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shishi

shi shi services limited

時時服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8181)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

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

GEM has been positioned as a market designed to accommodate 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 Shi Shi Services Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- Revenue of the Group for the six months ended 30 September 2019 was approximately HK\$239.5 million, representing an increase of approximately 14.6% as compared to the corresponding period in 2018.
- Gross profit of the Group for the six months ended 30 September 2019 was approximately HK\$55.6 million, representing an increase of approximately 11.4% as compared to the corresponding period in 2018.
- The profit for the period attributable to owners of the Company was approximately HK\$8.9 million, representing a significant decrease of approximately 41.8% as compared to the corresponding period in 2018. Decrease in profit for the period attributable to owners of the Company mainly due to:
 - (i) Listing expenses arising from the proposed transfer of listing from GEM to the Main Board of the Stock Exchange of Hong Kong Limited; and
 - (ii) Share of loss of an associate, namely Dakin Holdings Inc.
- Earnings per share for the six months ended 30 September 2019 was HK Cents 0.86 (six months ended 30 September 2018: HK Cents 1.78).
- The Directors do not recommend the payment of any dividend for the six months ended 30 September 2019 (2018: Nil).

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 six months ended 30 September 2019, together with the unaudited comparative figures for the corresponding period in 2018 are set out as follows:

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

	<i>Notes</i>	Three months ended 30 September		Six months ended 30 September	
		2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Revenue	3	121,761	102,229	239,540	209,098
Cost of services		(93,976)	(79,126)	(183,953)	(159,220)
Gross profit		27,785	23,103	55,587	49,878
Interest revenue	4	139	944	242	1,934
Other income	5	127	140	415	140
Share of (loss)/profits of an associate		(629)	3,839	(533)	5,245
Administrative expenses		(14,846)	(13,117)	(27,690)	(25,238)
Other operating expenses		(4,358)	(6,244)	(9,710)	(10,403)
Listing expenses		(4,372)	–	(4,372)	–
Finance costs	7	(248)	(128)	(522)	(274)
Profit before tax		3,598	8,537	13,417	21,282
Income tax expense	9	(2,680)	(1,556)	(4,544)	(4,000)
Profit for the period	8	918	6,981	8,873	17,282
Other comprehensive expense, net of tax					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translation of foreign operation		(3,415)	(670)	(4,585)	(1,207)
Total comprehensive (expense)/ income for the period		(2,497)	6,311	4,288	16,075

	<i>Notes</i>	Three months ended		Six months ended	
		30 September		30 September	
		2019	2018	2019	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period attributable to:					
Owners of the Company		904	6,414	8,855	15,217
Non-controlling interests		14	567	18	2,065
		<u>918</u>	<u>6,981</u>	<u>8,873</u>	<u>17,282</u>
Total comprehensive (expenses)/ income for the period attributable to:					
Owners of the Company		(2,456)	5,945	4,333	14,372
Non-controlling interests		(41)	366	(45)	1,703
		<u>(2,497)</u>	<u>6,311</u>	<u>4,288</u>	<u>16,075</u>
Earnings per share					
Basic (HK Cent)	<i>10</i>	<u>0.09</u>	<u>0.75</u>	<u>0.86</u>	<u>1.78</u>
Diluted (HK Cent)	<i>10</i>	<u>0.09</u>	<u>0.75</u>	<u>0.86</u>	<u>1.78</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2019 <i>HK\$'000</i> (unaudited)	As at 31 March 2019 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	12	20,519	11,248
Investment property		32,400	32,400
Intangible assets		3,062	3,902
Right-of-use assets		8,204	–
Goodwill		3,232	3,232
Deposits placed for life insurance policies		8,667	8,576
Deferred tax assets		3,186	2,849
Investment in an associate		41,215	41,748
Trade and other receivables	13	2,194	–
		122,679	103,955
Current assets			
Trade and other receivables	13	122,325	120,170
Investments at fair value through profit or loss		–	10,668
Pledged bank deposits		1,722	1,722
Cash and cash equivalents		143,600	142,200
		267,647	274,760
Current liabilities			
Trade and other payables	14	70,900	68,341
Contract liabilities		3,052	4,546
Bank borrowings – secured		10,535	12,140
Finance leases payables		–	247
Lease liabilities		4,010	–
Amount due to a related company		2,009	2,105
Current tax liabilities		2,106	1,740
		92,612	89,119

		As at 30 September 2019 <i>HK\$'000</i> (unaudited)	As at 31 March 2019 <i>HK\$'000</i> (audited)
Net current assets		<u>175,035</u>	<u>185,641</u>
Total assets less current liabilities		<u>297,714</u>	<u>289,596</u>
Non-current liabilities			
Finance leases payables		–	293
Lease liabilities		4,157	–
Deferred tax liabilities		<u>142</u>	<u>176</u>
		<u>4,299</u>	<u>469</u>
NET ASSETS		<u>293,415</u>	<u>289,127</u>
Equity			
Share capital	15	10,264	10,264
Reserves		<u>282,295</u>	<u>277,962</u>
Equity attributable to owners of the Company		292,559	288,226
Non-controlling interests		<u>856</u>	<u>901</u>
TOTAL EQUITY		<u>293,415</u>	<u>289,127</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium account HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Equity investment revaluation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2018 (audited)	8,554	141,055	3,872	4,750	(13,000)	121	47,401	192,753	3,323	196,076
Transfer	-	-	(3,872)	-	-	-	3,872	-	-	-
Total comprehensive income/ (expenses) for the period (unaudited)	-	-	-	-	-	(845)	15,217	14,372	1,703	16,075
Changes in equity for the period (unaudited)	-	-	(3,872)	-	-	(845)	19,089	14,372	1,703	16,075
At 30 September 2018 (unaudited)	<u>8,554</u>	<u>141,055</u>	<u>-</u>	<u>4,750</u>	<u>(13,000)</u>	<u>(724)</u>	<u>66,490</u>	<u>207,125</u>	<u>5,026</u>	<u>212,151</u>
At 1 April 2019 (audited)	10,264	179,975	-	4,750	-	690	92,547	288,226	901	289,127
Total comprehensive income/ (expenses) for the period (unaudited)	-	-	-	-	-	(4,522)	8,855	4,333	(45)	4,288
Changes in equity for the period (unaudited)	-	-	-	-	-	(4,522)	8,855	4,333	(45)	4,288
At 30 September 2019 (unaudited)	<u>10,264</u>	<u>179,975</u>	<u>-</u>	<u>4,750</u>	<u>-</u>	<u>(3,832)</u>	<u>101,402</u>	<u>292,559</u>	<u>856</u>	<u>293,415</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash flows generated from/(used in) operating activities	3,863	(14,100)
Net cash flows generated from investing activities	4,381	7,828
Net cash flows used in financing activities	(2,135)	(8,289)
Net increase/(decrease) in cash and cash equivalents	6,109	(14,561)
Effect of foreign exchange rate changes	(3,289)	1,211
Cash and cash equivalents at beginning of the period	139,559	54,165
Cash and cash equivalents at end of the period	142,379	40,815
Analysis of balances of cash and cash equivalents		
Cash and bank balances	143,600	48,398
Bank overdrafts	(1,221)	(7,583)
	142,379	40,815

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

These unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Report” 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 2019 except as stated below.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17 “Leases”, and the related interpretations, IFRIC 4 “Determining whether an arrangement contains a lease”, SIC 15 “Operating leases – incentives”, and SIC 27 “Evaluating the substance of transactions involving the legal form of a lease”. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

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

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

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

(a) *New definition of a lease*

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

(b) *Lessee accounting and transitional impact*

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

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

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

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

The following table reconciles the lease commitments as disclosed in Note 46 as at 31 March 2019 to the opening balance for capitalisation of operating lease recognised as at 1 April 2019.

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

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

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

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

	Carrying amount at 31 March 2019	Capitalisation operating lease	Reclassification of finance lease assets and finance lease payables	Carrying amount at 1 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Line items in the unaudited condensed consolidated statement of financial position impacted by adoption of HKFRS 16:				
Property, plant and equipment	11,248	–	(661)	10,587
Right-of-use assets	–	9,312	661	9,973
Total non-current assets	103,955	9,312	–	113,267
Finance lease payables (current)	247	–	(247)	–
Lease liabilities (current)	–	4,776	247	5,023
Total current liabilities	89,119	4,776	–	93,895
Net current assets	185,641	(4,776)	–	180,865
Total assets less current liabilities	289,596	4,536	–	294,132
Finance lease payables (non-current)	293	–	(293)	–
Lease liabilities (non-current)	–	4,536	293	4,829
Total non-current liabilities	469	4,536	–	5,005
Net assets	289,127	–	–	289,127

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

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

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

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the six months ended 30 September 2019, by adjusting the amounts reported under HKFRS 16 in these unaudited condensed consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16.

Six months ended 30 September 2019

	Amounts reported under HKFRS 16 (A) HK\$'000	Adjust: Amounts related to operating leases as if under HKAS 17 instead of HKFRS 16 (B) HK\$'000	Reclassification of repayment of finance lease charges and finance lease payables (C) HK\$'000	Hypothetical amounts for the six months ended 30 September 2019 as if under HKAS 17 (D=A+B+C) HK\$'000
Financial result for six months ended 30 September 2019 impacted by the adoption of HKFRS 16:				
Profit from operation	13,939	(126)	–	18,813
Finance costs	(522)	220	–	(302)
Profit before tax	13,417	94	–	13,511
Profit for the period	8,873	94	–	8,967

Line items in the unaudited condensed consolidated cash flow statement for six months ended 30 September 2019 impacted by the adoption of HKFRS 16:

Cash generated from operations	8,831	(2,047)	–	6,784
Lease – interest paid	(232)	220	12	–
Finance lease charges paid	–	–	(12)	(12)
Net cash flows generated from operating activities	3,863	(1,827)	–	2,036
Repayment of lease liabilities	(1,949)	1,827	122	–
Repayment of finance lease payables	–	–	(122)	(122)
Net cash flows used in financing activities	(2,135)	1,827	–	(308)

3. REVENUE

The Group is principally engaged in the provision of property management and related services, properties investment and money lending business during the six months ended 30 September 2019. An analysis of the Group's revenue recognised during the periods is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Provision of property management and related services	<u>121,130</u>	<u>101,831</u>	<u>238,304</u>	<u>208,261</u>
Revenue from contracts with customers	121,130	101,831	238,304	208,261
Rental income from an investment property	404	372	785	689
Loan interest income from money lending	<u>227</u>	<u>26</u>	<u>451</u>	<u>148</u>
Total revenue	<u>121,761</u>	<u>102,229</u>	<u>239,540</u>	<u>209,098</u>

Disaggregation of revenue from contracts with customers:

Provision of property management and related services

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Geographical markets:				
Hong Kong	108,254	98,406	213,714	197,416
The People's Republic of China (the "PRC")	<u>12,876</u>	<u>3,425</u>	<u>24,590</u>	<u>10,845</u>
Total	<u>121,130</u>	<u>101,831</u>	<u>238,304</u>	<u>208,261</u>
Major services				
Property management services	109,696	91,519	215,084	182,225
Stand-alone security services	8,306	7,066	16,200	15,624
Property management consultancy services	<u>3,128</u>	<u>3,246</u>	<u>7,020</u>	<u>10,412</u>
	<u>121,130</u>	<u>101,831</u>	<u>238,304</u>	<u>208,261</u>

During the period, all revenue from provision of property management services, stand-alone security services and property management consultancy services are recognised over time.

4. INTEREST REVENUE

	Three months ended 30 September		Six months ended 30 September	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Bank interest income	70	13	103	33
Interest income from investments at fair value through profit or loss	–	858	–	1,756
Interest income from deposits placed for life insurance policies	69	73	139	145
	<u>139</u>	<u>944</u>	<u>242</u>	<u>1,934</u>

5. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Fair value gain on investments at fair value through profit and loss	–	–	149	–
Exchange gain	68	–	136	–
Commission income	–	140	–	140
Others	59	–	130	–
	<u>127</u>	<u>140</u>	<u>415</u>	<u>140</u>

6. SEGMENT INFORMATION

(a) Reportable segments

The Group has three (2018: three) reportable segments. The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

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

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

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

(i) **Business segments:**

	Provision of property management and related services HK\$'000 (unaudited)	Properties investment HK\$'000 (unaudited)	Money lending business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Six months ended 30 September 2019				
Reportable segment revenue:				
Revenue from external customers	<u>238,304</u>	<u>785</u>	<u>451</u>	<u>239,540</u>
Reportable segment profit	<u>21,529</u>	<u>650</u>	<u>359</u>	<u>22,538</u>
Depreciation of property, plant and equipment	686	1	–	687
Depreciation of right-of-use assets	1,369	–	–	1,369
Amortisation of intangible assets	1,052	–	–	1,052
Income tax expense	4,442	102	–	4,544
Interest revenue	241	–	–	241
Interest expense	522	–	–	522
Additions to segment non-current assets	<u>10,590</u>	<u>7</u>	<u>–</u>	<u>10,597</u>
	Provision of property management and related services HK\$'000 (unaudited)	Properties investment HK\$'000 (unaudited)	Money lending business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
At 30 September 2019				
Reportable segment assets	<u>236,718</u>	<u>33,580</u>	<u>18,511</u>	<u>288,809</u>
Reportable segment liabilities	<u>93,406</u>	<u>385</u>	<u>–</u>	<u>93,791</u>

	Provision of property management and related 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)
Six months ended 30 September 2018				
Reportable segment revenue:				
Revenue from external customers	<u>208,261</u>	<u>689</u>	<u>148</u>	<u>209,098</u>
Reportable segment profit	<u>18,977</u>	<u>512</u>	<u>56</u>	<u>19,545</u>
Depreciation of property, plant and equipment	693	1	–	694
Amortisation of intangible assets	1,024	–	–	1,024
Income tax expense	3,909	79	12	4,000
Interest revenue	178	–	–	178
Interest expense	274	–	–	274
Additions to segment non-current assets	<u>70</u>	<u>3</u>	<u>–</u>	<u>73</u>
	Provision of property management and related 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)
At 31 March 2019				
Reportable segment assets	218,557	32,818	18,115	269,490
Reportable segment liabilities	<u>83,939</u>	<u>305</u>	<u>–</u>	<u>84,244</u>

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

	Six months ended 30	
	September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Reportable segment revenue and consolidated revenue	<u>239,540</u>	<u>209,098</u>
Profit or loss		
Reportable segment profits	22,538	19,545
Unallocated other income	–	1,896
Share of (loss)/profits of an associate	(533)	5,245
Unallocated corporate expenses	<u>(8,588)</u>	<u>(5,404)</u>
Consolidated profit before tax	<u>13,417</u>	<u>21,282</u>
	At 30	At 31 March
	September	2019
	2019	2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Assets		
Reportable segment assets	288,809	269,490
Unallocated cash and cash equivalents	54,416	64,184
Other unallocated corporate assets	<u>47,101</u>	<u>45,041</u>
Consolidated total assets	<u>390,326</u>	<u>378,715</u>
Liabilities		
Reportable segment liabilities	93,791	84,244
Unallocated corporate liabilities	<u>3,120</u>	<u>5,344</u>
Consolidated total liabilities	<u>96,911</u>	<u>89,588</u>

(b) Geographical information

	Revenue	
	2019	2018
	HK\$'000	HK\$'000
Six months ended 30 September	(unaudited)	(unaudited)
Hong Kong	214,950	198,253
The PRC	24,590	10,845
	<u>239,540</u>	<u>209,098</u>

7. FINANCE COSTS

	Three months		Six months	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest expenses on:				
– bank borrowings	150	124	290	208
– promissory notes	–	3	–	63
– lease liabilities	98	–	232	–
Finance lease charges	–	1	–	3
	<u>248</u>	<u>128</u>	<u>522</u>	<u>274</u>

8. PROFIT FOR THE PERIOD

The Group's profit for the period is arrived at after charging:

	Three months		Six months	
	ended 30 September	ended 30 September	ended 30 September	ended 30 September
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Staff costs (including directors' remuneration):				
– Salaries, wages and allowances	94,206	83,872	183,770	167,118
– Retirement benefits scheme contributions	2,486	1,938	4,905	3,972
	<u>96,692</u>	<u>85,810</u>	<u>188,675</u>	<u>171,090</u>
Auditors' remuneration	218	175	382	344
Depreciation of property, plant and equipment	333	343	693	699
Depreciation of right-of-use assets	972	–	1,922	–
Amortisation of intangible assets	573	512	1,052	1,024
Operating lease charges in respect of				
– Premises	–	805	–	1,510
– Motor vehicles	–	58	–	208
Expenses related to short-term lease	72	–	272	–

9. INCOME TAX EXPENSE

For the six months ended 30 September 2018 and 2019, Hong Kong Profit Tax is calculated under two-tier profit tax system under first HK\$2 millions of estimated assessable profit is taxed at rate of 8.25% and remaining estimated assessable profit is taxed at 16.5%. The Group should elect one of the Hong Kong subsidiaries to apply the two-tier profit tax rate.

The PRC corporate income tax is calculated at a standard rate of 25% (2018: 25%) on the estimated assessable profits arising from the operation of the PRC subsidiary.

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Current tax – Hong Kong Profits Tax	<u>1,055</u>	<u>1,119</u>	<u>2,147</u>	<u>1,702</u>
Current tax – PRC – Provision for the period	<u>1,918</u>	<u>630</u>	<u>2,768</u>	<u>2,295</u>
Deferred tax	<u>(293)</u>	<u>(193)</u>	<u>(371)</u>	<u>3</u>
	<u>2,680</u>	<u>1,556</u>	<u>4,544</u>	<u>4,000</u>

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the three and six months ended 30 September 2019 attributable to owners of the Company of approximately HK\$0.9 million and HK\$8.9 million respectively (three and six months ended 30 September 2018: HK\$6.4 million and HK\$15.2 million respectively) and the weighted average number of ordinary shares of 1,026,351,515 and 1,026,351,515 (three and six months ended 30 September 2018: 855,351,515 and 855,351,515) in issue during the periods.

Diluted earnings per share

No diluted per share are presented as the Company did not have any dilutive potential ordinary shares during the three and six months ended 30 September 2019 and 2018.

11. DIVIDEND

The Directors do not recommend the payment of any dividend for the three and six months ended 30 September 2019 (2018: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment at a cash consideration of approximately HK\$10.6 million mainly for office equipment, computer software and equipment and construction in progress (six months ended 30 September 2018: approximately HK\$0.07 million).

13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2019 <i>HK\$'000</i> (unaudited)	As at 31 March 2019 <i>HK\$'000</i> (audited)
Trade receivables (<i>note a</i>)	91,174	73,607
Loan receivables (<i>note b</i>)	18,464	18,012
Deposits, prepayments and other receivables (<i>note c</i>)	<u>14,881</u>	<u>28,551</u>
	124,519	120,170
Less: other receivables – non-current asset (<i>note d</i>)	<u>(2,194)</u>	<u>–</u>
Amount shown in current assets	<u><u>122,325</u></u>	<u><u>120,170</u></u>

Notes:

- a. The Group does not grant credit terms to its customers (2018: Nil). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management and the Directors.

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

	As at 30 September 2019 <i>HK\$'000</i> (unaudited)	As at 31 March 2019 <i>HK\$'000</i> (audited)
1 to 30 days	44,887	15,297
31 to 60 days	19,233	40,312
61 to 90 days	10,390	9,026
Over 90 days	<u>16,664</u>	<u>8,972</u>
	<u><u>91,174</u></u>	<u><u>73,607</u></u>

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

	Pass due within 30 days	Over 30 days past due	Over 60 days past due	Over 90 days past due	Total
At 30 September 2019 (unaudited)					
Weighted average expected loss rate	0%	0%	0%	0%	0%
Receivables amount (HK\$'000)	44,887	19,233	10,390	16,664	91,174
Loss allowance (HK\$'000)	-	-	-	-	-
At 31 March 2019 (audited)					
Weighted average expected loss rate	0%	0%	0%	0%	0%
Receivables amount (HK\$'000)	15,297	40,312	9,026	8,972	73,607
Loss allowance (HK\$'000)	-	-	-	-	-

Included in trade receivables were amounts of approximately HK\$480,000 and approximately HK\$255,000 due from related parties as at 30 September 2019 and 31 March 2019 respectively.

- b. The money lenders license was granted on 15 June 2017 for a period of twelve months and a new one is granted for a period of twelve months from 15 June 2018. Money lending business is the new segment for the year ended 31 March 2018. Loans were granted to independent third parties.

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

The loan receivables of approximately HK\$18,464,000 and approximately HK\$18,012,000 as at 30 September 2019 and 31 March 2019 respectively, is secured by a second mortgage on a private residential property in Hong Kong as at 31 March 2019 and 30 September 2019.

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

Included in other receivables were amounts of approximately HK\$5,000 and approximately HK\$24,000 due from a related party as at 30 September 2019 and 31 March 2019 respectively.

- d. Other receivables of approximately HK\$2,194,000 classified as non-current assets represented amounts paid for setting up a new subsidiary.

14. TRADE AND OTHER PAYABLES

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Trade payables	2,738	2,581
Building management deposits received	5,017	4,799
Other payables and accruals (note)	63,145	60,961
	70,900	68,341

Note: Included in other payables were amount of approximately HK\$48,000 and approximately HK\$51,000 due to a related party as at 30 September 2019 and 31 March 2019 respectively.

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

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
1 to 30 days	1,391	1,326
31 to 60 days	1,338	1,255
61 to 90 days	9	–
	<u>2,738</u>	<u>2,581</u>

15. SHARE CAPITAL

Authorised and issued share capital

	2019		2018	
	Number of ordinary shares	Nominal Value HK\$'000 (unaudited)	Number of ordinary shares	Nominal Value HK\$'000 (unaudited)
Ordinary shares of HK\$0.01 each				
Authorised:				
As at 1 April and 30 September	<u>5,000,000,000</u>	<u>50,000</u>	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid:				
As at 1 April and 30 September	<u>1,026,351,515</u>	<u>10,264</u>	<u>855,351,515</u>	<u>8,554</u>

16. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed financial statements, the Group had the following material transactions with its related parties during the three and six months ended 30 September 2019 and 2018:

	Three months		Six months	
	ended 30 September		ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Related party transactions:				
(i) Related companies				
– Car rental expenses paid to Kong Shum Union (China) Limited (“KSU China”)	–	58	–	208
– Lease with KSU China:				
Repayment of lease liabilities	4	–	16	–
Depreciation of right-of-use assets	4	–	16	–
– Property management service fee received from related company 恒生地產淄博桓台 有限公司	6	–	378	–
恒生地產有限公司	204	–	487	–
	<u>210</u>	<u>–</u>	<u>404</u>	<u>–</u>
(ii) Directors				
– Compensation of key management personnel	1,538	1,582	3,075	3,095
– Rent expenses of director’s quarter	294	49	588	49
	<u>1,832</u>	<u>1,631</u>	<u>3,663</u>	<u>3,144</u>

Notes:

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

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.

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

17. LEASE COMMITMENTS

Commitments under operating leases

As lessee

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Within one year	–	4,111
In the second to fifth years inclusive	–	5,912
	<u>–</u>	<u>10,023</u>

Operating lease payments represent rentals payable by the Group for certain of its offices, a carpark space and a motor vehicle. Leases are negotiated for terms of six months to three years and rentals are fixed over the lease terms and do not include contingent rentals.

As lessor

The Group leases out certain of its investment property. At the end of each reporting period, the future minimum lease payments under non-cancellable leases are receivables as follows:

	At 30 September 2019 HK\$'000 (unaudited)	At 31 March 2019 HK\$'000 (audited)
Within one year	1,472	1,386
In the second to fifth years, inclusive	486	748
	<u>1,958</u>	<u>2,134</u>

Operating lease income represent rentals receivables by the Group for its investment property. Leases are negotiated for terms of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

18. CONTINGENT LIABILITIES

(a) Performance bond and incorporated owners' fund

Performance bond has been issued by several banks and insurance companies 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 the 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 30 September 2019, the amount of outstanding performance bond was approximately HK\$8.8 million (31 March 2019: HK\$8.8 million).

As at 30 September 2019, the aggregate amount of the bank balances in the client accounts not dealt with in the condensed consolidated financial statements of the Group was approximately HK\$40.5 million (31 March 2019: HK\$56.1 million).

(b) Legal cases

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Group generally include (i) claims for employees' compensation by the Group's employees; (ii) claims for personal injury caused by the negligence of the Group and owners' corporations of the properties by passersby, residents or other users of the respective properties; (iii) claims for property damage or economic loss caused by the negligence of the Group and owners' corporations of the properties by residents or other users of the respective properties; and (iv) claims for property damage caused by the negligence of individual flat owners by other residents or users of the respective properties. The Group maintains insurance cover and, in the opinion of the directors of the Company, based on current evidence, any such existing claims have no material financial impact to the Group as at 30 September 2019.

19. EVENT AFTER THE END OF REPORTING PERIOD

Proposed transfer of listing from GEM to the Main Board of the Stock Exchange of Hong Kong Limited

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is principally engaged in the provision of property management services primarily targeting residential properties, properties investment and money lending business. The Group operates under the brand name of “Kong Shum” in Hong Kong and provides a range of management services in Hong Kong and the PRC including security, repair and maintenance, cleaning, financial management, administrative and legal support. Under an established functional structure with various departments, the Group has dedicated teams to carry out the aforementioned management services. The Group also employs a team of security staff to provide security services as part of the services provided under property management contracts or under stand-alone security services contracts. For the six months ended 30 September 2019, 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\$0.5 million (2018: HK\$0.1 million). As at 30 September 2019, the Company has loan receivables with a carrying amount of approximately HK\$18 million (31 March 2019: HK\$18 million).

Borrowers	Drawdown date	Principal amount	Interest rate	Terms	Notes
A	27 March 2019	HK\$18 million	5% per annum	1 year	(i)

Notes:

(i) Details of the above are set out in the Company’s announcement dated 27 March 2019.

For the properties investment business, the Group recorded rental income from an investment property of approximately HK\$0.8 million for the six months ended 30 September 2019 (2018: HK\$0.7 million).

REVENUE

For the six months ended 30 September 2019, the Group’s revenue was derived from its operations in Hong Kong and the PRC of approximately HK\$214.9 million (2018: HK\$198.3 million) and HK\$24.6 million (2018: HK\$10.8 million), respectively.

The Group derived revenue of approximately HK\$15.6 million and HK\$16.2 million respectively from stand-alone security services contracts for the six months ended 30 September 2018 and 2019 respectively, representing approximately 7.5% and 6.8% of its total revenue.

The following table sets out the Group's revenue by contract type for the six months ended 30 September 2019 and 2018 respectively:

	Six months ended 30 September			
	2019		2018	
	<i>HK\$ million</i>	<i>Percentage</i>	<i>HK\$ million</i>	<i>Percentage</i>
Property management services contracts	215.1	82.4	182.2	87.0%
Stand-alone security services contracts	16.2	6.8	15.6	7.5%
Property management consultancy services contract	7.0	10.3	10.4	5.2%
Rental services contracts	0.8	0.3	0.7	0.3%
Money lending services	0.5	0.2	0.1	0%
	239.5	100%	209.1	100%

The Group's revenue improved by approximately 14.5% from approximately HK\$209.1 million for the six months ended 30 September 2018 to approximately HK\$239.5 million for the six months ended 30 September 2019. The increase was primarily attributable to the significant growth of its property management service in the Hong Kong and PRC for the six months ended 30 September 2019. During the period, the number of management service contracts obtained by the Group had been increased by 2 from 438 during the three months ended 30 June 2019 to 440 for the six months ended 30 September 2019. Revenue generated from property management services contracts in Hong Kong recorded an increase of approximately 8.5% to approximately HK\$197.4 million for the six months ended 30 September 2019.

GROSS PROFIT

The gross profit of the Group increased by approximately 11.4% from approximately HK\$49.9 million for the six months ended 30 September 2018 to approximately HK\$55.6 million for the six months ended 30 September 2019. The gross profit margin was approximately 23.9% and 23.2% for the six months ended 30 September 2018 and 2019 respectively.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company decreased by approximately 41.8% from approximately HK\$15.2 million for the six months ended 30 September 2018 to approximately HK\$8.9 million for the six months ended 30 September 2019. The net profit margin decreased by approximately 3.58% point from approximately 7.28% to 3.70% for the six months ended 30 September 2018 and 2019 respectively.

The Group has recorded a profit of approximately HK\$8.9 million for the six months ended 30 September 2019 as compared to the profit of approximately HK\$17.3 million for the six months ended 30 September 2018. The decrease was mainly due to:

- (i) Listing expenses arising from the proposed transfer of listing from GEM to the Main Board of the Stock Exchange of Hong Kong Limited; and
- (ii) Share of loss of an associate, namely Dakin Holdings Inc.

OPERATION REVIEW

Outlook

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

During the period, the Group has recorded revenue of approximately HK\$24.6 million (2018: HK\$10.8 million) 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 the management will continue to explore other investment opportunities in order to increase the Group's income source and will therefore be in the interest of the Company and the shareholders of the Company as a whole.

Human Resources

As at 30 September 2019, the Group had a total of 1,549 employees (31 March 2019: 2,021 employees). The Group's staff costs for the six months ended 30 September 2019 amounted to approximately HK\$188.7 million (30 September 2018: HK\$171.1 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 six months ended 30 September 2019, 15 property management contracts were awarded to the Group.

For the six months ended 30 September 2019, there were a total of 440 service contracts (covering around 74,256 households) comprising 411 property management service contracts, 14 stand-alone security service contracts and 15 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 440 contracts in force as at 30 September 2019, 184 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 256 valid contracts as at 30 September 2019 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 six months ended 30 September 2019 included the mandatory term requiring the client to follow the said procedural requirements, if applicable.

Client Accounts

As at 30 September 2019, the Group held 63 (31 March 2019: 57) client accounts amounting to approximately HK\$40.5 million (31 March 2019: HK\$56.1 million) on trust for and on behalf of customers. These client accounts are opened in the names of the Group and the relevant properties. The management fees received from the tenants or owners of the properties were deposited into these client accounts and the expenditure of these customers was paid from these client accounts.

Performance Bond

As at 30 September 2019, the banks issued 6 (31 March 2019: 6) bond certificates amounting to approximately HK\$8.8 million (31 March 2019: HK\$8.8 million) on behalf of the Group to the clients as required in the service contracts.

Liquidity, financial resources and capital structure

The Group maintained sufficient working capital as at 30 September 2019 with bank balances and cash of approximately HK\$143.6 million (31 March 2019: HK\$142.2 million).

As at 30 September 2019, the Group had bank borrowings, obligations under finance lease and lease liabilities of approximately HK\$18.7 million (31 March 2019: HK\$12.7 million).

As at 30 September 2019, the Group's net current assets amounted to approximately HK\$175.0 million (31 March 2019: HK\$185.6 million). The Group's operations are financed principally by revenue generated from its business operations, available cash, bank balances, and bank borrowings.

Capital expenditure

The Group purchased property, plant and equipment and construction in progress amounting to approximately HK\$10.6 million for the six months ended 30 September 2019 (six months ended 30 September 2018: HK\$0.1 million).

Capital commitments

The Group did not have any significant capital commitments as at 30 September 2019.

Contingent liabilities

Details of contingent liabilities of the Group are set out in note 18 to the unaudited consolidated financial statements.

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 currently does not have any foreign currency hedging policy but maintains a conservative approach in treasury management by constantly monitoring foreign exchange exposure. As most of the Group's business transactions, assets and liabilities are principally denominated in the functional currencies, the Group considers that the impact of foreign exchange risks is not significant.

Charges over assets of the Group

As at 30 September 2019, certain bank deposits of approximately HK\$1.7 million (31 March 2019: HK\$1.7 million) and the deposits placed for life insurance policies of approximately HK\$8.7 million (31 March 2019: HK\$8.6 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\$0.5 million and HK\$0.7 million as at 30 September 2019 and 31 March 2019 respectively.

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

Gearing ratio

The Group's gearing ratio, being as the total debt (i.e. bank borrowing, finance leases obligation and lease liabilities) divided by total equity, as at 30 September 2019, was approximately 6.4% (31 March 2019: approximately 4.4%).

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

The Group made no material acquisition or disposal for the six months ended 30 September 2019 and up to date of this announcement.

Update on Directors' Information

There is no change of the Directors' information pursuant to Rule 17.50A(1) of the GEM Listing Rules since the disclosure made in the Company's annual report 2018–2019 or the announcement in relation to the appointment and/or resignation of the Directors.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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.

During the six months ended 30 September 2019, the Company has complied with all CG Code except for the following deviation:

- (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 2019 due to his other business engagement.

DIRECTORS' SECURITIES TRANSACTIONS

The Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 September 2019.

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

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

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

Name of 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	626,071,950 (L) (<i>note 2</i>)	61.00%

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 date of this announcement.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2019 was the Company, its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangement to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

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

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

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

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

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

SHARE OPTION SCHEME

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

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

For the six months ended 30 September 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

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

The Audit Committee has reviewed and approved the Company’s unaudited interim results for the six months ended 30 September 2019 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 six months ended 30 September 2019.

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.64 of the annual report of the Company for the year ended 31 March 2019, 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 six months ended 30 September 2019.

SHAREHOLDERS' RIGHT TO CONVENE EXTRAORDINARY GENERAL MEETING

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

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

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

SUFFICIENCY OF PUBLIC FLOAT

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

On behalf of the board
Shi Shi Services Limited
Huang Liming

Chairman and non-executive Director

Hong Kong, 13 November 2019

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 <http://www.shishiservices.com.hk>.