



Hang Chi Holdings Limited
恒智控股有限公司

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



2019

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
 Mr. Lui Chi Tat

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., TG Place
 10 Shing Yip Street
 Kwun Tong
 Kowloon
 Hong Kong

Auditor

Ernst & Young
Certified Public Accountants

Principal Banker

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

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Contact Information

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Financial Highlights

	Three months ended		
	31 March		
	2019	2018	Change %
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	(approximate)
Statement of profit or loss and other comprehensive income			
Revenue	35,141	32,332	8.69%
EBITDA	10,518	6,777	55.20%
Profit for the period	5,896	3,980	48.14%

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 serve more elderly residents.

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 2019 (the "Reporting Period") and 2018 are set out as follows:

	Three months ended 31 March			
	2019		2018	
	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")	7,704	21.92%	7,134	22.07%
- residential care places leased by individual customers	19,354	55.08%	18,269	56.50%
- residential care places leased by non-governmental organisations	127	0.36%	84	0.26%
	27,185	77.36%	25,487	78.83%
Sales of elderly related goods and provision of healthcare services	7,956	22.64%	6,845	21.17%
Total	35,141	100.00%	32,332	100.00%

Management Discussion and Analysis

During the Reporting Period, the Group's revenue increased from approximately HK\$32,332,000 for the same period last year to approximately HK\$35,141,000, representing an approximately 8.69% 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\$25,487,000 for the same period last year to approximately HK\$27,185,000 for the Reporting Period, representing an approximately 6.66% 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\$7,134,000 for the same period last year to approximately HK\$7,704,000, representing an approximately 7.99% increase.

- *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\$18,269,000 for the same period last year to approximately HK\$19,354,000 for the Reporting Period, representing an approximately 5.94% increase.

The increment was attributable to the stable occupancy rate of all elderly residential care homes of the Group recorded for both Reporting Period and the same period last year.

- *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\$84,000 for the same period last year to approximately HK\$127,000 for the Reporting Period, representing an approximately 51.19% increase.

Management Discussion and Analysis

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\$6,845,000 for the same period last year to approximately HK\$7,956,000 for the Reporting Period, representing an approximately 16.23% 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	
	2019 approximate %	2018 approximate %
Average occupancy rates		
– elderly residential care homes under the EBPS	93.86%	96.06%
– non-EBPS elderly residential care homes	93.47%	93.47%

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. The amount of staff costs slightly decreased from approximately HK\$14,443,000 for the same period last year to approximately HK\$14,428,000 for the Reporting Period, representing an approximately 0.10% decrease.

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. The amount of property rental and related expenses decreased from approximately HK\$6,608,000 for the same period last year to approximately HK\$5,515,000 for the Reporting Period, representing an approximately 16.54% decrease. With the adoption of IFRS 16 *Leases* during the Reporting Period, the rental expenses were re-allocated between Property rental and related expenses, Depreciation and amortisation and Finance costs. The rental and related expenses payments for the elderly residential care homes and office amounted to approximately HK\$7,034,000 in total for the Reporting Period.

Management Discussion and Analysis

Profit for the period

Profit of approximately HK\$5,896,000 and HK\$3,980,000 were recorded for the Reporting Period and the same period last year respectively, representing an approximately 48.14% increase. Such increase was attributable to the increment in revenue and better cost control policy implemented during the Reporting Period.

Human Resources and Remuneration Policy

As at 31 March 2019, the Group had 261 employees (31 March 2018: 287 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 (the “Net Proceeds”) received by the Company from the listing of the Company’s shares (the “Shares”) on GEM of the Stock Exchange (the “Listing”), 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.

As at 31 March 2019, (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 of Directors (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

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 had 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.

Interests of Compliance Adviser

As confirmed by the Company’s compliance adviser, Guotai Junan Capital Limited (the “Compliance Adviser”), as at 31 March 2019, 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 fully complied with the Required Standard of Dealings throughout the Reporting Period.

Competing Business of Directors and Controlling Shareholders

During 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.

Other Information

Dividend

The Directors do not recommend the payment of 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 is 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 2019, the 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 (including interests and short positions which they were taken or deemed to have under such provisions 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/ Chief executive	Capacity/Nature of interests	Number of Shares held/ interested in	Approximate percentage of shareholding ^(Note 1)
Mr. Yik Tak Chi ("Mr. Yik")	(i) Interest of controlled corporation ^(Note 2)	263,980,000	66.00%
	(ii) Beneficial owner ^(Note 2)		
Mr. Lui Chi Tat ("Mr. Lui")	(i) Interest of controlled corporation ^(Note 3)	36,020,000	9.01%
	(ii) Beneficial owner ^(Note 3)		

Other Information

Notes:

- The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at 31 March 2019.
- Mr. Yik is interested in 263,980,000 Shares, of which 248,700,000 Shares are held by Shui Wah Limited ("Shui Wah") and 15,280,000 Shares are directly held by him. 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 all the Shares held by Shui Wah.
- Mr. Lui is interested in 36,020,000 Shares, of which 15,300,000 Shares are held by Jumbo Sino Investment Limited ("Jumbo Sino"), a company incorporated in Hong Kong and wholly owned by Mr. Lui, and 20,720,000 Shares are directly held by him. By virtue of the SFO, Mr. Lui is deemed to be interested in all the Shares held by Jumbo Sino.

Long Positions in the ordinary shares of associated corporation

Name of Directors/ chief executive	Name of associated corporation	Capacity/Nature of interests	Number of shares held/ interested in	Percentage of shareholding
Mr. Yik	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%
Mr. Lui	Jumbo Sino	Beneficial owner	3	100.00%

Other Information

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 all the 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 31 March 2019, 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 (including interests and short positions which they were taken or deemed to have under such provisions 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.

Other Information

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

As at 31 March 2019, 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)
Shui Wah	Beneficial owner ^(Note 2)	248,700,000	62.18%
Lucky Expert	Interest in controlled corporation ^(Note 2)	248,700,000	62.18%
Multifield	(i) Interest in controlled corporation ^(Note 2) (ii) Interest held jointly with other person ^(Note 3)	263,980,000	66.00%
Hang Chi	(i) Interest in controlled corporation ^(Note 2) (ii) Interest held jointly with other person ^(Note 3)	263,980,000	66.00%
Ms. Yik Wai Hang	Interest held jointly with other person ^(Note 3)	263,980,000	66.00%
Ms. Chung Shuk Man	Interest of spouse ^(Note 4)	263,980,000	66.00%

Notes:

- The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at 31 March 2019.
- Shui Wah held 248,700,000 Shares. 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.

Other Information

- 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 disclosed above, Mr. Yik is interested in 263,980,000 Shares. Accordingly, by virtue of the Acting in Concert Agreement, Mr. Yik, Multifield, Hang Chi and Ms. Yik Wai Hang were controlling approximately 66.00% of the issued share capital of the Company.

- 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, as at 31 March 2019, 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.

Arrangements to Acquire Shares and Debentures

Other than the Scheme and as disclosed under the paragraph headed "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 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.

Changes in Information of Director

Mr. Lau Joseph Wan Pui, the non-executive Director, has been appointed as a director of Auxico Resources Canada Inc. whose shares are listed on the Canadian Securities Exchange, with effect from 1 April 2019.

Other Information

Acquisition during the Reporting Period

On 11 March 2019, Shui On Nursing Home Holdings Limited entered into a sale and purchase agreement (the “Agreement”) with, among others, Jun Pak Limited, pursuant to which Shui On Nursing Home Holdings Limited has conditionally agreed to acquire and Jun Pak Limited has conditionally agreed to sell 60% of the issued share capital of Guardian Home Limited at the consideration of HK\$63,000,000. The aforesaid acquisition is subject to the satisfaction of the conditions set out in the Agreement, and has not been completed as at the date of this report. For details, please refer to the announcement of the Company dated 11 March 2019.

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 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 May 2019

As at the date of this report, the executive Directors are Mr. YIK Tak Chi, Mr. LUI Chi Tat, Mr. CHUNG Kin Man and Ms. CHUNG Wai Man, the non-executive Director is Mr. LAU Joseph Wan Pui and the independent non-executive Directors are Mr. WONG Wai Ho, Mr. LAU Tai Chim and Mr. KWOK Chi Shing.

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

For the three months ended 31 March 2019

The Board hereby presents the unaudited condensed consolidated results of the Group, for the three months ended 31 March 2019 together with the unaudited comparative figures for the corresponding period in 2018, as follows:

	Notes	Three months ended 31 March	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
REVENUE	4	35,141	32,332
Other income	4	1,382	1,395
Staff costs		(14,428)	(14,443)
Property rental and related expenses		(5,515)	(6,608)
Depreciation and amortisation		(3,365)	(1,871)
Food		(1,036)	(984)
Medical fees		(1,815)	(1,372)
Professional and legal fees		(1,211)	(1,115)
Utility expenses		(642)	(668)
Consumables		(298)	(336)
Other operating expenses		(1,060)	(1,424)
Finance costs		(130)	–
PROFIT BEFORE TAX	5	7,023	4,906
Income tax expenses	6	(1,127)	(926)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,896	3,980
Attributable to:			
Owners of the parent		5,507	3,680
Non-controlling interests		389	300
		5,896	3,980
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (HK cents)	8	1.38	0.92

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

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2019

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Share premium	Merger reserve	Other reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2018 and 1 January 2019 (audited)	4,000	109,298	5	(1,046)	32,649	144,906	2,084	146,990
Profit and total comprehensive income for the period	-	-	-	-	5,507	5,507	389	5,896
At 31 March 2019 (unaudited)	4,000	109,298	5	(1,046)	38,156	150,413	2,473	152,886

For the three months ended 31 March 2018

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Share premium	Merger reserve	Other reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	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

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 three months ended 31 March 2019

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, 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 holding company is Multifield Investment Development Limited, a company incorporated in BVI with limited liability on 8 January 2010, which is wholly owned by Mr. Yik Tak Chi.

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.

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 the 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 three months ended 31 March 2019 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 2018.

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

For the three months ended 31 March 2019

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 2018, except for the adoption of new and revised International Financial Reporting Standards ("IFRSs") as noted below.

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

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015–2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except as described below for the IFRS 16, the directors of the Group considered that the application of the other new and revised IFRSs do not have material impact on the Group's consolidated financial results.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2019

2.2 Summary of Significant Accounting Policies *(Continued)*

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	HK\$'000 (unaudited)
Assets	
Right-of-use assets	<u>11,989</u>
Liabilities	
Lease liabilities	<u>11,989</u>

Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2019

2.2 Summary of Significant Accounting Policies *(Continued)*

a) *Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for land and buildings. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Other payables and accruals, respectively. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2019

2.2 Summary of Significant Accounting Policies *(Continued)*

- a) Nature of the effect of adoption of IFRS 16 *(Continued)*
Leases previously accounted for as operating leases (Continued)

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the foregoing, as at 1 January 2019, right-of-use assets and lease liabilities of HK\$11,989,000 were recognised respectively.

Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2019

2.2 Summary of Significant Accounting Policies *(Continued)*

a) Nature of the effect of adoption of IFRS 16 *(Continued)*

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	HK\$'000 (unaudited)
Operating lease commitments as at 31 December 2018	23,860
Less: Commitments relating to short-term leases	<u>11,241</u>
	12,619
Weighted average incremental borrowing rate as at 1 January 2019	4.5%
Discounted operating lease commitments at 1 January 2019	<u>11,989</u>
Lease liabilities as at 1 January 2019	<u>11,989</u>

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2019

2.2 Summary of Significant Accounting Policies *(Continued)*

b) Summary of new accounting policies *(Continued)*

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2019

2.2 Summary of Significant Accounting Policies (Continued)

b) Summary of new accounting policies (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of land and buildings (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

c) Amounts recognised in the unaudited condensed consolidated statement of profit or loss and other comprehensive income

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets	
	Land and buildings	Lease liabilities
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
As at 1 January 2019	11,989	11,989
Depreciation expense	(1,449)	–
Interest expense	–	130
Payments	–	(1,521)
As at 31 March 2019	10,540	10,598

The Group recognised rent expense from short-term leases of HK\$4,882,000 for the three months ended 31 March 2019.

Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2019

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\$7,704,000 and HK\$7,134,000 for the three months ended 31 March 2019 and 2018, 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

An analysis of revenue is as follows:

	Three months ended 31 March	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
<i>Revenue from contracts with customers</i>		
Rendering of elderly home care services	27,185	25,487
Sale of elderly related goods and provision of healthcare services	7,956	6,845
	35,141	32,332

Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2019

4. Revenue and Other Income (Continued)

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	Three months ended 31 March	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Timing of revenue recognition		
Services transferred over time	30,460	28,570
Goods transferred at a point in time	4,681	3,762
Total revenue from contracts with customers	35,141	32,332

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Three months ended 31 March	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of elderly home care services	125	93
Sale of elderly related goods and provision of healthcare services	37	28
	162	121

Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2019

4. Revenue and Other Income (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Rendering of services

The performance obligation is satisfied over time as services are rendered and advance payments are normally required for home care services and certain healthcare services. For other healthcare services, payment is generally due within 30 days.

Sale of goods

The performance obligation is satisfied upon delivery of the goods and advance payments are generally required. For other goods where advance payment is not required, payment is generally due within 30 days from delivery.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2019 and 2018 are as follows:

	As at 31 March	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Within one year	69	176

Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2019

4. Revenue and Other Income (Continued)

An analysis of other income is as follows:

	Three months ended 31 March	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Other income		
Government grants	815	869
Sundry income	241	246
Rental income	215	209
Others	111	71
	1,382	1,395

Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2019

5. Profit Before Tax

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

	Three months ended 31 March	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Cost of inventories sold	1,998	2,016
Depreciation	2,519	785
Amortisation of intangible assets	846	1,086
Employee benefit expense including Directors' and chief executive's remuneration:		
– Wages and salaries	13,504	13,700
– Pension scheme contributions	451	444
	13,955	14,144
Minimum lease payments under operating leases of land and buildings	5,515	6,608
Government grants*/#	(815)	(869)

* 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 residential care homes. There are no unfulfilled conditions or contingencies relating to these grants.

Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2019

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 period.

	Three months ended 31 March	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current – Hong Kong		
Charge for the period	1,307	1,106
Deferred tax	(180)	(180)
Total tax charge for the period	1,127	926

7. Dividends

The Board does not recommend the payment of a dividend for the three months ended 31 March 2019 (three months ended 31 March 2018: Nil).

Notes to Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2019

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 2019 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 400,000,000 (three months ended 31 March 2018: 400,000,000) in issue during the period.

The calculation of basic earnings per share is based on:

	Three months ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	5,507	3,680

	Three months ended 31 March	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	400,000,000	400,000,000

No adjustment has been made to the basic earnings per share amounts presented for the three months ended 31 March 2018 and 2019 as the Group had no potentially dilutive ordinary shares in issue during these periods.