr. Lui is deemed to be interested in all the Shares held by his spouse.

Other Information

Long Positions in the ordinary shares of associated corporation

Name of Directors/ chief executive	Name of associated corporation	Capacity/ Nature of interests	Number of shares held/ interested in	Percentage of shareholding
Mr. Yik	Multifield	Beneficial owner ^(Note)	1	100.00%
	HCDI	Interest of controlled corporation ^(Note)	20,000	100.00%
	Lucky Expert	Interest of controlled corporation ^(Note)	5,988	59.88%
	Shui Wah	Interest of controlled corporation ^(Note)	10,000	100.00%
Mr. Chung	Lucky Expert	Beneficial owner	493	4.93%
Ms. Chung	Lucky Expert	Beneficial owner	602	6.02%

Note: As at 30 September 2023, the Company was owned as to approximately 62.18% by Shui Wah. Shui Wah was owned as to 100.00% by Lucky Expert, which was in turn owned as to 59.88% by HCDI. Mr. Yik indirectly owned the entire issued share capital of HCDI through Multifield. By virtue of the SFO, Mr. Yik is deemed to be interested in the same number of shares in Lucky Expert held by HCDI, same number of shares in Shui Wah held by Lucky Expert and all the Shares held by Shui Wah. Accordingly, Multifield, HCDI, Lucky Expert and Shui Wah are associated corporations of the Company.

Save as disclosed above, as at 30 September 2023, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which was required to be notified the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or otherwise to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Other Information

Substantial Shareholders' Interest and Short Positions in Shares and Underlying Shares

As at 30 September 2023, as far as known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had the interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in the Shares

Name of Shareholder	Capacity/ Nature of interests	Number of Shares held/ interested in	Approximate percentage of shareholding ^(Note 1)
Shui Wah	Beneficial owner ^(Note 2)	248,700,000	62.18%
Lucky Expert	Interest in controlled corporation ^(Note 2)	248,700,000	62.18%
Multifield	(i) Interest in controlled corporation ^(Note 2) (ii) Interest held jointly with other person ^(Note 3)	258,336,000	64.58%
HCDI	(i) Interest in controlled corporation ^(Note 2) (ii) Interest held jointly with other person ^(Note 3)	258,336,000	64.58%
Ms. Yik Wai Hang ("Ms. WH Yik")	Interest held jointly with other person ^(Note 3)	258,336,000	64.58%
Ms. Chung Shuk Man	Interest of spouse ^(Note 4)	258,336,000	64.58%

Other Information

Name of Shareholder	Capacity/ Nature of interests	Number of Shares held/ interested in	Approximate percentage of shareholding ^(Note 1)
Yingfeng International Investment Limited (盈豐國際投資有限公司) (“Yingfeng International”)	Beneficial owner ^(Notes 5 and 6)	32,000,000	8.00%
Ruipei Industrial (Shanghai) Co., Ltd.* (芮沛實業(上海)有限公司) (“Ruipei”)	Interest in controlled corporation ^(Notes 5 and 6)	32,000,000	8.00%
Zhongchuang Investment (Holdings) Limited (眾創投資(控股)有限公司) (“Zhongchuang”)	Interest in controlled corporation ^(Notes 5 and 6)	32,000,000	8.00%
China Minsheng Futurelife Holding Group Co., Ltd.* (中民未來控股集團有限公司) (“CMIG Futurelife”)	Interest in controlled corporation ^(Notes 5 and 6)	32,000,000	8.00%
China Minsheng Investment Group Co., Ltd.* (中國民生投資股份有限公司) (“CMIG”)	Interest in controlled corporation ^(Notes 5 and 6)	32,000,000	8.00%

* For identification purposes only

Other Information

Notes:

1. The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at 30 September 2023.
2. As at 30 September 2023, Shui Wah held 248,700,000 Shares. Shui Wah was owned as to 100.00% by Lucky Expert, which was in turn owned as to 59.88% by HCDI. Mr. Yik indirectly owned the entire issued share capital of HCDI through Multifield. By virtue of the SFO, each of Mr. Yik, Multifield, HCDI and Lucky Expert is deemed to be interested in all the Shares held by Shui Wah.
3. On 13 December 2016, Mr. Yik, Multifield, HCDI and Ms. WH Yik entered into an acting in concert agreement (the "Acting In Concert Agreement") to acknowledge and confirm, among other things, that they are parties acting in concert (having the meaning as ascribed thereto in The Codes on Takeovers and Mergers and Share Buy-backs) in respect of each of the members of the Group from the date of which both Mr. Yik and Ms. WH Yik became the shareholders of Shui On Nursing Home Holdings Limited (i.e. 31 July 2013) and will continue to be parties acting in concert until such arrangement is terminated in writing by them pursuant to the Acting In Concert Agreement. As such, they are deemed to be interested in the Shares held by the others.

As disclosed above, as at 30 September 2023, Mr. Yik was interested in 258,336,000 Shares. Accordingly, by virtue of the Acting in Concert Agreement, Mr. Yik, Multifield, HCDI and Ms. WH Yik together control approximately 64.58% of the issued share capital of the Company.

4. Ms. Chung Shuk Man is the spouse of Mr. Yik. By virtue of the SFO, Ms. Chung Shuk Man is deemed to be interested in all the Shares in which Mr. Yik is interested.
5. As disclosed in the prospectus of the Company dated 28 June 2017, on 21 June 2017, Yingfeng International, as cornerstone investor, entered into a cornerstone investment agreement with, among others, the Company, pursuant to which Yingfeng International subscribed for a total number of 32,000,000 Shares.
6. Yingfeng International is a company incorporated under the laws of British Virgin Islands. To the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, Yingfeng International is wholly-owned by Zhongchuang, a company incorporated in Hong Kong. Zhongchuang is wholly owned by Ruipei, which is in turn wholly owned by CMIG Futurelife. CMIG Futurelife is held as to 65% by CMIG and 35% by an independent third party. Each of Ruipei, CMIG Futurelife and CMIG is established under the laws of the People's Republic of China.

Save as disclosed above, as at 30 September 2023, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information

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 Third 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 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 third quarterly 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
Yik Tak Chi
Chairman

Hong Kong, 9 November 2023

As at the date of this report, 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.

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the nine months ended 30 September 2023

The board (the “Board”) of Directors of the Company hereby presents the unaudited condensed consolidated third quarterly results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 30 September 2023 (the “Reporting Period”) together with the unaudited comparative figures for the corresponding period in 2022 (the “Corresponding Period” or “2022”) as follows:

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
REVENUE	4	54,607	48,603	157,158	144,467
Other income	5	2,249	13,663	7,383	33,618
Staff costs		(24,428)	(24,644)	(72,076)	(71,708)
Property rental and related expenses		(2,368)	(5,724)	(6,942)	(15,038)
Depreciation and amortisation		(11,188)	(8,366)	(33,987)	(24,948)
Food		(1,774)	(1,446)	(5,112)	(4,234)
Medical fees		(2,767)	(2,251)	(7,819)	(7,031)
Professional and legal fees		(693)	(1,279)	(2,267)	(4,349)
Utility expenses		(1,819)	(1,510)	(4,175)	(3,324)
Consumables		(584)	(539)	(1,733)	(1,993)
Other operating expenses		(2,394)	(2,975)	(8,372)	(7,270)
Finance costs	6	(793)	(656)	(2,659)	(2,212)
PROFIT BEFORE TAX	7	8,048	12,876	19,399	35,978
Income tax expenses	8	(1,146)	(2,334)	(2,695)	(6,346)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,902	10,542	16,704	29,632
Attributable to:					
Owners of the Company		6,054	10,817	15,473	28,237
Non-controlling interests		848	(275)	1,231	1,395
		6,902	10,542	16,704	29,632
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY					
– Basic and diluted (HK cents)	10	1.51	2.70	3.87	7.06

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 nine months ended 30 September 2023

	Attributable to the owners of the Company						Non-controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium* HK\$'000	Merger reserve* HK\$'000	Other reserve* HK\$'000	Retained profits* HK\$'000	Total HK\$'000		
	At 1 January 2023 (audited)	4,000	109,298	5	(10,840)	102,518		
Profit and total comprehensive income for the period	-	-	-	-	15,473	15,473	1,231	16,704
Final dividend declared (Note 9)	-	-	-	-	(40,000)	(40,000)	-	(40,000)
At 30 September 2023 (unaudited)	4,000	109,298	5	(10,840)	77,991	180,454	7,401	187,855

For the nine months ended 30 September 2022

	Attributable to the owners of the Company						Non-controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium* HK\$'000	Merger reserve* HK\$'000	Other reserve* HK\$'000	Retained profits* HK\$'000	Total HK\$'000		
	At 1 January 2022 (audited)	4,000	109,298	5	(10,840)	66,020		
Profit and total comprehensive income for the period	-	-	-	-	28,237	28,237	1,395	29,632
Interim dividend declared (Note 9)	-	-	-	-	-	-	(4,599)	(4,599)
At 30 September 2022 (unaudited)	4,000	109,298	5	(10,840)	94,257	196,720	7,454	204,174

* These reserve accounts comprise the consolidated reserves of approximately HK\$176,454,000 and HK\$192,720,000 in the unaudited condensed consolidated statement of financial position as at 30 September 2023 and 2022 respectively.

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 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.

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2023

2. Basis of preparation

The unaudited condensed consolidated financial information of the Group for the nine months ended 30 September 2023 (the “Condensed Financial Report”) has been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial 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 Condensed Financial Report and there have been no significant changes to the accounting policies applied in these Condensed Financial Report.

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.

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2023

2. Basis of preparation *(Continued)*

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 Condensed Financial Report 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, 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\$39,407,000 for the nine months ended 30 September 2023 (nine months ended 30 September 2022: HK\$33,125,000), 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”).

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2023

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 30 September		Nine months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue from contracts with customers within the scope of IFRS 15				
– Rendering of elderly home care services	40,568	35,992	117,983	108,373
– Sales of elderly related goods and provision of healthcare services	14,039	12,611	39,175	36,094
Total revenue from contracts with customers	54,607	48,603	157,158	144,467

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2023

4. Revenue (Continued)

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

	Rendering of elderly homecare services HK\$'000 (unaudited)	Sales of goods and provision of healthcare services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
For the three months ended 30 September 2023			
Timing of revenue recognition			
At a point in time	–	8,097	8,097
Over time	40,568	5,942	46,510
	40,568	14,039	54,607
For the three months ended 30 September 2022			
Timing of revenue recognition			
At a point in time	–	6,672	6,672
Over time	35,992	5,939	41,931
	35,992	12,611	48,603
For the nine months ended 30 September 2023			
Timing of revenue recognition			
At a point in time	–	23,284	23,284
Over time	117,983	15,891	133,874
	117,983	39,175	157,158
For the nine months ended 30 September 2022			
Timing of revenue recognition			
At a point in time	–	19,857	19,857
Over time	108,373	16,237	124,610
	108,373	36,094	144,467

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2023

4. Revenue (Continued)

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:

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:				
Rendering of elderly home care services	335	279	303	320
Sales of elderly related goods and provision of healthcare services	74	106	344	137
	409	385	647	457

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.

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2023

4. Revenue (Continued)

Performance Obligations (Continued)

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

	As at 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Within one year	324	395

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2023

5. Other Income

An analysis of other income is as follows:

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Bank interest income		107	19	1,114	38
Government grants	(i)	1,017	4,019	3,221	8,115
Others		121	131	406	353
Provision of care support services	(ii)	–	8,908	–	23,065
Rental income		784	489	2,318	1,834
Sundry income		220	97	324	213
		2,249	13,663	7,383	33,618

Notes:

- (i) During the nine months ended 30 September 2023, the Group recognised government grants of approximately HK\$96,000 (nine months ended 30 September 2022: HK\$5,075,000) in respect of COVID-19-related subsidies, of which nil (nine months ended 30 September 2022: HK\$4,079,000) 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\$3,125,000 (nine months ended 30 September 2022: HK\$3,040,000) 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 nine months ended 30 September 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.

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2023

6. Finance Costs

An analysis of finance costs is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Interest on lease liabilities	793	656	2,659	2,212

7. Profit Before Tax

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

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Auditor's remuneration	330	560	942	960
Depreciation of property, plant and equipment	804	616	2,718	1,695
Depreciation of right-of-use assets	10,384	6,862	31,077	20,585
Amortisation of intangible assets	–	887	192	2,667
Amount of inventories recognised as an expense	3,434	3,028	10,365	9,577
Loss on written off on property, plant and equipment	1	–	412	–
Employee benefit expense including Directors' and chief executive's remuneration:				
– Wages and salaries	23,317	23,431	68,848	67,654
– Pension scheme contributions	694	748	1,992	2,032
Total staff costs	24,011	24,179	70,840	69,686

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2023

8. Income Tax Expenses

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Current tax:				
Hong Kong Profits Tax	1,163	2,341	3,002	6,424
Deferred tax	(17)	(7)	(307)	(78)
Total tax charge for the period	1,146	2,334	2,695	6,346

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 September 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%.

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2023

9. Dividends

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Final – HK\$10.00 cents (nine months ended 30 September 2022: Nil) per ordinary share	–	–	40,000	–

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

The distribution amounts set out in the unaudited condensed consolidated statement of changes in equity of HK\$4,599,000 for the nine months ended 30 September 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.

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2023

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:

	Three months ended 30 September		Nine months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Earnings				
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	6,054	10,817	15,473	28,237

	Three months ended 30 September		Nine months ended 30 September	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	400,000,000	400,000,000	400,000,000	400,000,000

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2023 and 2022 as the Group had no potentially dilutive ordinary shares in issue during both periods.