



Hang Chi Holdings Limited 恒智控股有限公司

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

2018 Third Quarterly Report



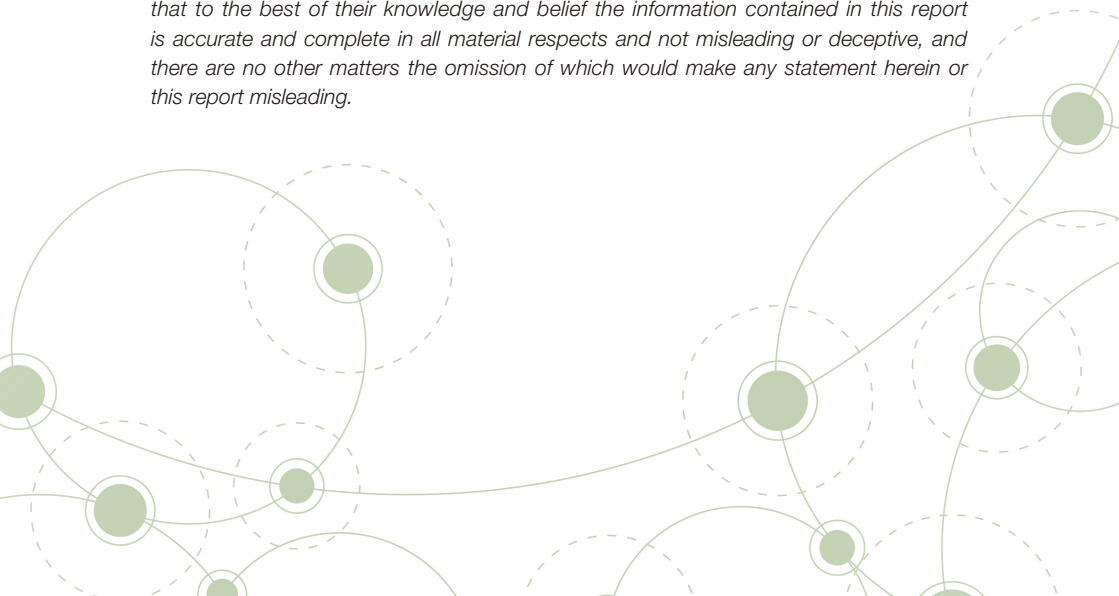
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This report, for which the directors (the “Directors”) of Hang Chi Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities 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

Principal Bankers

Hang Seng Bank Limited

Wing Lung Bank Limited

Bank of China (Hong Kong) 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

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Financial Highlights

	Nine months ended 30 September		
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	Change % (approximate)
Statement of profit or loss and other comprehensive income			
Revenue	100,723	69,276	45.39%
EBITDA	25,539	5,447	368.86%
Adjusted EBITDA ^(Note 1)	25,539	14,418	77.13%
Profit/(Loss) for the period	16,500	(988)	1,770.04%
Adjusted profit for the period ^(Note 2)	16,500	7,983	106.69%

Notes:

- Adjusted EBITDA represented by the EBITDA before deducting Listing expenses.
- Adjusted profit for the period represented by the Profit for the period before deducting Listing expenses.

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 Group will continue to expand its network of elderly residential care homes in strategic locations in Hong Kong to provide services to more people.



Management Discussion and Analysis

Operating Performance

Revenue

The breakdown of revenue by types of services provided by the Group for the nine months ended 30 September 2018 (the "Reporting Period") and 2017 are set out as follows:

	Nine months ended 30 September			
	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")	22,406	22.24%	18,138	26.18%
- residential care places leased by individual customers	55,104	54.71%	37,878	54.68%
- residential care places leased by non-governmental organisations	263	0.26%	140	0.20%
	77,773	77.21%	56,156	81.06%
Sales of elderly related goods and provision of healthcare services	22,950	22.79%	13,120	18.94%
Total	100,723	100.00%	69,276	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\$69,276,000 for the same period last year to approximately HK\$100,723,000, representing an approximately 45.39% 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\$56,156,000 for the same period last year to approximately HK\$77,773,000 for the Reporting Period, representing an approximately 38.49% 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\$18,138,000 for the same period last year to approximately HK\$22,406,000, representing an approximately 23.53% increase.

The significant increment was mainly due to the acquisition of Shui Jun Nursing Centre (Yau Tong) Company Limited 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\$37,878,000 for the same period last year to approximately HK\$55,104,000 for the Reporting Period, representing an approximately 45.48% 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 816 residential care places; while there were only five elderly residential care homes with a total of 589 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.



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\$140,000 for the same period last year to approximately HK\$263,000 for the Reporting Period, representing an approximately 87.86% 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\$13,120,000 for the same period last year to approximately HK\$22,950,000 for the Reporting Period, representing an approximately 74.92% 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	
	2018 approximate %	2017 approximate %
Average occupancy rates		
– elderly residential care homes under the EBPS	97.39%	95.11%
– non-EBPS elderly residential care homes	93.96%	96.10%

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 which lead to an increase in total number of staff, the amount of staff costs increased from approximately HK\$28,832,000 for the same period last year to approximately HK\$41,415,000 for the Reporting Period, representing an approximately 43.64% 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\$11,782,000 for the same period last year to approximately HK\$20,198,000 for the Reporting Period, representing an approximately 71.43% increase.

Listing expenses

Listing expenses comprised of professional and other expenses in relation to the listing of the shares of the Company (the “Shares”) on GEM of the Stock Exchange (the “Listing”). No Listing expenses was recorded for the Reporting Period and approximately HK\$8,971,000 was recorded for the same period last year.

Profit/loss for the period

During the Reporting Period, the Group’s recorded a profit of approximately HK\$16,500,000 while a loss of approximately HK\$988,000 was noted for the same period last year. The significant increment was mainly due to the total number of elderly residential care homes owned and operated by the Group increased from five in the same period last year to six during the Reporting Period and no Listing expense was recorded during the Reporting Period.

Adjusted profit for the period

The Group calculated the adjusted profit for the period by adding back Listing expenses to profit or loss 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 increased by approximately 106.69% to approximately HK\$16,500,000 as compared to approximately HK\$7,983,000 for the same period last year.



Management Discussion and Analysis

Human Resources and Remuneration Policy

As at 30 September 2018, the Group had 266 employees (30 September 2017: 208 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”) received by the Company, after deducting underwriting fees and related expenses in connection with the Listing, was approximately HK\$45.5 million instead of HK\$49.2 million as expected and disclosed in the prospectus of the Company dated 28 June 2017 (the “Prospectus”).

As at 30 September 2018, (i) approximately HK\$25.0 million of the Net Proceeds had been applied towards the acquisition of an operating elderly residential care home; (ii) approximately HK\$2.0 million of the Net Proceeds had been applied to establish the Group’s headquarters and on-the-job training centre; (iii) approximately HK\$2.0 million of the Net Proceeds had been applied to renew and upgrade the facilities at the Group’s elderly residential care homes; (iv) approximately HK\$2.6 million of the Net Proceeds had been applied to upgrade the Group’s information technology infrastructure; and (v) approximately HK\$0.1 million of the Net Proceeds had been used as the Group’s general working capital. The amount of the Net Proceeds which remained unutilised was approximately HK\$13.8 million, which was deposited in the bank account of the Group in Hong Kong.

As disclosed in the announcement of the Company dated 26 October 2018, the Board had resolved to adjust the allocation of the use of the Net Proceeds and change the use of the unutilised Net Proceeds of approximately HK\$13.8 million to acquiring another operating residential care home in Hong Kong.

Other Information

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 set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules.

Interests of Compliance Adviser

As confirmed by the Company’s compliance adviser, Guotai Junan Capital Limited (the “Compliance Adviser”), as at 30 September 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 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 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.



Other Information

Share Option Scheme

The Company has 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 during the Reporting Period and there was no outstanding share option as at 30 September 2018.

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 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 30 September 2018.
2. These 248,700,000 Shares are held by Shui Wah Limited ("Shui Wah"), a company incorporated in the British Virgin Islands with limited liability. 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 Tak 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 corporations

Name of Director	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 30 September 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 the GEM Listing Rules.

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

As at 30 September 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 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%
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 30 September 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 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.

Save as disclosed above, and as at 30 September 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.



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 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 discussed with the management and the independent auditor of the Company and reviewed the unaudited results for the Reporting Period and the unaudited condensed consolidated financial statements of the Group for the Reporting Period, which is of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosure has been made in respect thereof.

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

Hong Kong, 7 November 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 and nine months ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018	2017	2018	2017
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
REVENUE	4	34,817	23,727	100,723	69,276
Other income	4	1,600	1,511	4,278	3,579
Staff costs		(13,261)	(10,418)	(41,415)	(28,832)
Property rental and related expenses		(6,986)	(3,985)	(20,198)	(11,782)
Depreciation and amortisation		(1,903)	(1,290)	(5,632)	(3,740)
Food		(1,021)	(731)	(2,999)	(2,114)
Medical fees		(1,769)	(1,351)	(5,177)	(3,541)
Professional and legal fees		(801)	(4,944)	(2,929)	(5,669)
Utility expenses		(1,043)	(788)	(2,491)	(1,740)
Consumables		(344)	(328)	(1,008)	(919)
Other operating expenses		(1,043)	(1,782)	(3,245)	(3,840)
Listing expenses		-	(3,230)	-	(8,971)
PROFIT/(LOSS) BEFORE TAX	5	8,246	(3,609)	19,907	1,707
Income tax expenses	6	(1,298)	(755)	(3,407)	(2,695)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		6,948	(4,364)	16,500	(988)
Attributable to:					
Owners of the parent		6,324	(4,760)	15,168	(2,307)
Non-controlling interests		624	396	1,332	1,319
		6,948	(4,364)	16,500	(988)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
- Basic and diluted (HK cents)	8	1.58	(1.23)	3.79	(0.70)

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

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 nine months ended 30 September 2018

	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 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	-	-	-	-	15,168	15,168	1,332	16,500
Final dividend declared	-	-	-	-	(12,000)	(12,000)	(1,900)	(13,900)
At 30 September 2018 (unaudited)	4,000	109,298	5	(1,046)	25,916	138,173	2,208	140,381

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 [#]	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

* These reserve accounts comprise the consolidated reserves of HK\$134,173,000 and HK\$128,008,000 in the unaudited condensed consolidated statement of financial position as at 30 September 2018 and 2017, respectively.

[#] The Company's shares have been listed on GEM 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.

Other Information

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

Unaudited Condensed Consolidated
Statement of Changes in Equity

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2018

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 GEM 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 2018 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 2017.

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



Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 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 Annual Improvements 2014–2016 Cycle	<i>First-time Adoption of International Financial Reporting Standards</i>
Amendments to IAS 28 included in Annual Improvements 2014–2016 Cycle	<i>Investments in Associates or Joint Ventures</i>

Except as described below for the IFRS 9 and IFRS 15, the directors of the Company considered that the application of the other new and revised IFRSs and IASs do not have material impact on the Group's consolidated financial results.

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2018

2.2 Summary of Significant Accounting Policies (Continued)

The adoption of IFRS 9 resulted in the following changes to the Group's accounting policies:

Financial assets

The Group classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost only if both of the following conditions are met:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial liabilities

Financial liabilities continue to be measured at either amortised cost or fair value through profit or loss ("FVTPL"). The criteria for designating a financial liability at FVTPL by applying the fair value option remains unchanged.

Changes in the fair value of financial liabilities designated at FVTPL, that are attributable to changes in the instrument's credit risk, are now presented in other comprehensive income.

Impairment

The IFRS 9 impairment requirements are based on an expected credit loss model, replacing the incurred loss methodology model under IAS 39. The Group applies simplified approach to measure expected credit losses ("ECL") on trade receivables. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL.



Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2018

2.2 Summary of Significant Accounting Policies (Continued)

Impairment (Continued)

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group:

(i) Classification and measurement of financial instruments

On 1 January 2018, the Group's management has assessed which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate IFRS 9 categories.

As a result, all financial assets classified as loans and receivables under IAS 39 has been classified as amortised cost under IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2018

2.2 Summary of Significant Accounting Policies *(Continued)*

IFRS 15 Revenue from Contracts with Customers *(Continued)*

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors of the Company considers the revenue recognition results for the revenue sources of the Group (i.e. revenue from providing residential care home services to the elderly residents) are consistent between under IFRS 15 and IAS 18. As a result, no reconciliation from IAS 18 to IFRS 15 is presented.

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\$22,406,000 and HK\$18,138,000 for the nine months ended 30 September 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.



Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2018

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	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue				
Rendering of elderly home care services	26,529	18,447	77,773	56,156
Sales of elderly related goods and provision of healthcare services	8,288	5,280	22,950	13,120
	34,817	23,727	100,723	69,276
Other income				
Government grants	714	632	2,397	2,117
Sundry income	579	144	1,056	236
Rental income	195	144	612	419
Bank interest income	75	365	138	365
Others	37	226	75	442
	1,600	1,511	4,278	3,579

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine months ended 30 September 2018

5. Profit/(Loss) Before Tax

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Cost of inventories sold	2,126	1,775	6,240	5,008
Depreciation	1,057	762	3,093	2,161
Amortisation of intangible assets	846	527	2,539	1,579
Auditors' remuneration	350	100	1,050	500
Employee benefit expense including Directors' and chief executive's remuneration:				
– Wages and salaries	12,725	10,041	39,391	27,685
– Pension scheme contributions	425	338	1,317	950
	13,150	10,379	40,708	28,635
Minimum lease payments under operating leases of land and buildings	6,986	3,985	20,198	11,782
Bank interest income*	(75)	(365)	(138)	(365)
Government grants**	(714)	(632)	(2,397)	(2,117)

* 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

For the nine months ended 30 September 2018

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	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current – Hong Kong				
Charge for the period	1,505	881	3,977	3,084
Deferred tax	(207)	(126)	(570)	(389)
Total tax charge for the period	1,298	755	3,407	2,695

7. Dividends

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Final – HK3.00 cents (nine months ended 30 September 2017: Nil) per ordinary share	-	-	12,000	-

The distribution amounts set out in the unaudited condensed consolidated statements of changes in equity of HK\$1,900,000 for the nine months ended 30 September 2018 (nine months ended 30 September 2017: HK\$2,000,000) 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

For the nine months ended 30 September 2018

8. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings/(loss) per share amount is based on the profit for the nine months ended 30 September 2018 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 400,000,000 (nine months ended 30 September 2017: 329,304,000) in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of basic earnings/(loss) per share is based on:

	Three months ended 30 September		Nine months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Earnings/(loss):				
Profit/(loss) attributable to ordinary equity holders of the Company used in the basic earnings/(loss) per share calculation	6,324	(4,760)	15,168	(2,307)
Shares:				
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	400,000	386,957	400,000	329,304

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the nine months ended 30 September 2018 and 2017 as the Group had no potentially dilutive ordinary shares in issue during these periods.

9. Events after the Reporting Period

There was no significant event that took place after the reporting period and up to the date of the financial statements.

10. Approval of the Financial Statements

The unaudited condensed consolidated financial statements were approved and authorised for issue by the board of Directors on 7 November 2018.