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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 AND CONNECTED TRANSACTIONS TENANCY AGREEMENTS

THE TENANCY AGREEMENTS

The original tenancy agreements in respect of the Properties will be expired on 30 June 2022. The Board announces that on 14 March 2022 (after trading hours), Shui Jun (Yau Tong), a wholly-owned subsidiary of the Company, as tenant, entered into the Tenancy Agreements with Ever Premier and Roymark, as landlords, respectively.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, (i) Roymark is beneficially owned as to 40% by Mr. Yik (through HCDI), 25% by Ms. WH Yik and 35% by two other Independent Third Parties; (ii) the board of directors of Roymark consists of five directors, including Mr. Yik, Ms. WH Yik, Mr. Lui and two other Independent Third Parties; (iii) Ever Premier is wholly-owned by Roymark; and (iv) the board of directors of Ever Premier consisted of two directors, including Mr. Yik and Mr. Lui.

As (a) Mr. Yik is an executive Director and a controlling shareholder of the Company; (b) Mr. Lui is the chief executive officer of the Company and an executive Director; and (c) Ms. WH Yik is a controlling shareholder of the Company, a sister of Mr. Yik and the mother of Mr. Lui, Roymark and Ever Premier are associates of connected persons of the Company under the GEM Listing Rules and the transactions contemplated under the Tenancy Agreements constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Furthermore, by virtue of the aforesaid relationship, the transactions contemplated under the Tenancy Agreements are required to be aggregated for the purpose of classification of connected transactions in accordance with Rule 20.79 of the GEM Listing Rules.

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

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

At the Board meeting held to approve the Tenancy Agreements and the transactions contemplated thereunder, Mr. Yik and Mr. Lui were considered to be interested in the Tenancy Agreements and the transactions contemplated thereunder, and had abstained from voting on the relevant Board resolution relating to the Tenancy Agreements and the transactions contemplated thereunder. Apart from the aforesaid, none of the Directors had any material interest in the Tenancy Agreements and was required to abstain from voting on the relevant Board resolution approving the Tenancy Agreements and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all the independent non-executive Directors will be formed in accordance with Chapter 20 of the GEM Listing Rules to advise the Independent Shareholders on the Tenancy Agreements and the transactions contemplated thereunder.

INDEPENDENT FINANCIAL ADVISER

Merdeka Corporate Finance Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Tenancy Agreements and the transactions contemplated thereunder.

AGM

The Company will seek the Independent Shareholders' approval regarding the Tenancy Agreements and the transactions contemplated thereunder at the forthcoming AGM.

Any Shareholders who are involved in or interested in the Tenancy Agreements are required to abstain from voting on the relevant ordinary resolution approving the Tenancy Agreements and the transactions contemplated thereunder. As at the date of this announcement, (i) Mr. Yik, a controlling shareholder, an executive Director and the chairman of the Company, is interested in 262,980,000 Shares (representing approximately 65.75% of the issued share capital of the Company), of which 14,280,000 Shares were held as beneficial owner and 248,700,000 Shares were indirectly held through Shui Wah; and (ii) Mr. Lui, an executive Director, was interested in 36,032,000 Shares in the Company (representing approximately 9.01% of the issued share capital of the Company), of which 20,720,000 Shares were held as beneficial owner, 15,300,000 Shares were directly held through Jumbo Sino and 12,000 Shares were held by his spouse. Accordingly, Mr. Yik, Mr. Lui, Shui Wah, Jumbo Sino and their respective close associates will abstain from voting on the relevant ordinary resolution in relation to the Tenancy Agreements and the transactions contemplated thereunder to be proposed at the AGM.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save as the aforesaid Shareholders, no Shareholder (or its/his/her close associates) has any material interest in the Tenancy Agreements and will be required to abstain from voting at the AGM to be convened for the purpose of considering and, if thought fit, approving the Tenancy Agreements and the transactions contemplated thereunder.

A circular containing, among others, (i) details of the Tenancy Agreements and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Tenancy Agreements and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Tenancy Agreements and the transactions contemplated thereunder; (iv) other information required to be included in the circular under the GEM Listing Rules; and (v) a notice convening the AGM, is expected to be despatched to the Shareholders on or before 25 April 2022 as additional time is required for the Company to prepare and finalise certain information for inclusion in the circular.

INTRODUCTION

Reference is made to the announcement of the Company dated 10 June 2021 in respect of, among others, the original tenancy agreements in respect of the Properties. The original tenancy agreements will be expired on 30 June 2022.

The Board announces that on 14 March 2022 (after trading hours), Shui Jun (Yau Tong), a wholly-owned subsidiary of the Company, as tenant, entered into the Tenancy Agreements with Ever Premier and Roymark, as landlords, respectively. The principal terms of the Tenancy Agreements are set out below.

THE TENANCY AGREEMENTS

(A) Ever Premier Tenancy Agreement

Date: 14 March 2022

Parties: (1) Ever Premier as landlord
(2) Shui Jun (Yau Tong) as tenant

As at the date of this announcement, Ever Premier is wholly-owned by Roymark, the landlord of the Roymark Tenancy Agreement.

Property: Shops 101 to 105, 127 to 142 and 158 to 165, 1st Floor, Ka Kwai Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong

Term: From 1 July 2022 (or the date of fulfillment of the conditions as set out below, whichever is later) and expiring on 30 June 2026 (both dates inclusive). The tenant has an option to apply for renewal of the Ever Premier Agreement at the then market rent by serving a written notice to Ever Premier within six months (but not less than three months) prior to expiry of the Ever Premier Agreement. The tenant also has the right to terminate the Ever Premier Tenancy Agreement unconditionally by serving not less than six months prior written notice to Ever Premier.

Rent: HK\$200,000 per month (inclusive of government rates, government rent and management fees)

Usage: Operation of an elderly residential care home

(B) Roymark Tenancy Agreement

Date: 14 March 2022

Parties: (1) Roymark as landlord
(2) Shui Jun (Yau Tong) as tenant

As at the date of this announcement, Roymark owns the entire issued share capital of Ever Premier, the landlord of the Ever Premier Tenancy Agreement.

Property: Unit No. G67, Ground Floor and Unit B, 1st Floor, Ka Fat Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong

Term: From 1 July 2022 (or the date of fulfillment of the conditions as set out below, whichever is later) and expiring on 30 June 2026 (both dates inclusive). The tenant has an option to apply for renewal of the Roymark Tenancy Agreement at the then market rent by serving a written notice to Roymark within six months (but not less than three months) prior to expiry of the Roymark Tenancy Agreement. The tenant also has the right to terminate the Roymark Tenancy Agreement unconditionally by serving not less than six months prior written notice to Roymark.

Rent: HK\$890,000 per month (inclusive of government rates, government rent and management fees)

Usage: Operation of an elderly residential care home

Commencement of the term of the tenancy under the Tenancy Agreements shall be conditional upon (a) the Company having published this announcement and despatched a circular in relation to the Tenancy Agreements to its Shareholders, and the Independent Shareholders having approved the Tenancy Agreements and the transactions contemplated thereunder at the AGM; (b) the Board and the Independent Board Committee having approved the Tenancy Agreements and the transactions contemplated thereunder; and (c) there being no opposition from the Stock Exchange and other regulatory authorities.

BASIS OF DETERMINATION OF THE RENTS UNDER THE TENANCY AGREEMENTS

Rents under the Tenancy Agreements were determined after arm's length negotiation between the parties to the Tenancy Agreements with reference to the prevailing market rent for comparable properties in a similar location to the Properties and the opinion as to prevailing market rent contained in the Market Rent Letter.

Based on the above, the Directors (excluding (i) Mr. Yik and Mr. Lui who had abstained from voting on the resolutions of the Board approving the Tenancy Agreements and the transactions contemplated thereunder and (ii) the independent non-executive Directors who will express their views after considering the advice of the Independent Financial Adviser) consider that the rents to be fair and reasonable.

RIGHT-OF-USE ASSETS

Pursuant to IFRS16, the Group will recognise rental payments under the Tenancy Agreements as right-of-use assets. Accordingly, the entering into of the Tenancy Agreements is regarded as a one-off acquisition of assets of the Group for the purposes of the GEM Listing Rules.

The estimated value of the right-of-use assets to be recognised by the Company under each of the Tenancy Agreements is set out below:

	Estimated value of the right-of-use assets (HK\$ million)
Ever Premier Tenancy Agreement	8.8
Roymark Tenancy Agreement	39.0
	<hr/>
Total	<u>47.8</u>

The estimated value of the right-of-use assets as disclosed above represents the present value of the aggregate lease payments to be made under the Tenancy Agreements and calculated by discounting the lease payments using the rate applicable at the commencement date of the Tenancy Agreements in accordance with IFRS16.

Shareholders should note that the above disclosed estimated value of right-of-use assets is unaudited and may be subject to adjustment in the future.

INFORMATION ON THE PARTIES

Information on Shui Jun (Yau Tong) and the Group

Shui Jun (Yau Tong) is a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company. Shui Jun (Yau Tong) operates an elderly residential care home under the name of Shui Jun Nursing Centre (Yau Tong) Company Limited (瑞臻護老中心(油塘)有限公司) in Yau Tong, Hong Kong.

The Group is an established operator of elderly residential care homes in Hong Kong providing comprehensive residential care home services to the elderly residents.

Information on Ever Premier

Ever Premier is a company incorporated in Hong Kong with limited liability, which is wholly-owned by Roymark. It is principally engaged in investment in properties in Hong Kong.

Information on Roymark

Roymark is a company incorporated in Hong Kong with limited liability, which is beneficially owned as to 40% by Mr. Yik (through HCDI), 25% by Ms. WH Yik, 17.5% by Mr. Hui Lung (許龍) and 17.5% by AMCA Fur Company Limited (美加皮草有限公司).

Mr. Hui Lung is a private investor and an Independent Third Party. AMCA Fur Company Limited is a company incorporated in Hong Kong with limited liability, the principal business of which is investment holding. As at the date of this announcement, AMCA Fur Company Limited is owned as to 60% by Ms. Ngai Siu Mui (魏小妹), 20% by Mr. Chui Chi Wai (徐志偉) and 20% by Mr. Chui Leong Wing (徐亮榮), all of whom are private investors and Independent Third Parties.

Roymark is principally engaged in investment in properties in Hong Kong.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TENANCY AGREEMENTS

The Properties under the Tenancy Agreements are rented by Shui Jun (Yau Tong) for the operation of the aforesaid elderly residential care home. The Directors are considering potential relocation of Shui Jun (Yau Tong) to other properties. In the event that the Company could not find a suitable property, the Company may consider a potential disposal of Shui Jun (Yau Tong), subject to the then market condition. As at the date of this announcement, the Group has not engaged in any formal negotiations or signed any documents regarding the potential disposal with any potential buyers. The Directors consider that the entering into of the Tenancy Agreements is a suitable transitional measure to maintain operation of the elderly residential care home prior to adoption of the above plan, as Shui Jun (Yau Tong) has been provided with flexibility to terminate the Tenancy Agreements unconditionally by serving not

less than six months prior written notice to the landlords pursuant to the Tenancy Agreements.

Having considered the above, the Directors (excluding (i) Mr. Yik and Mr. Lui who had abstained from voting on the resolutions of the Board approving the Tenancy Agreements and the transactions contemplated thereunder and (ii) the independent non-executive Directors who will express their views after considering the advice of the Independent Financial Adviser) are of the view that the Tenancy Agreements and the transactions respectively contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of the Tenancy Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, (i) Roymark is beneficially owned as to 40% by Mr. Yik (through HCDI), 25% by Ms. WH Yik and 35% by two other Independent Third Parties; (ii) the board of directors of Roymark consists of five directors, including Mr. Yik, Ms. WH Yik, Mr. Lui and two other Independent Third Parties; (iii) Ever Premier is wholly-owned by Roymark; and (iv) the board of directors of Ever Premier consisted of two directors, including Mr. Yik and Mr. Lui.

As (a) Mr. Yik is an executive Director and a controlling shareholder of the Company; (b) Mr. Lui is the chief executive officer of the Company and an executive Director; and (c) Ms. WH Yik is a controlling shareholder of the Company, a sister of Mr. Yik and the mother of Mr. Lui, Roymark and Ever Premier are associates of connected persons of the Company under the GEM Listing Rules and the transactions contemplated under the Tenancy Agreements constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Furthermore, by virtue of the aforesaid relationship, the transactions contemplated under the Tenancy Agreements are required to be aggregated for the purpose of classification of connected transactions in accordance with Rule 20.79 of the GEM Listing Rules.

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

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

At the Board meeting held to approve the Tenancy Agreements and the transactions contemplated thereunder, Mr. Yik and Mr. Lui were considered to be interested in the Tenancy Agreements and the transactions contemplated thereunder, and had abstained from voting on the relevant Board resolution relating to the Tenancy Agreements and the transactions contemplated thereunder. Apart from the aforesaid, none of the Directors had any material interest in the Tenancy Agreements and was required to abstain from voting on the relevant Board resolution approving the Tenancy Agreements and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all the independent non-executive Directors will be formed in accordance with Chapter 20 of the GEM Listing Rules to advise the Independent Shareholders on the Tenancy Agreements and the transactions contemplated thereunder.

INDEPENDENT FINANCIAL ADVISER

Merdeka Corporate Finance Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Tenancy Agreements and the transactions contemplated thereunder.

AGM

The Company will seek the Independent Shareholders' approval regarding the Tenancy Agreements and the transactions contemplated thereunder at the forthcoming AGM.

Any Shareholders who are involved in or interested in the Tenancy Agreements are required to abstain from voting on the relevant ordinary resolution approving the Tenancy Agreements and the transactions contemplated thereunder. As at the date of this announcement, (i) Mr. Yik, a controlling shareholder, an executive Director and the chairman of the Company, is interested in 262,980,000 Shares (representing approximately 65.75% of the issued share capital of the Company), of which 14,280,000 Shares were held as beneficial owner and 248,700,000 Shares were indirectly held through Shui Wah; and (ii) Mr. Lui, an executive Director, was interested in 36,032,000 Shares in the Company (representing approximately 9.01% of the issued share capital of the Company), of which 20,720,000 Shares were held as beneficial owner, 15,300,000 Shares were directly held through Jumbo Sino and 12,000 Shares were held by his spouse. Accordingly, Mr. Yik, Mr. Lui, Shui Wah, Jumbo Sino and their respective close associates will abstain from voting on the relevant ordinary resolution in relation to the Tenancy Agreements and the transactions contemplated thereunder to be proposed at the AGM.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save as the aforesaid Shareholders, no Shareholder (or its/his/her close associates) has any material interest in the Tenancy Agreements and will be required to abstain from voting at the AGM to be convened for the purpose of considering and, if thought fit, approving the Tenancy Agreements and the transactions contemplated thereunder.

A circular containing, among others, (i) details of the Tenancy Agreements and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Tenancy Agreements and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Tenancy Agreements and the transactions contemplated thereunder; (iv) other information required to be included in the circular under the GEM Listing Rules; and (v) a notice convening the AGM, is expected to be despatched to the Shareholders on or before 25 April 2022 as additional time is required for the Company to prepare and finalise certain information for inclusion in the circular..

DEFINITIONS

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

“AGM”	the annual general meeting of the Company
“associate”	has the same meaning ascribed to it under the GEM Listing Rules
“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)
“connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Ever Premier”	Ever Premier Limited (永平有限公司), a company incorporated in Hong Kong with limited liability, which is wholly-owned by Roymark
“Ever Premier Tenancy Agreement”	the tenancy agreement dated 14 March 2022 entered into between Shui Jun (Yau Tong) as tenant and Ever Premier as landlord
“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
“HCDI”	Hang Chi Development & Investment Limited (恒智發展投資有限公司), a company incorporated in Hong Kong with limited liability, the ultimate beneficial owner of which is Mr. Yik
“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”	The International Financial Reporting Standards issued by the International Accounting Standards Board
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Tenancy Agreements and the transactions contemplated thereunder
“Independent Financial Adviser”	Merdeka Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the entering into of the Tenancy Agreements and the transactions contemplated thereunder
“Independent Shareholder(s)”	shareholder(s) who are not required to abstain from voting on resolutions to approve the Tenancy Agreements and the transactions contemplated thereunder at the AGM pursuant to the GEM Listing Rules
“Independent Third Part(ies)”	a person(s) or company(ies) who/which, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, 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

“Jumbo Sino”	Jumbo Sino Investment Limited (基兆投資有限公司), a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Lui
“Market Rent Letter”	a letter prepared by Royson Valuation Advisory Limited, an independent property valuer, containing its opinion on prevailing market rent and the fairness and reasonableness of the terms of the Tenancy Agreements using a market comparison approach
“Mr. Lui”	Mr. Lui Chi Tat (雷志達), the chief executive officer of the Company and an executive Director
“Mr. Yik”	Mr. Yik Tak Chi (易德智), an executive Director and a controlling shareholder of the Company
“Ms. WH Yik”	Ms. Yik Wai Hang (易蔚恒), a controlling shareholder of the Company, a sister of Mr. Yik and the mother of Mr. Lui
“Properties”	collectively, the properties located at (i) Shops 101 to 105, 127 to 142 and 158 to 165, 1st Floor, Ka Kwai Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong; and (ii) Unit No. G67 on Ground Floor and Unit B, 1st Floor, Ka Fat Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong
“Roymark”	Roymark Limited (滙馬有限公司), a company incorporated in Hong Kong with limited liability
“Roymark Tenancy Agreement”	the tenancy agreement dated 14 March 2022 entered into between Shui Jun (Yau Tong) as tenant and Roymark as landlord
“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

“Shui Jun (Yau Tong)”	Shui Jun Nursing Centre (Yau Tong) Company Limited (瑞臻護老中心(油塘)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Shui Wah”	Shui Wah Limited (瑞樺有限公司), a company incorporated in the British Virgin Islands with limited liability and a controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreements”	collectively, the Ever Premier Tenancy Agreement and the Roymark Tenancy Agreement
“%”	per cent

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

Hong Kong, 14 March 2022

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. KWOK Chi Shing.

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 GEM website at www.hkgem.com on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and will also be published on the Company’s website at www.shuionnc.com.