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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)**

## **CHANGE IN USE OF PROCEEDS**

Reference is made to the prospectus of Hang Chi Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 June 2017 (the “**Prospectus**”) in relation to the listing of the shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the “**Listing**”) by way of share offer. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

### **USE OF PROCEEDS**

As set out in the section headed “Statement of Business Objectives and Use of Proceeds – Use of Proceeds” of the Prospectus, the Company estimated that the aggregate net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Listing), assuming an Offer Price of HK\$0.75, would be approximately HK\$49.2 million. The Company intended to use the Net Proceeds from the Listing for the following purposes:

- (a) approximately HK\$25.0 million or 50.8% of the Net Proceeds would be used to finance partly the consideration for the potential acquisition of an operating elderly residential care home;
- (b) approximately HK\$17.5 million or 35.5% of the Net Proceeds would be used to establish a new elderly residential care home by locating and leasing a suitable location for expansion of the Group’s network of elderly residential care homes in Hong Kong through locating and converting suitable premises to establish a new elderly residential care home;
- (c) approximately HK\$2.0 million or 4.1% of the Net Proceeds would be used to establish the Group’s headquarters including a training centre;
- (d) approximately HK\$2.0 million or 4.1% of the Net Proceeds would be used to renew and upgrade the facilities at the Group’s elderly residential care homes;

- (e) approximately HK\$2.6 million or 5.3% of the Net Proceeds would be used to upgrade the Group’s information technology infrastructure; and
- (f) approximately HK\$0.1 million or 0.2% of the Net Proceeds would be used for the Group’s general working capital purposes.

## CHANGE IN USE OF PROCEEDS

The net proceeds from the Listing received by the Company (the “**Received Net Proceeds**”), after deducting underwriting fees and related expenses in connection with the Listing, was approximately HK\$45.5 million instead of HK\$49.2 million as expected and disclosed in the Prospectus. For reasons set out in the paragraph headed “Reasons for and Benefits of the Change in Use of Proceeds” of this announcement, after careful consideration and detailed evaluation of the Company’s operation and in order to develop the Company’s principal business to maximise Shareholders’ return, the board of directors of the Company (the “**Board**”) has resolved to adjust the allocation of the use of the Received Net Proceeds and the change in use of the unutilised Received Net Proceeds as follows:

<b>Intended purposes pursuant to the Prospectus</b>	<b>Planned use of the Net Proceeds as stated in the Prospectus</b> <i>HK\$’ million</i>	<b>Adjusted planned use of the Received Net Proceeds as stated in the Prospectus</b> <i>HK\$’ million</i>	<b>Utilised Received Net Proceeds up to the date of this announcement</b> <i>HK\$’ million</i>	<b>Unutilised Received Net Proceeds as at the date of this announcement</b> <i>HK\$’ million</i>	<b>Proposed change in use of the unutilised Received Net Proceeds</b> <i>HK\$’ million</i>
Setting up of a new residential care home at a new location	17.5	13.8	–	13.8	–
Acquisition of operating residential care home(s)	25.0	25.0	25.0	–	13.8
Establishment of headquarters and on-the-job training centre	2.0	2.0	2.0	–	–
Renewal and upgrade of the facilities at the Group’s residential care homes	2.0	2.0	2.0	–	–
Upgrade of information technology infrastructure	2.6	2.6	2.6	–	–
Working capital for other general corporate purposes	0.1	0.1	0.1	–	–
	<u>49.2</u>	<u>45.5</u>	<u>31.7</u>	<u>13.8</u>	<u>13.8</u>

As at the date of this announcement, the amount of the Received Net Proceeds which remains unutilised is approximately HK\$13.8 million.

## **REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS**

Except for the setting up of a new residential care home at a new location, the Company utilised the same amount of the Net Proceeds as stated in the Prospectus for (i) acquiring an operating residential care home; (ii) establishing the Group's headquarters and on-the-job training centre; (iii) renewing and upgrading the facilities at the Group's residential care homes; (iv) upgrading the Group's information technology infrastructure; and (v) funding of the Group's working capital for other general corporate purposes. Although the amount of the Received Net Proceeds was less than the amount of the Net Proceeds as expected and disclosed in the Prospectus, having considered that the above intended purposes could enhance the quality of the Group's services, provide a better environment to the elderly residents and improve the overall management of the Group's residential care homes, the Company has applied the Received Net Proceeds for the above purposes in accordance with the same amounts stated in the original plan but would like to reallocate approximately HK\$13.8 million of the Received Net Proceeds to setting up a new residential care home at a new location in Hong Kong.

Subsequent to the Listing, the Group has made a number of attempts to search for suitable leased properties in Kowloon and the New Territories for setting up a new residential care home. However, either accessibility of the location or level of the proposed rent of the available properties were considered unsuitable by the management of the Group. Accordingly, the Board considers that the chances of finding a suitable leased property for setting up a new residential care home would be remote in the near future.

Alternatively, the Board considers that the Group would be able to accelerate the expansion of its network of residential care homes and business development in Hong Kong by acquiring an existing operating residential care home, as this strategy would enable the Group to utilise the existing customer base of the operating residential care home to generate profit immediately upon completion of acquisition and therefore, the Group would benefit from a shorter investment payback period and a shorter breakeven period as compared with setting up a new residential care home.

In view of the above, the Board has decided to reallocate the unutilised Received Net Proceeds to acquiring another operating residential care home.

As at the date of this announcement, the Company is evaluating the feasibility of acquiring an operating residential care home located in the New Territories. The Board wishes to emphasize that (i) no substantive discussion with the potential seller has been initiated; and (ii) no agreement, whether legally binding or not, in relation to the aforesaid possible acquisition has been entered into as at the date of this announcement. The Company will publish further announcement(s) and comply with all other applicable requirements under the GEM Listing Rules as and when necessary.

The Board considers that the above change in use of the Received Net Proceeds will facilitate an effective use of the financial resources of the Group, is beneficial to the continuous development of the Group's principal businesses, and is in the best interest of the Company and the Shareholders as a whole.

By order of the Board  
**Hang Chi Holdings Limited**  
**恒智控股有限公司**  
**Yik Tak Chi**  
*Chairman and Executive Director*

Hong Kong, 26 October 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 Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited 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](http://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](http://www.shuionnc.com).*