Hang Chi Holdings Limited
恒智控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8405)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2019

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

	Three months ended 31 March		
	2019	2018	
	HK$'000	*HK$'000*	*Change %*
	(unaudited)	(unaudited)	(approximate)
Statement of profit or loss and other comprehensive income			
Revenue	**35,141**	32,332	8.69%
EBITDA	**10,518**	6,777	55.20%
Profit for the period	**5,896**	3,980	48.14%

The board of Directors (the "**Board**") of the Company is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the three months ended 31 March 2019 (the "**Reporting Period**"). The unaudited condensed consolidated financial statements of the Group have been reviewed by the audit committee of the Company (the "**Audit Committee**").

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 Period and the same period last year are set out as follows:

	Three months ended 31 March			
	2019		2018	
	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**")	**7,704**	**21.92%**	7,134	22.07%
– residential care places leased by individual customers	**19,354**	**55.08%**	18,269	56.50%
– residential care places leased by non-governmental organisations	**127**	**0.36%**	84	0.26%
	27,185	**77.36%**	25,487	78.83%
Sales of elderly related goods and provision of healthcare services	**7,956**	**22.64%**	6,845	21.17%
Total	**35,141**	**100.00%**	32,332	100.00%

During the Reporting Period, the Group's revenue increased from approximately HK$32,332,000 for the same period last year to approximately HK$35,141,000, representing an approximately 8.69% increase.

Rendering of elderly home care services

The revenue from rendering of elderly home care services was derived from the provision of, among others, residence, nursing and caretaking services, health and medical services, rehabilitation services, meal preparation services and social care services in Hong Kong. The revenue increased from approximately HK$25,487,000 for the same period last year to approximately HK$27,185,000 for the Reporting Period, representing an approximately 6.66% increase.

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

  During the Reporting Period, the revenue derived from the SWD, which leased a fixed number of residential care places at the Group's elderly residential care homes under the EBPS, increased from approximately HK$7,134,000 for the same period last year to approximately HK$7,704,000, representing an approximately 7.99% increase.

- *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$18,269,000 for the same period last year to approximately HK$19,354,000 for the Reporting Period, representing an approximately 5.94% increase.

  The increment was attributable to the stable occupancy rate of all elderly residential care homes of the Group recorded for both Reporting Period and the same period last year.

- *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$84,000 for the same period last year to approximately HK$127,000 for the Reporting Period, representing an approximately 51.19% 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$6,845,000 for the same period last year to approximately HK$7,956,000 for the Reporting Period, representing an approximately 16.23% 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 Period and the same period last year are set out as follows:

	Three months ended 31 March	
	2019	2018
	approximate %	*approximate %*
Average occupancy rate		
– elderly residential care homes under the EBPS	**93.86%**	96.06%
– non-EBPS elderly residential care homes	**93.47%**	93.47%

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. The amount of staff costs slightly decreased from approximately HK$14,443,000 for the same period last year to approximately HK$14,428,000 for the Reporting Period, representing an approximately 0.10% decrease.

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. The amount of property rental and related expenses decreased from approximately HK$6,608,000 for the same period last year to approximately HK$5,515,000 for the Reporting Period, representing an approximately 16.54% decrease. With the adoption of IFRS 16 *Leases* during the Reporting Period, the rental expenses were re-allocated between Property rental and related expenses, Depreciation and amortisation and Finance costs. The rental and related expenses payments for the elderly residential care homes and office amounted to approximately HK$7,034,000 in total for the Reporting Period.

Profit for the period

Profit of approximately HK$5,896,000 and HK$3,980,000 were recorded for the Reporting Period and the same period last year respectively, representing an approximately 48.14% increase. Such increase was attributable to the increment in revenue and better cost control policy implemented during the Reporting Period.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2019, the Group had 261 employees (31 March 2018: 287 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 (the "**Net Proceeds**") received by the Company from the listing of the Company's shares on GEM of the Stock Exchange (the "**Listing**"), 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 of the Company dated 28 June 2017.

As at 31 March 2019, (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.

The unaudited financial information for the three months ended 31 March 2019 together with the comparative figures for the corresponding periods in 2018 were as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2019

		Three months ended 31 March	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
REVENUE	4	**35,141**	32,332
Other income	4	**1,382**	1,395
Staff costs		**(14,428)**	(14,443)
Property rental and related expenses		**(5,515)**	(6,608)
Depreciation and amortisation		**(3,365)**	(1,871)
Food		**(1,036)**	(984)
Medical fees		**(1,815)**	(1,372)
Professional and legal fees		**(1,211)**	(1,115)
Utility expenses		**(642)**	(668)
Consumables		**(298)**	(336)
Other operating expenses		**(1,060)**	(1,424)
Finance costs		**(130)**	–
PROFIT BEFORE TAX	5	**7,023**	4,906
Income tax expenses	6	**(1,127)**	(926)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**5,896**	3,980
Attributable to:			
Owners of the parent		**5,507**	3,680
Non-controlling interests		**389**	300
		5,896	3,980
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted *(HK cents)*	8	**1.38**	0.92

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

	Attributable to owners of the parent							
	Issued capital *HK$'000*	**Share premium** *HK$'000*	**Merger reserve** *HK$'000*	**Other reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
At 31 December 2018 and 1 January 2019 (audited)	**4,000**	**109,298**	**5**	**(1,046)**	**32,649**	**144,906**	**2,084**	**146,990**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**5,507**	**5,507**	**389**	**5,896**
At 31 March 2019 (unaudited)	**4,000**	**109,298**	**5**	**(1,046)**	**38,156**	**150,413**	**2,473**	**152,886**

For the three months ended 31 March 2018

	Attributable to owners of the parent							
	Issued capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000*	Other reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 31 December 2017 and 1 January 2018 (audited)	4,000	109,298	5	(1,046)	22,748	135,005	2,776	137,781
Profit and total comprehensive income for the period	–	–	–	–	3,680	3,680	300	3,980
At 31 March 2018 (unaudited)	4,000	109,298	5	(1,046)	26,428	138,685	3,076	141,761

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Hang Chi Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 16 February 2016. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, with the registered address of Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. In the opinion of the directors, the holding company of the Company is Shui Wah Limited, which 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.

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

Pursuant to a group 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 the GEM of The Stock Exchange of Hong Kong Limited on 12 July 2017.

2.1 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 31 March 2019 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*. They have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of new and revised International Financial Reporting Standards ("**IFRSs**") as noted below.

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

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except as described below for the IFRS 16, the directors of the Group considered that the application of the other new and revised IFRSs do not have material impact on the Group's consolidated financial results.

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("**short-term leases**"), and lease contracts for which the underlying asset is of low value ("**low-value assets**").

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	HK$'000 (unaudited)
Assets	
Right-of-use assets	11,989
Liabilities	
Lease liabilities	11,989

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for land and buildings. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Other payables and accruals, respectively. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the foregoing, as at 1 January 2019, right-of-use assets and additional lease liabilities of HK$11,989,000 were recognised respectively.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	HK$'000 (unaudited)
Operating lease commitments as at 31 December 2018	23,860
Less: Commitments relating to short-term leases	11,241
	12,619
Weighted average incremental borrowing rate as at 1 January 2019	4.5%
Discounted operating lease commitments at 1 January 2019	11,989
Lease liabilities as at 1 January 2019	11,989

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of land and buildings (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

c) **Amounts recognised in the unaudited condensed consolidated statement of profit or loss and other comprehensive income**

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets Land and buildings *HK$'000* (unaudited)	Lease liabilities *HK$'000* (unaudited)
As at 1 January 2019	11,989	11,989
Depreciation expense	(1,449)	–
Interest expense	–	130
Payments	–	(1,521)
As at 31 March 2019	10,540	10,598

The Group recognised rent expense from short-term leases of HK$4,882,000 for the three months ended 31 March 2019.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about a major customer

Revenue of approximately HK$7,704,000 and HK$7,134,000 for the three months ended 31 March 2019 and 2018, respectively, was derived from the Hong Kong Government under the Enhanced Bought Place Scheme, which amounted to more than 10% of the Group's revenue.

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Rendering of elderly home care services	**27,185**	25,487
Sale of elderly related goods and provision of healthcare services	**7,956**	6,845
	35,141	32,332

Revenue from contracts with customers

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

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Timing of revenue recognition		
Services transferred over time	**30,460**	28,570
Goods transferred at a point in time	**4,681**	3,762
Total revenue from contracts with customers	**35,141**	32,332

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:

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of elderly home care services	**125**	93
Sale of elderly related goods and provision of healthcare services	**37**	28
	162	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 March 2019 and 2018 are as follows:

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Within one year	**69**	176

An analysis of other income is as follows:

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Other income		
Government grants	**815**	869
Sundry income	**241**	246
Rental income	**215**	209
Others	**111**	71
	1,382	1,395

5. PROFIT BEFORE TAX

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

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Cost of inventories sold	**1,998**	2,016
Depreciation	**2,519**	785
Amortisation of intangible assets	**846**	1,086
Employee benefit expense including Directors' and chief executive's remuneration:		
– Wages and salaries	**13,504**	13,700
– Pension scheme contributions	**451**	444
	13,955	14,144
Minimum lease payments under operating leases of land and buildings	**5,515**	6,608
Government grants*/#	**(815)**	(869)

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

\# Various government grants have been received for the welfare of the elderly residing in the Group's elderly residential care homes. There are no unfulfilled conditions or contingencies relating to these grants.

6. INCOME TAX EXPENSES

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 periods.

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current – Hong Kong		
Charge for the period	**1,307**	1,106
Deferred tax	**(180)**	(180)
Total tax charge for the period	**1,127**	926

7. DIVIDENDS

The Board does not recommend the payment of a dividend for the three months ended 31 March 2019 (three months ended 31 March 2018: Nil).

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 three months ended 31 March 2019 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 400,000,000 (three months ended 31 March 2018: 400,000,000) in issue during the period.

The calculation of basic earnings per share is based on:

	Three months ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**5,507**	3,680

	Three months ended 31 March	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	400,000,000	400,000,000

No adjustment has been made to the basic earnings per share amounts presented for the three months ended 31 March 2018 and 2019 as the Group had no potentially dilutive ordinary shares in issue during these periods.

CORPORATE GOVERNANCE PRACTICES

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

During the Reporting Period, the Company had adopted and complied with, where applicable, the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules.

INTEREST OF COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser, Guotai Junan Capital Limited (the "**Compliance Adviser**"), as at 31 March 2019, 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 Period.

COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

DIVIDEND

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

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.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

ACQUISITION DURING THE REPORTING PERIOD

On 11 March 2019, Shui On Nursing Home Holdings Limited entered into a sale and purchase agreement (the "**Agreement**") with, among others, Jun Pak Limited, pursuant to which Shui On Nursing Home Holdings Limited has conditionally agreed to acquire and Jun Pak Limited has conditionally agreed to sell 60% of the issued share capital of Guardian Home Limited at the consideration of HK$63,000,000. The aforesaid acquisition is subject to the satisfaction of the conditions set out in the Agreement, and has not been completed as at the date of this announcement. For details, please refer to the announcement of the Company dated 11 March 2019.

AUDIT COMMITTEE AND REVIEW OF THE THIRD QUARTERLY RESULTS

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

The Audit Committee has discussed with the management and the independent auditor of the Company and reviewed the unaudited results for the Reporting Period and the unaudited condensed consolidated financial statements of the Group for the Reporting Period, which is of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosure has been made in respect thereof.

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

Hong Kong, 7 May 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 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.