

The background features several layers of wavy, green lines that create a sense of motion and depth. The lines vary in opacity and thickness, with some being solid and others more translucent. They flow from the top left towards the bottom right, curving and overlapping to form a dynamic, abstract pattern.

Hang Chi Holdings Limited

恒智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8405

Third Quarterly Report
2017

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

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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

	Nine months ended 30 September		
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	Change % (Approximate)
Statement of profit or loss and other comprehensive income			
Revenue	69,276	36,776	88.37%
EBITDA	5,447	10,245	-46.83%
Adjusted EBITDA (<i>Note 1</i>)	14,418	11,928	20.88%
(Loss)/profit for the period	(988)	6,568	-115.04%
Adjusted profit for the period (<i>Note 2</i>)	7,983	8,251	-3.25%

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 (Loss)/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”) is an established operator of elderly residential care homes in Hong Kong providing comprehensive residential care home services to the elderly residents including: (i) the provision of accommodation with dietician- managed meal plans, 24-hour nursing and caretaking assistance and professional services such as regular medical consultation, physiotherapy, occupational therapy, psychological and social care services; and (ii) the sale of healthcare and medical consumable products and the provision of customisable add-on healthcare services to the elderly residents. 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 nine months ended 30 September 2017 (the "Reporting Period") and 2016 are set out as follows:

	Nine months ended 30 September			
	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")	18,138	26.18%	7,347	19.98%
– residential care places leased by individual customers	37,878	54.68%	22,930	62.35%
– residential care places leased by non-governmental organisations	140	0.20%	79	0.21%
	56,156	81.06%	30,356	82.54%
Sales of elderly related goods and provision of healthcare services	13,120	18.94%	6,420	17.46%
Total	69,276	100.00%	36,776	100.00%

During the Reporting Period, the Group's revenue increased from approximately HK\$36,776,000 for the same period last year to approximately HK\$69,276,000, representing an approximately 88.37% 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\$30,356,000 for the same period last year to approximately HK\$56,156,000 for the Reporting Period, representing an approximately 84.99% 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\$7,347,000 for the same period last year to approximately HK\$18,138,000, representing an approximately 146.88% increase.

The significant increment was mainly due to the number of elderly residential care homes classified as EA1 under the EBPS increased from one for the same period last year to two 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\$22,930,000 for the same period last year to approximately HK\$37,878,000 for the Reporting Period, representing an approximately 65.19% 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 the 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\$79,000 for the same period last year to approximately HK\$140,000 for the Reporting Period, representing an approximately 77.22% 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\$6,420,000 for the same period last year to approximately HK\$13,120,000 for the Reporting Period, representing an approximately 104.36% 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	
	2017 Approximate %	2016 Approximate %
Average occupancy rates		
– elderly residential care homes under the EBPS	95.11%	98.80%
– non-EBPS elderly residential care homes	96.10%	94.70%

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\$13,395,000 for the same period last year to approximately HK\$28,832,000 for the Reporting Period, representing an approximately 115.24% 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. Due to the increase in the number of residential care homes, the amount of property rental and related expenses increased from approximately HK\$5,837,000 for the same period last year to approximately HK\$11,782,000 for the Reporting Period, representing an approximately 101.85% 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\$8,971,000 and HK\$3,913,000 were recorded for the Reporting Period and the same period last year respectively.

Loss/profit for the period

During the Reporting Period, the Group's recorded a loss of approximately HK\$988,000 while a profit of approximately HK\$6,568,000 was noted for the same period last year. The loss for the Reporting Period was mainly due to the one-off initial public offering expenses incurred.

Adjusted profit for the period

The Group calculated the adjusted profit for the period by adding back listing expenses and crediting (i) share of profits and losses of an associate; and (ii) gain on disposal of an associate to loss or profit for the period.

The Group presented this financial measure as it is useful to evaluate the financial performance by excluding the impact of the above items, in which these items were not indicative of the Group's ordinary operating performance and will no longer be outstanding subsequently to the Listing.

During the Reporting Period, the Group's adjusted profit for the period slightly decreased by approximately 3.25% to approximately HK\$7,983,000 as compared to approximately HK\$8,251,000 for the same period last year.

Human Resources and Remuneration Policy

As at 30 September 2017, the Group employed 208 employees (30 September 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 Listing, these proceeds will be used for the purposes in accordance with the purposes as set out in the section headed "Statement of business objectives and use of proceeds" of the Prospectus.

Subsequent Event after the Reporting Period

Reference is made to the announcements of the Company dated 9 October 2017 and 30 October 2017 respectively. On 9 October 2017 (after trading hours), Shui On Nursing Home Holdings Limited, a wholly-owned subsidiary of the Company, as purchaser and Mr. Hui Lung and Mr. Chui Sai Ming as vendors entered into a sale and purchase agreement in relation to the acquisition of the entire issued share capital of Shui Jun Nursing Centre (Yau Tong) Limited (the "Target Company") at the aggregate consideration of HK\$45,000,000 (the "Acquisition"), which constituted a major transaction of the Company under the GEM Listing Rules. The Target Company is an operator of an elderly residential care home with 207 residential care places in Yau Tong, Hong Kong. Immediately after completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company. As at the date of this report, completion of the Acquisition has not taken place.

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.

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, 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 30 September 2017, 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 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 during 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 complete, 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.

Dividend

The Directors do not recommend the payment of any 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 commencing from 21 June 2017.

No share option was granted, exercised or cancelled by the Company under the Scheme from during the Reporting Period 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 September 2017, 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 30 September 2017.
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
Mr. Yik	Multified Hang Chi	Beneficial owner ^(Note)	1	100.00%
		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)	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%

Note:

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 30 September 2017, 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 GEM Listing Rules.

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

As at 30 September 2017, 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 30 September 2017.
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 30 September 2017, Mr. Yik, Multifield, Hang Chi and Ms. Yik Wai Hang are 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 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 30 September 2017, 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 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 during the Reporting Period, 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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

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. 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 reviewed with the management of the Company the unaudited 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, 7 November 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.

CONSOLIDATED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

The Board hereby presents the unaudited condensed consolidated results of the Group, for the three months and nine months ended 30 September 2017 together with the unaudited comparative figures for the corresponding periods in 2016, as follows:

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

For the three months and nine months ended 30 September 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
REVENUE	4	23,727	16,067	69,276	36,776
Other income	4	1,511	592	3,579	1,739
Staff costs		(10,418)	(5,949)	(28,832)	(13,395)
Property rental and related expenses		(3,985)	(2,526)	(11,782)	(5,837)
Depreciation and amortisation		(1,290)	(564)	(3,740)	(1,568)
Food		(731)	(481)	(2,114)	(1,113)
Medical fees		(1,351)	(504)	(3,541)	(1,160)
Professional and legal fees		(4,944)	(890)	(5,669)	(1,131)
Utility expenses		(788)	(542)	(1,740)	(1,060)
Consumables		(328)	(210)	(919)	(577)
Other operating expenses		(1,782)	(1,019)	(3,840)	(1,961)
Listing expenses		(3,230)	(182)	(8,971)	(3,913)
Finance costs		-	(119)	-	(353)
Share of profits and losses of an associate		-	-	-	206
Gain on disposal of an associate		-	-	-	2,024
(LOSS)/PROFIT BEFORE TAX	5	(3,609)	3,673	1,707	8,677
Income tax expenses	6	(755)	(944)	(2,695)	(2,109)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD		(4,364)	2,729	(988)	6,568
Attributable to:					
Owners of the parent		(4,760)	2,399	(2,307)	6,062
Non-controlling interests		396	330	1,319	506
		(4,364)	2,729	(988)	6,568
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
- Basic and diluted (HK cents)	8	(1.23)	0.80	(0.70)	2.02

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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 (audited)	-	50,807	5	(1,046)	21,257	71,023	3,101	74,124
(Loss)/profit and total comprehensive (loss)/income for the period	-	-	-	-	(2,307)	(2,307)	1,319	(988)
Interim dividend declared	-	-	-	-	-	-	(2,000)	(2,000)
Capitalisation issue	3,000	(3,000)	-	-	-	-	-	-
Issue of shares for the Initial Public Offering ("IPO")†	1,000	71,000	-	-	-	72,000	-	72,000
Share issue expenses	-	(8,708)	-	-	-	(8,708)	-	(8,708)
At 30 September 2017 (unaudited)	4,000	110,099	5	(1,046)	18,950	132,008	2,420	134,428

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(CONTINUED)**

For the nine months ended 30 September 2016

	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 2015 and 1 January 2016 (audited)	-	-	5	718	14,573	15,296	525	15,821
Profit and total comprehensive income for the period	-	-	-	-	6,062	6,062	506	6,568
Acquisition of a non- controlling interest**	-	-	-	(1,046)	-	(1,046)	(767)	(1,813)
Acquisition of a subsidiary	-	-	-	-	-	-	2,419	2,419
Deemed contribution from the ultimate controlling shareholder	-	38,333	-	-	-	38,333	-	38,333
At 30 September 2016 (unaudited)	-	38,333	5	(328)	20,635	58,645	2,683	61,328

* These reserve accounts comprise the consolidated reserves of HK\$128,008,000 and HK\$58,645,000 in the unaudited condensed consolidated statement of financial position as at 30 September 2017 and 2016, respectively.

** On 19 August 2016, the Group acquired 24% equity interest in Shui On Nursing Centre (Hing Wah) Company Limited with a cash consideration of HK\$1,813,000.

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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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 unaudited condensed consolidated financial statements for the nine months ended 30 September 2017 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The unaudited 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 unaudited 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 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the nine months ended 30 September 2017

2.2 Summary of Significant Accounting Policies

The accounting policies and basis of preparation adopted in the preparation of the unaudited 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 unaudited 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 unaudited condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the nine months ended 30 September 2017

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.

Information about a major customer

Revenue of approximately HK\$18,138,000 and HK\$7,347,000 for the nine months ended 30 September 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.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the nine months ended 30 September 2017

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 three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue				
Rendering of elderly home care services	18,447	13,170	56,156	30,356
Sales of elderly related goods and provision of healthcare services	5,280	2,897	13,120	6,420
	23,727	16,067	69,276	36,776
Other income				
Government grants	632	280	2,117	665
Sundry income	144	36	236	68
Rental income	144	176	419	319
Management fee income	-	30	-	590
Others	226	70	442	96
Bank interest income	365	-	365	1
	1,511	592	3,579	1,739

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the nine months ended 30 September 2017

5. (Loss)/profit Before Tax

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Cost of inventories sold	1,775	1,195	5,008	2,850
Depreciation	762	263	2,161	865
Amortisation of intangible assets	527	300	1,579	703
Auditors' remuneration	100	813	500	1,313
Employee benefit expense including Directors' and chief executive's remuneration:				
– Wages and salaries	10,041	4,913	27,685	12,062
– Pension scheme contributions	338	183	950	428
	10,379	5,096	28,635	12,490
Healthcare referral service charges*	112	50	414	180
Minimum lease payments under operating leases of land and buildings	3,985	2,526	11,782	5,837
Bank interest income**	(365)	–	(365)	–
Government grants**#	(632)	(280)	(2,117)	(665)

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

** Included in "Other income" in the unaudited 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 home care centres. There are no unfulfilled conditions or contingencies relating to these grants.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the nine months ended 30 September 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 three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current – Hong Kong Charge for the period	881	1,004	3,084	2,251
Deferred tax	(126)	(60)	(389)	(142)
Total tax charge for the period	755	944	2,695	(2,109)

7. Dividends

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

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the nine months ended 30 September 2017

8. (Losses)/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 by way of share offer of 50,000,000 new shares, placing of 50,000,000 new shares and capitalisation of 299,993,450 shares resulting in 400,000,000 ordinary shares in issue. The calculation of basic earnings per share is based on the following data:

	Three months ended 30 September		Nine months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
(Losses)/earnings:				
(Loss)/profit attributable to ordinary equity holders of the parent used in the basic (losses)/earnings per share calculation	(4,760)	2,399	(2,307)	6,062
	2017 '000	2016 '000	2017 '000	2016 '000
Number of Shares:				
Weighted average number of ordinary shares in issue used for the purpose of the basic (losses)/earnings per share*	386,957	300,000	329,304	300,000

* Arrived at on the assumption that the capitalisation issue of 299,993,450 shares had been effective since 1 January 2016.

The diluted (losses)/earnings per share is equal to the basic (losses)/earnings per share as there were no dilutive potential ordinary shares outstanding during the nine months ended 30 September 2017 and 2016.