



Hang Chi Holdings Limited 恒智控股有限公司

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

2018
Interim Report



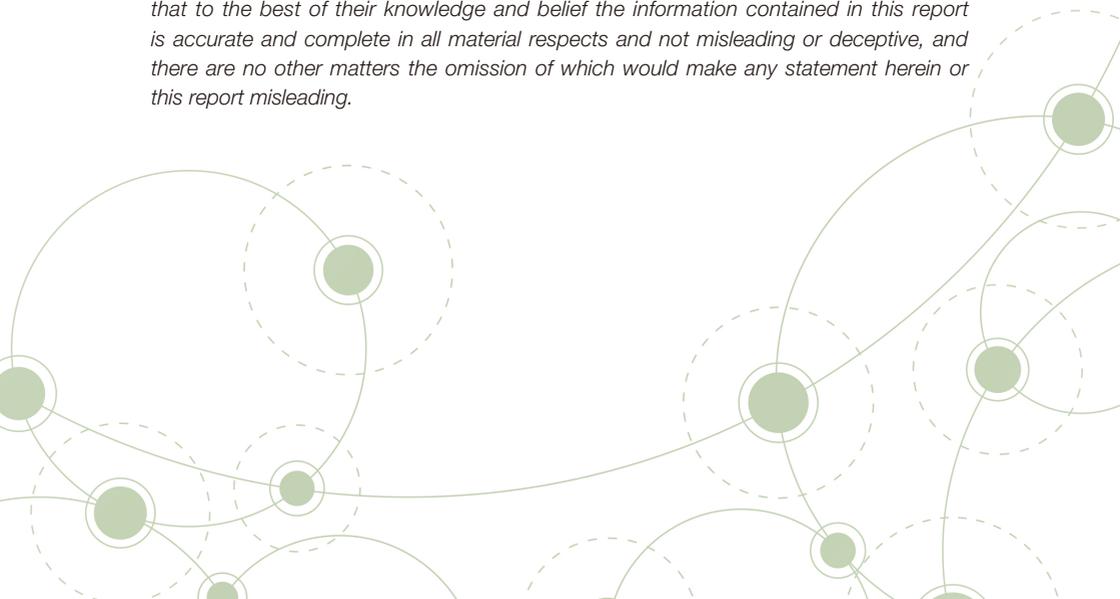
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This report, for which the directors (the “Directors”) of Hang Chi Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities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





CONTENTS

3	Corporate Information
5	Financial Highlights
6	Management Discussion and Analysis
13	Other Information
19	Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
20	Interim Condensed Consolidated Statement of Financial Position
22	Interim Condensed Consolidated Statement of Changes in Equity
23	Interim Condensed Consolidated Statement of Cash Flows
24	Notes to Interim Condensed Consolidated Financial Statements



Corporate Information

Board of Directors

Executive Directors

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

Non-executive Director

Mr. Lau Joseph Wan Pui

Independent non-executive Directors

Mr. Kwok Chi Shing
 Mr. Lau Tai Chim
 Mr. Wong Wai Ho

Board Committees

Audit Committee

Mr. Kwok Chi Shing (*Chairman*)
 Mr. Lau Tai Chim
 Mr. Wong Wai Ho

Nomination Committee

Mr. Yik Tak Chi (*Chairman*)
 Mr. Lau Tai Chim
 Mr. Wong Wai Ho

Remuneration Committee

Mr. Lau Joseph Wan Pui (*Chairman*)
 Mr. Kwok Chi Shing
 Mr. Lau Tai Chim

Company Secretary

Ms. Leung Pui Shan (*HKICPA*)

Authorised Representatives

Mr. Chung Kin Man
 Ms. Leung Pui Shan

Compliance Officer

Mr. Chung Kin Man

Compliance Adviser

Guotai Junan Capital Limited

Registered Office

Cricket Square
 Hutchins Drive
 PO Box 2681
 Grand Cayman, KY1-1111
 Cayman Islands

Headquarters and Principal Place of Business in Hong Kong

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

Auditors

Ernst & Young
Certified Public Accountants

Principal Bankers

Hang Seng Bank Limited
 Wing Lung Bank Limited
 Bank of China (Hong Kong) Limited

Corporate Information

Principal Share Registrar and Transfer Office in the Cayman Islands

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

Branch Share Registrar and Transfer Office in Hong Kong

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

Stock Code

8405

Company's Website

www.shuionnc.com

Contact Information

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Financial Highlights

	Six months ended 30 June		
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	Change % (approximate)
Statement of profit or loss and other comprehensive income			
Revenue	65,906	45,549	44.69%
EBITDA	15,390	7,766	98.17%
Adjusted EBITDA ^(Note 1)	15,390	13,507	13.94%
Profit for the period	9,552	3,376	182.94%
Adjusted profit for the period ^(Note 2)	9,552	9,117	4.77%

	30 June		
	2018 HK\$'000 (unaudited)	31 December 2017 HK\$'000 (audited)	Change % (approximate)
Statement of financial position			
Cash and bank balances	48,364	47,567	1.68%
Trade receivables	113	270	-58.15%
Net assets value	135,333	137,781	-1.78%

Notes:

- Adjusted EBITDA represented by the EBITDA before deducting Listing expenses and crediting Share of profits and losses of an associate and Gain on disposal of an associate.
- Adjusted profit for the period represented by the Profit for the period before deducting Listing expenses and crediting Share of profits and losses of an associate and Gain on disposal of an associate.

Management Discussion and Analysis

Business Review and Outlook

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

The Directors are of the view that the enormous demand for residential care home services is the key driver for the growth of the elderly residential care home industry in Hong Kong. With the Group’s experienced management team and reputation in the market, the Directors will continue to strive to achieve the business objectives as stated in the Company’s prospectus dated 28 June 2017 (the “Prospectus”) in connection with the listing the shares of the Company (the “Shares”) on GEM of the Stock Exchange (the “Listing”).



Management Discussion and Analysis

Operating Performance

Revenue

The breakdown of revenue by types of services provided by the Group for the six months ended 30 June 2018 (the “Reporting Period”) and 2017 are set out as follows:

	Six months ended 30 June			
	2018		2017	
	Revenue HK\$'000	Approximate percentage of segment revenue	Revenue HK\$'000	Approximate percentage of segment revenue
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”)	14,248	21.62%	11,948	26.23%
– residential care places leased by individual customers	36,833	55.89%	25,658	56.33%
– residential care places leased by non-governmental organisations	163	0.24%	103	0.23%
Sales of elderly related goods and provision of healthcare services	51,244	77.75%	37,709	82.79%
	14,662	22.25%	7,840	17.21%
Total	65,906	100.00%	45,549	100.00%

Corporate Information

Financial Highlights

Management Discussion and Analysis

Management Discussion and Analysis

During the Reporting Period, the Group's revenue increased from approximately HK\$45,549,000 for the same period last year to approximately HK\$65,906,000, representing an approximately 44.69% 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\$37,709,000 for the same period last year to approximately HK\$51,244,000 for the Reporting Period, representing an approximately 35.89% 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\$11,948,000 for the same period last year to approximately HK\$14,248,000, representing an approximately 19.25% increase.

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

- *Residential care places leased by individual customers*

The revenue derived from rendering of elderly home care services for individual customers, together with the unsubsidised portions paid by individual customers under the EBPS increased from approximately HK\$25,658,000 for the same period last year to approximately HK\$36,833,000 for the Reporting Period, representing an approximately 43.55% increase.

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



Management Discussion and Analysis

- *Residential care places leased by non-governmental organisations*

The revenue derived from the non-governmental organisations which leased residential care places from the Group's elderly residential care homes increased from approximately HK\$103,000 for the same period last year to approximately HK\$163,000 for the Reporting Period, representing an approximately 58.25% 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\$7,840,000 for the same period last year to approximately HK\$14,662,000 for the Reporting Period, representing an approximately 87.02% 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:

	Six months ended 30 June	
	2018 approximate	2017 approximate
Average occupancy rates		
– elderly residential care homes under the EBPS	96.85%	94.56%
– non-EBPS elderly residential care homes	94.01%	96.25%

Staff costs

Staff costs are the largest component of the operating expenses, which comprised of wages, salaries, bonuses, long service payments, retirement benefit costs and other allowances and benefits payable to employees. Due to the increase in the number of elderly residential care homes operated by the Group which lead to an increase in total number of staff, the amount of staff costs increased from approximately HK\$18,414,000 for the same period last year to approximately HK\$28,154,000 for the Reporting Period, representing an approximately 52.89% increase.

Management Discussion and Analysis

Property rental and related expenses

Property rental and related expenses mainly represented by the rental and ancillary office payments under operating leases related to the elderly residential care homes. With the increase in the number of residential care homes, the amount of property rental and related expenses increased from approximately HK\$7,797,000 for the same period last year to approximately HK\$13,212,000 for the Reporting Period, representing an approximately 69.45% increase.

Listing expenses

Listing expenses comprised of professional and other expenses in relation to the Listing. Listing expenses of approximately nil and HK\$5,741,000 were recorded for the Reporting Period and the same period last year respectively.

Profit for the period

During the Reporting Period, the Group's profit for the period increased by approximately 182.94% to approximately HK\$9,552,000 as compared to approximately HK\$3,376,000 for the same period last year. The significant increment was mainly due to the total number of elderly residential care homes owned and operated by the Group increased from five in the same period last year to six during the Reporting Period and no Listing expense was recorded during the Reporting Period.

Adjusted profit for the period

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

The Group presented this financial measure as it is useful to evaluate the financial performance by excluding the impact of the above items, in which these items were not indicative of the Group's ordinary operating performance and will no longer be outstanding subsequently to the Listing.

During the Reporting Period, the Group's adjusted profit for the period increased by approximately 4.77% to approximately HK\$9,552,000 as compared to approximately HK\$9,117,000 for the same period last year.



Management Discussion and Analysis

Liquidity, Financial Resources, Gearing and Capital Structure

Liquidity

As at 30 June 2018, current assets amounted to approximately HK\$56,862,000 (31 December 2017: approximately HK\$55,898,000). Current liabilities were approximately HK\$18,641,000 (31 December 2017: approximately HK\$18,029,000).

Financial Resources

As at 30 June 2018, the Group had total cash and bank balances of approximately HK\$48,364,000 (31 December 2017: approximately HK\$47,567,000).

As at 30 June 2018, the Group had trade receivables of approximately HK\$113,000 (31 December 2017: approximately HK\$270,000).

Gearing

The gearing ratio of the Group as at 30 June 2018 was nil (31 December 2017: nil) as the Group was not in need of any material debt financing during the Reporting Period.

The approach of the board of Directors (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 30 June 2018, the total equity of the Group was approximately HK\$135,333,000 (31 December 2017: approximately HK\$137,781,000).

Significant Investments Held by the Group

As at 30 June 2018, 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.

Management Discussion and Analysis

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the Reporting Period.

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 Period.

Contingent Liabilities

As at 30 June 2018, the Group had no material contingent liabilities (31 December 2017: nil).

Capital Expenditure

During the Reporting Period, the Group's capital expenditure amounted to approximately HK\$566,000 (30 June 2017: approximately HK\$1,062,000) which was used for the acquisition of plant and equipment in the elderly residential care homes.

Human Resources and Remuneration Policy

As at 30 June 2018, the Group had 248 employees (30 June 2017: 208 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. In addition, a share option scheme (the "Scheme") has been adopted on 21 June 2017 for, among others, the employees of the Group.

Use of Proceeds

The net proceeds from the Listing (the "Net Proceeds"), after deducting Listing related expenses, were approximately HK\$45,500,000. As at 30 June 2018, (i) approximately HK\$25,000,000 from the Net Proceeds had been applied by the Group towards the acquisition of an operating elderly residential care home; and (ii) approximately HK\$6,700,000 from the Net Proceeds had been applied towards establishment of the headquarters and on-the-job training centres, and upgrade of the elderly residential care homes of the Group. The unused Net Proceeds in the amount of approximately HK\$13,800,000 were deposited in the bank account of the Group 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 has adopted and complied with, where applicable, the code provisions set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules.

Interests of Compliance Adviser

As confirmed by the Company's compliance adviser, Guotai Junan Capital Limited (the "Compliance Adviser"), as at 30 June 2018, save and except for the compliance adviser's agreement entered into between the Company and the Compliance Adviser dated 14 February 2017, neither the Compliance Adviser nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

Code of Conduct of Directors' Securities Transactions

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

Competing Business of Directors and Controlling Shareholders

For the Reporting Period, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) are engaged in any business that competes or may complete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the Reporting Period.

Other Information

Share Option Scheme

The Company has adopted the Scheme on 21 June 2017 which is valid and effective for a period of 10 years from 21 June 2017.

The purpose of the Scheme is to enable the Company to grant share options to the eligible persons as incentives or rewards for their contributions to the Group. Eligible persons of the Scheme include any full-time or part-time employee of the Company or any member of the Group, including any executive directors, non-executive directors and independent non-executive directors, suppliers, customers, agents, advisors and consultants of the Group who, in the sole opinion of the Board, will contribute or have contributed to the Group. The principal terms of the Scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix IV to the Prospectus.

No share option was granted, exercised or cancelled by the Company under the Scheme during the Reporting Period and there was no outstanding share option as at 30 June 2018.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 30 June 2018, interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the Shares

Name of Director	Capacity/Nature of interests	Number of Shares held/interested in	Approximate percentage of shareholding ^(Note 1)
Mr. Yik Tak Chi	Interest of controlled corporation ^(Note 2)	248,700,000	62.18%



Other Information

Notes:

1. The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at 30 June 2018.
2. These 248,700,000 Shares are held by Shui Wah Limited ("Shui Wah"), a company incorporated in the British Virgin Islands. Shui Wah is owned as to 89.11% by Lucky Expert Investment Limited ("Lucky Expert"), which is in turn owned as to 59.88% by Hang Chi Development & Investment Limited ("Hang Chi"). Mr. Yik Tak Chi ("Mr. Yik") indirectly owns the entire issued share capital of Hang Chi through Multifield Investment Development Limited ("Multifield"). By virtue of the SFO, Mr. Yik is deemed to be interested in the same number of shares in Lucky Expert held by Hang Chi, same number of shares in Shui Wah held by Lucky Expert, and same number of Shares held by Shui Wah.

Long Positions in the ordinary shares of associated corporation

Name of Directors	Name of associated corporation	Capacity/ Nature of interests	Number of Shares held/ interested in	Percentage of shareholding
Mr. Yik Tak Chi	Multifield	Beneficial owner ^(Note)	1	100.00%
	Hang Chi	Interest of controlled corporation ^(Note)	20,000	100.00%
	Lucky Expert	Interest of controlled corporation ^(Note)	5,988	59.88%
	Shui Wah	Interest of controlled corporation ^(Note)	8,911	89.11%
Mr. Chung Kin Man	Lucky Expert	Beneficial owner	493	4.93%
Ms. Chung Wai Man	Lucky Expert	Beneficial owner	602	6.02%

Note:

The Company is owned as to approximately 62.18% by Shui Wah. Shui Wah is owned as to 89.11% by Lucky Expert, which is in turn owned as to 59.88% by Hang Chi. Mr. Yik indirectly owns the entire issued share capital of Hang Chi through Multifield. By virtue of the SFO, Mr. Yik is deemed to be interested in the same number of shares in Lucky Expert held by Hang Chi, same number of shares in Shui Wah held by Lucky Expert and same number of Shares held by Shui Wah; and Multifield, Hang Chi, Lucky Expert and Shui Wah are associated corporations of the Company.

Other Information

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which was required to be notified the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or otherwise to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

As at 30 June 2018, as far as known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had the interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in the Shares

Name of Shareholders	Capacity/ Nature of interests	Number of Shares held/ interested in	Approximate percentage of shareholding ^(Note 1)
Multifield	Interest of controlled corporation ^(Note 2)	248,700,000	62.18%
Hang Chi	Interest of controlled corporation ^(Note 2)	248,700,000	62.18%
Lucky Expert	Interest of controlled corporation ^(Note 2)	248,700,000	62.18%
Shui Wah	Beneficial owner ^(Note 2)	248,700,000	62.18%
Ms. Yik Wai Hang	Interest held jointly with other person ^(Note 3)	248,700,000	62.18%
Ms. Chung Shuk Man	Interest of spouse ^(Note 4)	248,700,000	62.18%
Ms. Woo Pui Kei Betty	Beneficial owner	36,000,000	9.00%



Other Information

Notes:

1. The approximate percentage of shareholding is calculated based on 400,000,000 Shares in issue as at 30 June 2018.
2. These 248,700,000 Shares are held by Shui Wah. Shui Wah is owned as to 89.11% by Lucky Expert, which is in turn owned as to 59.88% by Hang Chi. Mr. Yik indirectly owns the entire issued share capital of Hang Chi through Multifield. By virtue of the SFO, each of Mr. Yik, Multifield, Hang Chi and Lucky Expert is deemed to be interested in all the Shares held by Shui Wah.
3. On 13 December 2016, Mr. Yik, Multifield, Hang Chi and Ms. Yik Wai Hang entered into an acting in concert agreement (the "Acting In Concert Agreement") to acknowledge and confirm, among other things, that they are parties acting in concert (having the meaning as ascribed thereto in The Codes on Takeovers and Mergers and Share Buy-backs) in respect of each of the members of the Group from the date of which both Mr. Yik and Ms. Yik Wai Hang became the shareholders of Shui On Nursing Home Holdings Limited (i.e. 31 July 2013) and will continue to be parties acting in concert until such arrangement is terminated in writing by them pursuant to the Acting In Concert Agreement. As such, they are deemed to be interested in the Shares held by the others. As at the date of this report, Mr. Yik, Multifield, Hang Chi and Ms. Yik Wai Hang were controlling approximately 62.18% of the issued share capital of the Company.
4. Ms. Chung Shuk Man is the spouse of Mr. Yik. By virtue of the SFO, Ms. Chung Shuk Man is deemed to be interested in all the Shares in which Mr. Yik is interested.

Save as disclosed above, and as at 30 June 2018, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

Audit Committee and Review of Interim 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 interim results 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 August 2018

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



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

For the six months ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
REVENUE	4	65,906	45,549
Other income	4	2,678	2,068
Staff costs		(28,154)	(18,414)
Property rental and related expenses		(13,212)	(7,797)
Depreciation and amortisation		(3,729)	(2,450)
Food		(1,978)	(1,383)
Medical fees		(3,408)	(2,190)
Professional and legal fees		(2,128)	(725)
Utility expenses		(1,448)	(952)
Consumables		(664)	(591)
Other operating expenses		(2,202)	(2,058)
Listing expenses		-	(5,741)
PROFIT BEFORE TAX	5	11,661	5,316
Income tax expenses	6	(2,109)	(1,940)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		9,552	3,376
Attributable to:			
Owners of the parent		8,844	2,454
Non-controlling interests		708	922
		9,552	3,376
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
- Basic and diluted (HK cents)	8	2.21	0.82

Other Information

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

Interim Condensed Consolidated Statement of Financial Position

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

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2018

		As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	10,301	11,771
Intangible assets		6,943	8,636
Goodwill		79,940	79,940
Deferred tax assets		714	721
Total non-current assets		97,898	101,068
CURRENT ASSETS			
Trade receivables	10	113	270
Prepayments, deposits and other receivables		7,759	7,252
Tax recoverable		626	809
Cash and bank balances		48,364	47,567
Total current assets		56,862	55,898
CURRENT LIABILITIES			
Trade payables	11	990	868
Other payables and accruals		14,169	15,154
Due to a related company		288	261
Tax payables		3,194	1,746
Total current liabilities		18,641	18,029
NET CURRENT ASSETS		38,221	37,869
TOTAL ASSETS LESS CURRENT LIABILITIES		136,119	138,937

Other Information

Interim Condensed Consolidated
Statement of Profit or Loss and
Other Comprehensive IncomeInterim Condensed Consolidated
Statement of Financial Position



Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	786	1,156
Total non-current liabilities	786	1,156
Net assets	135,333	137,781
EQUITY		
Equity attributable to the equity holder of the parent:		
Issued capital	4,000	4,000
Reserves	127,849	131,005
	131,849	135,005
Non-controlling interests	3,484	2,776
Total equity	135,333	137,781

Other Information

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

Interim Condensed Consolidated
Statement of Financial Position

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Issued capital	Share premium*	Merger reserve*	Other reserve*	Retained profits*			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At 31 December 2017 and 1 January 2018	4,000	109,298	5	(1,046)	22,748	135,005	2,776	137,781
Profit and total comprehensive income for the period	-	-	-	-	8,844	8,844	708	9,552
Final dividend declared	-	-	-	-	(12,000)	(12,000)	-	(12,000)
At 30 June 2018 (unaudited)	4,000	109,298	5	(1,046)	19,592	131,849	3,484	135,333

For the six months ended 30 June 2017

	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Issued capital	Share premium*	Merger reserve*	Other reserve*	Retained profits*			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
At 31 December 2016 and 1 January 2017	-	50,807	5	(1,046)	21,257	71,023	3,101	74,124
Profit and total comprehensive income for the period	-	-	-	-	2,454	2,454	922	3,376
Interim dividend declared	-	-	-	-	-	-	(2,000)	(2,000)
At 30 June 2017 (unaudited)	-	50,807	5	(1,046)	23,711	73,477	2,023	75,500

* These reserve accounts comprise the consolidated reserves of HK\$127,849,000 and HK\$73,477,000 in the interim condensed consolidated statement of financial position as at 30 June 2018 and 2017, respectively.



Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	11,661	5,316
Total adjustments	3,729	2,451
Total working capital adjustments	(1,186)	94
Cash generated from operations	14,204	7,861
Income tax paid	(841)	–
Net cash flows from operating activities	13,363	7,861
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	(566)	(1,062)
Net cash flows used in investing activities	(566)	(1,062)
CASH FLOWS FROM FINANCING ACTIVITY		
Dividend paid	(12,000)	(2,000)
Net cash flows used in financing activity	(12,000)	(2,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	797	4,799
Cash and cash equivalents at beginning of period	47,567	22,326
CASH AND CASH EQUIVALENTS AT END OF PERIOD	48,364	27,125
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the consolidated statements of financial position	48,364	27,125
Cash and cash equivalents as stated in the consolidated statements of cash flows	48,364	27,125

Interim Condensed Consolidated Statement of Changes in Equity

Interim Condensed Consolidated Statement of Cash Flows

Notes to Interim Condensed Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. Corporate Information

Hang Chi Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 16 February 2016. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, with the registered address of Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the operation of elderly residential care homes in Hong Kong.

The Company became the holding company of the subsidiaries now comprising the Group upon completion of a reorganisation (the “Reorganisation”) on 31 August 2016. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

The Company’s shares were listed on GEM of The Stock Exchange of Hong Kong Limited on 12 July 2017.

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2017.

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



Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2.2 Summary of Significant Accounting Policies

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of revised International Financial Reporting Standards ("IFRSs") as noted below.

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

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

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

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

Financial assets

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

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2.2 Summary of Significant Accounting Policies *(Continued)*

Financial assets *(Continued)*

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

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

Financial liabilities

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

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

Impairment

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

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

(i) *Classification and measurement of financial instruments*

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

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



Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

2.2 Summary of Significant Accounting Policies (Continued)

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

3. Operating Segment Information

For management purposes, the Group has only one reportable operating segment, which is the operation of residential care homes. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Geographical information is not presented since all of the Group's revenue from external customers is generated in Hong Kong and all of the non-current assets of the Group are located in Hong Kong. The non-current asset information is based on the location of assets and excludes financial instruments and deferred tax assets.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

3. Operating Segment Information (Continued)

Information about a major customer

Revenue of approximately HK\$14,248,000 and HK\$11,948,000 for the six months ended 30 June 2018 and 2017, respectively, was derived from the Hong Kong Government under the Enhanced Bought Place Scheme, which amounted to more than 10% of the Group's revenue.

4. Revenue and Other Income

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

An analysis of revenue and other income is as follows:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Rendering of elderly home care services	51,244	37,709
Sales of elderly related goods and provision of healthcare services	14,662	7,840
	65,906	45,549
Other income		
Government grants	1,683	1,485
Sundry income	477	92
Rental income	417	275
Bank interest income	63	–
Others	38	216
	2,678	2,068



Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

5. Profit before Tax

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

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Cost of inventories sold	4,114	3,233
Depreciation	2,036	1,399
Amortisation of intangible assets	1,693	1,052
Auditors' remuneration	700	400
Employee benefit expense including Directors' and chief executive's remuneration:		
– Wages and salaries	26,666	17,644
– Pension scheme contributions	892	612
	27,558	18,256
Minimum lease payments under operating leases of land and buildings	13,212	7,797
Bank interest income*	(63)	–
Government grants*/#	(1,683)	(1,485)

* Included in "Other income" in the interim 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.

Interim Condensed Consolidated
Statement of Changes in Equity

Interim Condensed Consolidated
Statement of Cash Flows

Notes to Interim Condensed
Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

6. Income Tax Expenses

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the reporting period.

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current – Hong Kong		
Charge for the period	2,472	2,203
Deferred tax	(363)	(263)
Total tax charge for the period	2,109	1,940

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

Hong Kong

	Six months ended 30 June			
	2018 HK\$'000 (unaudited)	%	2017 HK\$'000 (unaudited)	%
Profit before tax	11,661		5,316	
Tax at the statutory rate	1,924	16.5	877	16.5
Income not subject to tax	–	–	(8)	(0.2)
Expenses not deductible for tax	185	1.6	1,131	21.3
Others	–	–	(60)	(1.1)
Tax charge at the Group's effective rate	2,109	18.1	1,940	36.5



Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

7. Dividends

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Final – HK3.00 cents (six months ended 30 June 2017: Nil) per ordinary share	12,000	–

The distribution amounts set out in the interim condensed consolidated statements of changes in equity of HK\$2,000,000 for the six months ended 30 June 2017 represented the dividends declared by Shui On Nursing Centre (Kwai Shing E.) Co. Limited, a non-wholly-owned subsidiary of the Company, to its non-controlling shareholders.

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

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2018 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 400,000,000 (six months ended 30 June 2017: 300,000,000) in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	8,844	2,454

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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

(Continued)

	Six months ended 30 June	
	2018	2017
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*	400,000,000	300,000,000

- * Upon the Listing of the Company's shares, the Company capitalised HK\$2,999,934 standing to the credit of the share premium account of the Company to pay up in full 299,993,450 new ordinary shares of HK\$0.01 each for allotment and issue pari passu to the then existing shareholders of the Company ("Capitalisation Issue"). Shares during six months ended 30 June 2017 was arrived at on the assumption that the Capitalisation Issue of 299,993,450 shares had been effective since 1 January 2017.

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

9. Property, Plant and Equipment

During the six months ended 30 June 2018, the Group acquired property, plant and equipment with a cost of HK\$566,000 (six months ended 30 June 2017: HK\$1,062,000).

During the six months ended 30 June 2018, depreciation for property, plant and equipment was HK\$2,036,000 (six months ended 30 June 2017: HK\$1,399,000).

During the six months ended 30 June 2018, property, plant and equipment with a net book value of nil (six months ended 30 June 2017: nil) were disposed of by the Group, which had no gain or loss on disposal (six months ended 30 June 2017: nil).



Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

10. Trade Receivables

	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
Trade receivables	113	270

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

The ageing of trade receivables as at 30 June 2018 and 31 December 2017, 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 the reporting period, based on the invoice date, is as follows:

	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
Within 3 months	954	868
3 to 6 months	36	–
	990	868

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.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

12. Operating Lease Arrangements

The Group leases its residential care homes under operating lease arrangements. Leases for office premises are negotiated for terms ranging from three to six years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2018 HK\$'000 (unaudited)	As at 31 December 2017 HK\$'000 (audited)
Within one year	24,504	23,268
In the second to fifth years, inclusive	12,027	12,533
	36,531	35,801

In addition, the operating lease rentals of certain premises are based on the higher of a fixed rental and a contingent rent depending on the revenue of this residential care home pursuant to the terms and conditions as set up in the rental agreement. As the future revenue of these residential care homes could not be reliably determined as at the end the reporting period, the relevant contingent rentals have not been included above and only the minimum lease commitments have been included in the above table.

13. Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2018 (31 December 2017: nil).



Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

14. Related Party Transactions

- (a) In addition to the transactions detailed elsewhere in this financial statements, the Group had the following transactions with related parties during the reporting period:

		Six months ended 30 June	
		2018	2017
		HK\$'000	HK\$'000
<i>Notes</i>		(unaudited)	(unaudited)
Purchases from a related company:			
	Yu Fat Hong (Hong Kong) Limited (i)	1,626	1,103
Rent from a related company of which Mr. Yik Tak Chi is a member of key management personnel:			
	Ever Premier Limited (ii)	900	–
	Roymark Limited (ii)	3,720	–

Notes:

- (i) Yu Fat Hong (Hong Kong) Limited is a related company of the Group of which Mr. Yik Tak Chi, the chairman of the Company, is a member of key management personnel. The purchases were made according to the prices and conditions offered by the related company to its major customers.
- (ii) The rental expenses was based on terms mutually agreed by both parties.

Interim Condensed Consolidated Statement of Changes in Equity

Interim Condensed Consolidated Statement of Cash Flows

Notes to Interim Condensed Consolidated Financial Statements

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

14. Related Party Transactions (Continued)

(b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Short term employee benefits	3,889	1,927
Post-employment benefits	112	67
Total compensation paid to key management personnel	4,001	1,994

15. Events after the Reporting Period

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

16. Approval of the Financial Statements

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