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Hang Chi Holdings Limited
恒智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8405)

**(I) MAJOR TRANSACTION RELATING TO
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY; AND
(II) POSSIBLE CONTINUING CONNECTED TRANSACTIONS UPON
COMPLETION OF THE ACQUISITION**

(I) ACQUISITION

The Board is pleased to announce that, after trading hours on 9 October 2017, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendors entered into the Sale and Purchase Agreement pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company at the aggregate consideration of HK\$45,000,000 in cash. The Target Company is an operator of an elderly residential care home with 207 residential care places in Yau Tong, Hong Kong. The Acquisition is subject to the satisfaction of the conditions set out in the paragraph headed “Conditions precedent” below in this announcement.

Immediately after the Completion, the Purchaser will own the entire issued share capital of the Target Company, and the Target Company will become an indirect wholly-owned subsidiary of the Company.

Implications under the GEM Listing Rules

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition will constitute a major transaction of the Company under the GEM Listing Rules and is subject to notification, announcement, circular and shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. As at the date of this announcement, Shui Wah held 248,700,000 Shares, representing approximately 62.18% of the issued share capital of the Company, and has given irrevocably and unconditional written approval of the Acquisition and the transactions contemplated thereunder on 9 October 2017. The written approval granted by Shui Wah can be accepted in lieu of holding a general meeting for approving the Acquisition pursuant to Rule 19.44 of the GEM Listing Rules. Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of the approval of the Acquisition and the transactions contemplated thereunder.

A circular containing, among other things, details of the Acquisition and other information as required under the GEM Listing Rules is expected to be despatched to the Shareholders on or before 30 October 2017.

Completion is subject to fulfillment of the terms and conditions precedent set out in the Sale and Purchase Agreement, and the Acquisition may or may not proceed to the Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

(II) POSSIBLE CONTINUING CONNECTED TRANSACTIONS

Prior to the date of the Sale and Purchase Agreement, the Target Company has already entered into the CCT Agreements with the connected person of the Company. As such, upon Completion, the CCT Agreements and the transactions respectively contemplated thereunder will constitute continuing connected transactions of the Company under Rule 20.58 of the GEM Listing Rules.

As all the respective applicable percentage ratios other than the profit ratio (as defined under the GEM Listing Rules) of the aggregate annual rental amount payable by the Group are below 25% and the aggregate annual rental amount is less than HK\$10,000,000, pursuant to Rule 20.74 of the GEM Listing Rules, the Company is required to comply with the annual review and disclosure requirements, but is exempt from the circular (including independent financial advice) and shareholders' approval requirements if the Group continues to conduct the transactions under the CCT Agreements after Completion. When any of the CCT Agreements is renewed or its terms are varied after Completion, the Company will comply with the applicable requirements under Chapter 20 of the GEM Listing Rules.

(I) ACQUISITION

The Board is pleased to announce that, after trading hours on 9 October 2017, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendors entered into the Sale and Purchase Agreement in relation to the acquisition of the entire issued share capital of the Target Company at the aggregate consideration of HK\$45,000,000 in cash. Set out below are the principal terms of the Sale and Purchase Agreement.

Sale and Purchase Agreement

Date : 9 October 2017 (after trading hours)

Parties : (1) The Vendors
(2) The Purchaser

Each of the Vendors is an individual investor. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendors are Independent Third Parties.

Asset to be acquired

Pursuant to the Sale and Purchase Agreement, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire issued share capital of the Target Company.

Consideration

The aggregate Consideration is HK\$45,000,000 which shall be settled by the Purchaser in cash in the following manner:

- (a) an amount of HK\$10,000,000, being the refundable deposit (the “**Deposit**”) and the part payment towards the Consideration, shall be paid by the Purchaser to the Vendors within five (5) Business Days from the date of signing of the Sale and Purchase Agreement; and
- (b) an amount of HK\$35,000,000, being the remaining balance of the Consideration, shall be paid by the Purchaser to the Vendors upon Completion.

The Consideration was determined after arm's length negotiations between the Vendors and the Purchaser with reference to the preliminary valuation report of the Target Company on the valuation of the entire equity interest in the Target Company as at 31 July 2017 prepared by an independent professional valuer. Based on the aforesaid, the Directors (including the independent non-executive Directors) consider the terms and conditions of the Acquisition, including the Consideration, to be fair and reasonable and on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon fulfillment of the following conditions:

- (a) the Company having published the announcement and despatched the circular in relation to the Acquisition to the Shareholders, and the Sale and Purchase Agreement and the transactions contemplated thereunder having been approved in accordance with the GEM Listing Rules;
- (b) the Purchaser having completed the due diligence review in relation to the Target Company (including but not limited to legal, financial and commercial aspects) and having been satisfied with the results thereof;
- (c) the Vendors having provided the documents to prove that all necessary licenses, approvals and permits to carry on the business of the Target Company have been obtained; and
- (d) the warranties provided by the Vendors under the Sale and Purchase Agreement remaining true, accurate and not misleading in all respects as at the date of Completion as if they were as of the date of the Sale and Purchase Agreement.

In the event that the conditions precedent mentioned above cannot be fulfilled or has not been waived (save as conditions (a) and (c)) by the parties on or before 30 November 2017 (the “**Long Stop Date**”) or such later date as the Vendors and the Purchaser may agree in writing, the Sale and Purchase Agreement shall be terminated and neither party to the Sale and Purchase Agreement shall have any further obligations towards the other thereunder except for antecedent breaches (if any). The Vendors shall refund the Deposit in full to the Purchaser within five (5) Business Days after the termination of the Sale and Purchase Agreement.

Completion

Completion is expected to take place on the fifth (5) Business Day after the fulfilment or waiver (as the case may be) of the conditions (or such later date as the parties to the Sale and Purchase Agreement may agree in writing) mentioned above.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Purchaser and the financial results of the Target Company will be consolidated into the accounts of the Group.

Information on the Target Company

The Target Company is a company incorporated in Hong Kong with limited liability and it is an operator of an elderly residential care home with 207 residential care places in Yau Tong, Hong Kong. The Target Company, holding a licence of residential care home for the elderly, is managed by experienced health care professionals and provides 24-

hour comprehensive care for the elderly residents. The Target Company participates in the Enhanced Bought Place Scheme (the “**EBPS**”) of the Social Welfare Department (the “**SWD**”) and is classified as class EA2 under the EBPS, the second highest classification rated by the SWD under the EBPS.

The following sets forth the audited financial information of the Target Company for the two financial years ended 31 December 2016 and financial information of the Target Company for the six months ended 30 June 2017:

	Year ended 31 December		Six months
	2015	2016	ended
	<i>HK\$'000</i>	<i>HK\$'000</i>	30 June 2017
			<i>HK\$'000</i>
Profit before tax	<u>28</u>	<u>3,642</u>	<u>3,087</u>
Profit and total comprehensive income for the year/period	<u>22</u>	<u>3,061</u>	<u>2,577</u>

The audited net asset value of the Target Company as at 30 June 2017 was approximately HK\$4,127,000.

The accountant’s report of the Target Company shall be included in the circular to be despatched to the Shareholders in respect of the Acquisition.

Information on the Vendors

Each of the Vendors is an individual investor and each of them owned 50% of the entire issued share capital of the Target Company prior to the Acquisition. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Vendors are Independent Third Parties.

Information on the Group

The Group is an established operator of elderly residential care homes in Hong Kong providing comprehensive residential care home services to the elderly residents including: (a) 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 (b) the sale of healthcare and medical consumable products and the provision of customisable add-on healthcare services to the elderly residents. The Group derived its revenue from its self-owned and self-operated four “Shui On 瑞安” and one “Shui Hing 瑞興” branded elderly residential care homes across four districts in Hong Kong.

Reasons for and benefits of the Acquisition

The principal business of the Group is to provide residential care home services to elderly residents. In order to maintain the competitiveness of the Group in the elderly residential care home market in Hong Kong and strengthen the position of the Group by capturing a larger market shares in Hong Kong, the Group intends to expand the network of the elderly residential care homes in strategic locations in Hong Kong. Having considered, *inter alias*, the location of the Target Company, the number of the residential care places available for operation and potential of the Target Company, with reference to the prospectus of the Company dated 28 June 2017 in relation to the listing of the Shares on GEM (the “**Listing**”), the Directors hold positive view of the prospects of the Target Company and consider that the Acquisition would allow the Company to expand the network of the elderly residential care homes in strategic locations in Hong Kong, and the Acquisition is in line with the intention of the Company to apply the net proceeds from the Listing.

The Directors (including the independent non-executive Directors) are of the view that the Sale and Purchase Agreement was entered into after arm’s length negotiations between the Vendors and the Purchaser on normal commercial terms and the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Implications under the GEM Listing Rules

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition will constitute a major transaction of the Company under the GEM Listing Rules and is subject to notification, announcement, circular and shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules.

Pursuant to Rule 19.44 of the GEM Listing Rules, Shareholders’ approval of the Acquisition may be given by way of written Shareholders’ approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition; and (b) the written Shareholder’s approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at that general meeting to approve the Acquisition.

To the best of the Directors’ knowledge, information and belief, after making all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. As at the date of this announcement, Shui Wah held 248,700,000 Shares, representing approximately 62.18% of the issued share capital of the Company, and has given irrevocably and unconditional written approval of the Acquisition and the transactions contemplated thereunder on 9 October 2017. The written approval granted by Shui Wah can be

accepted in lieu of holding a general meeting for approving the Acquisition pursuant to Rule 19.44 of the GEM Listing Rules. Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of the approval of the Acquisition and the transactions contemplated thereunder.

A circular containing, among other things, details of the Acquisition and other information as required under the GEM Listing Rules is expected to be despatched to the Shareholders on or before 30 October 2017.

Completion is subject to fulfillment of the terms and conditions precedent set out in the Sale and Purchase Agreement, and the Acquisition may or may not proceed to the Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

(II) POSSIBLE CONTINUING CONNECTED TRANSACTIONS

Prior to the date of the Sale and Purchase Agreement, the Target Company has already entered into the CCT Agreements with the connected person of the Company. As such, upon Completion, the CCT Agreements and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under the GEM Listing Rules. Details of the CCT Agreements are summarised below:

(A) First Tenancy Agreement

Date: 30 June 2016 (as amended on 9 October 2017)

Parties: (1) Ever Premier Limited (as landlord)
(2) the Target Company (as tenant)

As at the date of this announcement, Ever Premier Limited is wholly-owned by Roymark Limited, the landlord of the Second Tenancy Agreement.

Premises: Shop 101–105, 127–142 and 158–165, 1st Floor, Ka Kwai Arcade, Yau Tong Centre, Nos. 2–6 Ka Wing Street, Yau Tong, Kowloon, Hong Kong

Term: 1 July 2016 to 30 June 2019 (both dates inclusive)

Rent: HK\$150,000 per month

Usage: operation of the elderly residential care home

(B) Second Tenancy Agreement

Date: 30 June 2016 (as amended on 9 October 2017)

Parties: (1) Roymark Limited (as landlord)
(2) the Target Company (as tenant)

As at the date of this announcement, Roymark Limited owns the entire issued share capital of Ever Premier Limited, the landlord of the First Tenancy Agreement.

Premises: Shop 67 on Ground Floor and Shop B on 1st Floor, Ka Fat Arcade, Yau Tong Centre, Nos. 2–6 Ka Wing Street, Yau Tong, Kowloon, Hong Kong

Term: 1 July 2016 to 30 June 2019 (both dates inclusive)

Rent: HK\$620,000 per month

Usage: operation of the elderly residential care home

Annual caps and determination

The annual caps under the CCT Agreements are as follows:

	From 1 July 2016 to 30 June 2017	From 1 July 2017 to 30 June 2018	From 1 July 2018 to 30 June 2019
First Tenancy Agreement	HK\$1,800,000	HK\$1,800,000	HK\$1,800,000
Second Tenancy Agreement	HK\$7,440,000	HK\$7,440,000	HK\$7,440,000
TOTAL	HK\$9,240,000	HK\$9,240,000	HK\$9,240,000

Rents of (a) the First Tenancy Agreement entered into between the Target Company and Ever Premier Limited and (b) the Second Tenancy Agreement entered into between the Target Company and Roymark Limited were determined after arm's length negotiation taking into account of the terms of the CCT Agreements, the location, the floor area of the premises and with reference to the then market leased premises rates and conditions, assuming that the market rent of the comparable premises would not have drastic changes during the remaining terms of the agreement.

Reasons for and benefits of the possible continuing connected transactions

Ever Premier Limited is a company incorporated in Hong Kong and is principally engaged in investment in properties in Hong Kong, which is wholly-owned by Roymark Limited. Roymark Limited is a company incorporated in Hong Kong and is principally engaged in investment in properties in Hong Kong.

Mr. Yik, an executive Director and a controlling shareholder of the Company within the meaning of the GEM Listing Rules, is also the director and one of the ultimate shareholders of both Ever Premier Limited and Roymark Limited. Therefore, Ever Premier Limited and Roymark Limited are the associates of a connected person of the Company under the GEM Listing Rules upon Completion.

The premises under the CCT Agreements are rented by the Target Company for the operation of the elderly residential care home as its ordinary course of business.

The Directors (excluding Mr. Yik who has abstained from voting on the relevant resolution in the meeting of the Board but including the independent non-executive Directors) are of the view that the CCT Agreements and the transactions respectively contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, their terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Implications under the GEM Listing Rules

All the applicable percentage ratios other than the profit ratios (as defined in the GEM Listing Rules of the aggregate annual rental amount payable by the Group is below 25% and the aggregate annual rental amount is less than HK\$10,000,000. Pursuant to Rule 20.74 of the GEM Listing Rules, the Company is required to comply with the annual review and disclosure requirements, but is exempt from the circular (including independent financial advice) and shareholders' approval requirements if the Group continues to conduct the transactions under the CCT Agreements after Completion. When any of the CCT Agreements is renewed or its terms are varied after Completion, the Company will comply with the applicable requirements under Chapter 20 of the GEM Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of the entire issued share capital of the Target Company upon and subject to the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“CCT Agreements”	collectively, the First Tenancy Agreement and the Second Tenancy Agreement
“Company”	Hang Chi Holdings Limited (恒智控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange (stock code: 8405)
“Completion”	completion of the Acquisition
“Consideration”	consideration of the Acquisition, being an aggregate amount of HK\$45,000,000
“Director(s)”	the director(s) of the Company
“First Tenancy Agreement”	a tenancy agreement dated 30 June 2016 entered into between the Target Company as tenant and Ever Premier Limited as landlord
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the GEM Listing Rules
“Mr. Yik”	Mr. Yik Tak Chi, an executive Director and a controlling shareholder of the Company within the meaning of the GEM Listing Rules
“Purchaser”	Shui On Nursing Home Holdings Limited (瑞安護老院集團有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 9 October 2017 entered into between the Vendors and the Purchaser in relation to the Acquisition
“Second Tenancy Agreement”	a tenancy agreement dated 30 June 2016 entered into between the Target Company as tenant and Roymark Limited as landlord
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shui Wah”	Shui Wah Limited (瑞樺有限公司), a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder (as defined under the GEM Listing Rules) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Shui Jun Nursing Centre (Yau Tong) Company Limited (瑞臻護老中心 (油塘) 有限公司), a company incorporated in Hong Kong with limited liability
“Vendors”	Mr. Hui Lung (許龍) and Mr. Chui Sai Ming (徐世明)
“%”	per cent

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

Hong Kong, 9 October 2017

As at the date of this announcement, 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.

This announcement, for which all the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and will also be published on the Company’s website at www.shuionnc.com.