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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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 30 JUNE 2019**

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. 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 and the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of 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.

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 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 June	
		2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Revenue	3	117,779	106,869
Cost of services		(89,977)	(80,094)
Gross profit		27,802	26,775
Interest revenue	4	298	990
Other income	5	93	–
Share of profits of an associate		96	1,406
Administrative expenses		(12,844)	(12,121)
Other operating expenses		(5,352)	(4,159)
Finance costs	7	(274)	(146)
Profit before tax		9,819	12,745
Income tax expenses	9	(1,864)	(2,444)
Profit for the period	8	7,955	10,301
Other comprehensive income, net of tax			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operation		(1,170)	(537)
Other comprehensive income for the period		(1,170)	(537)
Total comprehensive income for the period		6,785	9,764

		Three months ended 30 June	
	<i>Notes</i>	2019	2018
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Owners of the Company		7,951	8,803
Non-controlling interests		4	1,498
		<u>7,955</u>	<u>10,301</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		6,789	8,427
Non-controlling interests		(4)	1,337
		<u>6,785</u>	<u>9,764</u>
Earning per share			
Basic (HK\$)	10	<u>0.01</u>	<u>0.01</u>
Diluted (HK\$)	10	<u>0.01</u>	<u>0.01</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Equity	Foreign	Retained profits <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>	
					investment	currency				
					revaluation reserve <i>HK\$'000</i>	translation reserve <i>HK\$'000</i>				
Total										
At 1 April 2018 (audited)	8,554	141,055	3,872	4,750	(13,000)	121	47,401	192,753	3323	196,076
Total comprehensive income/ (loss) for the period (unaudited)	-	-	-	-	-	(376)	8,803	8,427	1337	9,764
Changes in equity for the period (unaudited)	-	-	-	-	-	(376)	8,803	8,427	1337	9,764
At 30 June 2018 (unaudited)	<u>8,554</u>	<u>141,055</u>	<u>3,872</u>	<u>4,750</u>	<u>(13,000)</u>	<u>(255)</u>	<u>56,204</u>	<u>201,180</u>	<u>4,660</u>	<u>205,840</u>
At 1 April 2019 (audited)	10,264	179,975	-	4,750	-	691	92,547	288,227	901	289,128
Total comprehensive income/(loss) for the period (unaudited)	-	-	-	-	-	(1,162)	7,951	6,789	(4)	6,785
Changes in equity for the period (unaudited)	-	-	-	-	-	(1,162)	7,951	6,789	(4)	6,785
At 30 June 2019 (unaudited)	<u>10,264</u>	<u>179,975</u>	<u>-</u>	<u>4,750</u>	<u>-</u>	<u>(471)</u>	<u>100,498</u>	<u>295,016</u>	<u>897</u>	<u>295,913</u>

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 1001, 10th Floor, Chung Nam House, 59 Des Voeux Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries 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. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

These unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2019 (“First Quarterly Financial Statements”) 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 2019 except as stated below.

HKFRS 16 *Leases*

Upon the adoption of HKFRS 16, at the commencement date of the lease, the lessee recognises a “lease liability” and a corresponding “right-of-use” asset. After initial recognition of this asset and liability, the lessee recognises interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses continue to be recognised on a systematic basis over the lease term.

HKFRS 16 primarily affect the Group’s accounting as a lessee of premises which are classified as operating leases in previous year. The application of the new accounting model leads to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

The Group has elected to apply the modified retrospective approach for the application HKFRS 16 as lessee and will recognize the right-of-use assets at the date of initial application equal to the lease liability, adjusted by the amount of related prepaid or accrued lease payments recognised in the consolidated statement of financial position immediately before the date of initial application.

Except for HKFRS 16, the Directors do not anticipate that the application of other new and revised HKFRSs, which are effective for the Group’s financial year beginning on 1 April 2019, have a material impact on the First Quarterly Financial Statements. The Group has not adopted or early adopted any new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

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 2019. An analysis of the Group's revenue recognised during the periods is as follows:

	Three months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Provision of property management services	<u>117,174</u>	<u>106,413</u>
Revenue from contracts with customers	117,174	106,413
Rental income from investment property	381	334
Loan interest income	<u>224</u>	<u>122</u>
Total revenue	<u><u>117,779</u></u>	<u><u>106,869</u></u>

Disaggregation of revenue from contracts with customers:

	Three months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Geographical markets:		
Hong Kong	105,460	98,993
The People's Republic of China (the "PRC")	<u>11,714</u>	<u>7,420</u>
	<u><u>117,174</u></u>	<u><u>106,413</u></u>

All revenue from contracts with customers is recognised over time.

4. INTEREST REVENUE

	Three months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Bank interest income	103	92
Interest income from investment at fair value through profit or loss	<u>195</u>	<u>898</u>
	<u><u>298</u></u>	<u><u>990</u></u>

5. OTHER INCOME

	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Others	25	–
Exchange difference	68	–
	<u>93</u>	<u>–</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 services;
- (ii) Properties investment; and
- (iii) Money lending business.

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

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

(i) Business segments

	Provision of property management services	Properties investment	Money lending business	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the three months ended 30 June 2019	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reportable segment revenue:				
Revenue from external customers	<u>117,174</u>	<u>224</u>	<u>381</u>	<u>117,779</u>
Reportable segment profit	<u>11,135</u>	<u>174</u>	<u>205</u>	<u>11,514</u>
Depreciation of property, plant and equipment	346	38	–	384
Depreciation of right-of-use assets	950	–	–	950
Amortisation of intangible assets	411	–	–	411
Income tax expense	1,892	50	–	1,942
Interest revenue	102	–	–	102
Interest expense	140	–	–	140
Additions to segment non-current assets	<u>136</u>	<u>38</u>	<u>–</u>	<u>174</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)
At 30 June 2019				
Reportable segment assets	207,984	33,229	18,293	259,506
Reportable segment liabilities	<u>97,465</u>	<u>404</u>	<u>–</u>	<u>97,869</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)
For the three months ended 30 June 2018				
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> (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	218,558	32,818	18,115	269,491
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:*

	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Reportable segment revenue and consolidated revenue	<u>117,779</u>	<u>106,869</u>
Profit or loss		
Reportable segment profits	11,514	11,702
Unallocated other income	46	898
Share of profits of an associate	96	1,406
Unallocated corporate expenses	<u>(1,837)</u>	<u>(1,261)</u>
Consolidated profit before tax	<u>9,819</u>	<u>12,745</u>
	At 30 June	At 31 March
	2019	2019
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Assets		
Reportable segment assets	259,506	269,491
Unallocated cash and cash equivalents	64,433	64,184
Other unallocated corporate assets	<u>71,520</u>	<u>45,041</u>
Consolidated total assets	<u>395,459</u>	<u>378,716</u>
Liabilities		
Reportable segment liabilities	97,869	84,244
Unallocated corporate liabilities	<u>1,677</u>	<u>5,344</u>
Consolidated total liabilities	<u>99,546</u>	<u>89,588</u>

(b) **Geographical information**

	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Hong Kong	106,065	99,449
The PRC	<u>11,714</u>	<u>7,420</u>
	<u>117,779</u>	<u>106,869</u>

7. FINANCE COSTS

	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses on:		
– bank borrowings	140	84
– promissory notes	–	60
– lease liabilities	128	–
Finance lease charges	6	2
	<u>274</u>	<u>146</u>

8. PROFIT FOR THE PERIOD

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

	Three months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Staff costs (including directors' remuneration):		
– Salaries, wages and allowances	89,564	83,246
– Retirement benefits scheme contributions	2,419	2,034
	<u>91,983</u>	<u>85,280</u>
Auditors' remuneration	164	169
Depreciation of property, plant and equipment	360	356
Depreciation of right-of-use assets	950	–
Amortisation of intangible assets	479	512
Operating lease charges in respect of		
– Premises	51	705
– Motor vehicles	–	150
	<u>1,944</u>	<u>1,732</u>

9. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 16.5%) based on the estimated assessable profit for the year ended 31 March 2018.

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

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 subsidiaries.

	Three months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax	<u>1,092</u>	<u>583</u>
Current tax – PRC – Provision for the period	<u>850</u>	<u>1,665</u>
Deferred tax	<u>(78)</u>	<u>196</u>
	<u>1,864</u>	<u>2,444</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 months ended 30 June 2019 attributable to owners of the Company of approximately HK\$8.0 million (three months ended 30 June 2018: HK\$8.8 million) and the weighted average number of ordinary shares of 1,026,351,515 (three months ended 30 June 2018: 855,351,515) in issue three months ended 30 June 2019.

Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary share outstanding during the three months ended 30 June 2018 and 2019 (2018: Nil).

11. DIVIDEND

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

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 three months ended 30 June 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\$0.2 million (2018: HK\$0.1 million). As at 30 June 2019, the Group has loan receivables with carrying amount of approximately HK\$18 million (31 March 2019: HK\$18 million). Principal terms of the loan receivables as at 30 June 2019 are as follows:

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\$0.4 million for the three months ended 30 June 2019 (2018: HK\$0.3 million).

REVENUE

For the three months ended 30 June 2019, the Group’s revenue was derived from its operations in Hong Kong and the PRC of approximately HK\$106.1 million (2018: HK\$99.4 million) and HK\$11.7 million (2018: HK\$7.4 million) respectively.

The Group derived revenue of approximately HK\$8.6 million and HK\$7.9 million respectively from stand-alone security services contracts for the three months ended 30 June 2018 and 2019 respectively, representing approximately 8.0% and 6.7% of its total revenue respectively.

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

	Three months ended 30 June			
	2019		2018	
	<i>HK\$ million</i>	<i>Percentage</i>	<i>HK\$ million</i>	<i>Percentage</i>
Property management services contracts	97.6	82.9%	90.5	90.5%
Property security services contracts	7.9	6.7%	8.6	8.0%
PRC Property management services contracts	11.7	9.9%	7.4	6.9%
Rental services contracts	0.4	0.3%	0.3	0.3%
Money lending services	0.2	0.2%	0.1	0.1%
	117.8	100%	106.9	100%

The Group's revenue improved by approximately 10.2% from approximately HK\$106.9 million for the three months ended 30 June 2018 to approximately HK\$117.8 million for the three months ended 30 June 2019. The increase was primarily attributable to the significant growth of revenue generated from the property management services in the PRC by approximately 58.1% to approximately HK\$11.7 million for the three months ended 30 June 2019. During the period, the number of management service contracts obtained by the Group had been increased by 4 from 434 for the three months ended 30 June 2018 to 438 for the three months ended 30 June 2019. Revenue generated from property management services contracts in Hong Kong recorded a increase of approximately 7.8% to approximately HK\$97.6 million for the three months ended 30 June 2019.

GROSS PROFIT

The gross profit of the Group increased by approximately 3.8% from approximately HK\$26.8 million for the three months ended 30 June 2018 to approximately HK\$27.8 million for the three months ended 30 June 2019. The gross profit margin was approximately 25.1% and 23.6% for the three months ended 30 June 2018 and 2019 respectively.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company decreased by approximately 10.7% from approximately HK\$8.8 million for the three months ended 30 June 2018 to approximately HK\$8.0 million for the three months ended 30 June 2019. The net profit margin decreased by approximately 1.4% from approximately 8.2% to 6.8% for the three months ended 30 June 2018 and 2019 respectively.

The Group has recorded a profit of approximately HK\$8.0 million for the three months ended 30 June 2019 as compared to the profit of approximately HK\$10.3 million for the three months ended 30 June 2018. The decrease was mainly due to decrease in the share of profits of an associate of approximately HK\$0.1 million (2018: 1.4 million).

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\$11.7 million (2018: HK\$7.4 million) from its property management services 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 June 2019, the Group had a total of 1,791 employees (2018: 1,889 employees). The Group's staff costs for the three months ended 30 June 2019 amounted to approximately HK\$92.0 million (2018: HK\$85.3 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 2019, 7 property management contracts were awarded to the Group in Hong Kong.

For the three months ended 30 June 2019, there were in total 438 service contracts (covering around 74,391 households) comprising 409 property management service contracts, 14 stand-alone security service contracts and 15 facility management service contracts in Hong Kong.

Contract Renewal Complying with Procedural Requirements

A service contract which does not comply with the procedural requirements for contract renewal as stipulated in section 20A of the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong) may be cancelled by the owners' corporation. Included in 438 contracts in force as at 30 June 2019, 181 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 257 valid contracts as at 30 June 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 three months ended 30 June 2019 included the mandatory term requiring the client to follow the said procedural requirements, if applicable.

Client Accounts

As at 30 June 2019, the Group held 66 (31 March 2019: 57) client accounts amounting to approximately HK\$41.8 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 June 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.

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 confidence of customers and suppliers 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 of the Company. The Company engaged a third-party professional firm to conduct an internal control review for the three months ended 30 June 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

CG Code provision A.6.7 stipulates that independent nonexecutive 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 the 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 the Directors during the three months ended 30 June 2019.

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

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

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

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

Notes:

1. Mr. Huang is interested in the said shares through his wholly owned company, Heng Sheng Capital Limited, which is the beneficial owner of 626,071,950 shares of the Company.
2. The Letter "L" denotes long position in the shares.

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

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the three months ended 30 June 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 is authorised to grant share options to any employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in fulltime or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the board, has contributed or may contribute to the Group as incentive or reward for their contribution to the Group.

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

For the three months ended 30 June 2019, no share option was granted, exercised, expired or lapsed and there was 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 quarterly results for the three months ended 30 June 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 period, 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 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 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, 10th 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
Shi Shi Services Limited
Huang Liming
Chairman and non-executive Director

Hong Kong, 12 August 2019

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

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

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