



Hang Chi Holdings Limited

恒智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8405

Interim Report

2017

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Given the emerging nature of companies listed on GEM, 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.

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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.

HANG CHI HOLDINGS LIMITED

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Yik Tak Chi

(Chairman and Chief Executive Officer)

Mr. Chung Kin Man

Ms. Chung Wai Man

Non-executive Director

Mr. Lau Joseph Wan Pui

Independent non-executive Directors

Mr. Kwok Chi Shing

Mr. Lau Tai Chim

Mr. Wong Wai Ho

Board Committees

Audit Committee

Mr. Kwok Chi Shing *(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. Kwok Chi Shing

Mr. Lau Tai Chim

Company Secretary

Ms. Leung Pui Shan *(HKICPA)*

Authorised Representatives

Mr. Chung Kin Man

Ms. Leung Pui Shan

Compliance Officer

Mr. Chung Kin Man

Compliance Adviser

Guotai Junan Capital Limited

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 301, Carpark Building

Shing Hei House

Kwai Shing East Estate

Kwai Chung

New Territories

Hong Kong

Auditors

Ernst & Young

Certified Public Accountants

Principal Banker

Hang Seng Bank Limited

HANG CHI HOLDINGS LIMITED

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
31/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

	Six months ended 30 June		
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	Change % (Approximate)
Statement of profit or loss and other comprehensive income			
Revenue	45,549	20,709	119.95%
EBITDA	7,766	6,008	29.26%
Adjusted EBITDA (Note 1)	13,507	7,509	79.88%
Profit for the period	3,376	3,839	-12.06%
Adjusted profit for the period (Note 2)	9,117	5,340	70.73%
Statement of financial position			
	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)	Change % (Approximate)
Cash and bank balances	27,125	22,326	21.50%
Trade receivables	59	70	-15.71%
Net assets value	75,500	74,124	1.86%

Note 1

Adjusted EBITDA represented by the EBITDA before deducting Listing expenses and crediting Share of profits and losses of an associate and Gain on disposal of an associate.

Note 2

Adjusted profit for the period represented by the Profit for the period before deducting Listing expenses and crediting Share of profits and losses of an associate and Gain on disposal of an associate.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Company together with its subsidiaries (the “Group”) are the 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. The Group derived its revenue from its self-owned and self-operated four “Shui On 瑞安” and one “Shui Hing 瑞興” branded elderly residential care homes across four districts in Hong Kong.

The shares of the Company (the “Shares”) were successfully listed on GEM of the Stock Exchange on 12 July 2017 (the “Listing”). The Directors believe that the Listing will assist the implementation of the Group’s business strategies as stated in the prospectus of the Company dated 28 June 2017 (the “Prospectus”). The net proceeds from the Listing will provide financial resources to the Group to pursue business opportunities and implement such business strategies, which will further strengthen the Group’s market position and facilitate its business expansion in Hong Kong. The public listing status will also enhance the Group’s corporate profile and assist in reinforcing its brand awareness and market reputation.

The Directors are of the view that the enormous demand for residential care home services is the key driver for the growth of the elderly residential care home industry in Hong Kong. With the Group’s experienced management team and reputation in the market, the Directors will continue to strive to achieve the business objectives as stated in the Prospectus.

Operating Performance

Revenue

The breakdown of revenue by types of services provided by the Group for the six months ended 30 June 2017 (the "Reporting Period") and 2016 are set out as follows:

	Six months ended 30 June			
	2017		2016	
	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")	11,948	26.23%	3,741	18.06%
– residential care places leased by individual customers	25,658	56.33%	13,401	64.72%
– residential care places leased by non-governmental organisations	103	0.23%	44	0.21%
	37,709	82.79%	17,186	82.99%
Sales of elderly related goods and provision of healthcare services	7,840	17.21%	3,523	17.01%
Total	45,549	100.00%	20,709	100.00%

During the Reporting Period, the Group's revenue increased from approximately HK\$20,709,000 for the same period last year to approximately HK\$45,549,000, representing an approximately 119.95% 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\$17,186,000 for the same period last year to approximately HK\$37,709,000 for the Reporting Period, representing an approximately 119.42% 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\$3,741,000 for the same period last year to approximately HK\$11,948,000, representing an approximately 219.38% increase.

The significant increment was mainly due to the number of elderly residential care homes classified as EA1 under the EBPS increased from one elderly residential care home for the same period last year to two elderly residential care homes for the Reporting Period.

- 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\$13,401,000 for the same period last year to approximately HK\$25,658,000 for the Reporting Period, representing an approximately 91.46% increase.

The increment was mainly attributed by the increase in the total number of residential care places. During the Reporting Period, the Group owned and operated five elderly residential care homes with a total of 589 residential care places; while there were only three elderly residential care homes with a total of 280 residential care places for the same period last year. With the stabilised occupancy rate of all elderly residential care homes recorded for both Reporting Period and the same period last year, the revenue amount increased.

- 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\$44,000 for the same period last year to approximately HK\$103,000 for the Reporting Period, representing an approximately 134.09% 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\$3,523,000 for the same period last year to approximately HK\$7,840,000 for the Reporting Period, representing an approximately 122.54% 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:

	Six months ended 30 June	
	2017 Approximate	2016 Approximate
Average occupancy rates		
– elderly residential care homes under the EBPS	94.56%	98.02%
– non-EBPS elderly residential care homes	96.25%	94.65%

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. Due to the increase in the number of elderly residential care homes operated by the Group, in turn, an increase in total number of staff, the amount of staff costs increased from approximately HK\$7,446,000 for the same period last year to approximately HK\$18,414,000 for the Reporting Period, representing an approximately 147.30% increase.

Property rental and related expenses

Property rental and related expenses mainly represented by the rental and ancillary office payments under operating leases related to the elderly residential care homes. With the increase in the number of residential care homes, the amount of property rental and related expenses increased from approximately HK\$3,311,000 for the same period last year to approximately HK\$7,797,000 for the Reporting Period, representing an approximately 135.49% increase.

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Listing expenses

Listing expenses comprised of professional and other expenses in relation to the Listing. Listing expenses of approximately HK\$5,741,000 and HK\$3,731,000 were recorded for the Reporting Period and the same period last year respectively.

Profit for the period

During the Reporting Period, the Group's profit for the period slightly decreased by approximately 12.06% to approximately HK\$3,376,000 as compared to approximately HK\$3,839,000 for the same period last year.

Liquidity, Financial Resources, Gearing and Capital Structure

Liquidity

As at 30 June 2017, current assets amounted to approximately HK\$36,325,000 (31 December 2016: approximately HK\$29,527,000). Current liabilities were approximately HK\$16,096,000 (31 December 2016: approximately HK\$11,798,000).

Financial Resources

As at 30 June 2017, the Group had total cash and bank balances of approximately HK\$27,125,000 (31 December 2016: approximately HK\$22,326,000).

As at 30 June 2017, the Group had trade receivables of approximately HK\$59,000 (31 December 2016: approximately HK\$70,000).

Gearing

The gearing ratio of the Group as at 30 June 2017 was nil (31 December 2016: nil) as the Group was not in need of any material debt financing during the Reporting Period.

The approach of the board of Directors (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 were successfully listed on GEM of the Stock Exchange on 12 July 2017 (the "Listing Date"). 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 2017, the total equity of the Group was approximately HK\$75,500,000 (31 December 2016: approximately HK\$74,124,000).

Significant Investments Held by the Group

As at 30 June 2017, there was no significant investment held by the Group.

Future Plans for Material Investment and Capital Assets

Save as disclosed above and in the Prospectus, the Group does not have other plans 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.

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 2017, the Group had no material contingent liabilities (31 December 2016: nil).

Capital Expenditure

During the Reporting Period, the Group's capital expenditure amounted to approximately HK\$1,062,000 (30 June 2016: approximately HK\$72,000) 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 2017, the Group employed 208 employees (30 June 2016: 84 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme (the "Scheme") has been adopted on 21 June 2017 for, among others, the employees of the Group.

Use of Proceeds

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK\$45,500,000. After the Listing, these proceeds will be used for the purpose in accordance with the purpose as set out in the section headed "Statement of business objectives and use of proceeds" of the Prospectus.

OTHER INFORMATION

Corporate Governance Practices

The Company places high value on the corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the Shareholders.

As the Shares were not yet listed on GEM of the Stock Exchange as at 30 June 2017, the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules were not applicable to the Company during the Reporting Period. Since the Listing Date and up to the date of this report, the Company has adopted and complied with, where applicable, the CG Code, except for the deviation from code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Currently, Mr. Yik Tak Chi (“Mr. Yik”) is the chairman and chief executive officer of the Company. As Mr. Yik has been providing strong and consistent leadership to the Group, the Board believes that having him performing both functions will provide a more effective strategic planning and overall management to the Group. Besides, considering that Mr. Yik has more than 23 years of experience in the operation and management of elderly residential care homes, and has a good understanding of the trends and policy changes in the elderly residential care home industry, the Board believes that it is in the best interest of the Group to have Mr. Yik taking up both roles for effective management and business development for the Group. Accordingly, the Company has not segregated the roles of the chairman and chief executive officer as required by code provision A.2.1 of the CG Code.

Interests of Compliance Adviser

As confirmed by the Company’s compliance adviser, Guotai Junan Capital Limited (the “Compliance Adviser”), as at the date of this report, save and except for the compliance adviser’s agreement entered into between the Company and the Compliance Adviser dated 14 February 2017, neither the Compliance Adviser nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Group pursuant to Rule 6A.32 of 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 have fully complied with the Required Standard of Dealings from the Listing Date to the date of this report.

Competing Business of Directors and Controlling Shareholders

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

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the Reporting Period.

Share Option Scheme

The Company has conditionally adopted the Scheme on 21 June 2017 which is valid and effective for a period of 10 years from 21 June 2017.

The purpose of the Scheme is to enable the Company to grant share options to the eligible persons as incentives or rewards for their contributions to the Group. Eligible persons of the Scheme include 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 principal terms of the Scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix IV to the Prospectus.

No share option was granted, exercised or cancelled by the Company under the Scheme from the Listing Date and up to the date of this report and there was no outstanding share option as at the date of this report.

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 June 2017, the Shares were not yet listed on GEM of the Stock Exchange.

As at the date of this report, 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; (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 Director	Capacity/Nature of interests	Number of Shares held/interested in	Approximate percentage of shareholding ^(Note 1)
Mr. Yik	Interest of controlled corporation ^(Note 2)	248,700,000	62.18%

Notes:

1. The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at the date of this report.
2. These 248,700,000 Shares are held by Shui Wah Limited ("Shui Wah"), a company incorporated in the British Virgin Islands. Shui Wah is owned as to 89.11% by Lucky Expert Investment Limited ("Lucky Expert"), which is in turn owned as to 59.88% by Hang Chi Development & Investment Limited ("Hang Chi"). Mr. Yik indirectly owns the entire issued share capital of Hang Chi 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 Hang Chi, same number of shares in Shui Wah held by Lucky Expert, and same number of Shares held by Shui Wah.

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

Long Positions in the ordinary shares of associated corporation

Name of Directors	Name of associated corporation	Capacity/Nature of interests	Number of Shares held/ interested in	Approximate percentage of shareholding ^(Note 1)
Mr. Yik	Multified Hang Chi	Beneficial owner ^(Note 2)	1	100.00%
		Interest of controlled corporation ^(Note 2)	20,000	100.00%
	Lucky Expert	Interest of controlled corporation ^(Note 2)	5,988	59.88%
	Shui Wah	Interest of controlled corporation ^(Note 2)	8,911	89.11%
Mr. Chung Kin Man	Lucky Expert	Beneficial owner	493	4.93%
Ms. Chung Wai Man	Lucky Expert	Beneficial owner	602	6.02%

Notes:

1. The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at the date of this report.
2. The Company is owned as to approximately 62.18% by Shui Wah. Shui Wah is owned as to 89.11% by Lucky Expert, which is in turn owned as to 59.88% by Hang Chi. Mr. Yik indirectly owns the entire issued share capital of Hang Chi 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 Hang Chi, same number of shares in Shui Wah held by Lucky Expert and same number of Shares held by Shui Wah; and Multifield, Hang Chi, Lucky Expert and Shui Wah are associated corporations of the Company.

Save as disclosed above, as at the date of this report, 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, 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.

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

As at 30 June 2017, the Shares were not yet listed on GEM of the Stock Exchange.

As at the date of this report, 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)
Multifield	Interest in controlled corporation ^(Note 2)	248,700,000	62.18%
Hang Chi	Interest in controlled corporation ^(Note 2)	248,700,000	62.18%
Lucky Expert	Interest in controlled corporation ^(Note 2)	248,700,000	62.18%
Shui Wah	Beneficial owner ^(Note 2)	248,700,000	62.18%
Ms. Yik Wai Hang	Interest held jointly with other person ^(Note 3)	248,700,000	62.18%
Ms. Chung Shuk Man	Interest of spouse ^(Note 4)	248,700,000	62.18%
Top Champ Ventures Limited	Beneficial owner ^(Note 5)	36,000,000	9.00%
Mr. Mok Pui Yin Terry	(i) Beneficial owner ^(Note 5) (ii) Interest in controlled corporation ^(Note 5)	37,000,000	9.25%

Substantial Shareholders' Interest and Short Positions in Shares and Underlying Shares (continued)

Long Positions in the Shares (continued)

Notes:

1. The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at the date of this report.
2. These 248,700,000 Shares are held by Shui Wah. Shui Wah is owned as to 89.11% by Lucky Expert, which is in turn owned as to 59.88% by Hang Chi. Mr. Yik indirectly owns the entire issued share capital of Hang Chi through Multifield. By virtue of the SFO, each of Mr. Yik, Multifield, Hang Chi and Lucky Expert is deemed to be interested in all the Shares held by Shui Wah.
3. On 13 December 2016, Mr. Yik, Multifield, Hang Chi and Ms. Yik Wai Hang 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. Yik Wai Hang 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 at the date of this report, Mr. Yik, Multifield, Hang Chi and Ms. Yik Wai Hang were controlling approximately 62.18% 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. Mr. Mok Pui Yin Terry is interested in 37,000,000 Shares, of which 36,000,000 Shares are held by Top Champ Ventures Limited ("Top Champ") and 1,000,000 Shares are directly held by him. As Mr. Mok Pui Yin Terry owns the entire issued share capital of Top Champ by virtue of the SFO, he is deemed to be interested in all the Shares held by Top Champ.

Save as disclosed above, and as at the date of this report, 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.

Director's Rights to Acquire Shares or Debt Securities

Other than the Share Option Scheme and as disclosed under the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, at no time since the Listing Date and up to the date of this report, was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company from the Listing Date to the date of this report.

Audit Committee and Review of Interim Results

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company 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. Kwok Chi Shing, Mr. Lau Tai Chim and Mr. Wong Wai Ho. The main role and functions of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting, risk management and internal control systems.

The Audit Committee has discussed with the management and the independent auditor of the Company and reviewed the interim results and the unaudited condensed consolidated financial statements of the Group for the Reporting Period, which are of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

By order of the Board
Hang Chi Holdings Limited
Yik Tak Chi
Chairman

Hong Kong, 14 August 2017

As at the date of this report, the executive Directors are Mr. YIK Tak Chi, 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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
Notes		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
REVENUE	4	45,549	20,709
Other income	4	2,068	1,147
Staff costs		(18,414)	(7,446)
Property rental and related expenses		(7,797)	(3,311)
Depreciation and amortisation		(2,450)	(1,004)
Food		(1,383)	(632)
Medical fees		(2,190)	(656)
Professional and legal fees		(725)	(241)
Utility expenses		(952)	(518)
Consumables		(591)	(367)
Other operating expenses		(2,058)	(942)
Listing expenses		(5,741)	(3,731)
Finance costs		-	(234)
Share of profits and losses of an associate		-	206
Gain on disposal of an associate		-	2,024
PROFIT BEFORE TAX	5	5,316	5,004
Income tax expenses	6	(1,940)	(1,165)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,376	3,839
Attributable to:			
Owners of the parent		2,454	3,663
Non-controlling interests		922	176
		3,376	3,839
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8	N/A	N/A

Details of the dividends during the reporting period are disclosed in note 7 to the interim condensed consolidated financial statements.

HANG CHI HOLDINGS LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	5,918	6,255
Intangible assets		5,812	6,864
Goodwill		43,724	43,724
Deferred tax assets		743	745
Total non-current assets		56,197	57,588
CURRENT ASSETS			
Trade receivables	10	59	70
Prepayments, deposits and other receivables		9,141	7,066
Due from a related company		–	5
Tax recoverable		–	60
Cash and bank balances		27,125	22,326
Total current assets		36,325	29,527
CURRENT LIABILITIES			
Trade payables	11	818	677
Other payables and accruals		12,737	10,818
Due to a related company		187	180
Due to directors		87	–
Tax payables		2,267	123
Total current liabilities		16,096	11,798
NET CURRENT ASSETS		20,229	17,729
TOTAL ASSETS LESS CURRENT LIABILITIES		76,426	75,317

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2017

	Notes	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		926	1,193
Total non-current liabilities		926	1,193
Net assets		75,500	74,124
EQUITY			
Equity attributable to the equity holder of the parent:			
Issued capital		–	–
Reserves		73,477	71,023
		73,477	71,023
Non-controlling interests		2,023	3,101
Total equity		75,500	74,124

HANG CHI HOLDINGS LIMITED

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent					Total HK\$'000	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			
At 31 December 2016 and 1 January 2017	-	50,807	5	(1,046)	21,257	71,023	3,101	74,124
Profit and total comprehensive income for the period	-	-	-	-	2,454	2,454	922	3,376
Interim dividend declared	-	-	-	-	-	-	(2,000)	(2,000)
At 30 June 2017 (unaudited)	-	50,807	5	(1,046)	23,711	73,477	2,023	75,500

For the six months ended 30 June 2016

	Attributable to owners of the parent					Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Merger reserve* HK\$'000	Other reserve* HK\$'000	Retained profits* HK\$'000	Total HK\$'000			
At 31 December 2015 and 1 January 2016	-	5	718	14,573	15,296	525	15,821	
Profit and total comprehensive income for the period	-	-	-	3,663	3,663	176	3,839	
At 30 June 2016 (unaudited)	-	5	718	18,236	18,959	701	19,660	

* These reserve accounts comprise the consolidated reserves of HK\$73,477,000 and HK\$18,959,000 in the interim condensed consolidated statement of financial position as at 30 June 2017 and 2016, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	5,316	5,004
Total adjustments	2,451	(991)
Total working capital adjustments	94	(2,272)
Cash generated from operations	7,861	1,741
Income tax paid	-	-
Net cash flows from operating activities	7,861	1,741
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	(1,062)	(72)
Proceeds from disposal of an associate	-	2,280
Net cash flows from/(used in) investing activities	(1,062)	2,208
CASH FLOWS FROM FINANCING ACTIVITY		
Dividend paid	(2,000)	-
Net cash flows used in financing activity	(2,000)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,799	3,949
Cash and cash equivalents at beginning of period	22,326	25,075
CASH AND CASH EQUIVALENTS AT END OF PERIOD	27,125	29,024
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the consolidated statements of financial position	27,125	29,024
Cash and cash equivalents as stated in the consolidated statements of cash flows	27,125	29,024

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. Corporate Information

Hang Chi Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 16 February 2016. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, with the registered address of Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the operation of elderly residential care homes in Hong Kong.

The Company became the holding company of the subsidiaries now comprising the Group upon completion of a reorganisation (the "Reorganisation") on 31 August 2016. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

The Company's shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 12 July 2017.

2.1. Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The interim condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

2.2 Summary of Significant Accounting Policies

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of revised International Financial Reporting Standards ("IFRSs") as noted below.

The Group has adopted the following revised IFRSs for the first time for the current period's interim condensed consolidated financial statements:

Amendments to IAS 7	<i>Disclosure Initiative</i>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to IFRS 12 included in <i>Annual Improvements</i> 2014–2016 Cycle	<i>Disclosure of Interests in Other Entities</i>

The adoption of these revised IFRSs has had no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these interim condensed consolidated financial statements.

3. Operating Segment Information

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 location of assets and excludes financial instruments and deferred tax assets.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

3. Operating Segment Information (Continued)

Information about a major customer

Revenue of approximately HK\$11,948,000 and HK\$3,741,000 for the six months ended 30 June 2017 and 2016, respectively, was derived from the Hong Kong Government under the Enhanced Bought Place Scheme, which amounted to more than 10% of the Group's revenue.

4. Revenue and Other Income

Revenue represents the value of services rendered and the net invoiced value of goods sold during the reporting period.

An analysis of revenue and other income is as follows:

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue		
Rendering of elderly home care services	37,709	17,186
Sales of elderly related goods and provision of healthcare services	7,840	3,523
	45,549	20,709
Other income		
Government grants	1,485	385
Sundry income	92	32
Rental income	275	143
Management fee income	-	560
Others	216	26
Bank interest income	-	1
	2,068	1,147

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

5. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Cost of inventories sold	3,233	1,655
Depreciation	1,399	602
Amortisation of intangible assets	1,052	403
Auditors' remuneration	400	500
Employee benefit expense including Directors' and chief executive's remuneration:		
– Wages and salaries	17,644	7,149
– Pension scheme contributions	612	245
	18,256	7,394
Healthcare referral service charges*	302	130
Minimum lease payments under operating leases of land and buildings	7,797	3,311
Bank interest income**	–	1
Government grants**/#	(1,485)	(385)

* Included in "Other operating expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

** Included in "Other income" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

Various government grants have been received for the welfare of the elderly residing in the Group's elderly residential care homes. There are no unfulfilled conditions or contingencies relating to these grants.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

6. Income Tax Expenses

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the reporting period.

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current – Hong Kong Charge for the period	2,203	1,247
Deferred tax	(263)	(82)
Total tax charge for the period	1,940	1,165

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

6. Income Tax Expenses (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

Hong Kong

	For the six months ended 30 June			
	2017		2016	
	HK\$'000	%	HK\$'000	%
	(unaudited)		(unaudited)	
Profit before tax	5,316		5,004	
Tax at the statutory rate	877	16.5	826	16.5
Profits or losses attributable to an associate	–	–	(34)	(0.7)
Income not subject to tax *	(8)	(0.2)	(334)	(6.7)
Expenses not deductible for tax	1,131	21.3	747	15.0
Others	(60)	(1.1)	(40)	(0.8)
Tax charge at the Group's effective rate	1,940	36.5	1,165	23.3

* Income not subject to tax for the six months ended 30 June 2016 mainly represents the gain on disposal of an associate, which is not taxable in Hong Kong.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

7. Dividends

No dividend has been paid or declared by the Company since its incorporation.

The distribution amounts set out in the interim condensed consolidated statements of changes in equity of HK\$2,000,000 for the six months ended 30 June 2017, represented the dividends declared by Shui On Nursing Centre (Kwai Shing E.) Co. Limited (“Kwai Shing East”), a non-wholly owned subsidiary of the Company, to its non-controlling shareholders.

8. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The Company’s shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 12 July 2017, earnings per share information for the six months ended 30 June 2017 and 2016 is not presented as its inclusion, for the purpose of these financial statements, is not considered meaningful due to the Reorganisation.

9. Property, Plant and Equipment

During the six months ended 30 June 2017, the Group acquired property, plant and equipment with a cost of HK\$1,062,000 (six months ended 30 June 2016: HK\$72,000).

During the six months ended 30 June 2017, depreciation for property, plant and equipment was HK\$1,399,000 (six months ended 30 June 2016: HK\$602,000).

During the six months ended 30 June 2017, property, plant and equipment with a net book value of nil (six months ended 30 June 2016: nil) were disposed of by the Group, which has no gain or loss on disposal (six months ended 30 June 2016: nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

10. Trade Receivables

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Trade receivables	59	70

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

The ageing of trade receivables as at 30 June 2017 and 31 December 2016, 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.

11. Trade Payables

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Within 3 months	818	677

The trade payables are non-interest-bearing and are normally settled between 30 and 60 days. The carrying amounts of trade payables approximate to their fair values.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

12. Operating Lease Arrangements

The Group leases its residential care homes under operating lease arrangements. Leases for office premises are negotiated for terms ranging from three to six years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2017 HK\$'000 (unaudited)	As at 31 December 2016 HK\$'000 (audited)
Within one year	13,842	13,818
In the second to fifth years, inclusive	11,596	18,199
	25,438	32,017

In addition, the operating lease rentals of certain premises are based on the higher of a fixed rental and a contingent rent depending on the revenue of this residential care home pursuant to the terms and conditions as set up in the rental agreement. As the future revenue of these residential care homes could not be reliably determined as at the end of the reporting period, the relevant contingent rentals have not been included above and only the minimum lease commitments have been included in the above table.

13. Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2017 (31 December 2016: nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

14. Related Party Transactions

- (a) In addition to the transactions detailed elsewhere in this financial statements, the Group had the following transactions with related parties during the reporting period:

		Six months ended 31 March	
Notes		2017	2016
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Kwai Shing East *:			
	(i)	–	60
	(ii)	–	46
An associate:			
Shui On Nursing Centre (Wan Tsui) Limited:			
	(i)	–	500
Purchases from a related company:			
	(iii)	1,103	551

- * Kwai Shing East was an associate of the Group up to 26 June 2015 and, after 26 June 2015, Mr. Lui Chi Tat, a relative of Mr. Yik Tak Chi, an executive director of the Company, had significant influence in Kwai Shing East. After the acquisition of Kwai Shing East on 23 August 2016, it became a non-wholly owned subsidiary of the Company.

Notes:

- (i) The management fees received from the then associates/a related company were charged based on the terms mutually agreed by both parties.
- (ii) The service fee was based on terms mutually agreed by both parties.
- (iii) Yu Fat Hong (Hong Kong) Limited is a related company of the Group of which Mr. Yik Tak Chi, an executive director of the Company, is a member of key management personnel. The purchases were made according to the prices and conditions offered by the related company to its major customers.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2017

14. Related Party Transactions (Continued)

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short term employee benefits	1,927	1,191
Post-employment benefits	67	44
Total compensation paid to key management personnel	1,994	1,235

15. Events After the Reporting Period

The Company's shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited from 12 July 2017. Upon the completion of the listing, 100,000,000 ordinary shares were issued at a price of HK\$0.72 per share for a total consideration of HK\$72,000,000.

16. Approval of the Financial Statements

The interim condensed consolidated financial statements were approved and authorised for issue by the board of Directors on 8 August 2017.