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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)

MAJOR AND CONNECTED TRANSACTION RELATING TO THE ACQUISITION OF 60% OF THE ISSUED SHARE CAPITAL OF GUARDIAN HOME LIMITED

Financial adviser to the Company



THE ACQUISITION

The Board is pleased to announce that, after trading hours on 11 March 2019, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor and the Guarantor, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 60% of the issued share capital of the Target Company at the Consideration of HK\$63,000,000. The Acquisition is subject to the satisfaction of the conditions set out in the paragraph headed “Conditions precedent” in this announcement. Upon Completion, the Target Company will be owned as to 60% by the Purchaser and 40% by Savills Guardian (Holdings) Limited, an Independent Third Party, and the Company will indirectly hold 60% of the issued share capital of Guardian Home (Chun Shek) and an effective equity interest of approximately 86.67% of the issued share capital of Shui On (KSE) through the Purchaser. Accordingly, the financial results and financial position of the Target Group will be consolidated into those of the Group.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, the Vendor is deemed to be interested in approximately 33.33% of the issued share capital of Shui On (KSE). The Vendor is therefore a substantial shareholder of Shui On (KSE) and hence a connected person of the Company at the subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company under the GEM Listing Rules.

As the Board has approved the Agreement and the transactions contemplated thereunder; and the independent non-executive Directors have confirmed that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, the transactions contemplated under the Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, pursuant to Rule 20.99 of the GEM Listing Rules, the Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements.

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

To the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, no Shareholder has any material interest in the Agreement and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement and the transactions contemplated thereunder. As at the date of this announcement, Shui Wah holds 248,700,000 Shares, representing approximately 62.18% of the issued share capital of the Company, and has given irrevocable and unconditional written approval of the Agreement and the transactions contemplated thereunder on 11 March 2019. The written approval granted by Shui Wah can be accepted in lieu of holding a general meeting for approving the Agreement and the transactions contemplated thereunder pursuant to Rule 19.44 of the GEM Listing Rules. Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of the approval of the Agreement and the transactions contemplated thereunder.

DESPATCH OF CIRCULAR

A circular containing, among other things, details of the Acquisition and other information as required under the GEM Listing Rules is expected to be despatched to the Shareholders on or before 1 April 2019.

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

THE ACQUISITION

On 11 March 2019 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor and the Guarantor, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 60% of the issued share capital of the Target Company at the Consideration of HK\$63,000,000.

The principal terms of the Agreement are summarised as follows:

Date

11 March 2019 (after trading hours)

Parties

- (1) the Vendor;
- (2) the Purchaser; and
- (3) the Guarantor.

Subject matter to be acquired

Pursuant to the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire 60% of the issued share capital of the Target Company, subject to the terms and conditions of the Agreement.

Consideration

The Consideration is HK\$63,000,000 which shall be settled by the Purchaser in cash in the following manner:

- (a) an amount of HK\$30,000,000, being the refundable deposit (the “**Deposit**”) and the part payment towards the Consideration, shall be paid by the Purchaser to the Vendor upon signing of the Agreement;
- (b) a further amount of HK\$20,000,000 shall be paid by the Purchaser to the Vendor on the date of despatch of the circular in relation to the Acquisition by the Company; and
- (c) a further amount of HK\$13,000,000, being the remaining balance of the Consideration, shall be paid by the Purchaser to the Vendor on or before 31 December 2019.

Basis of determination of the Consideration

The Consideration was determined after arm’s length negotiations between the Vendor and the Purchaser by taking into account, among others, (i) the valuation prepared by the Independent Valuer on 60% equity interest in the Target Group as at 31 December 2018 (the “**Valuation**”)

with an appraised value of approximately HK\$69,406,000, details of the Valuation will be set out in the circular to be despatched to the Shareholders; (ii) the historical financial performance of the Target Group; (iii) the business prospects of the Target Group; and (iv) the reasons for and benefits of the Acquisition as described under the paragraph headed “Reasons for and Benefits of the Acquisition” in this announcement below.

The Consideration shall be satisfied by the unutilised net proceeds from the Listing and internal resources of the Group.

Based on the aforesaid, the Directors (including the independent non-executive Directors) consider the terms and conditions of the Acquisition, including the Consideration, to be fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon fulfillment of the following conditions:

- (a) the Company having published this announcement and despatched the circular in relation to the Acquisition to the Shareholders, and the Agreement and the transactions contemplated thereunder having been approved by the Shareholders in accordance with the GEM Listing Rules;
- (b) the Purchaser having completed the due diligence review in relation to the Target Group (including but not limited to the legal, financial and commercial aspects of members of the Target Group) and having been satisfied with the results thereof;
- (c) the Vendor having provided the documents to the Purchaser to prove that all necessary licenses, approvals, permits, consents and waivers to carry on the business of the Target Group have been obtained;
- (d) the Guarantor, the Vendor and the Purchaser not having been informed that the tenancy in relation to the property where Chun Shek Nursing Home operates will not be renewed by the relevant landlord; and
- (e) the warranties provided by the Vendor under the Agreement remaining true, accurate and not misleading in all respects as at the date of Completion as if they were as of the date of the Agreement.

The Purchaser may waive in writing the conditions (b), (d) and (e) as set out above at its absolute discretion. The above conditions (a) and (c) shall not be waivable. In the event that the conditions mentioned above cannot be fulfilled or waived (as the case maybe, save and except for conditions (a) and (c)) by the parties to the Agreement before 1 July 2019 or such later date as the Vendor and the Purchaser may agree in writing, the Agreement shall be

terminated and neither party to the Agreement shall have any further obligations towards the other thereunder except for antecedent breaches (if any). The Vendor shall refund the Deposit in full to the Purchaser within five (5) Business Days after the termination of the Agreement.

Guarantee

The Guarantor has agreed to warrant and guarantee to the Purchaser the due and punctual performance by the Vendor of all its obligations under the Agreement and the transactions contemplated thereunder.

The Vendor guarantees that the bank balance of the relevant members of the Target Group as at the date of Completion will be sufficient to reflect the aggregate amount of deposits, service fees and miscellaneous fees already paid by the elderly residents of Chun Shek Nursing Home prior to Completion, and the Vendor further undertakes to make up such shortfall within 20 days after Completion if there is any shortfall.

Completion

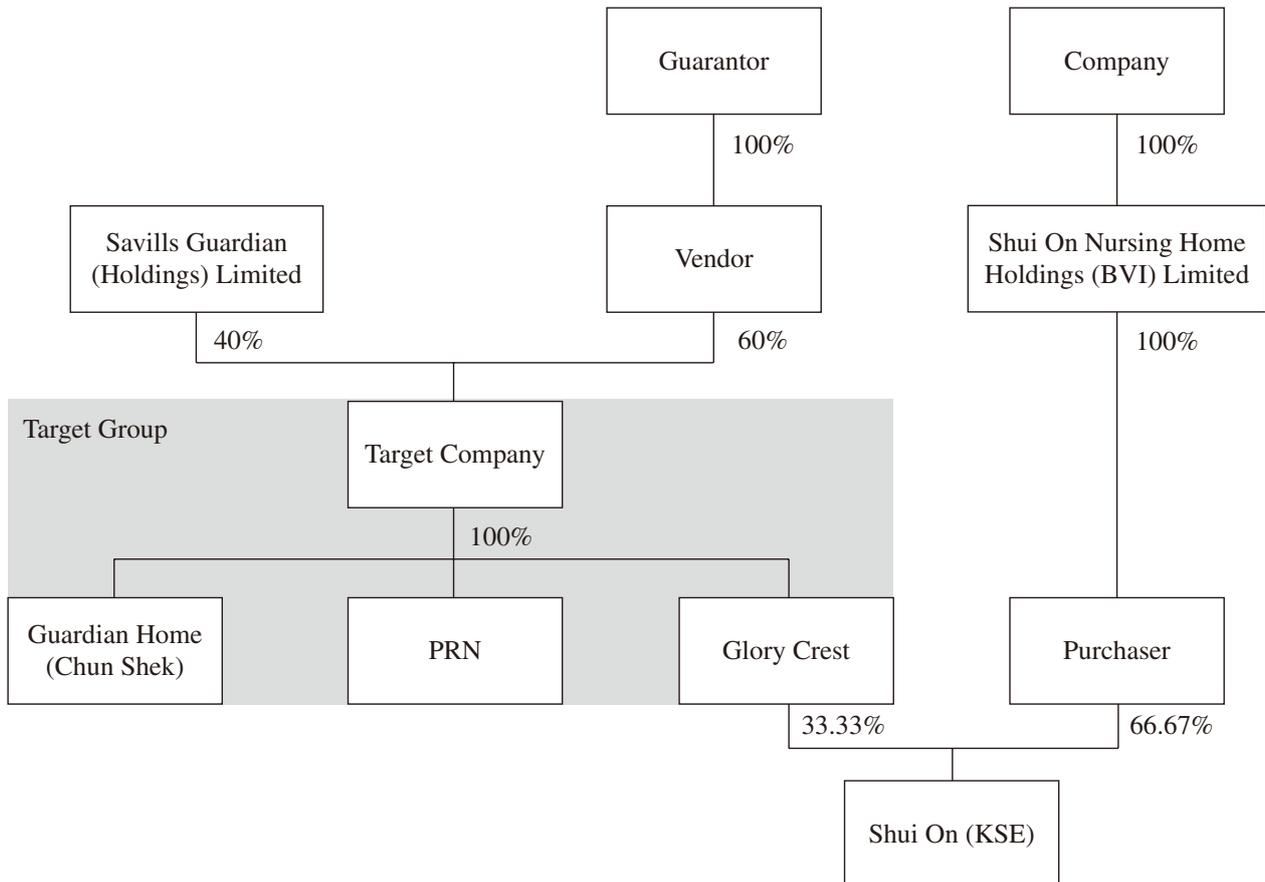
Completion is expected to take place on the fifth (5th) Business Day after the fulfilment or waiver (as the case may be) of the conditions (or such later date as the parties to the Agreement may agree in writing) mentioned above.

Upon Completion, the Target Company will be owned as to 60% by the Purchaser and 40% by Savills Guardian (Holdings) Limited, an Independent Third Party, and the Company will indirectly hold 60% of the issued share capital of Guardian Home (Chun Shek) and an effective equity interest of approximately 86.67% of the issued share capital of Shui On (KSE) through the Purchaser. Accordingly, the financial results and financial position of the Target Group will be consolidated into those of the Group.

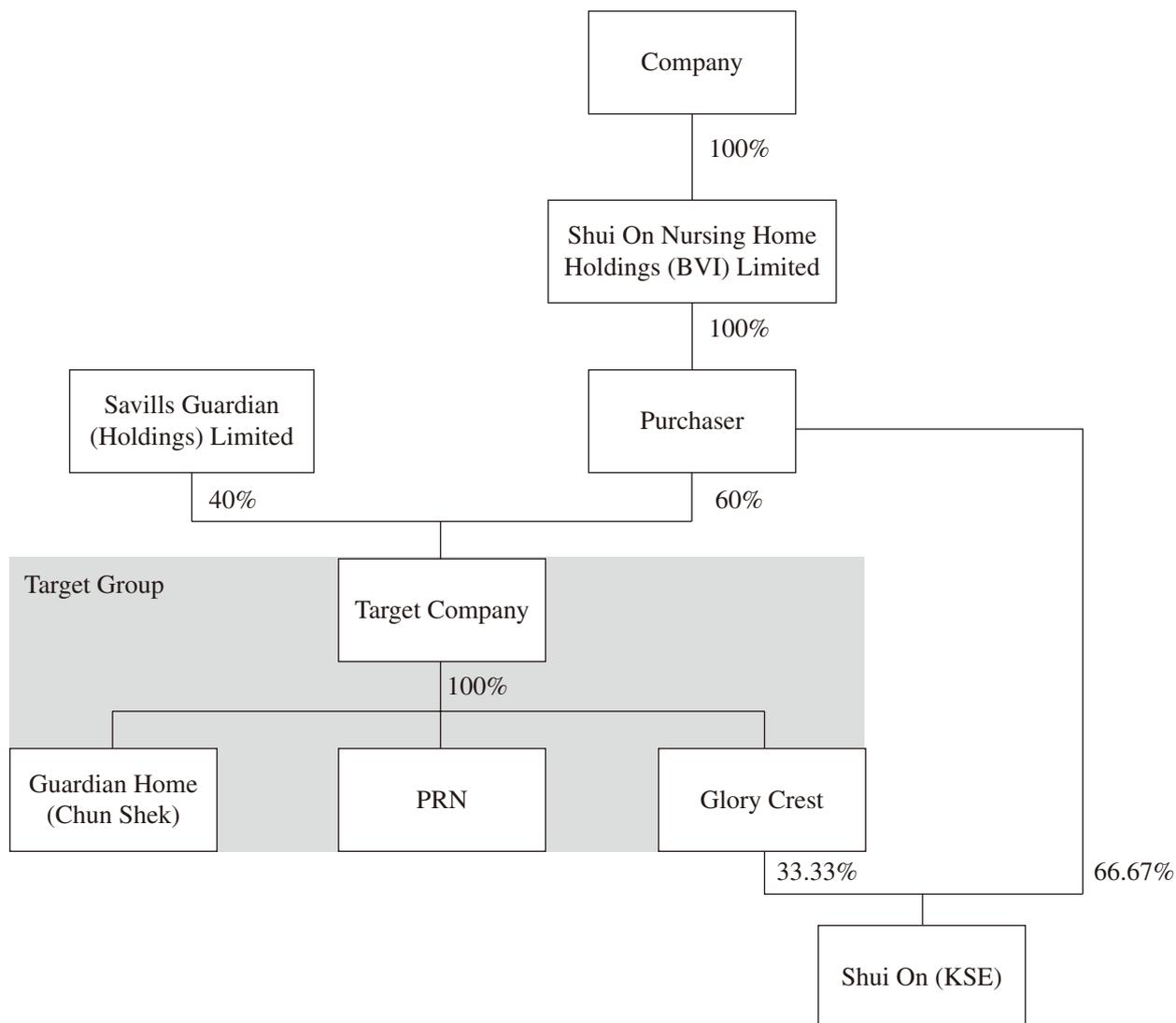
INFORMATION ON THE TARGET GROUP

The following diagrams illustrate the shareholding structures of the Target Group (i) as at the date of this announcement; and (ii) immediately upon Completion, respectively:

(i) Shareholding structure of the Target Group as at the date of this announcement



(ii) Shareholding structure of the Target Group immediately upon Completion



The Target Company

The Target Company is a company incorporated in Hong Kong on 12 August 2006 with limited liability. It is principally engaged in investment holding. As at the date of this announcement, the Target Company is owned as to 60% by the Vendor and 40% by Savills Guardian (Holdings) Limited, an Independent Third Party.

Guardian Home (Chun Shek)

Guardian Home (Chun Shek) is a company incorporated in Hong Kong on 15 April 1992 with limited liability. It holds a licence of residential care home for the elderly and operates Chun Shek Nursing Home, an elderly residential care home in Sha Tin, Hong Kong with 244 residential care places. Chun Shek Nursing Home does not participate in the Enhanced Bought Place Scheme (“**EBPS**”) of the Social Welfare Department (“**SWD**”). As at the date of this announcement, Guardian Home (Chun Shek) is wholly-owned by the Target Company.

Glory Crest

Glory Crest is a company incorporated in Hong Kong on 20 November 2007 with limited liability. As at the date of this announcement, Glory Crest is wholly-owned by the Target Company. Glory Crest is principally engaged in investment holding and is interested in approximately 33.33% of the issued share capital of Shui On (KSE), a non wholly-owned subsidiary of the Company.

Shui On (KSE) is an operator of an elderly residential care home with 238 residential care places in Kwai Tsing, Hong Kong. It holds a licence of residential care home for the elderly. Shui On (KSE) participates in the EBPS of the SWD and is classified as class EA1 under the EBPS, the highest classification rated by the SWD under the EBPS.

PRN

PRN is a company incorporated in Hong Kong on 16 November 2007 with limited liability. As at the date of this announcement, (i) PRN is wholly-owned by the Target Company; and (ii) PRN has ceased its operation and is in the process of deregistration.

The following sets forth the audited consolidated financial information of the Target Group for the two years ended 31 December 2018:

	For the year ended 31 December 2017 HK\$'000 (audited)	For the year ended 31 December 2018 HK\$'000 (audited)
Profit before taxation	16,822	21,964
Profit after taxation	14,650	18,691

The unaudited net asset value of the Target Group as at 31 January 2019 was approximately HK\$14,314,000.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in Hong Kong with limited liability, which is wholly owned by the Guarantor. The Vendor is principally engaged in investment holding.

The Vendor, which holds 60% equity interest in the Target Group, was formerly wholly-owned by Mr. Lui until December 2017 when Mr. Lui disposed of his entire equity interests in the Vendor to the Guarantor for a consideration of HK\$37,200,000. Mr. Lui did not hold any position in the Company at the relevant time.

As at the date of this announcement, the Vendor is deemed to be interested in approximately 33.33% of the issued share capital of Shui On (KSE). The Vendor is therefore a substantial shareholder of Shui On (KSE) and hence a connected person of the Company at the subsidiary level.

INFORMATION ON THE GUARANTOR

The Guarantor is a private investor who principally invests in the industry of residential care home for the elderly in Hong Kong.

INFORMATION ON THE PURCHASER AND THE GROUP

The Purchaser is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

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) 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) 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.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal business of the Group is to provide residential care home services to elderly residents. In order to maintain the competitiveness of the Group in the elderly residential care home market in Hong Kong and strengthen the position of the Group by capturing a larger market share in Hong Kong, the Group intends to expand the network of the elderly residential care homes in strategic locations in Hong Kong. The Directors hold positive view of the prospects of Chun Shek Nursing Home and consider that the Acquisition would allow the Company to expand its network of elderly residential care homes in Hong Kong and enhance its competitiveness in the market. Furthermore, the Acquisition would enable the Group to further consolidate its interests in Shui On (KSE), such that the effective equity interests held by the Group in Shui On (KSE) will increase from approximately 66.67% to 86.67% immediately upon Completion.

According to the announcement of the Company dated 26 October 2018, the Board has decided to reallocate the unutilised net proceeds from the Listing (the “**Net Proceeds**”) of approximately HK\$13.8 million to acquire an operating residential care home. Therefore, the Acquisition is in line with the adjusted use of the Net Proceeds.

Taking into account of the aforesaid, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are normal commercial terms and fair and reasonable, and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

THE VALUATION

As the Independent Valuer has adopted the discounted cash flows method under the income approach, the Valuation is regarded as a profit forecast under Rule 19.61 of the GEM Listing Rules (the “**Profit Forecast**”) and Rules 19.60A, 19.62 and 20.66(7) of the GEM Listing Rules are applicable.

According to the Valuation, the fair value of the 60% equity interest in the Target Group as at 31 December 2018 was approximately HK\$69,406,000.

Pursuant to Rule 19.62(1) of the GEM Listing Rules, the following are the details of the principal assumptions, including commercial assumptions, upon which the report for the Valuation was based:

- (1) There will be no major changes in the existing political, legal, fiscal and economic conditions in which the Target Group and Shui On (KSE) carry on its business;
- (2) There will be no major changes in the current taxation law in the country where the Target Group and Shui On (KSE) operate, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;
- (3) There will be no material changes in the industry in which the Target Group and Shui On (KSE) involve that would materially affect the revenues, profits, cash flows attributable to the Target Group and Shui On (KSE);
- (4) The Target Group and Shui On (KSE) as well as their partners will obtain the necessary licenses and approvals to provide their service;
- (5) Exchange rates and interest rates will not differ materially from those presently prevailing;
- (6) The availability of finance will not be a constraint on the forecasted growth of operations of the Target Group and Shui On (KSE);
- (7) The Target Group and Shui On (KSE) will successfully maintain their competitiveness and market share through optimising the utilisation of their resources and expanding their marketing network;
- (8) The Target Group and Shui On (KSE) can keep abreast of the latest development of the industry such that its competitiveness and profitability can be sustained;

- (9) The Target Group and Shui On (KSE) will utilise and maintain its current operational, administrative and technical facilities to expand and increase their sales;
- (10) The Target Group and Shui On (KSE) will be able to secure funds to repay their debts when they fall due;
- (11) The Target Group and Shui On (KSE) will retain and have competent management, key personnel, and technical staff to support their ongoing operations;
- (12) Industry trends and market conditions for related industries will not deviate materially from economic forecasts;
- (13) The financial projections provided by the management of Guardian Home (Chun Shek) and Shui On (KSE) have been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration;
- (14) The perpetual growth rate of 3% is adopted in the Valuation;
- (15) Shui On (KSE) will take all the reasonable steps to ensure the fulfillment of the criteria of the EBPS under SWD all the time; and
- (16) The Target Group and Shui On (KSE) will have the intention to renew their current operating lease upon expiry and the probability of failure to renewal is considered as remote.

The reporting accountants of the Company, Ernst & Young (“EY”), has reviewed the calculations of the discounted cash flows of the Target Company in which the Valuation was based.

Opus Capital, the financial adviser to the Company in respect of the Acquisition, has reviewed the Profit Forecast in respect of the Valuation and has discussed with the management of the Company and the Independent Valuer regarding the bases and assumptions upon which the Profit Forecast has been made to arrive at the Valuation. Opus Capital has confirmed that it is satisfied that the Profit Forecast has been made by the Directors after due and careful enquiry.

Pursuant to Rule 19.60A of the GEM Listing Rules, a report from EY dated 11 March 2019 in compliance with Rule 19.62(2) of the GEM Listing Rules and a letter from Opus Capital dated 11 March 2019 in compliance with Rule 19.62(3) of the GEM Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix I and Appendix II to this announcement, respectively.

The following are the qualifications of the experts who have given their opinion and advice included in this announcement:

Name	Qualification
Ernst & Young	Certified Public Accountants
Opus Capital	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
Royson Valuation Advisory Limited	an independent professional valuer

As at the date of this announcement, (i) each of the abovementioned experts did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) each of the experts did not have any direct or indirect interest in any assets acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up.

Each of the abovementioned experts has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its report and all reference to its name in the form and context in which it is included.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, the Vendor is deemed to be interested in approximately 33.33% of the issued share capital of Shui On (KSE). The Vendor is therefore a substantial shareholder of Shui On (KSE) and hence a connected person of the Company at the subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company under the GEM Listing Rules.

As the Board has approved the Agreement and the transactions contemplated thereunder; and the independent non-executive Directors have confirmed that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, pursuant to Rule 20.99 of the GEM Listing Rules, the Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements.

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

To the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, no Shareholder has any material interest in the Agreement and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Agreement and the transactions contemplated thereunder. As at the date of this announcement, Shui Wah holds 248,700,000 Shares, representing approximately 62.18% of the issued share capital of the Company, and has given irrevocable and unconditional written approval of the Agreement and the transactions contemplated thereunder on 11 March 2019. The written approval granted by Shui Wah can be accepted in lieu of holding a general meeting for approving the Agreement and the transactions contemplated thereunder pursuant to Rule 19.44 of the GEM Listing Rules. Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of the approval of the Agreement and the transactions contemplated thereunder.

DESPATCH OF CIRCULAR

A circular containing, among other things, details of the Acquisition and other information as required under the GEM Listing Rules is expected to be despatched to the Shareholders on or before 1 April 2019.

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

DEFINITIONS

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

“Acquisition”	the acquisition of 60% of the issued share capital of the Target Company upon and subject to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement dated 11 March 2019 entered into amongst the Vendor, the Purchaser and the Guarantor in relation to the Acquisition
“Board”	the board of Directors

“Business Day(s)”	a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning no. 8 or above or on which a “black” rainstorm warning is hoisted before 10:00 a.m. on which licensed banks in Hong Kong are generally open for business
“Chun Shek Nursing Home”	Guardian Home (Chun Shek) Integrated Nursing Home (佳安家(秦石)綜合護老中心), which is an elderly residential care home operated by Guardian Home (Chun Shek)
“Company”	Hang Chi Holdings Limited (恒智控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange (stock code: 8405)
“Completion”	completion of the Acquisition
“Consideration”	the consideration of HK\$63,000,000 for the Acquisition
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Glory Crest”	Glory Crest Limited (峰榮有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
“Group”	the Company and its subsidiaries
“Guarantor”	Ms. Woo Pui Kei, Betty (胡佩琪)
“Guardian Home (Chun Shek)”	Guardian Home (Chun Shek) Limited (佳安家(秦石)有限公司) (formerly known as Top City Service Limited (通城服務有限公司) and Guardian Sports and Recreation Limited (佳競有限公司)), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
“HK\$”	Hong Kong dollars the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“Independent Valuer”	Royson Valuation Advisory Limited, an independent valuer engaged by the Company to conduct a valuation on 60% equity interest of the Target Group
“Listing”	the listing of the Shares on GEM of the Stock Exchange on 12 July 2017
“Mr. Lui”	Mr. Lui Chi Tat (雷志達), the chief executive officer of the Company and an executive Director
“Opus Capital”	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), being the financial adviser to the Company in respect of the Acquisition
“PRN”	Professional Rehabilitation & Nursing Services (PRN) Limited (佳安專業復康護理服務有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
“Purchaser”	Shui On Nursing Home Holdings Limited (瑞安護老院集團有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Shui On (KSE)”	Shui On Nursing Centre (Kwai Shing E.) Co. Limited (瑞安護老中心(葵盛東)有限公司), a company incorporated in Hong Kong with limited liability and an indirect non-wholly owned subsidiary of the Company

“Shui Wah”	Shui Wah Limited (瑞樺有限公司), a company incorporated in the British Virgin Islands with limited liability and a controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Target Company”	Guardian Home Limited (佳安家有限公司), a company incorporated in Hong Kong with limited liability
“Target Group”	the Target Company and its subsidiaries, namely Guardian Home (Chun Shek), PRN and Glory Crest
“Vendor”	Jun Pak Limited (榛栢有限公司), a company incorporated in Hong Kong with limited liability and is wholly owned by the Guarantor
“%”	per cent

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, 11 March 2019

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

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.

APPENDIX I – LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a report received from Ernst & Young, Certified Public Accountants, Hong Kong, the independent reporting accountants of the Company, prepared for the purpose of inclusion in this announcement.



22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

ACCOUNTANTS' REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF GUARDIAN HOME LIMITED (THE "TARGET COMPANY")

The Board of Directors
Hang Chi Holdings Limited (the "**Company**")

We have examined the accounting policies adopted and calculations of the discounted future estimated cash flows on which the valuation prepared by Royson Valuation Advisory Limited dated 11 March 2019 in respect of the Target Company (the "**Valuation**"). The Valuation is in connection with the acquisition of the Target Company, as set out in the Company's announcement dated 11 March 2019 (the "**Announcement**"). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

Directors' responsibilities for the Discounted Future Estimated Cash Flows

The directors of the Company (the "**Directors**") are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors and set out in the Announcement (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants’ responsibilities

Our responsibility is to express an opinion, based on our work on the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 19.62(2) of the GEM Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. We examined the consistency of accounting policies adopted and the arithmetical accuracy of the discounted future estimated cash flows. We comply with ethical requirements and have planned and performed the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the accounting policies and calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of the Target Company.

The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the accounting policies and calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions as set out in the Announcement and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

11 March 2019

APPENDIX II – LETTER FROM THE FINANCIAL ADVISER

The following is the text of a letter received from Opus Capital Limited, the financial adviser to the Company in relation to the Acquisition, prepared for the purpose of inclusion in this announcement.



18/F, Fung House,
19-20 Connaught Road Central,
Central, Hong Kong.

11 March 2019

Hang Chi Holdings Limited
Room D, 35/F
TG Place, 10 Shing Yip Street
Kwun Tong
Kowloon
Hong Kong

Attention: The Board of Directors

Dear Sirs/Madams,

We refer to the announcement of Hang Chi Holdings Limited (the “**Company**”) dated 11 March 2019 (the “**Announcement**”) in relation to the Company’s acquisition (the “**Acquisition**”) of 60% equity interest in Guardian Home Limited (佳安家有限公司) (the “**Target Company**”, together with its subsidiaries and associates as the “**Target Group**”) which constitutes a major transaction under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and also the discounted cash flow forecast (the “**Forecast**”) underlying the business valuation (the “**Valuation**”) prepared by Royson Valuation Advisory Limited (the “**Independent Valuer**”) in relation to the appraisal of the fair value of a 60% equity interest in the business enterprise of the Target Group as at 31 December 2018. The Forecast upon which the Valuation has been made is regarded as a profit forecast under Rule 19.61 of the GEM Listing Rules. The principal assumptions (the “**Assumptions**”) upon which the Forecast is based are included in the Announcement. Capitalised terms used in this letter shall have the same meanings as those defined in the Announcement unless the context otherwise requires.

We have undertaken reasonableness checks to assess the relevant experience and expertise of the Independent Valuer and are satisfied that reliance could fairly be placed on the Independent Valuer’s work.

We have reviewed the Forecast upon which the Valuation has been made and have discussed with the Board and the Independent Valuer the qualifications, bases and assumptions upon which the Forecast have been prepared by the Independent Valuer. We have also considered the letter from Ernst & Young dated 11 March 2019 addressed to the Board as set out in Appendix I to the Announcement regarding the accounting policies and calculations upon which the Forecast have been made. We have noted that Ernst & Young concluded in its letter that the Forecast, so far as the accounting policies and calculations are concerned, have been properly complied, in all material respects, in accordance with the Assumptions as set out in the Announcement and is presented on a basis consistent in all material respects with the accounting policies currently adopted by the Company.

Our work in connection with the Forecast has been undertaken solely for the purpose of complying with the relevant requirements under Rule 19.62(3) of the GEM Listing Rules. Based on the foregoing and on the basis that (i) the qualification, bases and assumptions adopted by the Independent Valuer in respect of the Forecast have been reviewed by the Directors; and (ii) the Directors are satisfied that no further matters should be brought to our attention, we are satisfied that (i) the Forecast underlying the Valuation, for which the Directors are solely responsible, have been made by the Directors after due and careful enquiry; and (ii) the qualifications, bases and assumptions adopted by the Independent Valuer have been made with due care and objectivity, and on a reasonable basis. However, we express no opinion as to how closely the actual cash flow will eventually correlate with the Forecast.

We have not independently verified the computations leading to the Independent Valuer's determination of the fair value and market value of the Target Group. We have had no role or involvement and have not provided and will not provide any assessment of the fair value and market value of the Target Group. Accordingly, save as expressly stated in this letter, we take no responsibility for and express no views, whether expressly or implicitly, on the fair value and market value of the Target Group as determined by the Independent Valuer and set out in the valuation report issued by the Independent Valuer or otherwise. We further confirm that the assessment, review and discussion carried out by us as described above are primarily based on financial, economic, market and other conditions in effect, and the information made available to us as of the date of this letter and that we have, in arriving at our views, relied on information and materials supplied to us by the Independent Valuer, the Group and the Target Group and opinions expressed by, and representations of, the employees and/or management of the Independent Valuer, the Group and the Target Group. We have assumed that all information, materials and representations so supplied, including all information, materials and representations referred to or contained in the Announcement, for which the Directors are wholly responsible, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Announcement and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, materials, opinions and/or representations. Circumstances could have developed or could develop in the future that, if known to us at the time of this letter, would have altered our respective assessment and review. Further, while the qualifications, bases and assumptions adopted by the Independent Valuer are considered by us

to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and the Independent Valuer.

We are acting as the financial adviser to the Company in reviewing the Forecast and will receive fees for such advice. We, our directors and affiliates will, neither jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the review of the Forecast, nor will we, our directors or affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company.

Nothing in this letter should be construed as an opinion or view as to the fair value, market value or any other value of the Target Group or as an opinion or recommendation to any person as to whether they should acquire the Shares. Shareholders are recommended to read the Announcement with care.

A copy of this letter in its entirety may be reproduced in the Announcement on the basis that none of the Company, the Independent Valuer or any other person may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without our prior written consent. In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Koh Kwai Yim
Executive Director