Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Hang Chi Holdings Limited
恒智控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8405)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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

	Nine months ended 30 September 2019	2018	Change %
	HK$'000	*HK$'000*	(approximate)
	(unaudited)	(unaudited)	
Statement of profit or loss and other comprehensive income			
Revenue	**120,123**	100,723	19.26%
EBITDA	**44,405**	25,539	73.87%
Profit for the period	**21,752**	16,500	31.83%

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 nine months ended 30 September 2019 (the "**Reporting Period**"). The unaudited condensed 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. During the Reporting Period, the Group derived its revenue from (i) 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; and (ii) Guardian Home (Chun Shek) Integrated Nursing Home in Shatin, after completion of the acquisition of 60% issued share capital of Guardian Home Limited on 12 July 2019.

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 nine months ended 30 September 2018 are set out as follows:

	Nine months ended 30 September			
	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**")	**25,396**	**21.14%**	22,406	22.24%
– residential care places leased by individual customers	**64,580**	**53.76%**	55,104	54.71%
– residential care places leased by non-governmental organisations	**415**	**0.35%**	263	0.26%
	90,391	**75.25%**	77,773	77.21%
Sales of elderly related goods and provision of healthcare services	**29,732**	**24.75%**	22,950	22.79%
Total	**120,123**	**100.00%**	100,723	100.00%

During the Reporting Period, the Group's revenue increased from approximately HK$100,723,000 for the same period last year to approximately HK$120,123,000, representing an approximately 19.26% 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$77,773,000 for the same period last year to approximately HK$90,391,000 for the Reporting Period, representing an approximately 16.23% 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$22,406,000 for the same period last year to approximately HK$25,396,000 representing an approximately 13.34% 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$55,104,000 for the same period last year to approximately HK$64,580,000 for the Reporting Period, representing an approximately 17.20% increase.

  The increment was mainly due to completion of the acquisition of Guardian Home Limited on 12 July 2019 which increased the total number of residential care places. After the acquisition of Guardian Home Limited, the Group owned and operated seven elderly residential care homes with a total of 1,085 residential care places; while there were six elderly residential care homes with a total of 816 residential care places for the same period last year. With over 90% occupancy rate of all elderly residential care homes recorded for both Reporting Period and the same period 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$263,000 for the same period last year to approximately HK$415,000 for the Reporting Period, representing an approximately 57.79% 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$22,950,000 for the same period last year to approximately HK$29,732,000 for the Reporting Period, representing an approximately 29.55% 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:

	Nine months ended 30 September	
	2019	2018
	approximate %	*approximate %*
Average occupancy rate		
– elderly residential care homes under the EBPS	**94.51%**	97.39%
– non-EBPS elderly residential care homes	**92.02%**	93.96%

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 increased from approximately HK$41,415,000 for the same period last year to approximately HK$43,866,000 for the Reporting Period, representing an approximately 5.92% 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. The amount of property rental and related expenses decreased from approximately HK$20,198,000 for the same period last year to approximately HK$14,793,000 for the Reporting Period, representing an approximately 26.76% 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$23,462,000 in total for the Reporting Period.

Profit for the period

Profit of approximately HK$21,752,000 and HK$16,500,000 were recorded for the Reporting Period and the same period last year, respectively, representing an approximately 31.83% increase. Such increase was attributable to the increment in revenue and better cost control policy implemented during the Reporting Period.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the Reporting Period (30 September 2018: nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 September 2019, the Group had 335 employees (30 September 2018: 266 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 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, which had been fully utilised as at 30 September 2019.

As at 30 September 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; (v) approximately HK$0.1 million of the Net Proceeds had been used as the Group's general working capital; and (vi) approximately HK$13.8 million of the Net Proceeds had been applied to settle part of the consideration of the acquisition of 60% of the issued share capital of Guardian Home Limited (the "**Acquisition**") as detailed below.

As disclosed in the announcement of the Company dated 26 October 2018 (the "**Announcement**"), due to the Company's difficulty in finding a suitable leased property for setting up a new residential care home in Hong Kong, 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 (the "**Unutilised Proceeds**") to acquiring another operating residential care home in Hong Kong. It was also disclosed in the Announcement that, the Company was evaluating the feasibility of acquiring an operating residential care home located in the New Territories, but there had been no substantive discussion or execution of agreement between the Group and the potential seller as at the date of the Announcement. No particular target for acquisition had been confirmed by the Company as at the date of the Announcement.

Pursuant to Rule 18.32(8)(b) of the GEM Listing Rules, the Company is required to disclose, among other things, the expected timeline for the use of the Unutilised Proceeds in the annual report. However, as at the date of the 2018 Annual Report, i.e. 27 February 2019, the Company had not made any substantive plan on the timeframe for application of the Unutilised Proceeds, and the plan of using the Unutilised Proceeds specifically for the Acquisition had not existed. In light of the above, it was practically difficult for the Company to disclose a detailed timeline for utilising the Unutilised Proceeds in the 2018 Annual Report as required under the GEM Listing Rules.

The plan on the timeframe for application of the Unutilised Proceeds was only materialised in mid-March, in or around the time when the Group entered in to a sale and purchase agreement in relation to the Acquisition with, among others, Jun Pak Limited on 11 March 2019. Pursuant to the aforesaid sale and purchase agreement, a sum of HK$20,000,000, representing part of the consideration of the Acquisition, shall be paid by the Group on the date of despatch of the circular in relation to the Acquisition. Accordingly, the Unutilised Proceeds was applied to settle part of such amount when the aforesaid circular was despatched in late June 2019.

The Company confirms that, despite the omission to strictly following the requirement under Rule 18.32(8)(b) of the GEM Listing Rules, the use of the Unutilised Proceeds by the Company did not deviate from its intended use as disclosed in the 2018 Annual Report.

EVENT AFTER THE REPORTING PERIOD

On 6 November 2019, the Company has adopted a share award scheme. Details of the share award scheme are set out in the Company's announcement dated 6 November 2019.

The unaudited financial information for the nine months ended 30 September 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 nine months ended 30 September 2019

	Notes	**Three months ended 30 September**		**Nine months ended 30 September**	
		2019	2018	**2019**	2018
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
REVENUE	4	**48,826**	34,817	**120,123**	100,723
Other income	4	**1,624**	1,600	**4,680**	4,278
Staff costs		**(15,842)**	(13,261)	**(43,866)**	(41,415)
Property rental and related expenses		**(4,904)**	(6,986)	**(14,793)**	(20,198)
Depreciation and amortisation		**(7,605)**	(1,903)	**(16,246)**	(5,632)
Food		**(1,277)**	(1,021)	**(3,345)**	(2,999)
Medical fees		**(2,176)**	(1,769)	**(6,363)**	(5,177)
Professional and legal fees		**(1,095)**	(801)	**(4,203)**	(2,929)
Utility expenses		**(1,399)**	(1,043)	**(2,866)**	(2,491)
Consumables		**(366)**	(344)	**(1,014)**	(1,008)
Other operating expenses		**(1,957)**	(1,043)	**(3,890)**	(3,245)
Other gain, net		**(58)**	–	**(58)**	–
Finance costs		**(949)**	–	**(1,633)**	–
PROFIT BEFORE TAX	5	**12,822**	8,246	**26,526**	19,907
Income tax expenses	6	**(2,234)**	(1,298)	**(4,774)**	(3,407)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**10,588**	6,948	**21,752**	16,500
Attributable to:					
Owners of the parent		**9,631**	6,324	**20,229**	15,168
Non-controlling interests		**957**	624	**1,523**	1,332
		10,588	6,948	**21,752**	16,500
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
– Basic and diluted *(HK cents)*	8	**2.41**	1.58	**5.06**	3.79

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 nine months ended 30 September 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	–	–	–	–	20,229	20,229	1,523	21,752
Acquisition of non-controlling interests	–	–	–	(11,184)	–	(11,184)	(1,442)	(12,626)
Acquisition of a subsidiary	–	–	–	–	–	–	12,290	12,290
Interim dividend declared	–	–	–	–	–	–	(4,400)	(4,400)
At 30 September 2019 (unaudited)	4,000	109,298	5	(12,230)	52,878	153,951	10,055	164,006

For the nine months ended 30 September 2018

	Attributable to owners of the parent							
	Issued capital	Share premium	Merger reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	–	–	–	–	15,168	15,168	1,332	16,500
Final dividend declared	–	–	–	–	(12,000)	(12,000)	(1,900)	(13,900)
At 30 September 2018 (unaudited)	4,000	109,298	5	(1,046)	25,916	138,173	2,208	140,381

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, 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, 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.

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 nine months ended 30 September 2019 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*.

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

Other than as explained below regarding the impact of IFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's unaudited condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

IFRS 16 replaces 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 from 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 any financial impact on 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 initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. 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. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for land and buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Accounted for the leases which the lease term ends within 12 months of the date of initial application in the same way as short-term leases, and included the cost associated with these leases within the disclosure of short-term
- lease expenses

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	HK$'000 (unaudited)
Assets	
Increase in right-of-use assets	11,989
Liabilities	
Increase in lease liabilities	11,989

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is 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**

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any 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 the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease 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 termination of 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 an expense in the period in 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 future lease payments arising from change in an index or rate, a change in the lease term, a change in the insubstance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the unaudited condensed consolidated statement of financial position and profit or loss and other comprehensive income

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets	
	Land and buildings	**Lease liabilities**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
As at 1 January 2019	**11,989**	**11,989**
Addition	82,244	83,306
Depreciation expense	(9,889)	–
Interest expense	–	1,633
Payments	–	(8,669)
As at 30 September 2019	**84,344**	**88,259**

The Group recognised rental expenses from short-term leases of HK$11,728,000 for the nine months ended 30 September 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$25,396,000 and HK$22,406,000 for the nine months ended 30 September 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 30 September		**Nine months ended 30 September**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue from contracts with customers	**48,826**	34,817	**120,123**	100,723

Revenue from contracts with customers

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

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Type of goods or services				
Rendering of elderly home care services	**36,227**	26,529	**90,391**	77,773
Sale of elderly related goods and provision of healthcare services	**12,599**	8,288	**29,732**	22,950
Total revenue from contracts with customers	**48,826**	34,817	**120,123**	100,723
Timing of revenue recognition				
Services transferred over time	**42,443**	30,576	**104,298**	88,691
Goods transferred at a point in time	**6,383**	4,241	**15,825**	12,032
Total revenue from contracts with customers	**48,826**	34,817	**120,123**	100,723

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 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:				
Rendering of elderly home care services	**70**	154	**125**	93
Sale of elderly related goods and provision of healthcare services	**22**	44	**37**	29
	92	198	**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 30 September 2019 and 31 December 2018 are as follows:

	As at 30 September 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within one year	**175**	162

An analysis of other income is as follows:

	Three months ended 30 September		**Nine months ended 30 September**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Other income				
Government grants	**974**	714	**2,659**	2,397
Sundry income	**420**	579	**953**	1,056
Rental income	**113**	195	**701**	612
Bank interest income	**55**	75	**231**	138
Others	**62**	37	**136**	75
	1,624	1,600	**4,680**	4,278

5. PROFIT BEFORE TAX

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

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Cost of inventories sold	**3,008**	2,126	**7,106**	6,240
Depreciation of property, plant and equipment	**1,013**	1,057	**3,080**	3,093
Depreciation of right-of-use assets	**5,007**	–	**9,889**	–
Amortisation of intangible assets	**1,585**	846	**3,277**	2,539
Auditors' remuneration	**300**	350	**1,000**	1,050
Employee benefit expense including Directors' and chief executive's remuneration:				
– Wages and salaries	**14,898**	12,725	**41,325**	39,391
– Pension scheme contributions	**481**	425	**1,375**	1,317
	15,379	13,150	**42,700**	40,708
Bank interest income*	**(55)**	(75)	**(231)**	(138)
Government grants*/#	**(974)**	(714)	**(2,659)**	(2,397)

* 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 period.

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current – Hong Kong				
Charge for the period	**2,569**	1,505	**5,485**	3,977
Deferred tax	**(335)**	(207)	**(711)**	(570)
Total tax charge for the period	**2,234**	1,298	**4,774**	3,407

7. DIVIDENDS

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Final – Nil (nine months ended 30 September 2018: HK3.00 cents) per ordinary share	**–**	–	**–**	12,000

No dividend has been proposed by the Group for the nine months ended 30 September 2019.

The distribution amounts set out in the unaudited condensed consolidated statements of changes in equity of HK$4,400,000 for the nine months ended 30 September 2019 (nine months ended 30 September 2018:HK$1,900,000) represented the dividends declared by Shui On Nursing Centre (Kwai Shing E.) Co. Limited and Guardian Home Limited, non-wholly-owned subsidiaries of the Company, to their 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 nine months ended 30 September 2019 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 400,000,000 (nine months ended 30 September 2018: 400,000,000) in issue during the period.

The calculation of basic earnings per share is based on:

	Three months ended 30 September		**Nine months ended 30 September**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Earnings				
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**9,631**	6,324	**20,229**	15,168

	Three months ended 30 September		**Nine months ended 30 September**	
	2019	2018	**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	**400,000,000**	400,000,000

No adjustment has been made to the basic earnings per share amounts presented for the nine months ended 30 September 2018 and 2019 as the Group had no potentially dilutive ordinary shares in issue during these periods.

9. BUSINESS COMBINATION FOR ACQUISITION OF A SUBSIDIARY

On 12 July 2019, the Company, through Shui On Nursing Home Holdings Limited, acquired a 60% interest in Guardian Home Limited, from Jun Pak Limited, which is an independent third party (the "**Acquisition**"). Guardian Home Limited is engaged in investment holding and the principal activities of its subsidiaries are the operation of elderly residential care home in Hong Kong. The acquisition was made as part of the Group's strategy to expand its market share of elderly care homes in Hong Kong. The total purchase consideration for the acquisition was HK$63,000,000, which was paid by cash.

The fair values of the identifiable assets and liabilities of Guardian Home Limited as at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000* (unaudited)
Property, plant and equipment	237
Intangible asset	11,869
Deferred tax assets	42,787
Trade receivables	954
Prepayments, deposits and other receivables	87
Cash and bank balances	4,138
Trade payables	25,755
Other payables and accruals	(324)
Due to a related company	(5,941)
Tax payables	(3,328)
Deferred tax liabilities	(1,958)
Lease liabilities	(43,551)
Total identifiable net assets at fair value	30,725
Non-controlling interests	(12,290)
	18,435
Goodwill on acquisition	31,939
Acquisition of non-controlling interests*	12,626
Satisfied by cash	63,000

* As part of the Acquisition, the Group indirectly acquired 20% equity interests in Shui On Nursing Centre (Kwai Shing E.) Co. Limited on 12 July 2019. HK$11,184,000, being the difference between the carrying amount of the aforementioned 20% equity interests and the consideration paid, was recognised in other reserve.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$87,000 and HK$28,000, respectively. No trade receivables or other receivable balances were expected to be uncollectible.

The Group incurred transaction costs of HK$2,357,000 for this acquisition. These transaction costs have been expensed and are included in professional and legal fees and other operating expenses in the unaudited consolidated statement of profit or loss and other comprehensive income.

The assessments of the fair values of the identifiable assets and liabilities of the subsidiary acquired are still undergoing, and the information of the fair values of the identifiable assets and liabilities are provisional at the date of the approval of this unaudited condensed consolidated financial statements.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(63,000)
Cash and bank balances acquired	25,755
Net outflow of cash and cash equivalents included in cash flows from investing activities	(37,245)
Transaction costs of the acquisition included in cash flows from operating activities	(2,357)
	(39,602)

Since the acquisition, Guardian Home Limited contributed HK$10,082,000 to the Group's revenue and HK$2,302,000 to the unaudited consolidated profit for the nine months ended 30 September 2019.

Had the combination of Guardian Home Limited taken place at the beginning of the year, the unaudited revenue from operations of the Group and the unaudited profit of the Group for the nine month ended 30 September 2019 would have been HK$145,115,000 and HK$31,117,000, respectively.

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 Period, the Company has 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 30 September 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.

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 during the Reporting Period and there was no outstanding share option as at the date of this announcement.

SHARE AWARD SCHEME

The Company has adopted a share award scheme with objectives to recognise the contributions by certain employees and (i) to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to align the interests of the certain employees with those of the Shareholders. Details of the share award scheme are disclosed in the announcement of the Company dated 6 November 2019.

No shares were awarded under the share award scheme of the Company 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.

AUDIT COMMITTEE AND REVIEW OF THE THIRD QUARTERLY RESULTS

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

The Audit Committee has discussed with the management and the independent auditor of the Company and reviewed the 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, 6 November 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.