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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)

DISCLOSEABLE TRANSACTION IN RELATION TO RENEWAL OF TENANCY AGREEMENT

RENEWAL OF TENANCY AGREEMENT

On 9 May 2024 (after trading hours), the Tenant (a wholly-owned subsidiary of the Company) entered into the Tenancy Agreement with the Landlord to renew the existing tenancy agreement in respect of the Premises for the operation of an elderly residential care home of the Group.

IMPLICATIONS UNDER THE GEM LISTING RULES

In accordance with IFRS 16 “Lease”, the Company recognises the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Premises. Accordingly, the entering into of the Tenancy Agreement is regarded as acquisition of asset by the Group for the purpose of the GEM Listing Rules. As the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) for the transaction contemplated under the Tenancy Agreement exceed 5% but are below 25%, such transaction constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements but exempt from the Shareholders’ approval requirement under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

On 9 May 2024 (after trading hours), the Tenant (a wholly-owned subsidiary of the Company) entered into the Tenancy Agreement with the Landlord to renew the existing tenancy agreement in respect of the Premises for the operation of an elderly residential care home of the Group.

RENEWAL OF TENANCY AGREEMENT

The principal terms of the Tenancy Agreement are set out below:

Effective Date: 1 April 2024

Parties: (i) Sino Phil Limited as landlord; and
(ii) Shui On Nursing Centre (Kwai Shing E.) Co. Limited (a wholly-owned subsidiary of the Company) as tenant.

Premises: Unit No. G01 on Ground Floor, Unit No. 101 on First Floor, Unit No. 201 on Second Floor, Unit No. 301 on Third Floor, Unit No. 401 on Fourth Floor and Unit No. 501 on Roof (including the staircases leading from Ground Floor to Roof) of Commercial/Car Park Block (also known as Carpark Building, Shing Hei House), Kwai Shing East Estate, Kwai Chung, New Territories, Hong Kong (the “**Premises**”).

Term: Five years from 1 April 2024 to 31 March 2029 (both days inclusive).

Rent payable: The total rent payable during the lease term under the Tenancy Agreement is the higher of the Base Rent (as defined below) or the Turnover Rent (as defined below), exclusive of management fee, government rates and rent, utility charges and deposits separately payable by the Tenant. The rent payable will be funded by the internal resources of the Group.

The total base rent (the “**Base Rent**”) during the lease term is HK\$63,360,000 (i.e. Year 1 to Year 3: HK\$1,000,000 per month; Year 4 to Year 5: HK\$1,140,000 per month). The monthly Base Rent is payable in advance on the first day of each calendar month.

The turnover rent (the “**Turnover Rent**”) shall be a monthly sum equivalent to 10% of the gross receipts generated from the business of the Tenant carried on in the Premises. In the event that the Turnover Rent for any month exceeds the Base Rent paid by the Tenant for the same month, the Tenant shall pay to the Landlord the Turnover Rent less the amount of the Base Rent paid. Any excess of the Turnover Rent over the Base Rent shall be payable by the Tenant on the fifteenth day of the immediately following month.

The rent was determined after arm’s length negotiations between the parties with reference to the prevailing market rent for comparable premises in the vicinity of the Premises.

THE RIGHT-OF-USE ASSET

The unaudited value of the right-of-use asset recognised by the Company under the Tenancy Agreement amounted to approximately HK\$55,822,089 which is calculated with reference to the aggregate lease payment and discounted by a discounted rate.

INFORMATION ON THE PARTIES

The Landlord

The Landlord is a company incorporated in Hong Kong with limited liability. Based on public information available and enquiries with the Landlord, the Landlord was a special purpose vehicle established for acquiring certain properties within Kwai Shing East Estate, including the Premises, and is wholly-owned and controlled by a consortium led by GAW Capital Partners (as general partner of Gateway Real Estate Fund V, L.P.). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Landlord and its ultimate beneficial owner(s) is an Independent Third Party.

The Tenant

The Tenant is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. The Tenant principally engages in operation of an elderly residential care home.

The Company and the Group

The Company was incorporated in the Cayman Islands with limited liability and the Shares are listed on GEM of the Stock Exchange. The Company is an investment holding company and the Group is an established operator of elderly residential care homes in Hong Kong providing comprehensive residential care home services to the elderly resident.

REASONS FOR AND BENEFITS OF THE TENANCY AGREEMENT

The Group has been using the Premises as an elderly residential care home since 2007. Having considered (i) the rental under the Tenancy Agreement is comparable to or below the prevailing market rent of comparable properties in the vicinity of the Premises; and (ii) the relocation costs and associated expenses and time that might be incurred by the Group for relocating to another suitable premises, the Directors consider that the transactions contemplated under the Tenancy Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of which are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

In accordance with IFRS 16 “Lease”, the Company recognises the value of the right-of-use assets on its consolidated statement of financial position in connection with the lease of the Premises. Accordingly, the lease transaction is regarded as acquisition of asset by the Group for the purpose of the GEM Listing Rules.

As the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) for the transaction contemplated under the Tenancy Agreement exceed 5% but are below 25%, such transaction constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements but exempt from the Shareholders’ approval requirement under Chapter 19 of the GEM Listing Rules.

FAILURE TO IDENTIFY DISCLOSEABLE TRANSACTION

The Tenant has historically renewed the lease agreements for the Premises from time to time. However, the Group recently recognised impairments on property, plant and equipment and right-of-use assets for the six months ended 30 June 2024, which resulted in a significant increment in the total asset value. Such recognition led to internal investigation of the Company which revealed that the responsible staff failed to then identify and report to the Board that the applicable percentage ratio for the acquisition of the right-of-use asset exceeded 5% at the time of entering into the Tenancy Agreement. This inadvertent oversight resulted in the Company’s failure to announce the discloseable transaction in compliance with the reporting and announcement requirements under the GEM Listing Rules.

The Company deeply regrets its non-compliance with the GEM Listing Rules in connection with the Tenancy Agreement. In order to prevent recurrence of incidents of non-compliance with the GEM Listing Rules in the future, the Company will take the following remedial measures:

- (i) provide further guidance materials and training to responsible staff regarding how to classify a transaction and proper calculation methodology of the percentage ratios relating to notifiable transactions under the GEM Listing Rules and emphasise the importance of computing size tests prior to entering into any transaction;

- (ii) further strengthen the internal control and reporting procedures of the Group, to ensure that any proposed transactions which may constitute notifiable transactions would be promptly reported to the Board and senior management of the Company;
- (iii) promptly seek legal advice in relation to proposed transactions before entering into the relevant agreements; and
- (iv) arrange external advisers to provide ongoing trainings on legal and regulatory requirements applicable to the business operations of the Group to the Directors, senior management and relevant employees of the Group.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Company”	Hang Chi Holdings Limited (恒智控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange (stock code: 8405)
“Director(s)”	the director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standard
“Independent Third Part(ies)”	a person(s) or company(ies) who/which is/are not connected with (within the meaning of the GEM Listing Rules) any member of the Group, Directors, chief executive and the substantial shareholders of the Company and its subsidiaries, and their respective associates

“Landlord”	Sino Phil Limited 中菲有限公司, a company incorporated in Hong Kong with limited liability
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the tenancy agreement dated 9 May 2024 entered into between Shui On Nursing Centre (Kwai Shing E.) Co. Limited as tenant and Sino Phil Limited as landlord in relation to the Premises
“Tenant”	Shui On Nursing Centre (Kwai Shing E.) Co. Limited 瑞安護老中心(葵盛東)有限公司, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board
Hang Chi Holdings Limited
Leung Pui Shan
Joint Company Secretary

Hong Kong, 29 August 2024

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, for which all the Directors 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 of Hong Kong Limited 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.

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.