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恒 | 生 | 控 | 股
HENG SHENG HOLDINGS

HENG SHENG HOLDINGS LIMITED
恒生控股有限公司

(formerly known as Kong Shum Union Property Management (Holding) Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8181)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate 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.

Given the emerging nature of the companies listed on GEM, 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 Heng Sheng Holdings Limited (formerly Known as Kong Shum Union Property Management (Holding) 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 2018, together with the audited comparative figures for the corresponding year in 2017 are set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	<i>Notes</i>	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Revenue	3	412,270,727	395,513,512
Cost of services		<u>(317,871,870)</u>	<u>(312,205,562)</u>
Gross profit		94,398,857	83,307,950
Other revenue	4	8,384,170	338,310
Share of profits of an associate		4,999,071	–
Administrative expenses		(49,982,733)	(51,957,774)
Other operating expenses		(18,144,129)	(17,984,352)
Finance costs	6	<u>(1,328,746)</u>	<u>(195,855)</u>
Profit before tax		38,326,490	13,508,279
Income tax expense	8	<u>(7,363,534)</u>	<u>(3,320,101)</u>
Profit for the year	7	30,962,956	10,188,178
Other comprehensive income/(loss), net of tax			
<i>Items that will not be reclassified to profit or loss:</i>			
Loss on equity investment at fair value through other comprehensive income		–	(4,267,000)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operation		<u>173,260</u>	–
Other comprehensive income/(loss) for the year		<u>173,260</u>	<u>(4,267,000)</u>
Total comprehensive income for the year		<u>31,136,216</u>	<u>5,921,178</u>

	<i>Notes</i>	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Profit for the year attributable to:			
Owners of the Company		28,694,621	10,188,178
Non-controlling interests		2,268,335	–
		<u>30,962,956</u>	<u>10,188,178</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		28,815,903	5,921,178
Non-controlling interests		2,320,313	–
		<u>31,136,216</u>	<u>5,921,178</u>
Earnings per share			
Basic (<i>HK\$</i>)	9	<u>0.037</u>	<u>0.018</u>
Diluted (<i>HK\$</i>)	9	<u>0.037</u>	<u>0.018</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

		2018	2017
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current assets			
Property, plant and equipment		11,763,803	12,654,309
Investment property		32,000,000	28,817,301
Intangible assets		5,838,386	7,886,735
Goodwill		784,704	784,704
Deposits placed for life insurance policies		8,382,078	8,169,842
Deposits for acquisition of an associate		–	28,350,000
Deferred tax assets		2,553,540	2,547,327
Investment in an associate	10	36,499,071	–
		97,821,582	89,210,218
Current assets			
Trade and other receivables	11	72,501,637	61,914,124
Pledged bank deposits		10,176,374	7,105,972
Cash and cash equivalents		54,164,638	45,164,990
Investment at fair value through profit or loss	12	37,793,793	–
		174,636,442	114,185,086
Current liabilities			
Trade and other payables	13	54,553,501	64,006,351
Bank borrowings – secured		9,869,600	9,370,264
Finance leases payables		140,288	219,346
Promissory notes payables		7,674,841	–
Current tax liabilities		3,839,536	999,259
		76,077,766	74,595,220
Net current assets		98,558,676	39,589,866
Total assets less current liabilities		196,380,258	128,800,084

	<i>Notes</i>	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Non-current liabilities			
Promissory notes payables		–	12,157,882
Finance leases payables		83,847	83,805
Deferred tax liabilities		220,318	288,108
		<u>304,165</u>	<u>12,529,795</u>
NET ASSETS		<u>196,076,093</u>	<u>116,270,289</u>
Equity			
Share capital	14	8,553,515	5,941,515
Reserves		184,200,002	110,328,774
		<u>192,753,517</u>	<u>116,270,289</u>
Equity attributable to owners of the Company		192,753,517	116,270,289
Non-controlling interests		3,322,576	–
		<u>196,076,093</u>	<u>116,270,289</u>
TOTAL EQUITY		<u>196,076,093</u>	<u>116,270,289</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to owners of the Company									
	Share capital	Share premium account	Share option reserve	Merger reserve	Equity	Foreign	Retained profits	Total	Non-controlling interests	Total equity
					investment	currency				
					revaluation reserve	translation reserve				
HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
At 1 April 2016	4,951,515	74,982,817	3,872,000	4,750,108	(8,733,000)	-	8,518,356	88,341,796	-	88,341,796
Placing of shares (Note 14)	990,000	21,017,315	-	-	-	-	-	22,007,315	-	22,007,315
Total comprehensive income/(loss) for the year	-	-	-	-	(4,267,000)	-	10,188,178	5,921,178	-	5,921,178
At 31 March 2017	<u>5,941,515</u>	<u>96,000,132</u>	<u>3,872,000</u>	<u>4,750,108</u>	<u>(13,000,000)</u>	<u>-</u>	<u>18,706,534</u>	<u>116,270,289</u>	<u>-</u>	<u>116,270,289</u>
At 1 April 2017	5,941,515	96,000,132	3,872,000	4,750,108	(13,000,000)	-	18,706,534	116,270,289	-	116,270,289
Placing of shares (Note 14)	2,612,000	45,055,325	-	-	-	-	-	47,667,325	-	47,667,325
Capital injection by non-controlling interests of a subsidiary									-	1,002,263
Total comprehensive income for the year	-	-	-	-	-	121,282	28,694,621	28,815,903	2,320,313	31,136,216
At 31 March 2018	<u>8,553,515</u>	<u>141,055,457</u>	<u>3,872,000</u>	<u>4,750,108</u>	<u>(13,000,000)</u>	<u>121,282</u>	<u>47,401,155</u>	<u>192,753,517</u>	<u>3,322,576</u>	<u>196,076,093</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. GENERAL INFORMATION

Heng Sheng Holdings Limited (the “Company”) (formerly known as Kong Shum Union Property Management (Holding) Limited) 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 1001,10 Floor, Chung Nam House, 59 Des Voeux Road Central, Hong Kong.

The Board announced that the English name of the Company has been changed from “Kong Shum Union Property Management (Holding) Limited” to “Heng Sheng Holdings Limited”, with effect from 8 May 2018.

Since February 2018, Heng Sheng Capital Limited (“Heng Sheng”) became the new controlling shareholder of the Company and the Company became a non-wholly-owned subsidiary of Heng Sheng. For details of such change of controlling shareholder, please refer to the Company’s announcements dated 4 January 2018, 24 January 2018 and 22 February 2018.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 15 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated.

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

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 that are relevant to its operations and effective for its accounting year beginning on 1 April 2017 and early adopted HKFRS 9 (2014) “Financial Instruments” in last year. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations.

Other than HKFRS 9 (2014), the Group has not applied other 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 services, properties investment and money lending business during the year. An analysis of the Group's revenue recognised during the years is as follows:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Provision of property management services	409,577,174	395,513,512
Rental income from an investment property	1,100,860	–
Loan interest income from money lending	1,592,693	–
	<u>412,270,727</u>	<u>395,513,512</u>

4. OTHER REVENUE

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Bank interest income	21,613	8,969
Interest income from investment at fair value through profit or loss	1,676,712	–
Interest income from deposits placed for life insurance policies	299,112	294,341
Gain on disposal of property, plant and equipment	33,000	5,000
Consultancy services income	1,733,157	30,000
Fair value gain on an investment property	3,182,699	–
Fair value gain on investment at fair value through profit or loss	1,347,877	–
Management services income	90,000	–
	<u>8,384,170</u>	<u>338,310</u>

5. SEGMENT INFORMATION

(a) Reportable segments

The Group has three (2017: two) 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 services;
- (ii) Properties investment; and
- (iii) Money lending business.

Segment profits or losses do not include dividend income and gains or losses from investments at fair value through profit or loss. Segment assets do not include investments. Segment non-current assets do not include deferred tax assets and financial instruments.

(i) *Business segments*

	For the year ended 31 March 2018			
	Provision of property management services <i>HK\$</i>	Properties investment <i>HK\$</i>	Money lending business <i>HK\$</i>	Total <i>HK\$</i>
Reportable segment revenue:				
Revenue from external customers	<u>409,577,174</u>	<u>1,100,860</u>	<u>1,592,693</u>	<u>412,270,727</u>
Reportable segment profit	<u>33,007,585</u>	<u>4,031,400</u>	<u>643,456</u>	<u>37,682,441</u>
Depreciation of property, plant and equipment	1,142,803	5	–	1,142,808
Amortisation of intangible assets	2,048,349	–	–	2,048,349
Income tax expense	7,127,985	129,363	106,186	7,363,534
Interest revenue	320,725	–	–	320,725
Interest expense	1,221,628	–	–	1,221,628
Additions to segment non- current assets	<u>569,481</u>	<u>–</u>	<u>–</u>	<u>569,481</u>
	At 31 March 2018			
	Provision of property management services <i>HK\$</i>	Properties investment <i>HK\$</i>	Money lending business <i>HK\$</i>	Total <i>HK\$</i>
Reportable segment assets	144,909,202	32,664,740	3,742,626	181,316,568
Reportable segment liabilities	<u>70,698,027</u>	<u>204,400</u>	<u>–</u>	<u>70,902,427</u>

	For the year ended 31 March 2017		
	Provision of property management services <i>HK\$</i>	Properties investment <i>HK\$</i>	Total <i>HK\$</i>
Reportable segment revenue:			
Revenue from external customers	<u>395,513,512</u>	<u>–</u>	<u>395,513,512</u>
Reportable segment profit	<u>21,299,712</u>	<u>–</u>	<u>21,299,712</u>
Depreciation of property, plant and equipment	1,156,573	–	1,156,573
Amortisation of intangible assets	717,512	–	717,512
Income tax expense	3,320,101	–	3,320,101
Interest revenue	303,310	–	303,310
Interest expense	195,847	–	195,847
Additions to segment non-current assets	<u>806,686</u>	<u>9,512,507</u>	<u>10,319,193</u>
	At 31 March 2017		
	Provision of property management services <i>HK\$</i>	Properties investment <i>HK\$</i>	Total <i>HK\$</i>
Reportable segment assets	114,236,708	29,074,278	143,310,986
Reportable segment liabilities	<u>85,324,191</u>	<u>417,221</u>	<u>85,741,412</u>

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

	2018	2017
Year ended 31 March	<i>HK\$</i>	<i>HK\$</i>
Revenue		
Reportable segment revenue and consolidated revenue	412,270,727	395,513,512
Profit or loss		
Reportable segment profits	37,682,441	21,299,712
Inter-segment (charges)/profits	(838,293)	409,375
Unallocated other income	3,024,589	–
Share of profits of an associate	4,999,071	–
Unallocated corporate expenses	(6,434,200)	(8,200,800)
Unallocated finance costs	(107,118)	(8)
Consolidated profit before tax	38,326,490	13,508,279
At 31 March		
Assets		
Reportable segment assets	181,316,568	143,310,986
Unallocated cash and cash equivalents	10,016,807	13,033,990
Other unallocated corporate assets	81,124,649	47,050,328
Consolidated total assets	272,458,024	203,395,304
Liabilities		
Reportable segment liabilities	70,902,427	85,741,412
Unallocated corporate liabilities	5,479,504	1,383,603
Consolidated total liabilities	76,381,931	87,125,015

(b) **Geographical information**

	Revenue	
	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	402,772,752	395,513,512
The People's Republic of China (the "PRC")	9,497,975	–
	412,270,727	395,513,512

The Group's non-current assets as at 31 March 2018 and 2017 are all located in Hong Kong.

(c) **Information about major customers**

An analysis of the Group's revenue 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 2018 and 2017.

6. FINANCE COSTS

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Interest expenses on:		
– bank borrowings	254,997	177,962
– promissory notes	1,062,895	–
Finance lease charges	10,854	17,893
	<u>1,328,746</u>	<u>195,855</u>

7. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Staff costs (including directors' remuneration):		
– Salaries, wages and allowances	322,060,873	329,102,653
– Retirement benefits scheme contributions	9,021,557	9,487,160
	<u>331,082,430</u>	<u>338,589,813</u>
Auditors' remuneration	640,000	540,000
Depreciation of property, plant and equipment	1,465,127	1,163,297
Fair value gain on an investment property	(3,182,699)	–
Fair value gain on investments at fair value through profit or loss	(1,347,877)	–
Amortisation of intangible assets	2,048,349	717,512
Operating lease charges in respect of		
– Premises	2,951,300	3,413,400
– Motor vehicles	592,000	568,000
	<u>2,951,300</u>	<u>3,413,400</u>

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 16.5%) based on the estimated assessable profit for the year.

PRC corporate income tax is calculated at a standard rate of 25% on the estimated assessable profits arising from the operation of the PRC subsidiary.

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Current tax – Hong Kong Profits Tax		
– Provision for the year	5,097,164	3,691,480
– One-off deduction	<u>(180,000)</u>	<u>(80,000)</u>
	<u>4,917,164</u>	<u>3,611,480</u>
Current tax – PRC		
– Provision for the year	<u>2,520,373</u>	–
Deferred tax	<u>(74,003)</u>	<u>(291,379)</u>
	<u><u>7,363,534</u></u>	<u><u>3,320,101</u></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:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Profit before tax	<u><u>38,326,490</u></u>	<u><u>13,508,279</u></u>
Tax calculated at the domestic tax rate of 16.5% (2017: 16.5%)	6,323,871	2,228,866
Effect of different tax calculation basis for the PRC	856,928	–
Tax effect of income that is not taxable	(1,619,852)	(122,764)
Tax effect of expenses that are not deductible	1,982,587	1,293,999
One-off deduction	<u>(180,000)</u>	<u>(80,000)</u>
Income tax expense	<u><u>7,363,534</u></u>	<u><u>3,320,101</u></u>

9. 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 HK\$28,694,621 (2017: HK\$10,188,178) and the weighted average number of ordinary shares of 769,956,447 (2017: 551,296,720) in issue during the year.

Diluted earnings per share

The effect of the Company's outstanding share options for the years ended 31 March 2017 and 2018 did not give rise to any dilution effect to the earnings per share.

10. INVESTMENT IN AN ASSOCIATE

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Unlisted investment in Hong Kong		
Share of net assets	13,849,612	–
Goodwill	22,649,459	–
	<u>36,499,071</u>	<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	
			2018 <i>HK\$</i>	2017 <i>HK\$</i>
Dakin Holding Inc.	Hong Kong/BVI	Provision of financial services in Hong Kong	30%/30%	–
			2018 <i>HK\$</i>	2017 <i>HK\$</i>
Non-current assets			19,979,229	–
Current assets			128,285,256	–
Non-current liabilities			(3,046,620)	–
Current liabilities			(99,052,491)	–
Net assets			<u>46,165,374</u>	<u>–</u>
Group's share of net assets			13,849,612	–
Goodwill			22,649,459	–
Group's share of carrying amount of interests			<u>36,499,071</u>	<u>–</u>
Revenue – post-acquisition			<u>70,211,504</u>	<u>–</u>
Profit and total comprehensive income – post-acquisition			<u>16,663,570</u>	<u>–</u>

11. TRADE AND OTHER RECEIVABLES

	2018 HK\$	2017 <i>HK\$</i>
Trade receivables	50,221,847	47,009,460
Loan receivables (<i>Note</i>)	3,627,534	–
Prepayments, deposits and other receivables	18,652,256	14,904,664
	72,501,637	61,914,124

The Group does not grant credit terms to its customers (2017: Nil). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management and directors.

Note: The money lenders license is granted on 15 June 2017 for a period of twelve months from 15 June 2017. Money lending business is a new segment for the year ended 31 March 2018. The loan is lent to an independent third party.

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

	2018 HK\$	2017 <i>HK\$</i>
1 to 30 days	11,399,550	10,193,862
31 to 60 days	33,115,405	28,261,606
61 to 90 days	2,310,673	3,924,994
Over 90 days	3,396,219	4,628,998
	50,221,847	47,009,460

The aging analysis of loan receivables are due within 90 days.

As of 31 March 2018, trade receivables of HK\$50,221,847 (2017: HK\$47,009,460) 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.

12. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Unlisted convertible notes		
Acquisition	34,769,204	–
Change in fair value	1,347,877	–
Interest income	1,676,712	–
	<u>37,793,793</u>	<u>–</u>

On 14 July 2017, Oceanic Alliance Investments Limited (the “Seller”), and Lucky Stone Investments Limited, a wholly-owned subsidiary of the Company (the “Buyer”), entered into an agreement in relation to the acquisition of convertible notes of principal amount of AUD 6,000,000 (the “CN”) (for the agreement, the “CN Agreement”).

Subject to the satisfaction (or waiver) of the conditions precedent as set out in the CN Agreement, the Buyer conditionally agrees to acquire the CN from the Seller at a total consideration of HK\$36,000,000 (equivalent to AUD6,000,000, using an agreed exchange rate of AUD1 = HK\$6 and being the face value of the aggregate principal amount of the CN) (the “CN Acquisition”). The CN of the principal amount of AUD6,000,000 with a maturity date on 1 March 2019 are issued by ASF Group Limited, a public company limited by shares, incorporated and domiciled in Australia, with its issued shares being listed on the Australian Stock Exchange Limited (CAN 008 624 691) (the “Issuer”) and are unsecured and not listed on any stock exchange. Further, the Buyer agrees to pay to the Seller an accrued interest of the CN from 1 April 2017 and up to the completion date specified under the CN Agreement (both date inclusive) to be calculated at an interest rate of 10% per annum in accordance with terms of a deed of CN entered into between the Seller and the Issuer.

The acquisition of the CN was completed on 12 October 2017. For details, please refer to the Company’s announcement dated 13 October 2017.

13. TRADE AND OTHER PAYABLES

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Trade payables	1,138,952	1,147,980
Building management deposits received	4,348,892	4,297,586
Accruals and other payables	40,059,010	50,494,669
Provision for long service payment	9,006,647	8,066,116
	<u>54,553,501</u>	<u>64,006,351</u>

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

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
1 to 30 days	<u>1,138,952</u>	<u>1,147,980</u>

14. SHARE CAPITAL

Ordinary shares of HK\$0.01 each	<i>Number of shares</i>	<i>HK\$</i>
Authorised:		
Ordinary shares of HK\$0.01 each At 1 April 2016, 31 March 2017 and 31 March 2018	5,000,000,000	50,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each At 1 April 2016	495,151,515	4,951,515
Issue of shares on placement	99,000,000	990,000
At 31 March 2017	594,151,515	5,941,515
Issue of shares on placement	261,200,000	2,612,000
At 31 March 2018	855,351,515	8,553,515

On 18 August 2016, the Company and a placing agent entered into a placing agreement in respect of the placement of 99,000,000 ordinary shares of HK\$0.01 each to independent investors at a price of HK\$0.23 per share. The placement was completed on 6 September 2016 and the premium on the issue of shares, amounting to approximately HK\$21.0 million, net of share issue expenses of approximately HK\$0.8 million, was credited to the Company's share premium account.

On 11 May 2017, the Company and the placing agent entered into a placing agreement in respect of the placement of 118,800,000 ordinary shares of HK\$0.01 each at a price of HK\$0.24 per share. The placement was completed on 26 May 2017 and the premium on the issue of shares, amounting to approximately HK\$26.5 million, net of share issue expenses of approximately HK\$0.86 million was credited to the Company's share premium account.

On 29 August 2017, the Company and the placing agent entered into a placing agreement in respect of the placement of 142,400,000 ordinary shares of HK\$0.01 each at a price of HK\$0.145 per share. The placement was completed on 21 September 2017 and the premium on the issue of shares, amounting to approximately HK\$18.6 million, net of share issue expenses of approximately HK\$0.63 million was credited to the Company's share premium account.

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).

15. SUBSIDIARIES

Particulars of the Company's major subsidiaries as at 31 March 2018 are set out below:

Name	Place of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest attributable to the Company	Principal activities
Kong Shum Union Property Management Group Limited ("KSG")	British Virgin Islands	11 shares of US\$1.00 each	100% direct	Investment holding
Kong Shum Union Property Management Company Limited ("KSU")	Hong Kong	HK\$22,000,000	100% indirect	Provision of property management services
K-King Cleaning Services Limited ("K-King")	Hong Kong	HK\$100	100% indirect	Provision of cleaning services
Q&V Security Company Limited ("Q&V")	Hong Kong	HK\$2,100,000	100% indirect	Provision of security services
Yorkshire Property Management Limited ("YSL")	Hong Kong	HK\$1,000,000	100% indirect	Provision of property management services
More Rise Investment Limited ("MRIL")	Hong Kong	HK\$2.00	100% indirect	Properties investment
Fortune Trend Investment Limited ("FTIL")	Hong Kong	HK\$2.00	100% indirect	Properties investment
Lucky Stone Investments Limited ("LSI")	British Virgin Islands	1 share of US\$1.00 each	100% direct	Investment holding
Lucky Stone Property Investment Limited	Hong Kong	HK\$100	100% indirect	Dormant
Lucky Stone Finance Limited	Hong Kong	HK\$100	100% indirect	Money lending business
One Direction Property Management Company Limited	Hong Kong	HK\$10,000	100% indirect	Dormant
淄博悦生活物業服務有限公司	PRC	HK\$30,000,000*	70% indirect	Provision of property management consultancy services

* The registered capital of 淄博悦生活物業服務有限公司 is HK\$30,000,000 of which HK\$1,002,263 has been paid up as at 31 March 2018.

The following table shows information of a subsidiary that has non-controlling interests (“NCI”) which is material to the Group.

Name	淄博悦生活 物業服務 有限公司 2018
Principal place of business/country of incorporation	PRC/PRC
% of ownership interests/voting rights held by NCI	30%/30%
At 31 March:	<i>HK\$</i>
Non-current assets	–
Current assets	15,041,593
Non-current liabilities	–
Current liabilities	<u>(3,966,339)</u>
Net assets	<u><u>11,075,254</u></u>
Accumulated NCI	3,322,576
Year ended 31 March:	
Revenue	9,497,975
Profit	7,561,118
Total comprehensive income	7,734,378
Profit allocated to NCI	2,268,335
Net cash generated from operating activities	13,294,790
Net cash generated from investing activities	1,343
Net cash generated from financing activities	<u>–</u>
Net increase in cash and cash equivalents	<u><u>13,296,133</u></u>

As at 31 March 2018, the bank and cash balance is HK\$11,951,283 denominated in RMB dollars placed with banks in the PRC.

16. DIVIDEND

No dividend was paid or proposed for the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period and up to the date of this announcement. (2017: Nil).

17. 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:

	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Rental paid to related companies		
– MRIL	–	384,000
– Kong Shum Union (China) Limited (“KSU China”)	592,000	568,000
Compensation paid to directors	3,778,774	5,534,991
Acquisition of MRIL and FTIL	<u>–</u>	<u>38,157,882</u>

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

At 31 March 2018 and 2017, 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 8 February 2017, KSU, a wholly-owned subsidiary of the Company and Mr. Ho Ying Choi, an executive director of the Company and Mr. Ho Ying Cheung, a director of KSU and brother of Mr. Ho Ying Choi entered into sale and purchase agreement to acquire assets and liabilities by way of acquisition of the entire equity interest in MRIL and FTIL at a cash consideration of HK\$26,000,000 and promissory notes of sum of HK\$12,157,882 (face value: HK\$14,000,000). MRIL and FTIL owned properties located in Hong Kong and were engaged properties investment business during the year. The acquisition is for the purpose of expanding the Group's business diversity and was completed on 31 March 2017.

18. CONTINGENT LIABILITIES

(a) Performance bond and incorporated owners' fund

Performance bond has been issued by several banks 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 2018, the amount of outstanding performance bond was approximately HK\$15.7 million (2017: HK\$20.4 million).

As at 31 March 2018, 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\$43.7 million (2017: HK\$40.8 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 2018.

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 including security, repair and maintenance, cleaning, finance 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 2018, 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. During the year ended 31 March 2018, the Group expanded its business into provision of money lending business.

In relation to the provision of money lending business commenced during the year ended 31 March 2018, the Group recorded loan interest income of approximately HK\$1.6 million (2017: Nil). As at 31 March 2018, the Group has loan receivables with carrying amount of approximately HK\$3.6 million (2017: Nil). Principal terms of the loan receivables during the year are as follows:

Borrowers	Drawdown date	Principal amount	Interest rate	Terms	Notes
A	17 July 2017	HK\$16 million	14% per annum	6 months	(i), (iii)
B	18 July 2017	HK\$7 million	12% per annum	6 months	(ii), (iii)
	15 August 2017	HK\$7 million	12% per annum	6 months	(ii), (iii)
C	27 December 2017	HK\$3.5 million	14% per annum	9 months	

Notes:

- (i) Details of the above are set out in the Company’s announcement dated 17 July 2017.
- (ii) Details of the above are set out in the Company’s announcement dated 15 August 2017.
- (iii) The principal amount and accrued interest were fully repaid by the borrowers during the year ended 31 March 2018.

For the properties investment business, the Group recorded rental income from an investment property of approximately HK\$1.1 million for the year ended 31 March 2018 (2017: Nil).

FINANCIAL REVIEW

Summary Financial Performance

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	Change
Revenue	412,271	395,514	4.2%
Cost of services	(317,872)	(312,206)	1.8%
Gross Profit	94,399	83,308	13.3%
Gross profit margin	22.9%	21.1%	n/a
Other revenue	8,384	338	2,380.5%
Share of profits of an associate	4,999	–	n/a
Administrative expenses	(49,983)	(51,958)	(3.8%)
Other operating expenses	(18,144)	(17,984)	(0.9%)
Finance costs	(1,329)	(196)	578.1%
Profit before tax	38,326	13,508	183.7%
Income tax expense	(7,363)	(3,320)	121.8%
Profit attributable to owners of the Company	30,963	10,188	203.9%
Net profit margin	7.5%	2.6%	n/a

REVENUE

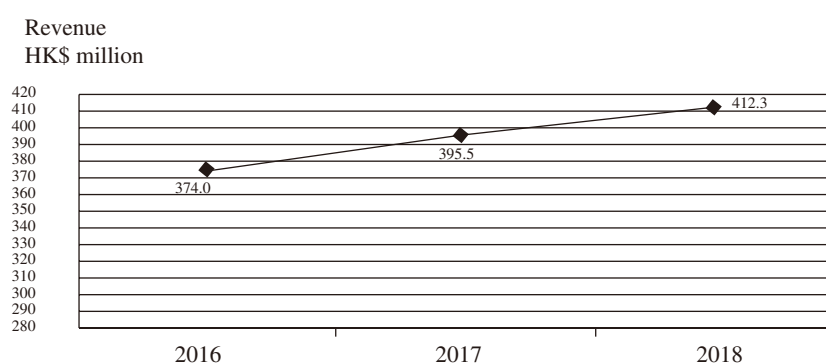
For the year ended 31 March 2018, of the Group's revenue was derived from its operations in Hong Kong and the PRC of approximately HK\$402.8 million (2017: HK\$395.5 million) and HK\$9.5 million (2017: Nil), respectively. The Group derived revenue of approximately HK\$30.4 million and HK\$33.2 million respectively from stand-alone security services contracts for the years ended 31 March 2017 and 2018 respectively, representing approximately 7.7% and 8.1% of its total revenue.

The following table sets out the Group's revenue by contract type for the years ended 31 March 2017 and 2018:

	2018		2017	
	<i>HK\$ million</i>	<i>percentage</i>	<i>HK\$ million</i>	<i>percentage</i>
Property management services contracts	366.9	89.0%	365.1	92.3%
Property security services contracts	33.2	8.1%	30.4	7.7%
PRC Property management services contract	9.5	2.2%	–	–
Rental services contracts	1.1	0.3%	–	–
Money lending services	1.6	0.4%	–	–
	412.3	100%	395.5	100%

The Group's revenue improved by approximately 4.2% from approximately HK\$395.5 million for the year ended 31 March 2017 to approximately HK\$412.3 million for the year ended 31 March 2018. The increase was primarily attributable to the growth of revenue generated from security services contracts in Hong Kong, significantly increasing by approximately 9.2% to approximately HK\$33.2 million and its property management service in the PRC of approximately HK\$9.5 million for the year ended 31 March 2018. During the year, the number of management service contracts obtained by the Group had been increased by 3 from 431 during the year ended 31 March 2017 to 434 for the year ended 31 March 2018. Revenue generated from property management services contracts in Hong Kong recorded a slightly increase of approximately 0.5% to approximately HK\$366.9 million for the year ended 31 March 2018.

The following graph sets out the revenue for the years ended 31 March 2016, 2017, 2018.



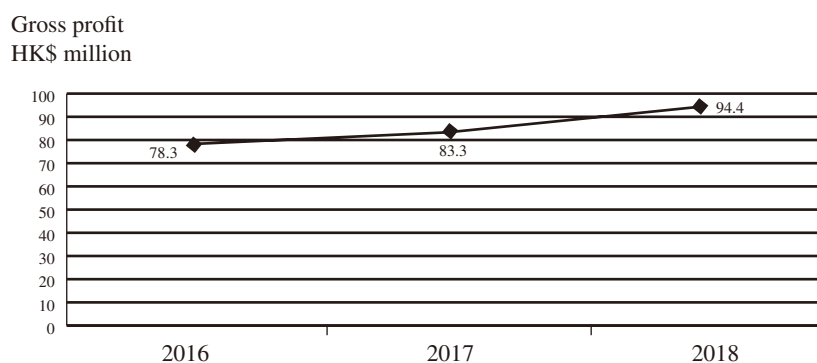
COST OF SERVICES

The total cost of services amounted to approximately HK\$312.2 million and HK\$317.9 million for the years ended 31 March 2017 and 2018 respectively, representing approximately 78.9% and 77.1% respectively of the Group's revenue. Increase in the cost of services during the year of approximately 1.8% was mainly due to the increase on the wages of the front line staff of the Group.

GROSS PROFIT

The gross profit of the Group increased by approximately 13.3% from approximately HK\$83.3 million for the year ended 31 March 2017 to approximately HK\$94.4 million for the year ended 31 March 2018. The gross profit margin was approximately 21.1% and 22.9% for the years ended 31 March 2017 and 2018 respectively. The Group negotiated and adjusted the service fees in order to reflect the increase in costs and to maintain a growth on the gross profit margin.

The following graph sets out the gross profit for the years ended 31 March 2016, 2017 and 2018.



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company was increased by approximately 203.9% from approximately HK\$10.2 million for the year ended 31 March 2017 to approximately HK\$31.0 million for the year ended 31 March 2018. The net profit margin increased by approximately 4.9% point from approximately from 2.6% to 7.5% for the years ended 31 March 2017 and 2018 respectively.

The Group has recorded a profit of approximately HK\$31.0 million for the year ended 31 March 2018 as compared to the profit of approximately HK\$10.2 million for the year ended 31 March 2017. The increase was mainly attributable to:

- (i) share of profits of an associate, contributed by the acquisition of 30% of the issued shares of Dakin Holdings Inc. of approximately HK\$5.0 million (2017: Nil);
- (ii) new revenue sources from the money lending and the PRC property management businesses of approximately HK\$1.6 million (2017: Nil) and HK\$9.5 million (2017: Nil) respectively;
- (iii) increase in revenue from the effect of increase in the statutory minimum wage in Hong Kong to HK\$34.5 per hour effective from 1 May 2017 which led to the increase in the property management services contracts sum;
- (iv) the net effect of decrease in legal and professional fee, increase in interest on promissory notes and amortisation of intangible assets during the year; and
- (v) fair value gain on an investment property and interest income and fair value gain on investments at fair value through profit or loss during the year.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses for the year ended 31 March 2018 were approximately HK\$50.0 million (2017: HK\$52.0 million), representing a decrease of approximately 3.8% compared to the corresponding period in 2017. This was mainly attributable to the decrease in bonus, Directors' emoluments, rental fee incurred during the year.

OTHER OPERATING EXPENSES

The Group's other operating expenses remain stable for the year ended 31 March 2018 were approximately HK\$18.1 million (2017: HK\$18.0 million), representing a slightly increase of approximately 0.9% compared to the corresponding period in 2017.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	For the year ended/ as at 31 March	
	2018	2017
	HK\$'000	HK\$'000
Financial position		
Current assets	174,636	114,185
Current liabilities	76,078	74,595
Net current assets	98,558	39,590
Total assets	272,458	203,395
Bank borrowings, finance lease payables and promissory notes payables	17,769	21,831
Bank balances and cash	54,165	45,165
Total equity	196,076	116,270
Key ratios		
Return on equity (1)	19.8	10.0%
Return on assets (2)	13.0	5.9%
Current ratio (3)	2.30 times	1.53 times
Gearing ratio (4)	9.1%	18.8%
Net Debt to equity ratio (5)	0%	0%
Debtors turnover day (6)	43.3 days	41.2 days
Creditors turnover day (7)	26.0 days	25.0 days

Notes:

1. Return on equity is calculated as the profit for the year divided by average total equity.
2. Return on assets is calculated as the profit for the year divided by average total assets.
3. Current ratio is calculated as the current assets divided by current liabilities.
4. Gearing ratio is calculated as the total debt divided by total equity. For the avoidance of doubt, total debt represents bank borrowings, promissory notes payable and finance lease payables.

5. 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, promissory notes payables and finance lease payables.
6. Debtors' turnover day is calculated as average trade receivables divided by revenue times number of days in the period.
7. 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 2018 with bank balances and cash of approximately HK\$54.2 million (2017: HK\$45.2 million).

As at 31 March 2018, the Group had bank borrowings, promissory notes payable and obligations under finance lease of approximately HK\$17.8 million (2017: HK\$21.8 million).

As at 31 March 2018, the Group's net current assets amounted to approximately HK\$98.6 million (2017: HK\$39.6 million). The Group's operations are financed principally by revenue generated from its business operations, available cash, bank balances, promissory notes payable and bank borrowings.

RETURN ON EQUITY

The return on equity increased from approximately 10.0% for the year ended 31 March 2017 to approximately 19.8% for the year ended 31 March 2018, mainly due to the increase in profit for the year.

RETURN ON ASSETS

The return on assets was increased from approximately 5.9% for the year ended 31 March 2017 to approximately 13.0% for the year ended 31 March 2018, mainly due to the increase in profit for the year.

CURRENT RATIO

The Group's current ratio increase from approximately 1.53 times as at 31 March 2017 to approximately 2.30 times as at 31 March 2018 mainly due to the acquisition of convertible note during the year and increase in cash and cash equivalents which enlarged the Company's assets.

GEARING RATIO

The Group's gearing ratio, defined as the total debt (i.e. bank borrowings, promissory notes payables and finance lease payables) divided by total equity, as at 31 March 2018 is approximately 9.1% (2017: 18.8%). The total secured bank borrowings increase from approximately HK\$9.4 million as at 31 March 2017 to approximately HK\$9.9 million as at 31 March 2018. In addition, the Group issued promissory notes with carrying value of approximately HK\$7.7 million as at 31 March 2018. On the other hand, the Group's total equity increased significantly during the year ended 31 March 2018 due to issuance of shares upon placing of shares during the year.

NET DEBT TO EQUITY RATIO

The Group's net debt to equity ratio was 0% as at 31 March 2017 and 31 March 2018 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 41.2 days for the year ended 31 March 2017 to approximately 43.3 days for the year ended 31 March 2018 due to increase on collecting time on trade debtors.

CREDITORS' TURNOVER DAY

The creditors' turnover day was slightly increased by 1 day from approximately 25.0 days for the year ended 31 March 2017 to approximately 26.0 days for the year ended 31 March 2018. 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 2018 (2017: 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 after the listing of the Company's shares on the GEM and believe that the Group will benefit from the listing.

During the year, the Group has extended its property management services to the PRC market and recorded an additional revenue of approximately HK\$9.5 million (2017: Nil) from this segment. In addition, the Group also recorded loan interest income from its money lending business of approximately HK\$1.6 million and interest income from investment at fair value through profit or loss of approximately HK\$1.7 million (2017: Nil). 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 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 2018, the Group had a total of 1,965 employees (as at 31 March 2017: 2,162 employees). The Group's staff costs for the year ended 31 March 2018 amounted to approximately HK\$331.1 million (2017: HK\$338.6 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 2018, 17 property management contracts were awarded to the Group.

As at 31 March 2018, there were in total 434 service contracts (covering around 74,000 households) comprising 402 property management service contracts, 15 stand-alone security service contracts and 17 facility management service contracts.

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 434 contracts in force as at 31 March 2018, 137 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 297 valid contracts as at 31 March 2018 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 2018 included the mandatory term requiring the client to follow the said procedural requirements, if applicable.

Client Accounts

As at 31 March 2018, the Group held 61 (2017: 61) client accounts amounting to approximately HK\$43.7 million (2017: HK\$40.8 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 2018, the banks issued 8 (2017: 10) bond certificates amounting to approximately HK\$15.7 million (2017: HK\$20.4 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\$0.6 million for the year ended 31 March 2018 (2017: HK\$10.4 million).

Capital Commitments

The Group did not have any significant capital commitments as at 31 March 2018 and 31 March 2017.

Contingent Liabilities

Details of contingent liabilities of the Group are set out in note 18 to this 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\$. This analysis is performed on the same basis for 2017.

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

Acquisition of a Financial Services Company

On 20 January 2017, the Company, as potential purchaser, entered into a non-legally binding memorandum of understanding (the "MOU") with a potential vendor (the "Potential Vendor"). Pursuant to the MOU, the Company intends to acquire, and the Potential Vendor intends to dispose of, the entire issued share capital in a company incorporated in the British Virgin Islands with limited liability ("Target Company") which, together with its subsidiaries (collectively, the "Target Group") is currently licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). The Target Group also holds a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (the "MLO"). In addition, the Target Group has recently submitted an application to the Securities and Futures Commission of Hong Kong for approval of the addition of Type 9 (asset management) regulated activity.

On 13 February 2017, a wholly-owned subsidiary of the Company (as purchaser) and the Company (as guarantor) entered into an agreement (the “Agreement”) with Mr. Chang Tin Duk, Victor (“Mr. Chang”) (as vendor), pursuant to which the aforesaid purchaser has conditionally agreed to acquire, and Mr. Chang has conditionally agreed to sell, 30% of the issued share capital of the Target Company at a consideration of HK\$31,500,000.

On 28 April 2017, all the conditions precedent set out in the Agreement have been fulfilled and the aforesaid completion took place on 28 April 2017 in accordance with the terms and conditions of the Agreement.

Following the aforesaid completion, the Company is holding 30% of the equity interest in the Target Company and the Target Company has become an associate of the Company, and the investment of the Group in the Target Group is classified as investment in an associate.

Details of the acquisition are disclosed in the Company’s announcements dated 20 January 2017, 13 February 2017 and 28 April 2017.

Acquisition of the Convertible Notes

On 14 July 2017, Oceanic Alliance Investments Limited (the “Seller”), and Lucky Stone Investments Limited, a wholly-owned subsidiary of the Company (the “Buyer”), entered into an agreement in relation to the acquisition of convertible notes of HK\$36,000,000 (the “CN Agreement”).

Subject to the satisfaction (or waiver) of the conditions precedent as set out in the CN Agreement, the Buyer conditionally agrees to acquire the convertible notes from the Seller at a total consideration of HK\$36,000,000 (equivalent to AUD6,000,000, using an agreed exchange rate of AUD1=HK\$6 and being the face value of the aggregate principal amount of the convertible notes) (the “CN Acquisition”). The convertible notes for the principal amount of AUD6,000,000 with a maturity date on 1 March 2019 are issued by ASF Group Limited (the “Issuer”), a public company limited by shares, incorporated and domiciled in Australia, with its issued shares being listed on the Australian Stock Exchange Limited (CAN 008 624 691), and are unsecured and not listed on any stock exchange. Further, the Buyer agrees to pay to the Seller an accrued interest of the convertible notes from 1 April 2017 and up to the completion date specified under the Agreement (both date inclusive) to be calculated at an interest rate of 10% per annum in accordance with terms of a deed of convertible note entered into between the Seller and the Issuer.

Completion of the CN Acquisition

On 12 October 2017, all conditions precedent under the CN Agreement have been fulfilled and the completion in relation to the CN Acquisition took place.

The convertible notes for the principal amount of AUD6,000,000 (equivalent to HK\$36,000,000) with a maturity date on 1 March 2019 are issued by the Issuer and are unsecured and not listed on any stock exchange.

Details of above are set out in the Company's announcements dated 14 July 2017 and 13 October 2017.

Conditional Mandatory Cash Offers

On 4 January 2018, the Company and Heng Sheng Capital Limited ("Offeror") jointly announced that immediately prior to the share purchases on the market by the Offeror totalling 257,504,000 shares (the "Share(s)") of the Company (including the Additional Share Purchases (as defined hereinafter)), representing approximately 30.11% of the entire share capital of the Company as at the date of the relevant joint announcement (the "Share Purchases"), the Offeror and parties acting in concert with it were not interested in any Shares. Immediately prior to the share purchases on the market by the Offeror of 15,000,000 Shares on 29 December 2017, representing approximately 1.76% of the entire share capital of the Company as at the date of the relevant joint announcement (the "Additional Share Purchases"), the Offeror and parties acting in concert with it were interested in 242,504,000 Shares, representing approximately 28.35% of the entire issued share capital of the Company as at the date of the relevant joint announcement. Immediately following the Share Purchases (including the Additional Share Purchases), the Offeror and parties acting in concert with it own an aggregate of 257,504,000 Shares, representing approximately 30.11% of the entire issued share capital of the Company as at the date of the relevant joint announcement.

The Offeror is required to make the conditional mandatory cash offers (the "Offers") for all the issued Shares (other than those already owned or to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code and to cancel all the outstanding share options granted under the share option scheme adopted by the Company on 19 September 2013 pursuant to Rule 13.5 of the Takeovers Code.

Kingston Securities Limited, for and on behalf of the Offeror and in compliance with the Takeovers Code, made the Offers on the terms set out in the composite document dated 24 January 2018 (the "Composite Document").

On 5 January 2018, the Board announced that the independent board committee of the Board (the “Independent Board Committee”), comprising all the independent non-executive Directors, namely Mr. Tso Siu Lun, Alan, Mr. Lam Kai Yeung and Mr. Lo Chi Ho, Richard, has been established for the purpose of making a recommendation to the shareholders of the Company other than the Offeror and parties acting in concert with it and the holders of the Share Options in respect of the Offers and, in particular, as to whether the terms of the Offers are fair and reasonable and as to acceptance of the Offers. The recommendation of the Independent Board Committee was included in the Composite Document.

With the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code, the Company has appointed Euto Capital Partners Limited as an independent financial adviser to advise the Independent Board Committee in respect of the Offers and, in particular, as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers. Euto Capital Partners Limited is a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities under the SFO. The letter of advice from Euto Capital Partners Limited in respect of the Offers was included in the Composite Document despatched jointly by the Company and the Offeror.

The Composite Document in relation to the Offers were despatched on 24 January 2018.

Details of above are set out in the Company’s announcements dated 4 January 2018 and 5 January 2018 and Composite Document dated 24 January 2018.

Close, Results and Settlement of the Offers and Public Float of the Shares

On 22 February 2018, the Offeror and the Company jointly announced that the Offers were closed at 4:00 p.m. and were not revised or extended by the Offeror.

As at 4:00 p.m. (being the latest time for acceptance of the Offers) on the Closing Date (as defined in the Composite Document), the Offeror had received (i) 20 valid acceptances in respect of a total of 362,255,950 Offer Shares under the Share Offer, representing approximately 42.35% of the entire issued share capital of the Company as at the date of the joint announcement; and (ii) valid acceptances in respect of aggregate of 20,000,000 Share Options under the Option Offer (as defined in the Composite Document), representing 100% of the then outstanding Share Options (as defined in the Composite Document).

Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of the acceptances of the Share Offer) payable for the Offer Shares tendered under the Share Offer have been posted to the Independent Shareholders who have already accepted the Share Offer (to the address specified in the Form of Share Offer Acceptance) by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt by the Registrar of the duly completed Form of Share Offer Acceptance and all the relevant documents of title necessary to render the acceptance under the Share Offer and the date on which the Offers became unconditional. Remittances in respect of the cash consideration payable for the Share Options tendered under the Option Offer have been posted to the Optionholders who have already accepted the Option Offer (to the address specified in the Form of Option Offer Acceptance) by ordinary post within seven (7) Business Days following the date on which the Offers became unconditional.

Immediately after the close of the Offers, subject to the due registration by the Registrar of the transfer of those Offer Shares acquired under the Share Offer to the Offeror, 235,591,565 Shares, representing approximately 27.54% of the entire issued share capital of the Company as at the date of the joint announcement, are held by the public (as defined under the GEM Listing Rules). Accordingly, as at the date of the joint announcement, the Company continues to satisfy the minimum public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules.

Details of above is set out in the Company's announcement dated 22 February 2018.

Compensation from All Profit

On 21 June 2015, the Company, Capital Creation (BVI) Limited and All Profit Alliance Limited ("All Profit") entered into a subscription and shareholders' agreement (the "Subscription and Shareholders' Agreement") 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 Subscription and Shareholders' 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 Guaranteed 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 × 13 × 20%

For the avoidance of doubt, if the 2017 After-Tax Profit is zero or a negative amount, the formula (HK\$10,000,000 × 13 × 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 shares of All Profit (“All Profit Shares”) in lieu of the Compensation.

As advised by All Profit, based on the audited financial statements of All Profit for the year ended 30 June 2017, it recorded an audited net loss of approximately HK\$7.3 million for the year ended 30 June 2017 and approximately HK\$3.9 million for the period from 20 March 2015 (date of incorporation) to 30 June 2016, respectively. Accordingly, the profit guarantee for both the Initial Guarantee Period and the Extended Guarantee Period are not met. The aforesaid audited financial statements of All Profit for the year ended 30 June 2017 were issued in late 2017.

Pursuant to the Subscription and Shareholders Agreement, the Company has demanded (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. All Profit has confirmed to the Company that allotment and issue of the additional All Profit Shares was completed on 26 January 2018 and the Compensation will be fully settled on or before 31 December 2018.

Details of above are set out in the Company’s announcements dated 11 May 2015, 22 June 2015, 3 July 2015 and 30 January 2018.

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 is the sole director of Heng Sheng Capital Limited.

As at 31 March 2018, Heng Sheng Capital Limited owns an aggregate of 619,911,950 shares of the Company, representing 72.47% of the issued share capital of the Company.

Update on Directors' Information

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, changes in the Directors' information since the disclosure made in the Company's annual report 2016–2017 or the announcement in relation to the appointment of director (as the case may be) are set out as follows:

- Mr. Eric Todd, an executive Director of the Company, resigned as an independent non-executive director of Boill Healthcare Holdings Limited (formerly known as Ngai Shun Holdings Limited) with effect from 14 August 2017 (a company listed on the Main Board of the Stock Exchange, Stock Code: 1246);
- Mr. Lo Chi Ho, Richard, an independent non-executive Director of the Company, was appointed as an independent non-executive director of Chinney Investments, Limited with effect from 3 November 2017 (a company listed on the Main Board of the Stock Exchange, Stock Code: 216);
- Mr. Tso Siu Lun, Alan, an independent non-executive Director of the Company, was appointed as an independent non-executive director of OCI International Holdings Limited (formerly known as Dragonite International Limited) (a company listed on the Main Board of the Stock Exchange, Stock Code: 329) since May 2017; and
- Mr. Lam Kai Yeung, an independent non-executive Director of the Company, was appointed as (i) an independent non-executive director of Kin Shing Holdings Limited (stock code: 1630) since May 2017; and (ii) a company secretary of Hua Long Jin Kong Company Limited (formerly known as Highlight China IoT International Limited) (stock code: 1682) since November 2017 and chief executive officer since September 2017. The securities of these companies are listed on the Main Board of the Stock Exchange.

Change of Address of Head Office and Principal Place of Business in Hong Kong

As disclosed in the announcement of the Company dated 1 September 2017, the address of head office and principal place of business in Hong Kong of the Company has been changed to Unit 1001, 10 Floor, Chung Nam House, 59 Des Voeux Road Central, Hong Kong with effect from 1 September 2017.

Charges over Assets of the Group

As at 31 March 2018, certain bank deposits of approximately HK\$10.2 million (2017: HK\$7.1 million) and the deposits placed for life insurance policies of approximately HK\$8.4 million (2017: HK\$8.2 million) were pledged to a bank to secure banking facilities granted to the Group. Besides, the Group had certain motor vehicles acquired under finance lease. The carrying values of motor vehicles under finance lease amounted to approximately HK\$0.3 million and HK\$0.4 million as at 31 March 2018 and 31 March 2017 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 Activities

In order to meet the needs of business development, the Group successfully completed a number of equity fund raising activities during the past twelve months immediately preceding 31 March 2018, 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
11 May 2017 (completed on 26 May 2017)	Placing of 118,800,000 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\$0.245)	Approximately HK\$27.6 million (net proceeds raised per Share was approximately HK\$0.23 per Share)	Intended to be used for future investment opportunities of the Company which includes but not limited to capital investment in the provision of financial services in Hong Kong such as money lending business, securities investments, and/or properties investment and/or as general working capital of the Group	Utilised as to 10% for working capital and 90% in the money lending business as intended. All of the net proceeds thereof are fully utilised
29 August 2017 (completed on 21 September 2017)	Placing of 142,400,000 new ordinary shares of HK\$0.01 each under general mandate at the placing price of HK\$0.145 per Share to not less than six places who are independent third parties to the Company (closing price of the Share as quoted on the Stock Exchange on the date of the placing agreement is HK\$0.174)	Approximately HK\$20.0 million (net proceeds raised per share was approximately HK\$0.14 per share)	Intended to be used for (i) approximately HK\$18.0 million for future investment opportunities of the Company (including but not limited to capital investment in the provision of financial services in Hong Kong such as money lending business, securities investments, and/or properties investment); and (ii) approximately HK\$2 million as general working capital of the Group	Approximately HK\$18 million was utilized as partial payment for an acquisition of the CN of principal amount of AUD6 million and approximately HK\$2 million has been used as working capital of the Group

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 services 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.

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 emphasize a quality Board, sound internal controls, transparency and accountability to all shareholders. The Company engaged a third-party professional firm to conduct an internal control review for the year ended 31 March 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 March 2018, 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.

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 2018.

A summary of the related party transactions entered into by the Group during the year ended 31 March 2017 and 31 March 2018 is contained in note 17 to the consolidated financial statements. The related party transactions disclosed in note 17 to the consolidated financial statements are connected transactions or continuing connected transactions that were fully exempt from reporting, announcement, independent shareholders' approval and/or annual review pursuant to Rules 14A.76(1), 14A.90 and 14A.95 of the Listing Rules. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in respect of such connected transactions.

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 financial year ended 31 March 2018.

CHANGE OF COMPANY NAME

Special resolutions were passed by the Shareholders at an extraordinary general meeting held on 7 May 2018, to approve the change of the name of the Company, the Registrar of Companies in the Cayman Islands approved the registration of the new names of the Company and issued the Certificate of Incorporation on Change of Name on 8 May 2018. The conditions for the Change of Company Name have therefore been satisfied and the English name of the Company has been changed from "Kong Shum Union Property Management (Holding) Limited" to "Heng Sheng Holdings Limited" and the dual foreign name of the Company in Chinese has been changed from "港深聯合物業管理(控股)有限公司" to "恒生控股有限公司", both with effect from 8 May 2018. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 29 May 2018 confirming the registration of the new names of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from 29 May 2018.

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

At 31 March 2018, 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 Director	Capacity and nature of interest	Number of shares	Approximate percentage of interests in the issued share capital
Huang Liming (<i>note 1</i>)	Interested in controlled corporation	619,911,950(L) (<i>note 2</i>)	72.47%

Notes:

1. Mr. Huang is interested in the said shares through his wholly owned company, Heng Sheng Capital Limited.
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 31 March 2018.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 March 2018 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 31 March 2018, 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	619,911,950 (L) (note 2)	72.47%
Huang Liming (note 1)	Interest in controlled corporation	619,911,950 (L) (note 2)	72.47%
Li Mengya (note 1)	Interest of spouse	619,911,950 (L) (note 2)	72.47%

Notes:

1. 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 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.
2. The letter "L" denotes long position in the Shares.

Save as disclosed above, as at 31 March 2018, 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.

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.

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 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 5 meetings during the year ended 31 March 2018 and reviewed the Company's audited annual results for the year ended 31 March 2017 and the unaudited quarterly and interim results during the year ended 31 March 2018.

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 2018. The Audit Committee has reviewed the audited financial statements of the Group for the year and recommended approval to the Board.

COMPLIANCE COMMITTEE

The Compliance Committee is a committee under the Company's Audit Committee and is chaired by Mr. Ho Ying Choi, an Executive Director, and comprises Mr. Lau Ping Kwai, the associate director (note) of the Company, Mr. Fong Shek Hung, the associate director (note) of the Company. The Group's legal adviser, Y.C. Lee, Pang, Kwok & Ip Solicitors, is procured to provide legal advices and to attend the committee meeting on a needed basis. For the year ended 31 March 2018, 11 meetings were held and the Group's legal adviser had participated in 2 meetings. The minutes of the meetings were distributed to the Group's legal adviser, Y.C. Lee, Pang, Kwok & Ip Solicitors, and the Audit Committee members for scrutiny and comment. The Compliance Committee addresses the matters concerning the compliance of law and regulations, contract terms and litigation cases of the Group.

Note: The position "associate director" is a corporate title only and not a "director" within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the GEM Listing Rules. An associate director named herein is principally responsible for (i) the supervision of property management of the Group or its staff; (ii) supervision of the Group's administration or overall standard; and (iii) the Group's customer relations.

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 1001, 10 Floor, Chung Nam House, 59 Des Voeux Road 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 the annual report.

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 2018 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 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
Heng Sheng Holdings Limited
Huang Liming
Chairman and non-executive Director

Hong Kong, 22 June 2018

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.kongshum.com.hk.