Hang Chi Holdings Limited
恒智控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8405)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

*This announcement, for which the directors (the "**Directors**") of Hang Chi Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FINANCIAL HIGHLIGHTS

	2018	2017	Change %
	HK$'000	*HK$'000*	(approximate)
Consolidated statement of profit or loss and other comprehensive income			
Revenue	**135,516**	97,148	39.49%
EBITDA	**35,600**	11,836	200.78%
Adjusted EBITDA *(Note 1)*	**35,600**	24,060	47.96%
Profit for the year	**23,709**	3,166	648.86%
Adjusted profit for the year *(Note 2)*	**23,709**	15,390	54.05%
Consolidated statement of financial position			
Cash and bank balances	**59,283**	47,567	24.63%
Trade receivables	**204**	270	–24.44%
Net assets value	**146,990**	137,781	6.68%

Notes:

1. Adjusted EBITDA represented by the EBITDA before deducting Listing expenses.

2. Adjusted profit for the year represented by the Profit for the year before deducting Listing expenses.

The board of Directors (the "**Board**") of the Company is pleased to present the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Reporting Year**"). The audited consolidated financial statements of the Group have been reviewed by the audit committee of the Company.

BUSINESS REVIEW AND OUTLOOK

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

The 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 Group will continue to expand its network of elderly residential care homes in strategic locations in Hong Kong to serve more elderly residents.

OPERATING PERFORMANCE

Revenue

The breakdown of revenue by types of services provided by the Group for the Reporting Year and the year ended 31 December 2017 are set out as follows:

	2018		2017	
	Revenue *HK$'000*	**Percentage of segment revenue approximate %**	Revenue *HK$'000*	Percentage of segment revenue approximate %
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**")	**30,109**	**22.22%**	24,758	25.48%
– residential care places leased by individual customers	**73,775**	**54.44%**	53,144	54.71%
– residential care places leased by non-governmental organisations	**443**	**0.33%**	205	0.21%
	104,327	**76.99%**	78,107	80.40%
Sales of elderly related goods and provision of healthcare services	**31,189**	**23.01%**	19,041	19.60%
Total	**135,516**	**100.00%**	97,148	100.00%

During the Reporting Year, the Group's revenue increased from approximately HK$97,148,000 for the last year to approximately HK$135,516,000, representing an approximately 39.49% 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$78,107,000 for the last year to approximately HK$104,327,000 for the Reporting Year, representing an approximately 33.57% increase.

- *Residential care places leased by the SWD under the EBPS*

  During the Reporting Year, the revenue derived from the SWD, which leased a fixed number of residential care places at the Group's elderly residential care homes under the EBPS, increased from approximately HK$24,758,000 for the last year to approximately HK$30,109,000, representing an approximately 21.61% increase.

  The increment was mainly due to the acquisition of Shui Jun Nursing Centre (Yau Tong) Company Limited ("**Shui Jun (Yau Tong)**") 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$53,144,000 for the last year to approximately HK$73,775,000 for the Reporting Year, representing an approximately 38.82% increase.

  The increment was mainly attributed by the increase in the total number of residential care places. During the Reporting Year, the Group owned and operated six elderly residential care homes with a total of 816 residential care places, while there were only five elderly residential care homes with a total of 589 residential care places for most of the last year. With the stabilised occupancy rate of all elderly residential care homes recorded for both the Reporting Year and last year, the revenue amount increased.

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

  The revenue derived from the non-governmental organisations which leased residential care places from the Group's elderly residential care homes increased from approximately HK$205,000 for the last year to approximately HK$443,000 for the Reporting Year, representing an approximately 116.10% 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$19,041,000 for the last year to approximately HK$31,189,000 for the Reporting Year, representing an approximately 63.80% increase.

Average occupancy rate of the elderly residential care homes

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

	2018 **approximate%**	2017 approximate %
Average occupancy rate		
– elderly residential care homes under the EBPS	**97.03%**	95.61%
– non-EBPS elderly residential care homes	**93.95%**	95.65%

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 in turn lead to an increase in total number of staff, the amount of staff costs increased from approximately HK$41,042,000 for the last year to approximately HK$54,511,000 for the Reporting Year, representing an approximately 32.82% increase.

Property rental and related expenses

Property rental and related expenses mainly represented by the rental and ancillary office payments under operating leases related to the elderly residential care homes. With the increase in the number of residential care homes, the amount of property rental and related expenses increased from approximately HK$17,175,000 for the last year to approximately HK$27,209,000 for the Reporting Year, representing an approximately 58.42% increase.

Profit for the year

During the Reporting Year, the Group recorded a profit of approximately HK$23,709,000 and approximately HK$3,166,000 was noted for the last year. The significant increment in profit for the Reporting Year was mainly due to the acquisition of Shui Jun (Yau Tong) near the year end of 2017 and no Listing expense was recorded during the Reporting Year.

Adjusted profit for the year

The Group calculated the adjusted profit for the year by adding back Listing expenses to profit or loss for the year.

The Group presented this financial measure as it is useful to evaluate the financial performance by excluding the impact of the above items, in which these items were not indicative of the Group's ordinary operating performance and will no longer be outstanding subsequently to the listing of the Company's shares (the "**Shares**") on GEM of the Stock Exchange on 12 July 2017 (the "**Listing**").

During the Reporting Year, the Group's adjusted profit for the year increased by approximately 54.05% to approximately HK$23,709,000 as compared to approximately HK$15,390,000 for the last year.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL STRUCTURE

Liquidity

As at 31 December 2018, current assets amounted to approximately HK$69,280,000 (2017: approximately HK$55,898,000). Current liabilities were approximately HK$18,469,000 (2017: approximately HK$18,029,000).

Financial Resources

As at 31 December 2018, the Group had total cash and bank balances of approximately HK$59,283,000 (2017: approximately HK$47,567,000).

As at 31 December 2018, the Group had trade receivables of approximately HK$204,000 (2017: approximately HK$270,000).

Gearing

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

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

Capital Structure

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

As at 31 December 2018, the total equity of the Group was approximately HK$146,990,000 (2017: approximately HK$137,781,000).

DIVIDEND

The Board does not recommend the payment of a final dividend for the Reporting Year (2017: HK$12,000,000).

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 31 December 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 of the Company dated 28 June 2017 (the "**Prospectus**") and the announcement of the Company dated 26 October 2018, the Group does not have other plans for material investments and capital assets.

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 Year.

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

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

CAPITAL EXPENDITURE

During the Reporting Year, the Group's capital expenditure amounted to approximately HK$3,175,000 (2017: approximately HK$8,632,000) which was used for the acquisition of plant and equipment in the elderly residential care homes.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2018, the Group had 277 employees (2017: 293 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**") received by the Company, 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.

As at 31 December 2018, (i) approximately HK$25.0 million of the Net Proceeds had been applied towards the acquisition of an operating elderly residential care home; (ii) approximately HK$2.0 million of the Net Proceeds had been applied to establish the Group's headquarters and on-the-job training centre; (iii) approximately HK$2.0 million of the Net Proceeds had been applied to renew and upgrade the facilities at the Group's elderly residential care homes; (iv) approximately HK$2.6 million of the Net Proceeds had been applied to upgrade the Group's information technology infrastructure; and (v) approximately HK$0.1 million of the Net Proceeds had been used as the Group's general working capital. The amount of the Net Proceeds which remained unutilised was approximately HK$13.8 million, which was deposited in the bank account of the Group in Hong Kong.

As disclosed in the announcement of the Company dated 26 October 2018, the Board had resolved to adjust the allocation of the use of the Net Proceeds and change the use of the unutilised Net Proceeds of approximately HK$13.8 million to acquiring another operating residential care home in Hong Kong.

SUBSEQUENT EVENTS

On 18 January 2019, the Board has approved and adopted a dividend policy and a nomination policy.

On 27 February 2019, Mr. Lui Chi Tat has been appointed as an executive Director. For details, please refer to the announcement of the Company dated 27 February 2019.

The audited financial information for the year ended 31 December 2018 together with the comparative figures for the last year were as follows:

COLSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

		Year ended 31 December	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
REVENUE	4	**135,516**	97,148
Other income	4	**5,554**	4,522
Staff costs		**(54,511)**	(41,042)
Property rental and related expenses		**(27,209)**	(17,175)
Depreciation and amortisation		**(7,515)**	(5,400)
Food		**(4,021)**	(2,989)
Medical fees		**(6,931)**	(4,930)
Professional and legal fees		**(3,842)**	(2,534)
Utility expenses		**(3,231)**	(2,377)
Consumables		**(1,335)**	(1,283)
Other operating expenses		**(4,390)**	(5,280)
Listing expenses		**–**	(12,224)
PROFIT BEFORE TAX	5	**28,085**	6,436
Income tax expense	6	**(4,376)**	(3,270)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**23,709**	3,166
Attributable to:			
Owners of the parent		**21,901**	1,491
Non-controlling interests		**1,808**	1,675
		23,709	3,166
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (HK cents)	8	**5.48**	0.43

COLSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		As at 31 December	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**10,603**	11,771
Intangible assets		**5,250**	8,636
Goodwill		**79,940**	79,940
Deferred tax assets		**772**	721
Total non-current assets		**96,565**	101,068
CURRENT ASSETS			
Trade receivables	9	**204**	270
Prepayments, other receivables and other assets		**9,587**	7,252
Tax recoverable		**206**	809
Cash and bank balances		**59,283**	47,567
Total current assets		**69,280**	55,898
CURRENT LIABILITIES			
Trade payables	10	**879**	868
Other payables and accruals		**16,267**	15,154
Due to a related company		**274**	261
Tax payables		**1,049**	1,746
Total current liabilities		**18,469**	18,029
NET CURRENT ASSETS		**50,811**	37,869
TOTAL ASSETS LESS CURRENT LIABILITIES		**147,376**	138,937
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**386**	1,156
Total non-current liabilities		**386**	1,156
Net assets		**146,990**	137,781

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to the owners of the parent:		
Issued capital	**4,000**	4,000
Reserves	**140,906**	131,005
	144,906	135,005
Non-controlling interests	**2,084**	2,776
Total equity	**146,990**	137,781

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Hang Chi Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, with the registered address of Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. In the opinion of the directors, the holding company of the Company is Shui Wah Limited ("**Shui Wah**"), which was incorporated in the British Virgin Islands ("**BVI**"). The Company's ultimate holding company is Multifield Investment Development Limited, a company incorporated in BVI with limited liability on 8 January 2010, which is wholly owned by Mr. Yik Tak Chi.

During the year, 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.

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
Amendments to IAS 40	*Transfers of Investment Property*
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 2, amendments to IFRS 4, amendments to IAS 40 and *Annual Improvements 2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

There was no significant impact on the Group's financial position and financial results upon initial application at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

Classification and measurement

IFRS 9 classified financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVOCI**") and at fair value through profit or loss ("**FVPL**"). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under IFRS 9, the classification for all of the Group's financial assets and financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group applied the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

(b) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 4 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

There was no significant impact on the Group's financial position and financial results upon initial application at 1 January 2018. Comparative information continues to be reported under IAS 11 and IAS 18.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about a major customer

Revenue of approximately HK$30,109,000 for the year ended 31 December 2018 (year ended 31 December 2017: HK$24,758,000), which amounted to more than 10% of the Group's revenue, was derived from the Hong Kong Government under the Enhanced Bought Place Scheme.

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Rendering of elderly home care services	**104,327**	78,107
Sales of elderly related goods and provision of healthcare services	**31,189**	19,041
	135,516	97,148

Revenue from contracts with customers

(i) ***Disaggregated revenue information***

	Year ended 31 December 2018
	HK$'000
Timing of revenue recognition	
Services transferred over time	119,035
Goods transferred at a point in time	16,481
Total revenue from contracts with customers	135,516

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December 2018
	HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Rendering of elderly home care services	93
Sale of elderly related goods and provision of healthcare services	29
	121

(ii) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

Rendering of services

The performance obligation is satisfied over time as services are rendered and advance payments are normally required for home care services and certain healthcare services. For other healthcare services, payment is generally due within 30 days.

Sale of goods

The performance obligation is satisfied upon delivery of the goods and advance payments are generally required. For other goods where advance payment is not required, payment is generally due within 30 days from delivery.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	31 December 2018
	HK$'000
Within one year	162

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Other income		
Government grants	**3,149**	2,748
Sundry income	**1,186**	399
Rental income	**888**	565
Bank interest income	**211**	366
Others	**120**	444
	5,554	4,522

5. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**8,343**	7,234
Depreciation	**4,129**	3,116
Amortisation of intangible assets	**3,386**	2,284
Auditors' remuneration	**1,500**	1,300
Employee benefit expense (excluding directors' and chief executive's remuneration):		
– Wages and salaries	**47,862**	36,361
– Pension scheme contributions	**1,655**	1,289
	49,517	37,650
Minimum lease payments under operating leases of land and buildings	**27,209**	17,175
Bank interest income*	**(211)**	(366)
Government grants*	**(3,149)**	(2,748)

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

6. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the reporting period (year ended 31 December 2017: 16.5%).

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**5,465**	3,846
Overprovision in prior years	**(268)**	–
Deferred	**(821)**	(576)
Total tax charge for the year	**4,376**	3,270

7. DIVIDENDS

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Proposed final – Nil (2017: HK3.00 cents) per ordinary share	**–**	12,000

No final dividend has been proposed by the Group for the year ended 31 December 2018.

The distribution amounts set out in the consolidated statements of changes in equity of HK$2,500,000 and HK$2,000,000 for the years ended 31 December 2018 and 2017, respectively, 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 year ended 31 December 2018 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 400,000,000 (year ended 31 December 2017: 347,123,288) in issue during the year, as adjusted to reflect the rights issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2017 includes the 100,000,000 ordinary shares issued in connection with the listing of the Company's ordinary shares on the Stock Exchange on 12 July 2017.

The calculation of basic earnings per share is based on:

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**21,901**	1,491
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**400,000,000**	347,123,288

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2018 and 2017 as the Group had no potentially dilutive ordinary shares in issue during these years.

9. TRADE RECEIVABLES

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**204**	270

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

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

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

10. 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 31 December	
	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**879**	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.

11. 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.

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 (the "**Shareholders**").

During the Reporting Year, the Company has adopted and complied with, where applicable, the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules, except for the deviation from the code provision A.2.1 of the CG Code prior to the resignation of Mr. Yik as the chief executive officer of the Company (the "**CEO**") on 22 January 2018.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Yik has been the chairman of the Board and had been the CEO up to 22 January 2018. As such, this had deviated from the code provision A.2.1 of the CG Code.

As Mr. Yik had been providing strong and consistent leadership to the Group, the Board believed that having him performing both functions would provide a more effective strategic planning and overall management to the Group. Besides, considering that Mr. Yik has more than 24 years of experience in the operation and management of elderly residential care homes, and had a good understanding of the trends and policy changes in the elderly residential care home industry, the Board believed that it was in the best interest of the Group to have Mr. Yik taking up both roles for effective management and business development for the Group.

In order to enhance the Company's corporate governance practices and enable the Company to better comply with the CG Code, Mr. Yik has resigned as the CEO and Mr. Lui has been appointed as the CEO with effect from 22 January 2018.

INTEREST OF COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser, Guotai Junan Capital Limited (the "**Compliance Adviser**"), as at 31 December 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 its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

CODE OF CONDUCT OF DIRECTORS' SECURITIES TRANSACTIONS

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

COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

SHARE OPTION SCHEME

The Company has conditionally adopted 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 reward eligible persons who have contributed or are expected to contribute to the Group. Details of the Scheme are disclosed in the section headed "Statutory and General Information" of the Prospectus.

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

ARRANGEMENTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the paragraph headed "Share Option Scheme" above, at no time during the Reporting Year, was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) or to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CONTINUING CONNECTED TRANSACTIONS

Prior to the date of the sale and purchase agreement dated 9 October 2017 regarding the acquisition (the "**Acquisition**") of Shui Jun (Yau Tong), Shui Jun (Yau Tong) as tenant had already entered into two tenancy agreements (the "**CCT Agreements**") with Ever Primer Limited and Roymark Limited as landlords, respectively. As Mr. Yik is the director and one of the ultimate shareholders of both Ever Premier Limited and Roymark Limited, Ever Premier Limited and Roymark Limited are associates of a connected person of the Company under the GEM Listing Rules. Accordingly, upon the completion of the Acquisition on 13 November 2017, the CCT Agreements and the transactions contemplated thereunder have constituted continuing connected transactions of the Company under the GEM Listing Rules.

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

The aforesaid continuing connected transactions have been reviewed by the independent non-executive Directors, who are of the view that the transactions are on normal commercial terms and in the ordinary and usual course of business of the Group, their terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 20.74 of the GEM Listing Rules, the Company is required to comply with the annual review and disclosure requirements, but is exempt from the circular (including independent financial advice) and shareholders' approval requirements if the Group continues to conduct the transactions under the CCT Agreements.

The company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on the annual report in accordance with Rule 20. 54 of the GEM Listing Rule. A copy of the auditor's letter has been provided by the company to the Stock Exchange.

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

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's independent auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on this preliminary announcement.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

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

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

ANNUAL GENERAL MEETING

The AGM will be held on Monday, 29 April 2019. A formal notice of the AGM will be published and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to Attend and Vote at the AGM

For determining the Shareholders' eligibility to attend and vote at the forthcoming AGM to be held on Monday, 29 April 2019 (the "**2019 AGM**"), the register of members of the Company will be closed from Wednesday, 24 April 2019 to Monday, 29 April 2019, both days inclusive, during which period no transfer of Shares will be registered. The record date will be Monday, 29 April 2019. In order to qualify for attending and voting at the 2019 AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 23 April 2019.

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

Hong Kong, 27 February 2019

As at the date of this announcement, the executive Directors are Mr. YIK Tak Chi, Mr. CHUNG Kin Man, Ms. CHUNG Wai Man and Mr. LUI Chi Tat, 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 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.