



Hang Chi Holdings Limited 恒智控股有限公司

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

2018
First Quarterly Report



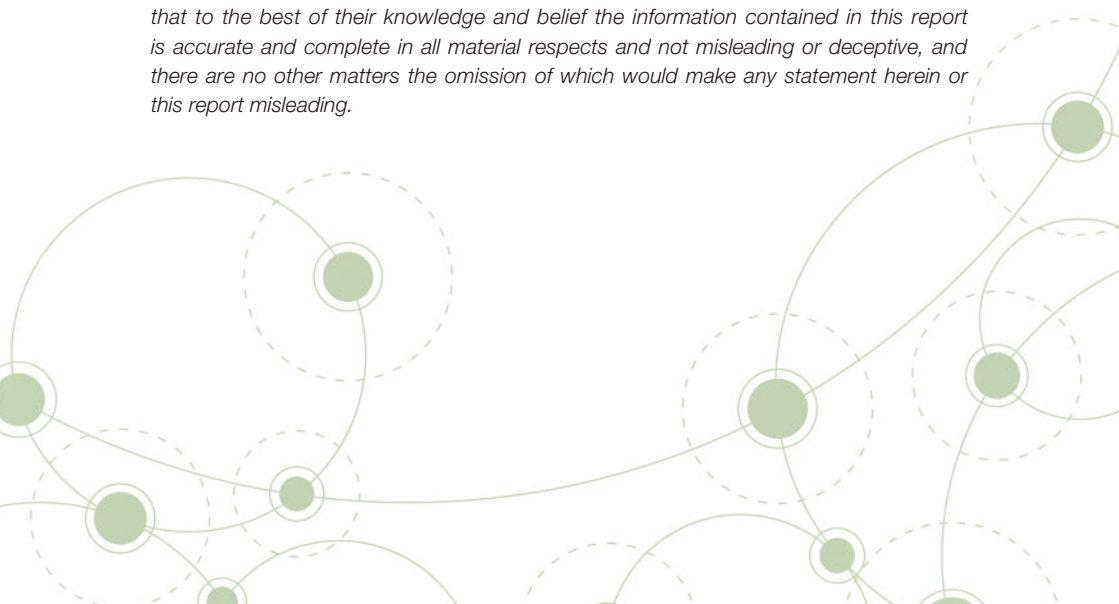
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This report, for which the directors (the “Directors”) of Hang Chi Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.





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Corporate Information

Board of Directors

Executive Directors

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

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

Room D, 35/F., T G Place
 10 Shing Yip Street
 Kwun Tong
 Kowloon
 Hong Kong

Auditors

Ernst & Young
Certified Public Accountants
 22/F., CITIC Tower
 1 Tim Mei Avenue
 Central
 Hong Kong

Principal Bankers

Hang Seng Bank Limited
 Wing Lung Bank Limited

Corporate Information

Principal Share Registrar and Transfer Office in the Cayman Islands

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

Branch Share Registrar and Transfer Office in Hong Kong

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

Stock Code

8405

Company's Website

www.shuionnc.com

Contact Information

Address	Room D, 35/F., T G Place 10 Shing Yip Street Kwun Tong Kowloon Hong Kong
Tel	(852) 2157 1216
Fax	(852) 2157 9624
Email	ir@shuionnc.com



Financial Highlights

	Three months ended		
	31 March		
	2018	2017	
	HK\$'000	HK\$'000	Change %
	(unaudited)	(unaudited)	(approximate)
Statement of profit or loss and other comprehensive income			
Revenue	32,332	22,295	45.02%
EBITDA	6,777	3,395	99.62%
Profit for the period	3,980	1,293	207.81%

Corporate Information

Financial Highlights

Management Discussion and Analysis

Management Discussion and Analysis

Business Review and Outlook

The Company together with its subsidiaries (the “Group”) are 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”, one “Shui Hing 瑞興” and one “Shui Jun 瑞臻” branded elderly residential care homes across four districts in Hong Kong.

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 Company’s prospectus dated 28 June 2017 (the “Prospectus”) in connection with the listing of the shares of the Company (the “Shares”) on GEM of the Stock Exchange (the “Listing”).



Management Discussion and Analysis

Operating Performance

Revenue

The breakdown of revenue by types of services provided by the Group for the three months ended 31 March 2018 (the "Reporting Period") and 2017 are set out as follows:

	Three months ended 31 March			
	2018		2017	
	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")	7,134	22.07%	5,974	26.80%
- residential care places leased by individual customers	18,269	56.50%	12,611	56.56%
- residential care places leased by non-governmental organisations	84	0.26%	52	0.23%
	25,487	78.83%	18,637	83.59%
Sales of elderly related goods and provision of healthcare services	6,845	21.17%	3,658	16.41%
Total	32,332	100.00%	22,295	100.00%

Corporate Information

Financial Highlights

Management Discussion and Analysis

Management Discussion and Analysis

During the Reporting Period, the Group's revenue increased from approximately HK\$22,295,000 for the same period last year to approximately HK\$32,332,000, representing an approximately 45.02% 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\$18,637,000 for the same period last year to approximately HK\$25,487,000 for the Reporting Period, representing an approximately 36.75% 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\$5,974,000 for the same period last year to approximately HK\$7,134,000, representing an approximately 19.42% increase.

The significant increment was mainly due to the acquisition of Shui Jun Nursing Centre (Yau Tong) Company Limited ("Shui Jun (Yau Tong)") in November 2017 which is an elderly residential care home classified as EA2 under the EBPS.

- *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\$12,611,000 for the same period last year to approximately HK\$18,269,000 for the Reporting Period, representing an approximately 44.87% 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 six elderly residential care homes with a total of 814 residential care places; while there were five elderly residential care homes with a total of 589 residential care places for the same period last year. The increment was also attributable to the stabilised occupancy rate of all elderly residential care homes recorded for both the Reporting Period and the same period last year.



Management Discussion and Analysis

- *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\$52,000 for the same period last year to approximately HK\$84,000 for the Reporting Period, representing an approximately 61.54% 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\$3,658,000 for the same period last year to approximately HK\$6,845,000 for the Reporting Period, representing an approximately 87.12% 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:

	Three months ended 31 March	
	2018 Approximate	2017 Approximate
Average occupancy rates		
– elderly residential care homes under the EBPS	96.06%	94.47%
– non-EBPS elderly residential care homes	93.47%	94.78%

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, and in turn, an increase in total number of staff, the amount of staff costs increased from approximately HK\$9,216,000 for the same period last year to approximately HK\$14,443,000 for the Reporting Period, representing an approximately 56.72% increase.

Management Discussion and Analysis

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\$3,889,000 for the same period last year to approximately HK\$6,608,000 for the Reporting Period, representing an approximately 69.92% increase.

Listing expenses

Listing expenses comprised of professional and other expenses in relation to the Listing. No listing expense was recorded during the Reporting Period while approximately HK\$3,308,000 was recorded for the same period last year.

Profit for the period

Profit of approximately HK\$3,980,000 was recorded for the Reporting Period, as compared to HK\$1,293,000 for the same period last year, representing an approximately 207.81% increase. The significant increment was mainly due to the acquisition of Shui Jun (Yau Tong) in late 2017 and no listing expense was recorded during the Reporting Period.

Human Resources and Remuneration Policy

As at 31 March 2018, the Group has 287 employees (31 March 2017: 206 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 (the "Net Proceeds"), after deducting listing related expenses, were approximately HK\$45,500,000. The Net 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 Prospects.



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 of the Company.

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.

Mr. Yik Tak Chi (“Mr. Yik”) was the chairman and the chief executive officer of the Company (the “CEO”) since the date of Listing. As Mr. Yik had been providing strong and consistent leadership to the Group, the Board believed that having him performing both functions would provide a more effective strategic planning and overall management to the Group. In order to enhance the Company’s corporate governance practices and enable the Company to better comply with the CG Code, Mr. Yik has resigned as the CEO and Mr. Lui Chi Tat has been appointed as the CEO with effect from 22 January 2018. For details, please refer to the announcement of the Company dated 22 January 2018.

Interests of Compliance Adviser

As confirmed by the Company’s compliance adviser, Guotai Junan Capital Limited (the “Compliance Adviser”), as at 31 March 2018, 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.

Other Information

Other Information

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.

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 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 31 March 2018, 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 Tak Chi	Interest of controlled corporation ^(Note 2)	248,700,000	62.18%



Other Information

Notes:

1. The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at 31 March 2018.
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.

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	Percentage of shareholding
Mr. Yik Tak Chi	Multifield	Beneficial owner ^(Note)	1	100.00%
	Hang Chi	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.

Other Information

Save as disclosed above, as at 31 March 2018, 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.

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

As at 31 March 2018, 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 of controlled corporation ^(Note 2)	248,700,000	62.18%
Hang Chi	Interest of controlled corporation ^(Note 2)	248,700,000	62.18%
Lucky Expert	Interest of 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%
Ms. Woo Pui Kei Betty	Beneficial owner	36,000,000	9.00%



Other Information

Notes:

1. The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at 31 March 2018.
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 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.

Save as disclosed above, and as at 31 March 2018, 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 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.

Other Information

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 during the Reporting Period.

Audit Committee and Review of the First 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, 9 May 2018

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.



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

For the three months ended 31 March 2018

The Board hereby presents the unaudited condensed consolidated results of the Group, for the three months ended 31 March 2018 together with the unaudited comparative figures for the corresponding periods in 2017, as follows:

	Notes	Three months ended 31 March	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
REVENUE	4	32,332	22,295
Other income	4	1,395	1,227
Staff costs		(14,443)	(9,216)
Property rental and related expenses		(6,608)	(3,889)
Depreciation and amortisation		(1,871)	(1,217)
Food		(984)	(692)
Medical fees		(1,372)	(1,137)
Professional and legal fees		(1,115)	(372)
Utility expenses		(668)	(402)
Consumables		(336)	(265)
Other operating expenses		(1,424)	(846)
Listing expenses		-	(3,308)
PROFIT BEFORE TAX	5	4,906	2,178
Income tax expenses	6	(926)	(885)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,980	1,293
Attributable to:			
Owners of the parent		3,680	844
Non-controlling interests		300	449
		3,980	1,293
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
- Basic and diluted (HK cents)		0.92	0.28

Other Information

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

Unaudited Condensed Consolidated
Statement of Changes in Equity

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2018

	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Merger reserve	Other reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At 31 December 2017 and 1 January 2018 (audited)	4,000	109,298	5	(1,046)	22,748	135,005	2,776	137,781
Profit and total comprehensive income for the period	-	-	-	-	3,680	3,680	300	3,980
At 31 March 2018 (unaudited)	4,000	109,298	5	(1,046)	26,428	138,685	3,076	141,761

For the three months ended 31 March 2017

	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Merger reserve	Other reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At 31 December 2016 and 1 January 2017 (audited)	-	50,807	5	(1,046)	21,257	71,023	3,101	74,124
Profit and total comprehensive income for the period	-	-	-	-	844	844	449	1,293
Interim dividend declared	-	-	-	-	-	-	(1,000)	(1,000)
At 31 March 2017 (unaudited)	-	50,807	5	(1,046)	22,101	71,867	2,550	74,417



Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2018

1. Corporate Information

Hang Chi Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. 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, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. In the opinion of the directors, the holding company of the Company is Shui Wah Limited, which was incorporated in the British Virgin Islands (“BVI”). The Company’s ultimate controlling shareholder is Mr. Yik Tak Chi.

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.

Pursuant to a group reorganisation which was completed on 31 August 2016, the Company became the holding company of the other subsidiaries comprising the Group.

The Company’s shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 12 July 2017.

2.1 Basis of Preparation

The unaudited condensed consolidated financial statements for the three months ended 31 March 2018 have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. They have been prepared under the historical cost convention.

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 2017.

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

Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2018

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 2017, 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 IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to IFRS 15	<i>Clarification to IFRS 15 Revenue from Contracts with Customers</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to IFRS 1 included in <i>Annual Improvements 2014–2016 Cycle</i>	<i>First-time Adoption of International Financial Reporting Standards</i>
Amendments to IAS 28 included in <i>Annual Improvements 2014–2016 Cycle</i>	<i>Investments in Associates or Joint Ventures</i>

The adoption of these revised IFRSs has had no significant impact on the Group's result of operations.

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 Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2018

3. Operating Segment Information (Continued)

Information about a major customer

Revenue of approximately HK\$7,134,000 and HK\$5,974,000 for the three months ended 31 March 2018 and 2017, 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 three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue		
Rendering of elderly home care services	25,487	18,637
Sales of elderly related goods and provision of healthcare services	6,845	3,658
	32,332	22,295
Other income		
Government grants	869	854
Sundry income	246	60
Rental income	209	118
Others	71	195
	1,395	1,227

Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2018

5. Profit Before Tax

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

	For the three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Cost of inventories sold	2,016	1,573
Depreciation	785	450
Amortisation of intangible assets	1,086	767
Employee benefit expense including Directors' and chief executive's remuneration:		
– Wages and salaries	13,700	8,668
– Pension scheme contributions	444	303
	14,144	8,971
Healthcare referral service charges*	207	108
Minimum lease payments under operating leases of land and buildings	6,608	3,889
Government grants**	(869)	(854)

* 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.



Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2018

6. Income Tax Expenses

Pursuant to the rules and regulations of the Cayman Islands and 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 periods.

	For the three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current – Hong Kong		
Charge for the period	1,106	975
Deferred tax	(180)	(90)
Total tax charge for the period	926	885

7. Dividends

The Board does not recommend the payment of a dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

The distribution amounts set out in the unaudited condensed consolidated statements of changes in equity of HK\$1,000,000 for the three months ended 31 March 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.

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

The calculation of the basic earnings per share amount is based on the profit for the three months ended 31 March 2018 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 400,000,000 (three months ended 31 March 2017: 300,000,000) in issue during the reporting period.

Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2018

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

(Continued)

The weighted average number of ordinary shares used to calculate the basic earnings per share for the reporting period includes the 100,000,000 ordinary shares issued in connection with the listing of the Company's ordinary shares on GEM of the Stock Exchange on 12 July 2017.

The calculation of basic earnings per share is based on:

Earnings:

Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation

For the three months ended 31 March

2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
3,680	844

Shares:

Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*

Three months ended 31 March

2018 '000	2017 '000
400,000	300,000

* Arrived at on the assumption that the capitalisation issue of 299,993,450 shares had been effective since 1 January 2017.

No adjustment has been made to the basic earnings per share amounts presented for the three months ended 31 March 2018 and 2017 as the Group had no potentially dilutive ordinary shares in issue during those periods.