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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)**

### **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 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.*

## UNAUDITED FINANCIAL RESULTS

The board of directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 30 June 2018, together with the unaudited comparative figures for the corresponding period in 2017 are set out as follows:

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

		<b>Three months ended 30 June</b>	
	<i>Notes</i>	<b>2018</b>	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
<b>Revenue</b>	3	<b>106,869</b>	100,845
Cost of services		<u><b>(80,094)</b></u>	<u>(80,579)</u>
<b>Gross profit</b>		<b>26,775</b>	20,266
Other revenue	4	<b>990</b>	78
Share of profits of an associate		<b>1,406</b>	1,910
Administrative expenses		<b>(12,121)</b>	(12,786)
Other operating expenses		<b>(4,159)</b>	(4,318)
Finance costs	6	<u><b>(146)</b></u>	<u>(357)</u>
<b>Profit before tax</b>		<b>12,745</b>	4,793
Income tax expense	8	<u><b>(2,444)</b></u>	<u>(753)</u>
<b>Profit for the period</b>	7	<b>10,301</b>	4,040
<b>Other comprehensive loss, net of tax</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operation		<u><b>(537)</b></u>	–
<b>Other comprehensive loss for the period</b>		<u><b>(537)</b></u>	–
<b>Total comprehensive income for the period</b>		<u><b>9,764</b></u>	<u>4,040</u>
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>8,803</b>	4,040
Non-controlling interests		<u><b>1,498</b></u>	–
		<u><b>10,301</b></u>	<u>4,040</u>

		<b>Three months ended 30 June</b>	
	<i>Note</i>	<b>2018</b>	2017
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
<b>Total comprehensive income for the period</b>			
<b>attributable to:</b>			
Owners of the Company		<b>8,427</b>	4,040
Non-controlling interests		<b>1,337</b>	–
		<u><b>9,764</b></u>	<u>4,040</u>
<b>Earnings per share</b>			
Basic (HK\$)	9	<u><b>0.010</b></u>	<u>0.006</u>
Diluted (HK\$)	9	<u><b>0.010</b></u>	<u>0.006</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium account	Share option reserve	Merger reserve	Equity	Foreign	Retained profits	Non-controlling interests	Total equity	
					investment revaluation reserve	currency translation reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2017 (audited)	5,942	96,000	3,872	4,750	(13,000)	-	18,706	116,270	-	116,270
Placing of shares (unaudited)	1,188	26,469	-	-	-	-	-	27,657	-	27,657
Total comprehensive income for the period (unaudited)	-	-	-	-	-	-	4,040	4,040	-	4,040
Changes in equity for the period (unaudited)	1,188	26,469	-	-	-	-	4,040	31,697	-	31,697
<b>At 30 June 2017 (unaudited)</b>	<b>7,130</b>	<b>122,469</b>	<b>3,872</b>	<b>4,750</b>	<b>(13,000)</b>	<b>-</b>	<b>22,746</b>	<b>147,967</b>	<b>-</b>	<b>147,967</b>
At 1 April 2018 (audited)	8,554	141,055	3,872	4,750	(13,000)	121	47,401	192,753	3,323	196,076
Total comprehensive income/ (loss) for the period (unaudited)	-	-	-	-	-	(376)	8,803	8,427	1,337	9,764
Changes in equity for the period (unaudited)	-	-	-	-	-	(376)	8,803	8,427	1,337	9,764
<b>At 30 June 2018 (unaudited)</b>	<b>8,554</b>	<b>141,055</b>	<b>3,872</b>	<b>4,750</b>	<b>(13,000)</b>	<b>(255)</b>	<b>56,204</b>	<b>201,180</b>	<b>4,660</b>	<b>205,840</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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.

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

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

## 2. BASIS OF PRESENTATION

These unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2018 have been prepared in accordance with accounting principles generally accepted in Hong Kong and in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”).

The accounting policies adopted by the Group are consistent with the consolidated financial statements for the year ended 31 March 2018 except as stated below.

### – Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group’s performance;
- (b) the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

- If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

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

In the current period, the Group has adopted all the new/revised HKFRSs issued by the HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 April 2018.

The Group has not yet applied new/revised HKFRSs that have been issued but not yet effective. The Group is in the process of assessing, where applicable, the potential impact of these new/revised HKFRSs but is not yet in a position to state whether these new/revised HKFRSs would have a material impact on its results of operations.

### 3. REVENUE

The Group is principally engaged in the provision of property management services, properties investment and money lending business during the three months ended 30 June 2018. An analysis of the Group's revenue recognised during the periods is as follows:

	<b>Three months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Provision of property management services	<b>106,413</b>	100,552
Rental income from an investment property	<b>334</b>	293
Loan interest income from money lending	<b>122</b>	–
	<b>106,869</b>	100,845

### 4. OTHER REVENUE

	<b>Three months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Bank interest income	<b>92</b>	78
Interest income from investment at fair value through profit or loss	<b>898</b>	–
	<b>990</b>	78

## 5. SEGMENT INFORMATION

### (a) Reportable segments

The Group has three (2017: 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 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

	Provision of property management services <i>HK\$'000</i> (unaudited)	Properties investment <i>HK\$'000</i> (unaudited)	Money lending business <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>For the three months ended 30 June 2018</b>				
Reportable segment revenue:				
Revenue from external customers	<u>106,413</u>	<u>334</u>	<u>122</u>	<u>106,869</u>
Reportable segment profit	<u>11,412</u>	<u>218</u>	<u>72</u>	<u>11,702</u>
Depreciation of property, plant and equipment	352	1	–	353
Amortisation of intangible assets	512	–	–	512
Income tax expense	2,399	33	12	2,444
Interest revenue	92	–	–	92
Interest expense	146	–	–	146
Additions to segment non-current assets	<u>36</u>	<u>–</u>	<u>–</u>	<u>36</u>

	Provision of property management services <i>HK\$'000</i> (unaudited)	Properties investment <i>HK\$'000</i> (unaudited)	Money lending business <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>At 30 June 2018</b>				
Reportable segment assets	147,464	33,065	3,830	184,359
Reportable segment liabilities	<u>62,632</u>	<u>387</u>	<u>–</u>	<u>63,019</u>
	Provision of property management services <i>HK\$'000</i> (unaudited)	Properties investment <i>HK\$'000</i> (unaudited)	Money lending business <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>For the three months ended 30 June 2017</b>				
Reportable segment revenue:				
Revenue from external customers	<u>100,552</u>	<u>293</u>	<u>–</u>	<u>100,845</u>
Reportable segment profit/(loss)	<u>4,197</u>	<u>234</u>	<u>(5)</u>	<u>4,426</u>
Depreciation of property, plant and equipment	372	1	–	373
Amortisation of intangible assets	512	–	–	512
Income tax expense	717	36	–	753
Interest revenue	78	–	–	78
Interest expense	351	–	–	351
Additions to segment non-current assets	<u>112</u>	<u>–</u>	<u>–</u>	<u>112</u>
	Provision of property management services <i>HK\$'000</i> (audited)	Properties investment <i>HK\$'000</i> (audited)	Money lending business <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (audited)
<b>At 31 March 2018</b>				
Reportable segment assets	144,909	32,665	3,743	181,317
Reportable segment liabilities	<u>70,698</u>	<u>204</u>	<u>–</u>	<u>70,902</u>



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

	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
<b>Three months ended 30 June</b>		
<b>Revenue</b>		
Reportable segment revenue and consolidated revenue	106,869	100,845
<b>Profit or loss</b>		
Reportable segment profits	11,702	4,426
Unallocated other income	898	–
Share of profits of an associate	1,406	1,910
Unallocated corporate expenses	(1,261)	(1,543)
<b>Consolidated profit before tax</b>	<b>12,745</b>	<b>4,793</b>
	At 30 June 2018 <i>HK\$'000</i> (unaudited)	At 31 March 2018 <i>HK\$'000</i> (audited)
<b>Assets</b>		
Reportable segment assets	184,359	181,317
Unallocated cash and cash equivalents	8,169	10,017
Other unallocated corporate assets	81,372	81,124
<b>Consolidated total assets</b>	<b>273,900</b>	<b>272,458</b>
<b>Liabilities</b>		
Reportable segment liabilities	63,019	70,902
Unallocated corporate liabilities	5,041	5,480
<b>Consolidated total liabilities</b>	<b>68,060</b>	<b>76,382</b>

(b) **Geographical information**

	<b>Revenue</b>	
	2018 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)
<b>Three months ended 30 June</b>		
Hong Kong	99,449	100,845
The People's Republic of China (the "PRC")	7,420	–
	<b>106,869</b>	<b>100,845</b>

The Group's non-current assets as at 30 June 2018 and 2017 are all located in Hong Kong.

## 6. FINANCE COSTS

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses on:		
– bank borrowings	84	48
– promissory notes	60	306
Finance lease charges	2	3
	<u>146</u>	<u>357</u>

## 7. PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Staff costs (including directors' remuneration):		
– Salaries, wages and allowances	83,246	84,168
– Retirement benefits scheme contributions	2,034	2,271
	<u>85,280</u>	<u>86,439</u>
Auditors' remuneration	169	190
Depreciation of property, plant and equipment	356	375
Amortisation of intangible assets	512	512
Legal and professional fees	609	761
Operating lease charges in respect of		
– Premises	705	790
– Motor vehicles	150	144
	<u>150</u>	<u>144</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.

	<b>Three months ended 30 June</b>	
	<b>2018</b>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Current tax – Hong Kong Profits Tax	<b>583</b>	1,078
Current tax – PRC – Provision for the period	<b>1,665</b>	–
Deferred tax	<b>196</b>	(325)
	<b>2,444</b>	753

## 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 period attributable to owners of the Company of approximately HK\$8.8 million (2017: HK\$4.0 million) and the weighted average number of ordinary shares of 855,351,515 (2017: 641,149,317) in issue during the period.

### Diluted earnings per share

The Company did not have any dilutive potential ordinary shares during the period ended 30 June 2018.

The effect of the Company's outstanding share options for the three months ended 30 June 2017 did not give rise to any dilution effect to the earnings per share.

## 10. DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 30 June 2018 (2017: Nil).

## 11. EVENT AFTER THE END OF REPORTING PERIOD

On 4 July 2018, the Company received a writ of summons together with an indorsement of claim (the "Indorsement") issued in the Court of First Instance of the High Court of Hong Kong under High Court Action 1519 of 2018 (the "Action") by Hang Seng Bank, Limited (the "First Plaintiff"), Hang Seng Real Estate Management Limited (the "Second Plaintiff"), Hang Seng Indexes Company Limited (the "Third Plaintiff") and Hang Seng Data Services Limited (the "Fourth Plaintiff", together with the First Plaintiff, the Second Plaintiff and the Third Plaintiff collectively as the "Plaintiffs") against the Company and other defendant. It is stated in the Indorsement that the Plaintiffs' claim against the defendants is in relation to, inter alia, an alleged infringement and passing off of the Plaintiffs' intellectual property rights by the use of the marks "恒生" and "HENG SHENG". The Company has engaged a firm of solicitors to represent the Company in the Action.

Details of the above are set out in the Company's announcement dated 4 July 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 three months ended 30 June 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.

In relation to the provision of money lending business, the Group recorded loan interest income of approximately HK\$0.1 million (2017: Nil). As at 30 June 2018, the Group has loan receivables with principal amount of approximately HK\$3.5 million (31 March 2018: HK\$3.5 million). Principal terms of the loan receivables during the period are as follows:

<b>Borrower</b>	<b>Drawdown date</b>	<b>Principal amount</b>	<b>Interest rate</b>	<b>Terms</b>
A	27 December 2017	HK\$3.5 million*	14% per annum	9 months

\* The borrower has repaid the loan principal and the accrued interest in July 2018.

For the properties investment business, the Group recorded rental income from an investment property of approximately HK\$0.3 million for the three months ended 30 June 2018 (2017: HK\$0.3 million).

## REVENUE

For the three months ended 30 June 2018, the Group's revenue was derived from its operations in Hong Kong and the PRC of approximately HK\$99.5 million (2017: HK\$100.8 million) and HK\$7.4 million (2017: Nil), respectively. The Group derived revenue of approximately HK\$8.1 million and HK\$8.6 million respectively from stand-alone security services contracts for the three months ended 30 June 2017 and 2018 respectively, both representing approximately 8.0% of its total revenue.

The following table sets out the Group's revenue by contract type for the three months ended 30 June 2017 and 2018:

	Three months ended 30 June			
	2018		2017	
	<i>HK\$ million</i>	<i>percentage</i>	<i>HK\$ million</i>	<i>percentage</i>
Property management services contracts	90.5	84.7%	92.4	91.7%
Property security services contracts	8.6	8.0%	8.1	8.0%
PRC Property management services contract	7.4	6.9%	–	–
Rental services contracts	0.3	0.3%	0.3	0.3%
Money lending services	0.1	0.1%	–	–
	<u>106.9</u>	<u>100%</u>	<u>100.8</u>	<u>100%</u>

The Group's revenue improved by approximately 6.0% from approximately HK\$100.8 million for the three months ended 30 June 2017 to approximately HK\$106.9 million for the three months ended 30 June 2018. The increase was primarily attributable to its property management service in the PRC of approximately HK\$7.4 million for the three months ended 30 June 2018. During the period, the number of management service contracts obtained by the Group had been increased by 6 from 429 during the three months ended 30 June 2017 to 435 for the three months ended 30 June 2018. Revenue generated from property management services contracts in Hong Kong recorded a decrease of approximately 2.1% to approximately HK\$90.5 million for the three months ended 30 June 2018.

## GROSS PROFIT

The gross profit of the Group increased by approximately 32.1% from approximately HK\$20.3 million for the three months ended 30 June 2017 to approximately HK\$26.8 million for the three months ended 30 June 2018. The gross profit margin was approximately 20.1% and 25.1% for the three months ended 30 June 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.

## **PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The profit attributable to owners of the Company was increased by approximately 117.9% from approximately HK\$4.0 million for the three months ended 30 June 2017 to approximately HK\$8.8 million for the three months ended 30 June 2018. The net profit margin increased by approximately 4.2% point from approximately from 4.0% to 8.2% for the three months ended 30 June 2017 and 2018 respectively.

The Group has recorded a profit of approximately HK\$8.8 million for the three months ended 30 June 2018 as compared to the profit of approximately HK\$4.0 million for the three months ended 30 June 2017. The increase was mainly attributable to:

- (i) new revenue sources from the PRC property management businesses of approximately HK\$7.4 million (2017: Nil); and
- (ii) interest income from investment at fair value through profit or loss of approximately HK\$0.9 million (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 Period, the Group has recorded additional revenue of approximately HK\$7.4 million (2017: Nil) from its property management serviced in 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 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 30 June 2018, the Group had a total of 1,889 employees (2017: 2,060 employees). The Group's staff costs for the three months ended 30 June 2018 amounted to approximately HK\$85.3 million (2017: HK\$86.4 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 three months ended 30 June 2018, 5 property management contracts were awarded to the Group.

For the three months ended 30 June 2018, there were in total 435 service contracts (covering around 74,100 households) comprising 404 property management service contracts, 15 stand-alone security service contracts and 16 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 435 contracts in force as at 30 June 2018, 144 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 291 valid contracts as at 30 June 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 three months ended 30 June 2018 included the mandatory term requiring the client to follow the said procedural requirements, if applicable.

## **Client Accounts**

As at 30 June 2018, the Group held 61 (31 March 2018: 61) client accounts amounting to approximately HK\$48.6 million (31 March 2018: HK\$43.7 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 30 June 2018, the banks issued 8 (31 March 2018: 10) bond certificates amounting to approximately HK\$14.9 million (31 March 2018: HK\$15.7 million) on behalf of the Group to the clients as required in the service contracts.

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

### ***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  $\times 13 \times 20\%$***

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 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  $\times 13 \times 20\%$ ) 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.



## **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 2017–2018 or the announcement in relation to the appointment of director (as the case may be) are set out as follows:

- Mr. Lam Kai Yeung, an independent non-executive Director of the Company, was re-designated from an independent non-executive director to an executive Director of Sunway International Holdings Limited in July 2018 (a company listed on the Main Board of the Stock Exchange, stock code: 58).

## **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 three months ended 30 June 2018.

During the three months ended 30 June 2018, the Company has complied with all CG Code except for the following deviations:

- (i) 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.

- (ii) CG Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings 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 2018 due to his other business engagement.

## **EVENTS AFTER THE REPORTING PERIOD**

Pursuant to Rule 17.10 of the GEM Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). The Board of the Company announced that on 4 July 2018, it received a writ of summons together with an indorsement of claim (the “Indorsement”) issued in the Court of First Instance of the High Court of Hong Kong under High Court Action 1519 of 2018 (the “Action”) by Hang Seng Bank, Limited (the “First Plaintiff”), Hang Seng Real Estate Management Limited (the “Second Plaintiff”), Hang Seng Indexes Company Limited (the “Third Plaintiff”) and Hang Seng Data Services Limited (the “Fourth Plaintiff”, together with the First Plaintiff, the Second Plaintiff and the Third Plaintiff collectively as the “Plaintiffs”) against the Company and other defendant. It is stated in the Indorsement that the Plaintiffs’ claim against the defendants is in relation to, inter alia, an alleged infringement and passing off of the Plaintiffs’ intellectual property rights by the use of the marks “恒生” and “HENG SHENG”. The Company has engaged a firm of solicitors to represent the Company in the Action. The Company will keep the shareholders and potential investors of the Company informed of any further material development by way of announcement as and when appropriate.

Detail of this announcement is disclosed in the Company’s announcement dated 4 July 2018.

## **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 three months ended 30 June 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 30 June 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**

<b>Name of Director</b>	<b>Capacity and nature of interest</b>	<b>Number of shares</b>	<b>Approximate percentage of interests in the issued share capital</b>
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 30 June 2018.

## **ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

At no time during the three months ended 30 June 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 30 June 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**

<b>Name of Shareholders</b>	<b>Capacity and nature of interest</b>	<b>Number of shares</b>	<b>Approximate percentage of interests in the issued share capital</b>
Heng Sheng Capital Limited <i>(note 1)</i>	Beneficial Owner	619,911,950 (L) <i>(note 2)</i>	72.47%
Huang Liming <i>(note 1)</i>	Interest in controlled corporation	619,911,950 (L) <i>(note 2)</i>	72.47%
Li Mengya <i>(note 1)</i>	Interest of spouse	619,911,950 (L) <i>(note 2)</i>	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 30 June 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 period.

## **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 has reviewed and approved the Company's unaudited quarterly results for the three months ended 30 June 2018 and recommended approval to the Board.

## **BOARD COMPOSITION AND DIVERSITY POLICY**

The Company has adopted the board diversity policy since 11 October 2013. The policy sets out the approach to achieve diversity in the Board that should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business and compliance with policies. The composition and diversity policies of the Board are reviewed annually and regularly. The Board should ensure that its changes in composition will not result in any undue interference. The Board members should possess appropriate professionalism, experience and trustworthiness in performing duties and functions. The Board would diversify its members according to the Company's situations and needs. While participating in nomination and recommendation of director candidates during the year, each member of the Board may consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience in achieving diversity for the benefit of the Company's various business development and management. The Board is to review the policy concerning diversity of Board members, and to disclose the policy or a summary of the policy in the corporate governance report, including any quantitative targets and standards and its progress with policy implementation.

## **PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR**

Any Shareholder who wishes to propose a person other than a retiring director of the Company or the Shareholder himself/herself for election as Director in general meeting of the Company should follow the procedures available on the Company's website.

## **PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2018.

## **CONTRACT OF SIGNIFICANCE**

Save for the respective director service contract with each Director, and save as disclosed under the paragraph headed "Connected Transactions" on p.68 of the annual report of the Company for the year ended 31 March 2018, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the period under review.

## **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 shares as at the latest practicable date prior to the issue of this announcement.

On behalf of the board  
**Heng Sheng Holdings Limited**  
**Huang Liming**  
*Chairman and non-executive Director*

Hong Kong, 10 August 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](http://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.hengshengholdings.com](http://www.hengshengholdings.com).*