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shishi

shi shi services limited

時時服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8181)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This announcement, for which the directors (the “Directors”) of Shi Shi Services Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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.

The board of directors (the “Board”) of the Company is pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2020, together with the audited comparative figures for the corresponding year in 2019 are set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	487,395	425,661
Cost of services		<u>(376,495)</u>	<u>(322,013)</u>
Gross profit		110,900	103,648
Interest revenue	4	568	3,400
Other (loss)/income	5	(1,100)	26,729
Share of (loss)/profits of an associate		(1,320)	5,249
Administrative expenses		(54,358)	(52,198)
Other operating expenses		(19,040)	(21,030)
Listing expenses		(11,367)	–
Finance costs	7	(1,018)	(565)
Profit before tax		23,265	65,233
Income tax expense	9	(9,065)	(7,853)
Profit for the year	8	14,200	57,380
Other comprehensive (expense)/income, net of tax			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on equity investment at fair value through other comprehensive income		–	10
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operation		(4,505)	637
Other comprehensive (expense)/income for the year		(4,505)	647
Total comprehensive income for the year		9,695	58,027

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		14,174	52,229
Non-controlling interests		26	5,151
		<u>14,200</u>	<u>57,380</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		9,735	52,808
Non-controlling interests		(40)	5,219
		<u>9,695</u>	<u>58,027</u>
Earnings per share			
Basic (HK\$)	10	<u>0.014</u>	<u>0.057</u>
Diluted (HK\$)	10	<u>0.014</u>	<u>0.057</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		22,183	11,248
Investment property		30,300	32,400
Intangible assets	11	2,143	3,902
Right-of-use assets		6,487	–
Goodwill		3,232	3,232
Deposits placed for life insurance policies		8,758	8,576
Deferred tax assets		2,767	2,849
Investment in an associate	12	40,428	41,748
		<u>116,298</u>	<u>103,955</u>
Current assets			
Trade and other receivables	13	134,241	120,170
Investments at fair value through profit or loss		–	10,668
Pledged bank deposits		1,629	1,722
Cash and cash equivalents		141,422	142,200
		<u>277,292</u>	<u>274,760</u>
Current liabilities			
Trade and other payables	14	69,353	68,341
Contract liabilities		4,004	4,546
Bank borrowings – secured		11,671	12,140
Finance lease payables		–	247
Lease liabilities		4,205	–
Amount due to a related company		–	2,105
Current tax liabilities		3,141	1,740
		<u>92,374</u>	<u>89,119</u>
Net current assets		<u>184,918</u>	<u>185,641</u>
Total assets less current liabilities		<u>301,216</u>	<u>289,596</u>

		2020	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Finance leases payables		–	293
Lease liabilities		2,286	–
Deferred tax liabilities		108	176
		<u>2,394</u>	<u>469</u>
NET ASSETS		<u>298,822</u>	<u>289,127</u>
Equity			
Share capital	15	10,264	10,264
Reserves		287,697	277,962
		<u>297,961</u>	<u>288,226</u>
Equity attributable to owners of the Company		297,961	288,226
Non-controlling interests		861	901
		<u>298,822</u>	<u>289,127</u>
TOTAL EQUITY		<u>298,822</u>	<u>289,127</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to owners of the Company						Retained profits	Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Share option reserve	Merger reserve	Equity investment revaluation reserve	Foreign currency translation reserve				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2018	8,554	141,056	3,872	4,750	(13,000)	121	47,401	192,754	3,322	196,076
Transfer	-	-	(3,872)	-	12,990	-	(9,118)	-	-	-
Placing of shares (Note 15)	1,710	38,919	-	-	-	-	-	40,629	-	40,629
Capital injection by non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	900	900
Acquisition of non-controlling interests	-	-	-	-	-	-	2,035	2,035	(3,559)	(1,524)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(4,981)	(4,981)
Total comprehensive income for the year	-	-	-	-	10	569	52,229	52,808	5,219	58,027
At 31 March 2019	<u>10,264</u>	<u>179,975</u>	<u>-</u>	<u>4,750</u>	<u>-</u>	<u>690</u>	<u>92,547</u>	<u>288,226</u>	<u>901</u>	<u>289,127</u>
At 1 April 2019	10,264	179,975	-	4,750	-	690	92,547	288,226	901	289,127
Total comprehensive (expense)/income for the year	-	-	-	-	-	(4,439)	14,174	9,735	(40)	9,695
At 31 March 2020	<u>10,264</u>	<u>179,975</u>	<u>-</u>	<u>4,750</u>	<u>-</u>	<u>(3,749)</u>	<u>106,721</u>	<u>297,961</u>	<u>861</u>	<u>298,822</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

Shi Shi Services Limited (the “Company”) was incorporated in the Cayman Islands with limited liability. Its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited. The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit 903, 9 Floor, Haleson Building, 1 Jubilee Street, Central, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are provision of property management and related services, properties investment and money lending business.

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), and all values are rounded to thousand (HK\$’000), unless otherwise stated.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 April 2019. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, 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. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from that use. The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) *Lessee accounting and transitional impact*

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to leased properties.

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019. The incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.2%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- Applied the exemption not to recognise right-of-use assets with the lease term ends within 12 months of the date of initial application.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The following table reconciles the lease commitments as at 31 March 2019 to the opening balance for capitalisation of operating lease recognised as at 1 April 2019.

	<i>HK\$'000</i>
Lease commitments disclosed as at 31 March 2019	10,023
Recognition exemption for short-term leases	<u>(210)</u>
	9,813
Discounting effect using the incremental borrowing rate as at 1 April 2019	<u>(501)</u>
Capitalisation of operating lease recognised as at 1 April 2019	<u><u>9,312</u></u>
Of which are:	
Current portion	4,776
Non-current portion	<u>4,536</u>
	<u><u>9,312</u></u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of “finance lease payables”, these amounts are included within “lease liabilities”, and the depreciated carrying amount of the corresponding leased assets is reclassified as “right-of use assets” instead of “property, plant and equipment”. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by adoption of HKFRS 16:

	Carrying amount at 31 March 2019 HK\$'000	Capitalisation of operating lease HK\$'000	Reclassification of finance lease assets and finance lease payables HK\$'000	Carrying amount at 1 April 2019 HK\$'000
Property, plant and equipment	11,248	–	(661)	10,587
Right-of-use assets	–	9,312	661	9,973
Total non-current assets	103,955	9,312	–	113,267
Finance lease payables (current)	247	–	(247)	–
Lease liabilities (current)	–	4,776	247	5,023
Total current liabilities	89,119	4,776	–	93,895
Net current assets	185,641	(4,776)	–	180,865
Total assets less current liabilities	289,596	4,536	–	294,132
Finance lease payables (non-current)	293	–	(293)	–
Lease liabilities (non-current)	–	4,536	293	4,829
Total non-current liabilities	469	4,536	–	5,005
Net assets	289,127	–	–	289,127

(c) Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in an impact on the reported profit from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if HKAS 17 had been applied during the period.

In the consolidated statement of cash flow, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as operating and financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the consolidated statement of cash flow.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16.

	Amounts reported under HKFRS 16 (A) <i>HK\$'000</i>	Adjust: Amounts related to operating leases as if under HKAS 17 instead of HKFRS 16 (B) <i>HK\$'000</i>	Reclassification of repayment of finance lease charges and finance lease payables (C) <i>HK\$'000</i>	Hypothetical amounts for the year ended 31 March 2020 as if under HKAS 17 (D=A+B+C) <i>HK\$'000</i>
Financial result for the year ended 31 March 2020 impacted by the adoption of HKFRS 16:				
Profit from operation	24,283	(252)	–	24,031
Finance costs	(1,018)	401	–	(617)
Profit before tax	23,265	149	–	23,414
Profit for the year	14,200	149	–	14,349
Line items in the consolidated cash flow statement for year ended 31 March 2020 impacted by the adoption of HKFRS 16:				
Cash generated from operations	19,541	(4,159)	–	15,382
Lease interest paid	(422)	401	21	–
Finance lease charges paid	–	–	(21)	(21)
Net cash generated from operations	10,873	(3,758)	–	7,115
Repayment of lease liabilities	(4,005)	3,758	306	59
Repayment of finance lease payables	–	–	(306)	(306)
Net cash (used in)/generated from financing activities	(4,376)	3,758	–	(618)

The Group has not applied new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. REVENUE

The Group is principally engaged in the provision of property management and related services, properties investment and money lending business during the year. An analysis of the Group's revenue recognised during the years is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Provision of property management and related services	<u>485,010</u>	<u>424,053</u>
Revenue from contracts with customers	485,010	424,053
Rental income from investment property	1,485	1,448
Loan interest income	<u>900</u>	<u>160</u>
Total revenue	<u><u>487,395</u></u>	<u><u>425,661</u></u>

Disaggregation of revenue from contracts with customers:

Provision of property management and related services

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
For the year ended 31 March		
Geographical markets		
Hong Kong	437,122	396,923
People's Republic of China (the "PRC")	<u>47,888</u>	<u>27,130</u>
	<u><u>485,010</u></u>	<u><u>424,053</u></u>
Major services		
Property management services	438,666	370,793
Stand-alone security services	32,715	29,933
Property management consultancy services	<u>13,629</u>	<u>23,327</u>
	<u><u>485,010</u></u>	<u><u>424,053</u></u>

For the years ended 31 March 2020 and 2019, all revenue from provision of property management services, stand-alone security services and property management consultancy services are recognised over time.

Property management services fees, stand-alone security services and property management consultancy services fees are recognized on a monthly basis when the services are rendered. The amount for which can be reliably estimated and it is probable that the income will be received. The property management services fees and property management consultancy services fees are due on the end of each month.

There was no performance obligations that are unsatisfied pursuant to HKFRS 15.120 during the years ended 31 March 2019 and 31 March 2020.

4. INTEREST REVENUE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	290	64
Interest income from investment at fair value through profit or loss	–	3,048
Interest income from deposits placed for life insurance policies	278	288
	<u>568</u>	<u>3,400</u>

5. OTHER (LOSS)/INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	–	103
Fair value (loss)/gain on an investment property	(2,100)	400
Fair value gain on investments at fair value through profit or loss	152	–
Compensation income (<i>note</i>)	–	26,000
Commission income	9	226
Exchange gain	111	–
Others	728	–
	<u>(1,100)</u>	<u>26,729</u>

Note: The Company, Capital Creation (BVI) Limited (“Capital Creation”) and All Profit Alliance Limited (“All Profit”) entered into a subscription and shareholders’ agreement (the “Agreement”) on 21 June 2015 pursuant to which the Company subscribed 10% of the issued share capital of All Profit at the Subscription Price of HK\$13 million. Under the Agreement, All Profit guaranteed to the Company that the net profit of All Profit after tax (the “2016 After-Tax Profit”) for the period from 20 March 2015 (date of incorporation of All Profit) to 30 June 2016 (the “Initial Guarantee Period”) shall not be less than HK\$10 million (the “Guaranteed Profit Amount”). If the 2016 After-Tax Profit of All Profit falls below the Guaranteed Profit Amount, All Profit shall allot and issue to the Company such number of new All Profit Shares representing 10% of the then issued share capital of All Profit enlarged by the allotment and issue of such new All Profit Shares and the Guarantee Profit Amount shall be extended for a further 12 months to the year ended 30 June 2017 (the “Extended Guarantee Period”) in the same guaranteed amount (the “Extended Profit Guarantee”).

If the net profit of All Profit after tax for the year ended 30 June 2017 (the “2017 After-Tax Profit”) is less than that Extended Profit Guarantee, All Profit shall compensate the Company for the shortfall (the “Compensation”) calculated as follows:

The difference between the 2017 After-Tax Profit and the Extended Profit Guarantee $\times 13 \times 20\%$

For the avoidance of doubt, if the 2017 After-Tax Profit is zero or a negative amount, the formula (HK\$10,000,000 $\times 13 \times 20\%$) will be adopted in calculating the amount of the Compensation. Notwithstanding the above, the Company shall have the right to request All Profit to issue and allot to the Company such number of additional new All Profit Shares representing 5% of the then issued share capital of All Profit as enlarged by the allotment and issue of such new All Profit Shares in lieu of the Compensation.

All Profit continuously recorded loss for the two years ended 31 March 2016 and 2017, and was in net liabilities position as at 31 March 2016 and 2017. Therefore, the Group recorded loss on equity investment at fair value through other comprehensive income of HK\$8,733,000 and HK\$4,267,000 for the year ended 31 March 2016 and 31 March 2017 respectively.

Since the profit guarantee for both the Initial Guarantee Period and the Extended Guarantee Period were not met, the Company has demanded pursuant to the Agreement (i) the additional All Profit Shares, representing 10% of the then issued share capital of All Profit, to be allotted and issued to the Company as a result of All Profit failing to meet the profit guarantee for the Initial Guarantee Period such that the Company will be interested in approximately 20% of the issued share capital in All Profit; and (ii) the Compensation of HK\$26 million calculated based on the abovementioned formula (i.e. HK\$10,000,000 × 13 × 20%) from All Profit as a result of All Profit failing to meet the profit guarantee for the Extended Guarantee Period. The allotment and issue of the additional All Profit Shares was completed on 26 January 2018.

The Company received the settlement of HK\$26,000,000 from All Profit for the Compensation on 8 January 2019 and disposed all the Company's equity interest in All Profit on 16 January 2019.

6. SEGMENT INFORMATION

(a) Reportable segments

The Group has three (2019: three) reportable segments. The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- (i) Provision of property management and related services;
- (ii) Properties investment; and
- (iii) Money lending business.

Segment profits or losses do not include dividend income and gains or losses from investments. Segment assets do not include investments. Segment non-current assets do not include deferred tax assets and financial instruments.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

(i) **Business segments**

	For the year ended 31 March 2020			
	Provision of property management and related services <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue:				
Revenue from external customers	<u>485,010</u>	<u>1,485</u>	<u>900</u>	<u>487,395</u>
Reportable segment profit/(loss)	<u>44,041</u>	<u>(813)</u>	<u>669</u>	<u>43,897</u>
Depreciation of property, plant and equipment	1,111	4	-	1,115
Depreciation of right-of-use assets	2,722	-	79	2,801
Amortisation of intangible assets	2,119	-	-	2,119
Income tax expense	8,799	181	85	9,065
Interest revenue	567	-	-	567
Interest expense	902	-	7	909
Additions to property, plant and equipment	<u>13,112</u>	<u>13</u>	<u>-</u>	<u>13,125</u>
	At 31 March 2020			
	Provision of property management and related services <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	253,826	31,001	19,315	304,142
Reportable segment liabilities	<u>91,543</u>	<u>282</u>	<u>391</u>	<u>92,216</u>

	For the year ended 31 March 2019			
	Provision of property management and related services <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue:				
Revenue from external customers	<u>424,053</u>	<u>1,448</u>	<u>160</u>	<u>425,661</u>
Reportable segment profit/(loss)	<u>40,291</u>	<u>1,354</u>	<u>(14)</u>	<u>41,631</u>
Depreciation of property, plant and equipment	1,432	–	–	1,432
Amortisation of intangible assets	2,048	–	–	2,048
Income tax expense	7,852	203	–	8,055
Interest revenue	349	–	–	349
Interest expense	565	–	–	565
Additions to property, plant and equipment	<u>836</u>	<u>2</u>	<u>–</u>	<u>838</u>

	At 31 March 2019			
	Provision of property management and related services <i>HK\$'000</i>	Properties investment <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	218,557	32,818	18,115	269,490
Reportable segment liabilities	<u>83,939</u>	<u>305</u>	<u>–</u>	<u>84,244</u>

(ii) **Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:**

Year ended 31 March	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue		
Reportable segment revenue and consolidated revenue	<u>487,395</u>	<u>425,661</u>
Profit or loss		
Reportable segment profits	43,897	41,631
Unallocated other income	9	29,268
Share of (loss)/profits of an associate	(1,320)	5,249
Unallocated corporate expenses	(19,212)	(10,915)
Unallocated finance costs	<u>(109)</u>	<u>–</u>
Consolidated profit before tax	<u>23,265</u>	<u>65,233</u>

At 31 March	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Assets		
Reportable segment assets	304,142	269,490
Unallocated cash and cash equivalents	43,973	64,184
Other unallocated corporate assets	45,475	45,041
	<u>393,590</u>	<u>378,715</u>
Liabilities		
Reportable segment liabilities	92,216	84,244
Unallocated corporate liabilities	2,552	5,344
	<u>94,768</u>	<u>89,588</u>

(b) Geographical information

	Revenue		Non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	439,507	398,531	100,940	103,628
The PRC	47,888	27,130	15,358	327
	<u>487,395</u>	<u>425,661</u>	<u>116,298</u>	<u>103,955</u>

(c) Information about major customers

An analysis of the Group's revenue from major services is set out in note 3 above. No customer accounted for 10 percent or more of the total revenue for the years ended 31 March 2020 and 2019.

7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expenses on:		
– bank borrowings	596	478
– promissory notes	–	63
Finance lease charges	–	24
Interest on lease liabilities	422	–
	<u>1,018</u>	<u>565</u>

8. PROFIT FOR THE YEAR

The Group's profit for the year is arrived at after charging/(crediting):

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Staff costs (including directors' remuneration):		
– Salaries, wages and allowances	370,832	335,289
– Retirement benefits scheme contributions	9,837	8,279
	<u>380,669</u>	<u>343,568</u>
Auditors' remuneration	540	670
Depreciation of property, plant and equipment	1,232	1,445
Depreciation of right-of-use assets	4,130	–
Fair value loss/(gain) on investment property	2,100	(400)
Amortisation of intangible assets	2,119	2,048
Operating lease charges in respect of		
– Premises	–	2,891
– Motor vehicles	–	232
Expenses related to short-term lease	133	–
	<u>133</u>	<u>–</u>

9. INCOME TAX EXPENSE

For the years ended 31 March 2020 and 2019, Hong Kong Profit Tax is calculated under two-tier profit tax system under first HK\$2 millions of estimated assessable profits is taxed at a rate of 8.25% and remaining estimated assessable profits is taxed at 16.5%. The Group should elect one of the Hong Kong subsidiaries to apply the two-tier profit tax rate.

PRC corporate income tax is calculated at a standard rate of 25% (2019: 25%) on the estimated assessable profits arising from the operation of the PRC subsidiaries.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
– Provision for the year	4,130	3,085
– Over-provision in prior years	–	(801)
– One-off deduction	(60)	(130)
	<u>4,070</u>	<u>2,154</u>
Current tax – PRC		
– Provision for the year	4,981	6,062
Deferred tax	14	(363)
	<u>9,065</u>	<u>7,853</u>

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2020	2019
	HK\$'000	HK\$'000
Profit before tax	23,265	65,233
Tax calculated at Hong Kong Profit tax rate of 8.25% (2019: 8.25%)	165	165
Tax calculated at Hong Kong Profit tax rate of 16.5% (2019: 16.5%)	3,509	10,434
Over-provision in prior years	–	(801)
Effect of different tax calculation basis for the PRC	1,666	2,013
Tax effect of income that is not taxable (<i>Note a</i>)	(1,044)	(6,221)
Tax effect of expenses that are not deductible (<i>Note b</i>)	4,829	2,393
One-off deduction	(60)	(130)
Income tax expense	9,065	7,853

Notes:

- (a) Income that is non-taxable mainly includes non-taxable interest income and compensation income.
- (b) Expenses that are not tax deductible include directors' salaries, rent, legal and profession fee for the Company and subsidiaries which no assessable income was generated during the year.

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$14,174,000 (2019: approximately HK\$52,229,000) and the weighted average number of ordinary shares of 1,026,351,515 (2019: 917,192,611) in issue during the year.

Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary share outstanding during the years ended 31 March 2020 and 2019.

11. INTANGIBLE ASSETS

	Customer contracts <i>HK\$'000</i>	Computer softwares <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST			
At 1 April 2018	2,054	6,550	8,604
Acquisition of subsidiaries	94	18	112
	<hr/>	<hr/>	<hr/>
At 31 March 2019 and 1 April 2019	2,148	6,568	8,716
Additions	–	367	367
Exchange realignment	–	(8)	(8)
	<hr/>	<hr/>	<hr/>
At 31 March 2020	<u>2,148</u>	<u>6,927</u>	<u>9,075</u>
ACCUMULATED AMORTISATION			
At 1 April 2018	719	2,047	2,766
Amortisation for the year	411	1,637	2,048
	<hr/>	<hr/>	<hr/>
At 31 March 2019 and 1 April 2019	1,130	3,684	4,814
Amortisation for the year	458	1,661	2,119
Exchange realignment	–	(1)	(1)
	<hr/>	<hr/>	<hr/>
At 31 March 2020	<u>1,588</u>	<u>5,344</u>	<u>6,932</u>
CARRYING AMOUNT:			
At 31 March 2020	<u>560</u>	<u>1,583</u>	<u>2,143</u>
At 31 March 2019	<u>1,018</u>	<u>2,884</u>	<u>3,902</u>

Customer contracts of approximately HK\$2,054,000 and HK\$94,000 were acquired through the acquisition of Yorkshire Property Management Company Limited (“YSL”) on 30 June 2016 and Shi Shi Property (Cayman) Limited (“Shi Shi Property Cayman”) on 29 March 2019 respectively.

The customer contracts are the property management business’s critical value driver. They represent the values of rights that arise from contractual arrangement. The remaining amortisation period of the customer contracts is 1.22 years.

The computer software mainly included an internal management system acquired during the year ended 31 March 2017 which functions address book management for office usage, office communication and office bulletin for property management business, and accounting software. The remaining amortisation period of the computer softwares are ranging from 0.95 to 3.25 years.

Impairment test of intangible assets

Customer contract

Goodwill of HK\$785,000 and intangible assets of approximately HK\$2,054,000 was acquired through the business combination of YSL on 30 June 2016. Goodwill of approximately HK\$2,447,000 and intangible assets of approximately HK\$94,000 was acquired through acquisition of Shi Shi Property Cayman on 29 March 2019. These goodwill and intangible assets were belongs to the cash generating unit (“CGU”) of provision of property management services. Goodwill is tested annually for impairment. The recoverable amounts of the CGU are determined on the basis of their value in use using discounted cash flow method.

The Group’s impairment test on goodwill with reference to the recoverable amounts of the CGU also covered the impairment test for intangible assets belongs to the same CGU.

For computer software

The Group’s computer software mainly used for property management business. The Group’s property management business recorded profits throughout the Track Record Period. There is no indication of impairment.

12. INVESTMENT IN AN ASSOCIATE

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Unlisted investment in Hong Kong		
Share of net assets	17,779	19,099
Goodwill	<u>22,649</u>	<u>22,649</u>
	<u><u>40,428</u></u>	<u><u>41,748</u></u>

Below is the information of the associate. The associate is accounted for in the consolidated financial statements using the equity method.

Name	Principal place of business/country of incorporation	Principal activities	% of ownership interests/ voting rights held by the Company	
			2020	2019
Dakin Holding Inc.	Hong Kong/BVI	Provision of financial services in Hong Kong	30%/30%	30%/30%

	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March:		
Non-current assets	25,900	21,630
Current assets	56,698	71,503
Non-current liabilities	(3,047)	(3,047)
Current liabilities	(20,289)	(26,424)
	<u>59,262</u>	<u>63,662</u>
Net assets		
	<u>59,262</u>	<u>63,662</u>
Group's share of net assets	17,779	19,099
Goodwill	22,649	22,649
	<u>40,428</u>	<u>41,748</u>
Group's share of carrying amount of interests		
	<u>40,428</u>	<u>41,748</u>
Year ended 31 March:		
Revenue	34,347	73,524
	<u>34,347</u>	<u>73,524</u>
(Loss)/profit from continuing operations	(4,400)	17,498
	<u>(4,400)</u>	<u>17,498</u>
Profit after tax from discontinued operations	–	–
	<u>–</u>	<u>–</u>
Other comprehensive income	–	–
	<u>–</u>	<u>–</u>
Total comprehensive (expense)/income	(4,400)	17,498
	<u>(4,400)</u>	<u>17,498</u>
Dividend received from associate	–	–
	<u>–</u>	<u>–</u>

Impairment review on investment in an associate

The management of Dakin Holdings Inc. have prepared a five years profit forecast of Dakin Holdings Inc. Since the share of loss of an associate for the year ended 31 March 2020 was approximately HK\$1,320,000, the Directors of the Company has engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited, a professional valuer, to prepare a business valuation on the value of Dakin Holdings Inc., based on the five years profit forecast provided by the management of Dakin Holdings Inc. No impairment on the Group's investment in an associate has been recognized during the years ended 31 March 2020 and 2019.

13. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables (<i>Note a</i>)	89,562	73,607
Loan receivables (<i>Note b</i>)	18,012	18,012
Prepayments, deposits and other receivables (<i>Note c</i>)	26,667	28,551
	<u>134,241</u>	<u>120,170</u>

Note a: The Group does not grant credit terms to its customers (2019: Nil). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management and directors.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
1 to 30 days	37,430	15,297
31 to 60 days	24,049	40,312
61 to 90 days	9,107	9,026
Over 90 days	18,976	8,972
	<u>89,562</u>	<u>73,607</u>

As of 31 March 2020, trade receivables of approximately HK\$89,562,000 (2019: HK\$73,607,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have good settlement records with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Pass due within 30 days	Over 30 days past due	Over 60 days past due	Over 90 days past due	Total
At 31 March 2020					
Expected loss rate	0%	0%	0%	0%	
Receivables amount (HK\$'000)	37,430	24,049	9,107	18,976	89,562
Loss allowance (HK\$'000)	-	-	-	-	-
At 31 March 2019					
Expected loss rate	0%	0%	0%	0%	
Receivables amount (HK\$'000)	15,297	40,312	9,026	8,972	73,607
Loss allowance (HK\$'000)	-	-	-	-	-

Included in trade receivables were amounts of approximately HK\$460,170 and HK\$255,000 due from related parties as at 31 March 2020 and 31 March 2019 respectively.

Increase in trade receivables aged over 90 days as at 31 March 2020 was mainly attributable the trade receivables from the PRC property management business, which the Group acquired on 29 March 2019. These trade receivables were mainly due from sole owners of properties which the had no history of default.

In respect of the nature of the customers of the Group, the customers of the Group in property and management related services are mainly owners' corporation, owners' committee and sole owners of properties concerned. The Directors are of the view that it is unlikely that payment of accounts receivable will be defaulted for property management and related services rendered. In addition, the Group can always take necessary legal actions to recover any amount not settled by any of these customers. In respect of customers on the money lending business, sufficient security collateral are obtained to ensure full recovery of loan amount in event of default payments. In respect of rental services, normally two months rental deposits were received and therefore the risk of default payment is low. During the year, the Group has no history of any default payment or bad debts in respect of it business income. With reference to the above justifications, therefore the Group considered the expected loss rate is nil for the years ended 31 March 2020 and 2019.

Note b: The money lenders license was granted on 15 June 2017 and renewed annually. The Group's latest money lenders license is valid until 16 June 2020. The Group is in the process of renewing the money lender licence. Loans were granted to independent third parties.

The aging analysis of loan receivables, based on grant date are due within 90 days.

The loan receivables of HK\$18,012,000 as at 31 March 2020 and 31 March 2019 is secured by a second mortgage on a private residential property in Hong Kong as at 31 March 2020 and 2019. The maturity date of the loan receivables of HK\$18,012,000 as at 31 March 2020 is 26 March 2021.

For loan receivables, management has taken into accounts the credit assessment on the borrowers and the pledged properties and considered the expected credit loss rate is nil.

Note c: Details of the prepayments, deposits and other receivables are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Prepayments	7,280	6,632
Deposits	2,538	5,878
Other receivables (<i>note</i>)	<u>16,849</u>	<u>16,041</u>
	<u>26,667</u>	<u>28,551</u>

Note: Other receivables mainly included amounts paid on behalf of incorporated owners of buildings for property management.

Included in other receivables were amounts of approximately HK\$24,000 due from a related party as at 31 March 2019.

14. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	2,678	2,581
Building management deposits received	5,159	4,799
Accruals and other payables	<u>61,516</u>	<u>60,961</u>
	<u>69,353</u>	<u>68,341</u>

The aging analysis of trade payables, based on the invoice date, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
1 to 30 days	1,316	1,326
31 to 60 days	<u>1,362</u>	<u>1,255</u>
	<u>2,678</u>	<u>2,581</u>

Details of the accruals and other payables are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accrued staff cost and staff benefits	34,303	36,308
Accrued expenses	3,186	3,038
Other payables (<i>note</i>)	<u>24,027</u>	<u>21,615</u>
	<u>61,516</u>	<u>60,961</u>

Note: Included in other payable were amount of approximately HK\$48,170 and approximately HK\$51,000 and due to related parties as at 31 March 2020 and 31 March 2019 respectively.

15. SHARE CAPITAL

Ordinary shares of HK\$0.01 each	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1 April 2018, 31 March 2019 and 31 March 2020	5,000,000,000	50,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2018	855,351,515	8,554
Issue of shares on placement	171,000,000	1,710
At 31 March 2019, 1 April 2019 and 31 March 2020	<u>1,026,351,515</u>	<u>10,264</u>

On 31 October 2018, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, of up to 171,000,000 placing shares, to currently expected not less than six placees who and whose ultimate beneficial owners shall be independent third parties at a price of HK\$0.24 per placing share. The placement was completed on 20 November 2018 and the premium on the issue of shares, amounting to approximately HK\$38.9 million, net of share issue expenses of approximately HK\$0.41 million was credited to the Company's share premium account. Details of the placement are set out in the Company's announcement dated 31 October 2018 and 20 November 2018.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, retained profits and other reserves).

16. DIVIDEND

No dividend was paid or proposed for the year ended 31 March 2020, nor has any dividend been proposed since the ended of the reporting period and up to the date of this announcement (2019: Nil).

17. RELATED PARTY TRANSACTIONS

(a) Related party transactions

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Rental paid to related companies		
– Kong Shum Union (China) Limited (“KSU China”)	12	232
Lease with KSU China		
– Repayment of lease liabilities	16	–
– Depreciation on right-of-use assets	16	–
Property management service fee received from related company		
– 恒生地產淄博桓台有限公司	376	–
– 恒生地產有限公司	959	–
Compensation paid to director	5,118	4,648
Acquisition of Shi Shi Property Cayman	–	8,000
	<u> </u>	<u> </u>

Mr. Ho Ying Choi a director of the Company and Mr. Ho Ying Cheung, a director of KSU, have control over the related company, KSU China.

At 31 March 2020 and 2019, Mr. Ho Ying Choi and Mr. Ho Ying Cheung had provided joint and several unlimited personal guarantees in favour of banking facilities granted to certain subsidiaries within the Group.

On 29 March 2019, the Group acquired 100% equity interest of Shi Shi Property Cayman at a cash consideration of HK\$8,000,000 from Shi Shi Intellectual Property Service Limited, an investment holding company wholly-owned by Mr. Huang Liming, the chairman of the board of director of the Company, a non-executive director and a controlling shareholder of the Company. Shi Shi Property Cayman was engaged in provision of property management services in PRC during the year. The acquisition is for the purpose of expansion of sources of income and prospects.

恒生地產淄博桓台有限公司 and 恒生地產有限公司 are companies incorporated in the PRC and indirectly wholly-owned by Mr. Huang Liming. During the year, the Company and 恒生地產有限公司 entered into a property management framework agreement (the “Framework Agreement”). The property management service fee received from 恒生地產淄博桓台有限公司 and 恒生地產有限公司 during the year were under this Framework Agreement.

(b) Key management personnel remuneration

Members of key management personnel during the year comprised only of the directors of the Company whose remuneration is as follow:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fees, salaries, allowances and other benefits	5,064	4,594
Retirement benefit scheme and contributions	54	54
	<u> </u>	<u> </u>
	<u>5,118</u>	<u>4,648</u>

18. CONTINGENT LIABILITIES

(a) Performance bond and incorporated owners' fund

Performance bond has been issued by a bank and an insurance company as the Group maintains certain incorporated owners' funds in the form of client accounts which were held on trust for and on behalf of the incorporated owners. These client accounts are not recognised as assets and associated liabilities in the financial statements of the Group. At the end of reporting period, the directors of the Company do not consider it probable that a claim on the performance bonds will be made against the Group.

As at 31 March 2020, the amount of outstanding performance bond was approximately HK\$10.8 million (2019: HK\$8.8 million).

As at 31 March 2020, the aggregate amount of the bank balances in the client accounts not dealt with in the consolidated financial statements of the Group is approximately HK\$47.2 million (2019: HK\$56.1 million).

(b) Legal cases

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Group generally include (i) claims for employees' compensation by the Group's employees; (ii) claims for personal injury caused by the negligence of the Group and owners' corporations of the properties by passersby, residents or other users of the respective properties; (iii) claims for property damage or economic loss caused by the negligence of the Group and owners' corporations of the properties by residents or other users of the respective properties; and (iv) claims for property damage caused by the negligence of individual flat owners by other residents or users of the respective properties. The Group maintains insurance cover and, in the opinion of the directors of the Company, based on current evidence, any such existing claims have no material financial impact to the Group as at 31 March 2020.

19. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Property, plant and equipment	<u>5,726</u>	<u>7,159</u>

20. EVENTS AFTER REPORTING PERIOD

Impact of coronavirus disease 2019 (COVID-19)

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the world. It has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact from COVID-19 on the Group's businesses and has commenced to put in place various measures. Based on the information currently available, the directors confirm that there has been no material adverse change in the financial and operating position of the Group up to the date of this announcement.

The Group will pay close attention to the development of the COVID-19 outbreak and perform further assessment of its impact and take relevant measures.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is principally engaged in the provision of property management services primarily targeting residential properties, properties investment and money lending business. The Group operates under the brand name of “Kong Shum” in Hong Kong and provides a range of management services in Hong Kong and the PRC including security, repair and maintenance, cleaning, financial management, administrative and legal support. Under an established functional structure with various departments, the Group has dedicated teams to carry out the aforementioned management services. The Group also employs a team of security staff to provide security services as part of the services provided under property management contracts or under stand-alone security services contracts. For the year ended 31 March 2020, the Group provided property security services for 14 properties under stand-alone security services contracts in Hong Kong. The operating arm of the Group’s security services is mainly Q & V Security Company Limited (“Q&V”). The Group hires its own security staff to provide property security services. The Group also employs registered technicians to provide basic repair and maintenance services to its customers if required. In relation to the cleaning services, the Group subcontracts substantially all of its cleaning services to third-party contractors.

In relation to the provision of money lending business, the Group recorded loan interest income of approximately HK\$0.9 million for the year ended 31 March 2020 (2019: HK\$0.2 million). As at 31 March 2020, the Group has loan receivables with a carrying amount of HK\$18 million (31 March 2019: HK\$18 million).

Borrowers	Drawdown date	Principal amount	Interest rate	Terms	Notes
A	27 March 2020	HK\$18 million	5% per annum	1 year	(i)

Note:

(i) Details of the above are set out in the Company’s announcements dated 5 May 2020 and 8 May 2020.

For the properties investment business, the Group recorded rental income from an investment property of approximately HK\$1.5 million for the year ended 31 March 2020 (2019: HK\$1.4 million).

FINANCIAL REVIEW

Summary Financial Performance

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Change
Revenue	487,395	425,661	14.5%
Cost of services	(376,495)	(322,013)	16.9%
Gross Profit	110,900	103,648	7.0%
Gross profit margin	22.8%	24.3%	n/a
Interest revenue	568	3,400	83.3%
Other (loss)/income	(1,100)	26,729	104.1%
Share of (loss)/profits of an associate	(1,320)	5,249	125.1%
Administrative expenses	(54,358)	(52,198)	4.1%
Other operating expenses	(19,040)	(21,030)	9.5%
Listing expenses	(11,367)	–	n/a
Finance costs	(1,018)	(565)	80.2%
Profit before tax	23,265	65,233	64.3%
Income tax expense	(9,065)	(7,853)	15.4%
Profit attributable to owners of the Company	14,174	52,229	72.9%
Net profit margin	2.9%	12.3%	n/a

REVENUE

For the year ended 31 March 2020, the Group's revenue was derived from its operations in Hong Kong and the PRC of approximately HK\$439.5 million (2019: HK\$398.6 million) and HK\$47.9 million (2019: HK\$27.1 million), respectively.

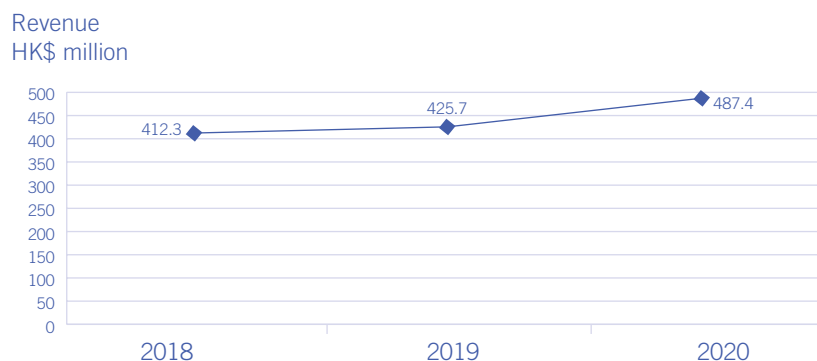
The Group derived revenue of approximately HK\$29.9 million and HK\$32.7 million respectively from stand-alone security services contracts for the year ended 31 March 2019 and 2020 respectively, representing approximately 7.0% and 6.7% of its total revenue.

The following table sets out the Group's revenue by contract type for the year ended 31 March 2020 and 2019 respectively:

	2020		2019	
	<i>HK\$ million</i>	<i>Percentage</i>	<i>HK\$ million</i>	<i>Percentage</i>
Property management services contracts	438.7	90.0%	367.1	86.2%
Stand-alone security services contracts	32.7	6.7%	29.9	7.0%
Property management consultancy services contract	13.6	2.8%	27.1	6.4%
Rental services contracts	1.5	0.3%	1.4	0.3%
Money lending services	0.9	0.2%	0.2	0.1%
	<u>487.4</u>	<u>100%</u>	<u>425.7</u>	<u>100%</u>

The Group's revenue improved by approximately 14.5% from approximately HK\$425.7 million for the year ended 31 March 2019 to approximately HK\$487.4 million for the year ended 31 March 2020. The increase was primarily attributable to the significant growth of its property management service in Hong Kong and the PRC for the year ended 31 March 2020. During the year, the number of management service contracts obtained by Hong Kong had been increased by 7 from 437 during the year ended 31 March 2019 to 444 for the year ended 31 March 2020. Revenue generated from property management services contracts recorded a significant increase of approximately 19.5% to approximately HK\$438.7 million for the year ended 31 March 2020.

The following graph sets out the revenue for the years ended 31 March 2018, 2019, 2020.



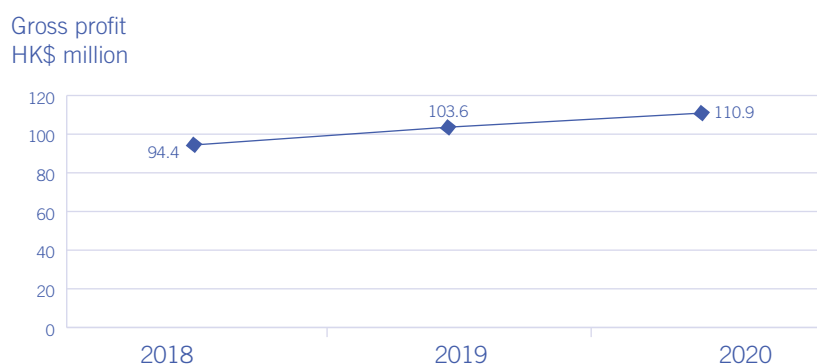
COST OF SERVICES

The total cost of services amounted to approximately HK\$322.0 million and HK\$376.5 million for the years ended 31 March 2019 and 2020 respectively, representing approximately 75.7% and 77.2% respectively of the Group's revenue. Increase in the cost of services during the year of approximately 16.9% was mainly due to the increase in the wages of the front line staff of the Group.

GROSS PROFIT

The gross profit of the Group increased by approximately 7% from approximately HK\$103.6 million for the year ended 31 March 2019 to approximately HK\$110.9 million for the year ended 31 March 2020. The gross profit margin was approximately 24.3% and 22.8% for the year ended 31 March 2019 and 2020 respectively.

The following graph sets out the gross profit for the years ended 31 March 2018, 2019 and 2020.



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company was significant decrease by approximately 72.9% from approximately HK\$52.2 million for the year ended 31 March 2019 to approximately HK\$14.2 million for the year ended 31 March 2020. The net profit margin decreased by approximately 9.4% from approximately from 12.3% to 2.9% for the years ended 31 March 2019 and 2020 respectively.

The Group has recorded a profit of approximately HK\$14.2 million for the year ended 31 March 2020 as compared to the profit of approximately HK\$57.4 million for the year ended 31 March 2019.

Significant decrease in profit was mainly due to:

- (i) There was a compensation income of HK\$26 million recorded in the prior year and no such compensation received for the year ended 31 March 2020;
- (ii) Listing expenses arising from the proposed transfer of listing from GEM to the Main Board of the Stock Exchange for the year ended 31 March 2020;
- (iii) Share of loss of an associate, namely Dakin Holdings Inc. for the year ended 31 March 2020; and
- (iv) Fair value loss on an investment property for the year ended 31 March 2020.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses for the year ended 31 March 2020 were approximately HK\$54.4 million (2019: HK\$52.2 million), representing an increase of approximately 4.2% as compared to the corresponding period in 2019 as a result of increase in staff salaries incurred during the year.

OTHER OPERATING EXPENSES

The Group's other operating expenses for the year ended 31 March 2020 were approximately HK\$19.0 million (2019: HK\$21.0 million), representing a decrease of approximately 9.5% as compared to the corresponding period in 2019.

This was mainly attributable to the net effect of increase in office insurance premium and decrease in exchange difference.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	For the year ended/ as at 31 March	
	2020	2019
	HK\$'000	HK\$'000
Financial position		
Current assets	277,292	274,760
Current liabilities	92,374	89,120
Net current assets	184,918	185,640
Total assets	393,590	378,716
Bank borrowings, finance lease payables and lease liabilities	18,162	12,680
Bank balances and cash	141,422	142,200
Total equity	298,822	289,127
Key ratios		
Return on equity (1)	4.8%	23.7%
Return on assets (2)	3.7%	17.6%
Current ratio (3)	3.00 times	3.08 times
Gearing ratio (4)	6.1%	4.4%
Net Debt to equity ratio (5)	0%	0%
Debtors turnover day (6)	61.1 days	53.3 days
Creditors turnover day (7)	43.6 days	41.5 days

Notes:

- Return on equity is calculated as the profit for the year divided by average total equity.
- Return on assets is calculated as the profit for the year divided by average total assets.
- Current ratio is calculated as the current assets divided by current liabilities.
- Gearing ratio is calculated as the total debt divided by total equity. For the avoidance of doubt, total debt represents bank borrowings, finance lease payables and lease liabilities.
- Net debt to equity ratio is calculated as the total debt net of cash and bank balances and divided by total equity. For the avoidance of doubt, total debt represents bank borrowings, finance lease payables and lease liabilities.
- Debtors' turnover day is calculated as average trade receivables divided by revenue times number of days in the period.
- Creditors' turnover day is calculated as average trade payables divided by cost of services times number of days in the period.

The Group maintained sufficient working capital as at 31 March 2020 with bank balances and cash of approximately HK\$141.4 million (2019: HK\$142.2 million).

As at 31 March 2020, the Group had bank borrowings, obligations under finance lease and lease liabilities approximately HK\$18.2 million (2019: HK\$12.7 million).

As at 31 March 2020, the Group's net current assets amounted to approximately HK\$184.9 million (2019: HK\$185.6 million). The Group's operations are financed principally by revenue generated from its business operations, available cash and bank balances.

RETURN ON EQUITY

The return on equity decreased from approximately 23.7% for the year ended 31 March 2019 to approximately 4.8% for the year ended 31 March 2020, mainly due to the decrease in profit for the year.

RETURN ON ASSETS

The return on assets was decreased from approximately 17.6% for the year ended 31 March 2019 to approximately 3.7% for the year ended 31 March 2020, mainly due to the decrease in profit for the year.

CURRENT RATIO

The Group's current ratio slightly decrease from approximately 3.08 times as at 31 March 2019 to approximately 3.00 times as at 31 March 2020.

GEARING RATIO

The Group's gearing ratio, defined as the total debt (i.e. bank borrowings, finance lease payables and lease liabilities) divided by total equity, as at 31 March 2020 is approximately 6.1% (2019: 4.4%).

NET DEBT TO EQUITY RATIO

The Group's net debt to equity ratio was 0% as at 31 March 2019 and 31 March 2020 which indicates that the Group's has sufficient cash and bank balances for debts repayment.

DEBTORS' TURNOVER DAY

The debtors' turnover day increase from approximately 53.3 days for the year ended 31 March 2019 to approximately 61.1 days for the year ended 31 March 2020 due to increase on collecting time on trade debtors.

CREDITORS' TURNOVER DAY

The creditors' turnover day increased by 2.1 day from approximately 41.5 days for the year ended 31 March 2019 to approximately 43.6 days for the year ended 31 March 2020. Such increase was due to the fully utilisation of credit period offered by some of the creditors.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

OPERATION REVIEW

Outlook

The property market in Hong Kong is expanding. Public opinion voices concern over the housing stock production and the speeding up of the completion of construction of properties in the near future is expected to solve the heavy demand on housing. It is envisaged that the property management business will expand simultaneously. On the other hand, even though strong competition and soaring cost resulting from statutory minimum wage revision and inflation are unavoidable, the Directors are confident that the Group is now on an appropriate stage to increase its market share.

During the year, the Group has recorded revenue of approximately HK\$485.0 million (2019: HK\$424.1 million) from its property management services in Hong Kong and the PRC. Looking forward, the provision of property management services in Hong Kong and the PRC will continue to be the core business of the Group while the management will continue to explore other investment opportunities in order to increase the Group's income source and will therefore be in the interest of the Company and the shareholders of the Company as a whole.

Human Resources

As at 31 March 2020, the Group had a total of 1,752 employees (2019: 2,021 employees). The Group's staff costs for year ended 31 March 2020 amounted to approximately HK\$380.7 million (2019: HK\$343.6 million). To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

Services Contracts

Due to well-established team and project planning, during the year ended 31 March 2020, 27 property management contracts were awarded to the Group in Hong Kong.

For the year ended 31 March 2020, there were in total 444 service contracts (covering around 75,335 households) comprising 416 property management service contracts, 13 stand-alone security service contracts and 15 facility management service contracts in Hong Kong.

Contract Renewal Complying with Procedural Requirements

A service contract which does not comply with the procedural requirements for contract renewal as stipulated in section 20A of the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong) may be cancelled by the owners' corporation. Included in 444 contracts in force as at 31 March 2020, 182 service contracts are not in strict compliance with the said contract renewal requirements, hence, termination notices were served on clients involving in these contracts. All of the remaining 262 valid contracts as at 31 March 2020 are in compliance with the said procedural requirements or not applicable under the Building Management Ordinance. Senior management adopts a tight control system to monitor the full compliance of the procedural requirements. All newly signed contracts during the year ended 31 March 2020 included the mandatory term requiring the client to follow the said procedural requirements, if applicable.

Client Accounts

As at 31 March 2020, the Group held 68 (31 March 2019: 57) client accounts amounting to approximately HK\$47.2 million (31 March 2019: HK\$56.1 million) on trust for and on behalf of customers. These client accounts are opened in the names of the Group and the relevant properties. The management fees received from the tenants or owners of the properties were deposited into these client accounts and the expenditure of these customers was paid from these client accounts.

Performance Bond

As at 31 March 2020, the banks issued 7 (31 March 2019: 6) bond certificates amounting to approximately HK\$10.8 million (31 March 2019: HK\$8.8 million) on behalf of the Group to the clients as required in the service contracts.

Capital Expenditure

The Group purchased property, plant and equipment amounting to approximately HK\$13.1 million (approximately HK\$0.5 million for direct additions and approximately HK\$12.6 million for construction in progress) for the year ended 31 March 2020 (2019: HK\$0.2 million).

Capital Commitments

Details of capital commitments of the Group are set out in note 19 to this results announcement.

Contingent Liabilities

Details of contingent liabilities of the Group are set out in note 18 to this results announcement.

Foreign Currency Risk

The Group has certain exposure to foreign currency risk as the Group's deposits placed for life insurance policies are denominated in United States dollar ("US\$").

The Group considers the risk exposure to foreign currency fluctuation is limited as long as the HK\$ remains pegged to the US\$.

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates, Joint Ventures and Future Plans for Material Investments or Capital Asset

The Group made no material acquisition or disposal for the year ended 31 March 2020 and up to date of this announcement.

Proposed Transfer of Listing from GEM to the Main Board of the Stock Exchange

On 28 October 2019 (after trading hours), the Board announced that the Company submitted a formal application to the Stock Exchange in respect of the proposed transfer of Listing pursuant to Chapter 9A and Appendix 28 of the Main Board Listing Rules (the "Proposed Transfer").

The Company has applied for the listing of and permission to deal in (i) all existing shares in issue, and (ii) new shares which may be issued upon the exercise of options granted or may be granted under the Share Option Scheme, on the Main Board by way of transfer of the listing from GEM to the Main Board. The Proposed Transfer of Listing will not involve any issue of new shares by the Company. As at the date of this announcement, the Company has 1,026,351,515 shares in issue.

The Company has appointed Fortune Financial Capital Limited as the sole sponsor in connection with the Proposed Transfer of Listing.

The Board would like to emphasise that the definitive timetable for the Proposed Transfer of Listing has not yet been finalised. There is no assurance that the Company will proceed with the Proposed Transfer of Listing.

Details of above are set out in the Company's announcement dated 28 October 2019.

Discloseable Transaction in Relation to the Provision of Financial Assistance

On 5 May 2020, a loan agreement (the "Loan Agreement") was entered into between Lucky Stone Finance Limited (the "Lender"), an indirect wholly-owned subsidiary of the Company and the borrower to the Loan Agreement (the "Borrower"). Pursuant to the Loan Agreement, the Lender has agreed to grant a loan in the principal amount of HK\$18,000,000 to the Borrower, Mr. Chan Siu Kit, Jack, is a merchant who engages in property investment in Hong Kong for a period of 1 year commencing from the date of the Loan Agreement at an interest rate of 5% per annum and is secured by a second mortgage of a private property in Hong Kong. The loan provided under the Loan Agreement constitutes a financial assistance provided by the Lender within the meaning of the GEM Listing Rules.

Details of the above are set out in the Company's announcements dated 5 May and 8 May 2020.

Change of address of head office and principal place of business in Hong Kong

As disclosed in the announcement of the Company dated 30 October 2019, the address of the head office and principal place of business of the Company in Hong Kong has changed to Unit 903, 9 Floor, Haleson Building, 1 Jubilee Street, Central, Hong Kong with effect from Friday, 1 November 2019. The telephone number, facsimile number and website of the Company remain unchanged.

Major Shareholders

Heng Sheng Capital Limited is an investment holding company incorporated in the British Virgin Islands on 4 August 2011 with limited liability and is beneficially and wholly owned by Mr. Huang Liming. Mr. Huang Liming is the sole director of Heng Sheng Capital Limited.

As at 31 March 2020, Heng Sheng Capital Limited owns an aggregate of 626,071,950 shares of the Company, representing 61% of the issued share capital of the Company.

Charges over Assets of the Group

As at 31 March 2020, certain bank deposits of approximately HK\$1.6 million (2019: HK\$1.7 million) and the deposits placed for life insurance policies of approximately HK\$8.8 million (2019: HK\$8.6 million) were pledged to a bank to secure banking facilities granted to the Group. In addition, the Group's leasehold land building and investment property with carrying value of approximately HK\$8,592,000 and HK\$30,300,000 respectively were pledged to secured bank facilities granted to the Group. Besides, the Group had certain motor vehicles acquired under finance lease. Carrying values of motor vehicles amounted to approximately HK\$0.4 million and HK\$0.7 million were under lease liabilities and finance lease as at 31 March 2020 and 31 March 2019 respectively.

The deposits placed for life insurance policies are denominated in United States dollars, a currency other than the functional currency of the Group.

Fund Raising Activity

Use of proceeds from the Listing

The actual net proceeds from the issue of new shares of the Company under the Placing as set out in the Prospectus were approximately HK\$17.5 million, which was different from the estimated net proceeds of approximately HK\$24.4 million (estimated on the assumption that the placing price would be the mid-point of the stated range as stated in the Prospectus). For the period from 20 September 2013 until 31 March 2020, the Group has applied the net proceeds as follows:

	Net proceeds (HK\$ million)		
	Available	Utilised	Unutilised
Repayment of bank loans	7.5	7.5	–
Implementation of old district property management scheme	4.3	–	4.3
Expansion of the property management portfolio	5.7	5.7	–
	<u>17.5</u>	<u>13.2</u>	<u>4.3</u>

The unutilised balance of the net proceeds will be applied in the manner consistent with that mentioned in the Prospectus.

The Company has no fund raising activities during the year ended 31 March 2020 and fund raising activities in the prior year, as detailed below:

Date of initial announcement	Fund raising activities	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
31 October 2018 (completed on 20 November 2018)	Placing of 171,000,000 new ordinary shares of HK\$0.01 each under general mandate at the placing price of HK\$0.24 per Share to not less than six places who are independent professional, institutional or other investors (closing price of the Share as quoted on the Stock Exchange on the date of the placing agreement is HK\$0.28)	Approximately HK\$40.4 million (net proceeds raised per Share was approximately HK\$0.236 per Share)	Intended to be used (i) approximately HK\$32.3 million for expansion of the Group's property management business in the PRC and provision of living value-added services in community; and (ii) approximately HK\$8.1 million for the general working capital of the Group	Approximately HK\$23.6 million has been utilised as intended of which approximately HK\$15.5 million was utilised for expansion of the Group's property management business in the PRC and approximately HK\$8.1 million was utilised for working capital of the Group. The remaining net proceeds of approximately HK\$16.8 million are expected to be utilised by 31 December 2020.

RISKS RELATING TO THE GROUP AND ITS BUSINESS

The Group faces intense competition which may adversely affect its market share and profitability. The property management industry in Hong Kong is competitive and the competition may exert some pressure on the service fees of property management companies. The Group may therefore be required to reduce its fees or maintain low service fees in view of the market pressure so as to retain customers or pursue new business opportunities. The Group's revenue stream and profitability may also be adversely affected if the customers terminate the service contracts with the Group, whether by serving written notice or for the reason of breach or material breach of the terms or conditions thereunder, prior to the expiry date.

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the year ended 31 March 2020.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to upholding high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial for the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of shareholders of the Company.

The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules. The principles adopted by the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders of the Company. The Company engaged a third-party professional firm to conduct an internal control review for the year ended 31 March 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 March 2020, the Company has complied with all CG Code except for the following deviation:

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company did not officially have a chief executive officer since 8 September 2015. Daily operation and management of the Company is monitored by the executive Directors as well as the senior management. The Board is of the view that although there is no chief executive officer of the Company, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who meet from time to time to discuss issues affecting the operations of the Company. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Company’s business operations. The Board will continue to review the effectiveness of the Company’s structure as business continues to grow and develop in order to assess whether any changes, including the appointment of a chief executive officer, is necessary.

Code provision A.2.7 of the CG Code requires that the chairman of the Board shall at least annually hold meetings with non-executive Directors (including independent non-executive Directors) without the executive Directors present.

As Mr. Huang Liming serves as the Chairman and non-executive Director concurrently, the code provision does not apply and the Company deviates from such code provision. In addition, the Chairman of the Board is of the view that, the independent non-executive Directors can express their opinions to all executive Directors more directly and effectively at the Board meetings, hence the Board is of the view that the deviation from the code provision does not have material impact on the operation of the Board.

CG Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders.

Mr. Lo Chi Ho, Richard, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 31 July 2019 due to his other business engagement.

DIRECTORS' SECURITIES TRANSACTIONS

The Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the year ended 31 March 2020.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at date of this announcement, the interests and short positions of the Directors and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the ordinary shares of HK\$0.01 each of the Company

Name of Shareholders	Capacity and nature of interest	Number of shares	Approximate percentage of interests in the issued share capital
Huang Liming (<i>note 1</i>)	Interest in controlled corporation	626,071,950 (L) (<i>note 2</i>)	61.00%

Notes:

1. Mr. Huang Liming is interested in the said shares through his wholly owned company, Heng Sheng Capital Limited, which is the beneficial owner of 626,071,750 shares of the Company.
2. The Letter "L" denotes long position in the shares.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at date of this announcement.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 March 2020 was the Company, its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangement to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at date of this announcement, the following persons/entities (other than a Director or chief executive of the Company) had or were deemed or taken to have interests and short positions in the Shares and underlying shares of the Company as recorded in the register of interests and short positions of substantial shareholders (the "Register of Substantial Shareholders") required to be kept by the Company pursuant to section 336 of the SFO:

Long Positions in the ordinary shares of HK\$0.01 each of the Company

Name of Shareholders	Capacity and nature of interest	Number of shares	Approximate percentage of interests in the issued share capital
Heng Sheng Capital Limited (note 1)	Beneficial Owner	626,071,950 (L) (note 2)	61.00%
Li Mengya (note 1)	Interest of Spouse	626,071,950 (L) (note 2)	61.00%

Notes:

- Heng Sheng Capital Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is owned by Mr. Huang Liming, and accordingly under the SFO, Mr. Huang Liming is deemed to be interested in the Shares held by Heng Sheng Capital Limited. Ms. Li Mengya is the spouse of Mr. Huang Liming and, accordingly under the SFO, she is deemed to be interested in the same number of Shares in which Mr. Huang Liming is interested.
- The letter "L" denotes long position in the Shares.

Save as disclosed above, as at date of this announcement, the Directors were not aware of any persons/entities (other than a Director or chief executive of the Company) who/which had or were deemed or taken to have any other interests or short positions in Shares or underlying shares of the Company as recorded in the Register of Substantial Shareholders required to be kept by the Company pursuant to under section 336 of the SFO.

SHARE OPTION SCHEME

On 19 September 2013, the Company has adopted a share option scheme (the “Share Option Scheme”) under which the Board is authorised to grant share options to any employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in fulltime or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the board, has contributed or may contribute to the Group as incentive or reward for their contribution to the Group.

The Share Option Scheme shall be valid and effective commencing from the adoption date of the Share Option Scheme (i.e. 19 September 2013) until the termination date as provided therein which being the close of business of the Company on the date which falls ten years from the date of the adoption of the Share Option Scheme (i.e. 18 September 2023). The principal terms of the Share Option Scheme are summarised in the section headed “Share Option Scheme” in Appendix IV to the Prospectus of the Company dated 30 September 2013.

For the year ended 31 March 2020, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

CONNECTED TRANSACTION

So far as the Directors and chief executive are aware, no non-exempt connected transactions or continuing connected transactions were entered into by the Group during the year ended 31 March 2020.

A summary of the related party transactions entered into by the Group during the year ended 31 March 2019 and 31 March 2020 respectively is contained in note 17 to this results announcement. The related party transactions disclosed in note 17 to this results announcement are connected transactions or continuing connected transactions that were fully exempt from reporting, announcement, independent shareholders’ approval and/or annual review pursuant to the GEM Listing Rules. The Company has complied with the applicable disclosure requirements under Chapter 20 of the GEM Listing Rules in respect of such connected transactions.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part the business of the Company were entered into or existed during the year ended 31 March 2020.

COMPETING BUSINESS

None of the controlling Shareholders or Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference, available on the Company's website, in compliance with the GEM Listing Rules. The Audit Committee is currently composed of all the independent non-executive Directors, namely, Mr. Lam Kai Yeung (chairman), Mr. Tso Siu Lun, Alan and Mr. Lo Chi Ho, Richard.

The Audit Committee held 4 meetings during the year ended 31 March 2020 and reviewed the Company's audited annual results for the year ended 31 March 2020 and the unaudited quarterly and interim results during the year ended 31 March 2020.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors for the year ended 31 March 2020. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 March 2020 and recommended approval to the Board.

SHAREHOLDERS' RIGHT TO CONVENE EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("EGM"). EGM shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders and other stakeholders can make any enquiry in respect of the Company in writing to our head office at Unit 903, 9th Floor, Haleson Building, 1 Jubilee Street, Central, Hong Kong.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, Shareholders who wish to move a resolution may by means of requisition convene an EGM following the procedures set out above.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued share as at the latest practicable date prior to the issue of this announcement.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The financial figures in respect of the announcement of the Group's results for the year ended 31 March 2020 have been compared by the Company's auditor, ZHONGHUI ANDA CPA LIMITED ("ZHONGHUI"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2020 and the amounts were found to be in agreement. The work performed by ZHONGHUI in this respect did not constitute an audit, review or other 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 the auditor.

On behalf of the board
Shi Shi Services Limited
Huang Liming
Chairman and non-executive Director

Hong Kong, 26 June 2020

As at the date of this announcement, the executive Directors are Mr. Eric Todd, Mr. Lee Chin Ching, Cyrix and Mr. Ho Ying Choi and non-executive Director is Mr. Huang Liming (Chairman), and the independent non-executive Directors are Mr. Tso Siu Lun, Alan, Mr. Lam Kai Yeung and Mr. Lo Chi Ho, Richard.

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

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and the Company’s website at www.shishiservices.com.hk.