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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, 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 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.*

FINANCIAL HIGHLIGHTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	Change % (approximate)
Consolidated statement of profit or loss and other comprehensive income			
Revenue	97,148	58,975	64.73%
EBITDA	11,836	13,307	-11.05%
Adjusted EBITDA (<i>Note 1</i>)	24,060	18,540	29.77%
Profit for the year	3,166	7,608	-58.39%
Adjusted profit for the year (<i>Note 2</i>)	15,390	12,841	19.85%
Consolidated statement of financial position			
Cash and bank balances	47,567	22,326	113.06%
Trade receivables	270	70	285.71%
Net assets value	137,781	74,124	85.88%

Note 1

Adjusted EBITDA represented by the EBITDA before deducting Listing expenses and crediting Share of profit of an associate and Gain on disposal of an associate.

Note 2

Adjusted profit for the year represented by the Profit for the year before deducting Listing expenses and crediting Share of profit of an associate and Gain on disposal of an associate.

The board of Directors (the “**Board**”) of the Company is pleased to present the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2017 (the “**Reporting Year**”). The audited consolidated financial statements of the Group have been reviewed by the audit committee of the Company.

BUSINESS REVIEW AND OUTLOOK

The Group is an established operator of elderly residential care homes in Hong Kong providing comprehensive residential care home services to the elderly residents including: (i) the provision of accommodation with dietician-managed meal plans, 24-hour nursing and caretaking assistance and professional services such as regular medical consultation, physiotherapy, occupational therapy, psychological and social care services; and (ii) the sale of healthcare and medical consumable products and the provision of customisable add-on healthcare services to the elderly residents. The Group derived its revenue from its self-owned and self-operated four “Shui On 瑞安”, one “Shui Hing 瑞興” and one “Shui Jun 瑞臻” branded elderly residential care homes across four districts in Hong Kong.

The shares of the Company (the “**Shares**”) were successfully listed on GEM of the Stock Exchange on 12 July 2017 (the “**Listing**”). The Directors believe that the Listing will assist the implementation of the Group’s business strategies as stated in the prospectus of the Company dated 28 June 2017 (the “**Prospectus**”). The net proceeds from the Listing will provide financial resources to the Group to pursue business opportunities and implement such business strategies, which will further strengthen the Group’s market position and facilitate its business expansion in Hong Kong. The public listing status will also enhance the Group’s corporate profile and assist in reinforcing its brand awareness and market reputation.

During the year, the Group acquired Shui Jun Nursing Centre (Yau Tong) Company Limited (“**Shui Jun (Yau Tong)**”) at the aggregate consideration of HK\$45,000,000. Shui Jun (Yau Tong) is an operator of an elderly residential care home with 207 residential care places in Yau Tong, Hong Kong and is classified as class EA2 under the Enhanced Bought Place Scheme (the “**EBPS**”) of the Social Welfare Department (the “**SWD**”). After the completion of the acquisition of Shui Jun (Yau Tong) in November 2017, the Group can provide 814 residential care places in total.

The Directors are of the view that the enormous demand for residential care home services is the key driver for the growth of the elderly residential care home industry in Hong Kong. With the Group’s experienced management team and reputation in the market, the Directors will continue to strive to achieve the business objectives as stated in the Prospectus.

OPERATING PERFORMANCE

Revenue

The breakdown of revenue by types of services provided by the Group for the Reporting Year and the year ended 31 December 2016 are set out as follows:

	2017	Percentage of segment revenue	2016	Percentage of segment revenue
	Revenue <i>HK\$'000</i>	Approximate %	Revenue <i>HK\$'000</i>	Approximate %
Rendering of elderly home care services				
– residential care places leased by the SWD under the EBPS	24,758	25.48%	13,321	22.59%
– residential care places leased by individual customers	53,144	54.71%	35,414	60.05%
– residential care places leased by non-governmental organisations	205	0.21%	139	0.24%
	<u>78,107</u>	<u>80.40%</u>	48,874	82.88%
Sales of elderly related goods and provision of healthcare services	<u>19,041</u>	<u>19.60%</u>	<u>10,101</u>	<u>17.12%</u>
Total	<u><u>97,148</u></u>	<u><u>100.00%</u></u>	<u><u>58,975</u></u>	<u><u>100.00%</u></u>

During the Reporting Year, the Group's revenue increased from approximately HK\$58,975,000 for the last year to approximately HK\$97,148,000, representing an approximately 64.73% 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\$48,874,000 for the last year to approximately HK\$78,107,000 for the Reporting Year, representing an approximately 59.81% increase.

- Residential care places leased by the SWD under the EBPS

During the Reporting Year, 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\$13,321,000 for the last year to approximately HK\$24,758,000, representing an approximately 85.86% increase.

The significant increment was mainly due to the number of elderly residential care homes classified as EA1 under the EBPS increased from one elderly residential care home for last year to two elderly residential care homes for the Reporting Year. Besides, Shui Jun (Yau Tong) which was acquired by the Group in November 2017 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\$35,414,000 for the last year to approximately HK\$53,144,000 for the Reporting Year, representing an approximately 50.06% increase.

The increment was mainly attributed by the increase in the total number of residential care places. During the Reporting Year, the Group owned and operated six elderly residential care homes with a total of 814 residential care places; while there were only five elderly residential care homes with a total of 589 residential care places for the last year. With the stabilised occupancy rate of all elderly residential care homes recorded for both the Reporting Year and the last year, the revenue amount increased.

- Residential care places leased by non-governmental organisations

The revenue derived from the non-governmental organisations which leased residential care places from the Group's elderly residential care homes increased from approximately HK\$139,000 for the last year to approximately HK\$205,000 for the Reporting Year, representing an approximately 47.48% 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\$10,101,000 for the last year to approximately HK\$19,041,000 for the Reporting Year, representing an approximately 88.51% increase.

Average occupancy rate of the elderly residential care homes

The average occupancy rates of the Group's elderly residential care homes for the Reporting Year and last year are set out as follows:

	2017	2016
	Approximate %	Approximate %
Average occupancy rate		
– elderly residential care homes under the EBPS	95.61%	98.41%
– non-EBPS elderly residential care homes	95.65%	94.68%

Staff costs

Staff costs are the largest component of the operating expenses, which comprised of wages, salaries, bonuses, long service payments, retirement benefit costs and other allowances and benefits payable to employees. Due to the increase in the number of elderly residential care homes operated by the Group, in turn, an increase in total number of staff, the amount of staff costs increased from approximately HK\$22,205,000 for the last year to approximately HK\$41,042,000 for the Reporting Year, representing an approximately 84.83% increase.

Property rental and related expenses

Property rental and related expenses mainly represented by the rental and ancillary office payments under operating leases related to the elderly residential care homes. With the increase in the number of residential care homes, the amount of property rental and related expenses increased from approximately HK\$9,576,000 for the last year to approximately HK\$17,175,000 for the Reporting Year representing an approximately 79.35% increase.

Listing expenses

Listing expenses comprised of professional and other expenses in relation to the Listing. Listing expenses of approximately HK\$12,224,000 and HK\$7,463,000 were recorded for the Reporting Year and last year respectively.

Profit for the year

During the Reporting Year, the Group's recorded a profit of approximately HK\$3,166,000 and approximately HK\$7,608,000 was noted for the last year. The decrease in profit for the Reporting Year was mainly due to the one-off Listing expenses incurred.

Adjusted profit for the year

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

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 Year, the Group's adjusted profit for the year increased by approximately 19.85% to approximately HK\$15,390,000 as compared to approximately HK\$12,841,000 for the last year.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL STRUCTURE

Liquidity

As at 31 December 2017, current assets amounted to approximately HK\$55,898,000 (2016: approximately HK\$29,527,000). Current liabilities were approximately HK\$18,029,000 (2016: approximately HK\$11,798,000).

Financial Resources

As at 31 December 2017, the Group had total cash and bank balances of approximately HK\$47,567,000 (2016: approximately HK\$22,326,000).

As at 31 December 2017, the Group had trade receivables of approximately HK\$270,000 (2016: approximately HK\$70,000).

Gearing

The gearing ratio of the Group as at 31 December 2017 was nil (2016: nil) as the Group was not in need of any material debt financing during the Reporting Year.

The approach of the Board to manage the Group's working capital is to ensure sufficient liquid assets to meet its matured liabilities so as to avoid any unacceptable losses or damage to the Group's reputation.

Capital Structure

The Shares were successfully listed on GEM of the Stock Exchange on 12 July 2017. There has been no change in the capital structure of the Company since then. The capital of the Company only comprises of ordinary shares.

As at 31 December 2017, the total equity of the Group was approximately HK\$137,781,000 (2016: approximately HK\$74,124,000).

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.03 per Share payable to shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company on Tuesday, 29 May 2018. Subject to approval by the Shareholders at the forthcoming annual general meeting of the Company to be held on Tuesday, 8 May 2018 (the “**AGM**”), it is expected that those dividends will be paid on Tuesday, 12 June 2018.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 31 December 2017, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed above and in the Prospectus, the Group does not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 9 October 2017, Shui On Nursing Home Holdings Limited (the “**Purchaser**”), a wholly-owned subsidiary of the Company and Mr. Hui Lung and Mr. Chui Sai Ming (the “**Vendors**”) entered into a sale and purchase agreement, pursuant to which the Vendors, conditionally agreed to sell and the Purchaser conditionally agreed to acquire the entire issued share capital of Shui Jun (Yau Tong) at the aggregate consideration of HK\$45,000,000 in cash (the “**Acquisition**”). Shui Jun (Yau Tong) is an operator of an elderly residential care home with 207 residential care places in Yau Tong, Hong Kong. The Acquisition was completed on 13 November 2017. For details, please refer to the announcements of the Company dated 9 October 2017 and 13 November 2017, and the circular of the Company dated 7 December 2017.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the Reporting Year.

FOREIGN EXCHANGE EXPOSURE

The Group’s sales and purchases were denominated in HK\$. As such, the Group has limited exposure to any significant foreign currency exchange risks. The Board does not expect any material impact on the Group’s operations caused by any foreign currency fluctuations. No financial instruments were employed by the Group for hedging purpose during the Reporting Year.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities (2016: nil).

CAPITAL EXPENDITURE

During the Reporting Year, the Group's capital expenditure amounted to approximately HK\$8,901,000 (2016: approximately HK\$5,867,000) which was used for the acquisition of plant and equipment in the elderly residential care homes.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2017, the Group employed 293 employees (2016: 200 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme has been adopted on 21 June 2017 for, among others, the employees of the Group.

USE OF PROCEEDS

The net proceeds from the Listing, after deducting listing related expenses, were approximately HK\$45,500,000.

An analysis of the utilisation of the net proceeds from the Listing as at 31 December 2017 is set out below:

Business strategies as stated in the Prospectus	Planned use of net proceeds as stated in the Prospectus up to 31 December 2017 HK\$'000	Actual use of net proceeds up to 31 December 2017 HK\$'000
Acquisition of an operating residential care home	25,000	25,000
Establishment of headquarters and on-the-job training centre	2,000	2,000
Renew and upgrade the facilities at our residential care homes	2,000	2,000
Upgrade information technology infrastructure	2,600	2,600
Working capital for other general corporate purposes	100	100

The Company currently intends to use the remaining of the net proceeds from the Listing in the manner consistent with that disclosed in the section headed "Statement of business objectives and use of proceeds" of the Prospectus.

The Directors will constantly evaluate the Group's business objectives and, where necessary, will change or modify the plans in viewing of the changing market condition to suit the business growth of the Group. All the unutilised balances have been placed in licensed banks in Hong Kong.

The audited financial information for the year ended 31 December 2017 together with the comparative figures for the last year were as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
REVENUE	4	97,148	58,975
Other income	4	4,522	2,643
Staff costs		(41,042)	(22,205)
Property rental and related expenses		(17,175)	(9,576)
Depreciation and amortisation		(5,400)	(2,851)
Food		(2,989)	(1,820)
Medical fees		(4,930)	(2,305)
Professional and legal fees		(2,534)	(1,213)
Utility expenses		(2,377)	(1,594)
Consumables		(1,283)	(849)
Other operating expenses		(5,280)	(3,042)
Listing expenses		(12,224)	(7,463)
Finance costs	6	–	(474)
Share of profit of an associate		–	206
Gain on disposal of an associate		–	2,024
		<hr/>	<hr/>
PROFIT BEFORE TAX	5	6,436	10,456
Income tax expense	7	(3,270)	(2,848)
		<hr/>	<hr/>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,166	7,608
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the parent		1,491	6,684
Non-controlling interests		1,675	924
		<hr/>	<hr/>
		3,166	7,608
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (<i>HK cents</i>)		0.43	2.23
		<hr/> <hr/>	<hr/> <hr/>

Details of the dividends during the reporting year are disclosed in note 8 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		As at 31 December	
	Notes	2017	2016
		HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		11,771	6,255
Intangible assets		8,636	6,864
Goodwill		79,940	43,724
Deferred tax assets		721	745
Total non-current assets		<u>101,068</u>	<u>57,588</u>
CURRENT ASSETS			
Trade receivables	10	270	70
Prepayments, deposits and other receivables		7,252	7,066
Due from a related company		–	5
Tax recoverable		809	60
Cash and bank balances		47,567	22,326
Total current assets		<u>55,898</u>	<u>29,527</u>
CURRENT LIABILITIES			
Trade payables	11	868	677
Other payables and accruals		15,154	10,818
Due to a related company		261	180
Tax payables		1,746	123
Total current liabilities		<u>18,029</u>	<u>11,798</u>
NET CURRENT ASSETS		<u>37,869</u>	<u>17,729</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>138,937</u>	<u>75,317</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,156	1,193
Total non-current liabilities		<u>1,156</u>	<u>1,193</u>
Net assets		<u>137,781</u>	<u>74,124</u>
EQUITY			
Equity attributable to the equity holder of the parent:			
Issued capital		4,000	–
Reserves		131,005	71,023
Non-controlling interests		135,005	71,023
		2,776	3,101
Total equity		<u>137,781</u>	<u>74,124</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Hang Chi Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, with the registered address of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. In the opinion of the directors, the holding company of the Company is Shui Wah Limited, which is incorporated in the British Virgin Islands (“**BVI**”). The Company’s ultimate controlling shareholder is Mr. Yik Tak Chi.

During the year, the Group was principally engaged in the operation of elderly residential care homes in Hong Kong.

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements

Amendments to IAS 7	<i>Disclosure Initiative</i>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to IFRS 12 included in <i>Annual Improvements 2014–2016 Cycle</i>	<i>Disclosure of Interests in Other Entities</i>

The adoption of the revised IFRSs has had no significant financial effect on these financial statements.

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 locations of assets and excludes financial instruments and deferred tax assets.

Information about a major customer

Revenue of approximately HK\$24,758,000 for the year ended 31 December 2017 (year ended 31 December 2016: HK\$13,321,000), which amounted to more than 10% of the Group's revenue, was derived from the Hong Kong Government under the Enhanced Bought Place Scheme.

4. REVENUE AND OTHER INCOME

Revenue represents the value of services rendered and the net invoiced value of goods sold during the year.

An analysis of revenue and other income is as follows:

	Year ended 31 December	
	2017 HK\$'000	2016 HK\$'000
Revenue		
Rendering of elderly home care services	78,107	48,874
Sale of elderly related goods and provision of healthcare services	19,041	10,101
	<u>97,148</u>	<u>58,975</u>
Other income		
Government grants	2,748	1,298
Sundry income	399	135
Rental income	565	391
Management fee income	–	610
Others	444	207
Bank interest income	366	2
	<u>4,522</u>	<u>2,643</u>

5. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2017 HK\$'000	2016 HK\$'000
Cost of inventories sold	7,234	4,084
Depreciation	3,116	1,554
Amortisation of intangible assets	2,284	1,297
Auditors' remuneration	1,300	1,000
Employee benefit expense excluding Directors' and chief executive's remuneration:		
– Wages and salaries	36,361	19,808
– Pension scheme contributions	1,289	706
	<u>37,650</u>	<u>20,514</u>
Healthcare referral service charges*	629	300
Minimum lease payments under operating leases of land and buildings	17,175	9,576
Bank interest income**	(366)	(2)
Government grants**	(2,748)	(1,298)
	<u>(2,748)</u>	<u>(1,298)</u>

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

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

6. FINANCE COSTS

	Year ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
Finance costs	–	474

7. INCOME TAX

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 (year ended 31 December 2016: 16.5%).

	Year ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	3,846	3,055
Deferred tax	(576)	(207)
Total tax charge for the year	<u>3,270</u>	<u>2,848</u>

8. DIVIDENDS

	Year ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
Proposed final – HK3.00 cents (2016: Nil) per ordinary share	<u>12,000</u>	<u>–</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The distribution amounts set out in the consolidated statements of changes in equity of HK\$2,000,000 for the year ended 31 December 2017 represented the dividends declared by Shui On Nursing Centre (Kwai Shing E.) Co. Limited, a non-wholly owned subsidiary of the Company, to its non-controlling shareholders.

9. 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 year ended 31 December 2017 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 347,123,288 (year ended 31 December 2016: 300,000,000) in issue during the year, as adjusted to reflect the rights issue during the year.

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

The calculation of basic earnings per share is based on:

	Year ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	<u>1,491</u>	<u>6,684</u>
	Year ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation*	<u>347,123,288</u>	<u>300,000,000</u>

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

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2016 and 2017 as the Group had no potentially dilutive ordinary shares in issue during these years.

10. TRADE RECEIVABLES

	As at 31 December	
	2017	2016
	HK\$'000	HK\$'000
Trade receivables	<u>270</u>	<u>70</u>

The Group normally requires with its customers payment in advance. The Group's customers settle their bills in a timely manner and therefore, the Group's exposure to credit risks is insignificant.

The Group's trade receivables as at the end of the reporting period, based on the date of the service rendered, had maturity of less than three months and no impairment loss was recognised.

The carrying amounts of trade receivables approximate to their fair values.

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of reporting period, based on the invoice date, is as follows:

	As at 31 December	
	2017	2016
	HK\$'000	HK\$'000
Within 3 months	<u>868</u>	<u>677</u>

The trade payables are non-interest-bearing and are normally settled between 30 and 60 days. The carrying amounts of trade payables approximate to their fair values.

12. EVENTS AFTER THE RELEVANT PERIODS

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

CORPORATE GOVERNANCE PRACTICES

The Company places high value on the corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of the Shareholders.

During the period from the date of the Listing to 31 December 2017 (the “**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**”) contained in Appendix 15 to the GEM Listing Rules, except for the deviation from the code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

During the Period, Mr. Yik Tak Chi (“**Mr. Yik**”) was the chairman and the CEO. As Mr. Yik has been providing strong and consistent leadership to the Group, the Board believes that having him performing both functions would provide a more effective strategic planning and overall management to the Group. Besides, considering that Mr. Yik had more than 23 years of experience in the operation and management of elderly residential care homes, and had a good understanding of the trends and policy changes in the elderly residential care home industry, the Board believed that it was in the best interest of the Group to have Mr. Yik taking up both roles for effective management and business development for the Group. Accordingly, the Company did not segregate the roles of the chairman and chief executive officer as required by code provision A.2.1 of the CG Code.

In order to enhance the Company’s corporate governance practices and enable the Company to better comply with the CG Code, Mr. Yik has resigned as the CEO and Mr. Lui Chi Tat (“**Mr. Lui**”) has been appointed as the CEO with effect from 22 January 2018. For details, please refer to the announcement of the Company dated 22 January 2018.

INTEREST OF COMPLIANCE ADVISER

As confirmed by the Company’s compliance adviser, Guotai Junan Capital Limited (the “**Compliance Adviser**”), as at 31 December 2017, save and except for the compliance adviser’s agreement entered into between the Company and the Compliance Adviser dated 14 February 2017, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

CODE OF CONDUCT OF DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings (the “**Required Standard of Dealings**”) as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. In response to the specific enquiry made by the Company, all Directors confirmed that they fully complied with the Required Standard of Dealings throughout the Period.

COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

For the Reporting Year, 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.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme on 21 June 2017 (the “**Scheme**”) which is valid and effective for a period of 10 years from 21 June 2017. The purpose of the Scheme is to reward eligible persons who have contributed or are expected to contribute to the Group.

No share option was granted, exercised or cancelled by the Company under the Scheme from during the Reporting Year and there was no outstanding share option as at the date of this announcement.

ARRANGEMENTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the paragraph headed “Share Option Scheme” above, at no time during the Reporting Year, 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 from the Listing Date to the date of this announcement.

CONTINUING CONNECTED TRANSACTIONS

Prior to the date of the sale and purchase agreement dated 9 October 2017 regarding the acquisition of Shui Jun (Yau Tong) (the “**Acquisition**”), Shui Jun (Yau Tong) had already entered into tenancy agreements (the “**CCT Agreements**”) with Ever Premier Limited and Roymark Limited. Mr. Yik 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. As such, upon the completion of the Acquisition on 13 November 2017, the CCT Agreements and the transactions contemplated thereunder have constituted continuing connected transactions of the Company under the GEM Listing Rules.

The premises under the CCT Agreements are rented by Shui Jun (Yau Tong) for the operation of the elderly residential care home as its ordinary course of business from 1 July 2016 to 30 June 2019 at the monthly rental of HK\$150,000 and HK\$620,000 per month.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive Directors, who are of the view that the transactions 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.

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.

The company’s auditor was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the annual report in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

The Group confirms that it complies and will continue to comply with the relevant provisions of Chapter 20 of the GEM Listing Rules in relation to the continuing connected transactions of the Company.

SUBSEQUENT EVENTS

On 22 January 2018, Mr. Yik resigned as the CEO. Mr. Yik remains as the Chairman, an executive Director and the chairman of the nomination committee of the Company. Mr. Lui was appointed as the CEO with effect from the same date. Please refer to the announcement of the Company dated 22 January 2018.

The Company was informed by Top Champ Ventures Limited (“**Top Champ**”) that on 26 January 2018, Top Champ as vendor had sold and Ms. Woo Pui Kei Betty as purchaser had purchased 36,000,000 Shares in the Company (representing 9% of the issued share capital of the Company). Since then, Top Champ has ceased to have any interests in the Shares. Please refer to the announcement of the Company dated 26 January 2018.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2017 as set out in this announcement have been agreed by the Group’s independent auditor, Ernst & Young, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established an audit committee (the “**Audit Committee**”) with written terms of reference aligned with the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. Kwok Chi Shing, Mr. Lau Tai Chim and Mr. Wong Wai Ho. The main role and functions of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company’s financial reporting, risk management and internal control systems.

The Audit Committee has reviewed with the management and the independent auditor of the Company the annual results and the audited consolidated financial statements of the Group for the Reporting Year, which are of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 8 May 2018. A formal notice of the AGM will be published and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

(A) Entitlement to Attend and Vote at the AGM

For determining the Shareholders' eligibility to attend and vote at the forthcoming AGM to be held on Tuesday, 8 May 2018, the register of members of the Company will be closed from Thursday, 3 May 2018 to Tuesday, 8 May 2018, both days inclusive, during which period no transfer of Shares will be registered. The record date will be Tuesday, 8 May 2018. In order to qualify for attending and voting at the AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 2 May 2018.

(B) Entitlement to the Proposed Final Dividend

For the purposes of determining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 24 May 2018 to Tuesday, 29 May 2018, both days inclusive. The record date will be Tuesday, 29 May 2018. In order to qualify for the entitlement of the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Wednesday, 23 May 2018. If the resolution for approving the proposed final dividend is passed at the AGM, the proposed final dividend will be payable on Tuesday, 12 June 2018.

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

Hong Kong, 20 March 2018

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.