

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Kong Shum Union Property Management (Holding) Limited, you should at once hand this circular accompanying with the form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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Kong Shum Union Property Management (Holding) Limited
港深聯合物業管理(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8181)

**DISCLOSEABLE AND CONNECTED TRANSACTION
INVOLVING THE ISSUE OF THE PROMISSORY NOTES;
RE-ELECTION OF DIRECTOR;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial adviser to the Company

 **KINGSTON CORPORATE FINANCE**

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



INCUB Corporate Finance Limited

Capitalised terms used in this cover page have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 5 to 16 in this circular. A letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 17 to 18 in this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Agreement is set out on pages 19 to 36 in this circular.

A notice convening the EGM to be held at Unit L, 1/F., Kaiser Estate, Phase 2, 51 Man Yue Street, Hung Hom, Kowloon, Hong Kong on Friday, 24 March 2017 at 3:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

8 March 2017

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a high 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 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“Acquisition”	the acquisition of the entire issued share capital of the Target Companies by the Purchaser from the Vendors
“Agreement”	the agreement dated 8 February 2017 and entered into among the Purchaser, the Vendors and the Target Companies in relation to the Acquisition
“associate”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday, other public holiday or any day on which a tropical cyclone warning no.8 or above or black rainstorm warning signal is hoisted at any time between 9:00 a.m. and 5:00 p.m. in Hong Kong) on which The Hongkong and Shanghai Banking Corporation Limited is open for business in Hong Kong
“Company”	Kong Shum Union Property Management (Holding) Limited, a company incorporated under the laws of Cayman Islands with limited liability, the ordinary shares of which are listed on GEM (stock code: 8181)
“Completion”	completion of the Acquisition, which shall take place on the Completion Date
“Completion Accounts”	the unaudited balance sheet of the Target Companies as at the Completion Date and the unaudited statement of profit or loss and other comprehensive income of the Target Companies for the period from 1 April 2016 to the Completion Date (reflecting the execution of the deed of waiver and the deed of novation pursuant to the Agreement and discharging/releasing of the existing mortgages which the Properties are currently subject to), prepared by the Target Companies and certified as true and correct by a current director of the Target Companies
“Completion Date”	at or before 3:00 p.m. on 28 April 2017, or such other date as the Vendors and the Purchaser may agree in writing
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	HK\$40 million, being the consideration for the Acquisition which is the purchase price for the Sale Shares

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Unit L, 1/F., Kaiser Estate, Phase 2, 51 Man Yue Street, Hung Hom, Kowloon, Hong Kong on Friday, 24 March 2017 at 3:00 p.m. for the Independent Shareholders or the Shareholders (as the case may be) to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder, and the re-election of Director
“Enlarged Group”	the Group as enlarged by completion of the Acquisition
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors (namely Mr. Tso Siu Lun, Alan, Mr. Lam Kai Yeung and Mr. Lo Chi Ho, Richard), formed to advise the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	INCUB Corporate Finance Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being an independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders, other than those who have a material interest in the transactions contemplated under the Agreement and are required under the GEM Listing Rules to abstain from voting at the EGM for the resolution approving the Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	6 March 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular

DEFINITIONS

“Long Stop Date”	28 April 2017 or such other date as the Vendors and the Purchaser may agree in writing
“Mr. Ho Ying Cheung”	Mr. Ho Ying Cheung is a director of the Purchaser who holds (i) one issued share of the Target Company A, representing 50% of the entire issued share capital thereof; and (ii) one issued share of the Target Company B, representing 50% of the entire issued share capital thereof, being one of the Vendors. He is the brother of Mr. Ho Ying Choi
“Mr. Ho Ying Choi”	Mr. Ho Ying Choi is an executive Director who holds (i) one issued share of the Target Company A, representing 50% of the entire issued share capital thereof; and (ii) one issued share of the Target Company B, representing 50% of the entire issued share capital thereof, being one of the Vendors. He is the brother of Mr. Ho Ying Cheung
“Promissory Notes”	the two promissory notes in the principal amount of HK\$7 million each to be issued by the Purchaser to each of the Vendors (or their respective nominee(s)) respectively pursuant to the Agreement
“Properties”	collectively, Property A and Property B
“Property A”	a factory unit located at Work Shop A1 on 1st Floor, Hang Fung Industrial Building, Phase 1, No. 2G Hok Yuen Street, Kowloon, Hong Kong
“Property B”	a factory unit located at Factory Unit A on 13/F, Tak Wing Industrial Building, No. 3 Tsun Wen Road, Tuen Mun, New Territories, Hong Kong
“Purchaser”	Kong Shum Union Property Management Company Limited, a company incorporated under the laws of Hong Kong and a direct wholly-owned subsidiary of the Company
“SA”	saleable area
“Sale Shares”	collectively, Sale Shares A and Sale Shares B
“Sale Shares A”	all of the issued shares in the share capital of the Target Company A
“Sale Shares B”	all of the issued shares in the share capital of the Target Company B

DEFINITIONS

“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“sq. ft.”	square foot or square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively, the Target Company A and the Target Company B
“Target Company A”	Fortune Trend Investment Limited, a company incorporated under the laws of Hong Kong which was owned as to 50% by Mr. Ho Ying Choi and 50% by Mr. Ho Ying Cheung as at the Latest Practicable Date
“Target Company B”	More Rise Investment Limited, a company incorporated under the laws of Hong Kong which was owned as to 50% by Mr. Ho Ying Choi and 50% by Mr. Ho Ying Cheung as at the Latest Practicable Date
“Valuer”	Roma Appraisals Limited, an independent professional valuer for the valuation of the Properties
“Vendors”	collectively, Mr. Ho Ying Choi and Mr. Ho Ying Cheung
“%”	per cent.

LETTER FROM THE BOARD



Kong Shum Union Property Management (Holding) Limited
港深聯合物業管理(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8181)

Executive Directors:

Mr. Eric Todd (*Chairman*)
Mr. Lee Chin Ching, Cyrix
Mr. Ho Ying Choi

Independent non-executive Directors:

Mr. Tso Siu Lun, Alan
Mr. Lam Kai Yeung
Mr. Lo Chi Ho, Richard

Registered Office:

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111
Cayman Islands

*Principal place of business
in Hong Kong:*

Unit 906, 9/F.
Wings Building
110-116 Queen's Road Central
Hong Kong

8 March 2017

To the Shareholders

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
INVOLVING THE ISSUE OF THE PROMISSORY NOTES;
RE-ELECTION OF DIRECTOR;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 8 February 2017 and 6 March 2017 in relation to, amongst other things, the Acquisition.

The purpose of this circular is to provide you with, amongst other things, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) details of the Director to be re-elected at the EGM; (iii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) the letter of advice from the

LETTER FROM THE BOARD

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (v) the valuation report of the Properties; (vi) general information of the Group; and (vii) the notice convening the EGM.

THE AGREEMENT

Set out below is a summary of the principal terms of the Agreement.

Date

8 February 2017.

Parties

Purchaser:	Kong Shum Union Property Management Company Limited (a wholly-owned subsidiary of the Company)
Vendors:	Mr. Ho Ying Choi (as vendor in respect of 50% interest in each of the Target Company A and the Target Company B) and Mr. Ho Ying Cheung (as vendor in respect of 50% interest in each of the Target Company A and the Target Company B)
Target Companies:	Fortune Trend Investment Limited and More Rise Investment Limited

Mr. Ho Ying Choi is an executive Director; Mr. Ho Ying Cheung is the director of the Purchaser. Mr. Ho Ying Choi is also the brother of Mr. Ho Ying Cheung. The Vendors are therefore connected persons of the Company under Chapter 20 of the GEM Listing Rules.

Subject matter

Pursuant to the Agreement, the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell the Sale Shares, representing the entire share capital of the Target Companies.

Consideration

The Consideration for the Acquisition is HK\$40 million in aggregate, in which the consideration for the Target Company A and the Target Company B are HK\$30 million and HK\$10 million, respectively. The Consideration shall be payable to the Vendors in proportion to their respective shareholding interests in the Target Companies immediately prior to Completion (i.e. HK\$20 million are payable to each of Mr. Ho Ying Choi and Mr. Ho Ying Cheung, respectively) by the Purchaser in the following manner:

- (a) HK\$4 million being the deposit (the “**Deposit**”) (which is refundable) has been paid by the Purchaser to the Vendors’ solicitors as stakeholder (who may release the same to the Vendors at Completion) within ten (10) Business Days from the date of the Agreement; and

LETTER FROM THE BOARD

- (b) HK\$36 million being the balance of the Consideration shall be paid by the Purchaser to the Vendors in proportion to their respective shareholding interests in the Target Companies immediately prior to Completion on the Completion Date, of which HK\$22 million will be paid by cash and HK\$14 million will be paid by way of issue of the Promissory Notes to the Vendors or their respective nominee(s).

The Consideration was arrived at after arm's length negotiations between the Vendors and the Purchaser with reference to, amongst other things, the valuation of the Properties as appraised by the Valuer based on market value approach, of which the market value of Property A and Property B were HK\$30 million and HK\$10 million as at 31 December 2016, respectively.

The adjusted net asset value of Target Company A after adjustment of the valuation premium of Property A is approximately HK\$20,121,000, over which the consideration of the Target Company A represents a premium of approximately 49.10%. As (i) one of the conditions precedent to completion of the Acquisition is that the Vendors and the Target Companies shall have executed a deed of waiver and a deed of novation in the forms as agreed between the parties in relation to the directors' loan(s) of the Target Companies; and the loan(s) between the Target Company A and the Target Company B before the Completion Date and (ii) as discussed below, the mortgage loan shall be fully released and discharged upon Completion, the financial position of Target Company A will be free of directors' loan, mortgage loan and loan between the Target Companies. Accordingly, the adjusted net asset value of Target Company A after adjustments of the valuation premium of Property A, waivers of directors' loan, mortgage loan and loan between the Target Companies, which amounted to approximately HK\$22,461,000, HK\$7,187,000, HK\$2,588,000 and HK\$73,500, respectively, is approximately HK\$29,970,000, over which the consideration of the Target Company A represents a premium of approximately 0.10%.

The adjusted net asset value of Target Company B after adjustment of the valuation premium of Property B is approximately HK\$10,988,000, to which the consideration of the Target Company B represents a discount of approximately 8.99%. As one of the conditions precedent to completion of the Acquisition is that the Vendors and the Target Companies shall have executed a deed of waiver and a deed of novation in the forms as agreed between the parties in relation to the directors' loan(s) of the Target Companies; and the loan(s) between the Target Company A and the Target Company B before the Completion Date, the financial position of Target Company B will be free of directors' loan and loan between the Target Companies. Accordingly, the adjusted net asset value of Target Company B after adjustments of the valuation premium of Property B, waivers of directors' loan and loan between the Target Companies, which amounted to approximately HK\$8,843,000, HK\$1,632,000 and HK\$73,500, respectively, is approximately HK\$9,283,000, over which the consideration of the Target Company B represents a premium of approximately 7.73%. Although the consideration for Target Company B represents a premium to the adjusted net asset value of Target Company B, the Board considers the consideration for Target Company B is fair and reasonable since (i) the consideration for Target Company B is the market value of Property B; and (ii) the Group can save future rental expenses after acquiring Property B, which amounted to HK\$32,000 per month from April 2016 to March 2017.

LETTER FROM THE BOARD

Further details of the Properties are set out in the section headed “INFORMATION ON THE TARGET COMPANIES” below.

The Directors, after taking into account of, amongst other things, the valuation of Property A and Property B, consider the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Consideration will be financed by the Company’s internal resources.

The Promissory Notes

The Purchaser shall issue to each of the Vendors (or their respective nominee(s)) the Promissory Notes in the principal amount of HK\$7 million each on the Completion Date. The principal terms of the Promissory Notes are as follow:

Issuer	:	the Purchaser
Noteholders	:	the Vendors or their respective nominee(s)
Principal amount to be issued	:	HK\$7 million each
Issue date	:	the Completion Date
Maturity date	:	the date immediately following 18 months after the date of issue of the Promissory Notes
Interest	:	nil
Transferability	:	non-transferrable
Security	:	the obligations of the Purchaser under the Promissory Notes are unsecured
Early redemption	:	the Purchaser may by giving of not less than one month prior notice in writing to the noteholder(s) to repay the whole or any part of the Promissory Notes

Conditions precedent

Completion is conditional upon the following conditions having been fulfilled or waived by the Purchaser (as the case may be):

- (a) the Vendors have given a good title to the Sale Shares free from all encumbrances on Completion and that the Vendors are the sole registered and beneficial owners of the Sale Shares;
- (b) the Vendors have procured the Target Companies to prove and give good title to the Properties on Completion and to show respectively that the Target Company A and the Target Company B is the sole registered and beneficial owner of Property A and Property B;

LETTER FROM THE BOARD

- (c) the Completion Accounts duly signed have been delivered to the Purchaser upon Completion;
- (d) the Purchaser being satisfied with the due diligence review and investigation on the Sale Shares, the Target Companies (including but without limitation to their assets, liabilities, contracts, commitments, business, financial, legal, taxation aspects) and the Properties;
- (e) the warranties, representations and undertakings given by the Vendors and the Target Companies under the Agreement remaining true and accurate up to and including the Completion Date and not misleading in any material respect and that there is no non-disclosures in respect of any liability of the Target Companies on the part of the Vendors and the Target Companies;
- (f) the Vendors and the Target Companies shall have duly complied with the Agreement in all respects insofar as the same are to be complied with on or before Completion;
- (g) the Vendors and the Target Companies shall have executed a deed of waiver and a deed of novation in the forms as agreed between the parties in relation to (i) the directors' loan(s) of the Target Companies; and (ii) the loan(s) between the Target Company A and the Target Company B before the Completion Date; and
- (h) the Purchaser obtaining all necessary approvals from the Board and/or the Independent Shareholders at the EGM in respect of the Agreement and the transactions contemplated thereunder (the “**Approvals**”).

The Purchaser may, at its absolute discretion, waive compliance with any of the conditions precedent above as it may think fit (save and except that the conditions precedent set out in paragraphs (a), (b) and (h) above could not be waived). The Purchaser will be under no obligation to pay the sums of HK\$36 million, being the balance of the Consideration payable by the Purchaser to the Vendors on the Completion Date unless all the conditions precedent are satisfied or fulfilled or any of them are waived in accordance with the Agreement.

As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled.

The Purchaser has the right, but not the obligation, to waive the above conditions precedent (save and except that the conditions precedent set out in paragraphs (a), (b) and (h) above which could not be waived). Such right provides the Purchaser with additional flexibility to complete the Acquisition. The Directors will exercise such right with due care and consideration and will only waive such conditions precedent if it is in the interests of the Company and the Shareholders as a whole, and in any event, would not waive such conditions precedent to the extent that the substance of the Acquisition would be affected.

As at the Latest Practicable Date, the Purchaser had not waived, nor had any intentions to waive, any of the above conditions precedent (which are capable of being waived).

LETTER FROM THE BOARD

Should conditions precedent set out in paragraphs (a) and (b) above be not complied with to the satisfaction of the Purchaser and/or should any of the conditions precedent (save for conditions precedent set out in paragraphs (a) and (b) above) be not complied with to the reasonable satisfaction of the Purchaser unless otherwise waived by the Purchaser and/or should the Approvals be not granted at least seven Business Days prior to the Long Stop Date, the Purchaser is entitled to cancel the transaction and to rescind the Agreement by giving notice to the Vendors (which shall be binding on the Vendors), without any compensation to the Vendors. Pursuant to the Agreement, the Vendors also agree and authorise the Vendors' solicitors to refund the Deposit (without interest) paid by the Purchaser under the Agreement to the Purchaser within seven (7) days from the notice of cancellation issued by the Purchaser or the Purchaser's solicitors.

Completion

Subject to all the conditions precedent as stated in the section headed "Conditions precedent" above being fulfilled (or waived by the Purchaser), Completion shall take place on the Completion Date.

INFORMATION ON THE GROUP

The Purchaser is a company incorporated in Hong Kong with limited liability and is a direct wholly-owned subsidiary of the Company. The Company is an investment holding company. The Group is principally engaged in provision of property management services in Hong Kong primarily targeting residential properties.

INFORMATION ON THE TARGET COMPANIES

The Target Company A

As at the Latest Practicable Date, the Target Company A is wholly owned by the Vendors (as to 50% by Mr. Ho Ying Choi and 50% by Mr. Ho Ying Cheung). Upon Completion, the Target Company A will become an indirect wholly-owned subsidiary of the Company.

The Target Company A was incorporated in Hong Kong with limited liability and its principal activity is property investment. The sole asset of the Target Company A is Property A. The Target Company A has no other business operations other than holding the interests in Property A. The Target Company A acquired Property A at a consideration of HK\$10,150,000 in 2010, the increase of market value of Property A was mainly attributable to the significant growth experienced by the Hong Kong property market in recent years.

Property A is located at Work Shop A1 on 1st Floor, Hang Fung Industrial Building, Phase 1, No. 2G Hok Yuen Street, Kowloon, Hong Kong with a total SA of approximately 6,271 sq. ft. and is currently leased to twelve tenants for a total monthly rents of HK\$98,800.

Property A is currently subject to a mortgage for securing a banking facilities granted to the Target Company A. Pursuant to the Agreement, the Vendors shall deploy part of the Consideration for payment of the loans of the aforementioned mortgage in the name and on behalf of the Target Company A and the said mortgage shall be fully released and discharged upon Completion.

LETTER FROM THE BOARD

Set out below is the financial information of the Target Company A extracted from the audited financial statements for the two financial years ended 31 March 2016 and unaudited financial statements extracted from the management accounts of the Target Company A for the nine months ended 31 December 2016:

	For the year ended		For the nine months ended
	31 March 2015	31 March 2016	31 December 2016
	(Audited)	(Audited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	<i>(Note)</i>		
Profit/(loss) before taxation and extraordinary items	(132,873)	320,578	228,035
Profit/(loss) after taxation and extraordinary items	(216,216)	145,964	190,409
		As at 31 March 2016	As at 31 December 2016
		(Audited)	(Unaudited)
		<i>HK\$</i>	<i>HK\$</i>
Net liabilities		2,530,269	2,339,859

Note: Target Company A recorded loss before and after taxation and extraordinary items for the year ended 31 March 2015, mainly attributable to a non-recurring service charges of HK\$300,000 paid to a related company of Target Company A, Wah Hing (HK) Engineering Limited, for rental management services provided during the period from April of 2014 to 31 March 2015. Since 1 April 2015, the rental management services has been terminated as the management of Target Company A considered such arrangement no longer necessary as it was not cost effective. From the date thereof, Target Company A manages its own Property A.

The Purchaser has appointed the Valuer to assess the market value of Property A as at 31 December 2016. Pursuant to the valuation report prepared by the Valuer set out in the Appendix I to this circular, the market value of Property A as at 31 December 2016 was HK\$30 million.

The Target Company B

As at the Latest Practicable Date, the Target Company B is wholly owned by the Vendors (as to 50% by Mr. Ho Ying Choi and 50% by Mr. Ho Ying Cheung). Upon Completion, the Target Company B will become an indirect wholly-owned subsidiary of the Company.

The Target Company B was incorporated in Hong Kong with limited liability and its principal activity is property investment. The sole asset of the Target Company B is Property B. The Target Company B has no other business operations other than holding the interests in

LETTER FROM THE BOARD

Property B. The Target Company B acquired Property B at a consideration of HK\$1,550,000 in 2008, the increase in market value of Property B was mainly attributable to the significant growth experienced by the Hong Kong property market in recent years.

Property B is located at Factory Unit A on 13/F, Tak Wing Industrial Building, No. 3 Tsun Wen Road, Tuen Mun, New Territories, Hong Kong with a total SA of approximately 2,560 sq. ft. and is currently leased to the Purchaser as a branch office of the Purchaser for a monthly rent of HK\$32,000. The lease will expire on 31 March 2017 and it is expected that Property B will continue to be the branch office of the Purchaser.

Property B is currently subject to a mortgage and a rent assignment for securing the banking facilities granted to the Target Company B. Pursuant to the Agreement, the Vendors shall deploy part of the Consideration for payment of the loans of the aforementioned mortgage and rent assignment in the name and on behalf of the Target Company B and the said mortgage and rent assignment shall be fully released and discharged upon Completion.

Set out below is the financial information extracted from the audited accounts of the Target Company B for the two financial years ended 31 March 2016 and unaudited financial statements extracted from the management accounts of the Target Company B for the nine months ended 31 December 2016:

	For the year ended		For the nine months ended
	31 March 2015	31 March 2016	31 December 2016
	(Audited)	(Audited)	(Unaudited)
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Profit/(loss) before taxation and extraordinary items	219,303	268,435	244,767
Profit/(loss) after taxation and extraordinary items	196,842	217,867	204,381
		As at 31 March 2016	As at 31 December 2016
		(Audited)	(Unaudited)
		<i>HK\$</i>	<i>HK\$</i>
Net assets		1,940,735	2,145,116

The Purchaser has appointed the Valuer to assess the market value of Property B as at 31 December 2016. Pursuant to the valuation report prepared by the Valuer set out in the Appendix I to this circular, the market value of Property B as at 31 December 2016 was HK\$10 million.

LETTER FROM THE BOARD

Upon Completion, the Target Companies will become an indirect wholly-owned subsidiaries of the Company and the financial results of the Target Companies will be consolidated into the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the provision of property management services in Hong Kong primarily targeting residential properties.

The Directors consider the Acquisition is beneficial for the Group. It is expected that Property A can generate a stable and recurrent rental income to the Group while the acquisition of Property B can reduce the rental expenses of the Group. It also enables the Group to explore and widen its business prospect in the property market in Hong Kong. The Company started negotiating the proposed acquisitions of both Target Companies at about the same time. The Company decided to carry out both acquisitions at the same time in order to avoid additional costs and expenses (including but not limited to legal and other professional fees) to be incurred. The Board considers that it is important for the Group to minimise all costs which may be incurred associated with the Acquisition.

In view of the above, the Directors consider that although the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the Agreement are on normal commercial terms after arm's length negotiation and are fair and reasonable, and the Acquisition is in the interest of the Company and the Shareholders of the Company as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios for the Acquisition under the GEM Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. Accordingly, the Acquisition is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As at the Latest Practicable Date, Mr. Ho Ying Choi (an executive Director and brother of Mr. Ho Ying Cheung) and Mr. Ho Ying Cheung (a director of the Purchaser and brother of Mr. Ho Ying Choi) are the Vendors and are connected persons of the Company for the purpose of Chapter 20 of the GEM Listing Rules. Accordingly, the entering into of the Agreement and the transactions contemplated thereunder constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As the Consideration exceeds HK\$10 million, the transactions contemplated under the Agreement are subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. As at the Latest Practicable Date, each of Mr. Ho Ying Choi and Mr. Ho Ying Cheung and their respective close associates are not interested in any Shares. Should either Mr. Ho Ying Choi, Mr. Ho Ying Cheung and/or their respective close associates be interested in Shares subsequently, he or they has (have) to abstain from voting at the EGM in respect of the Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

Mr. Ho Ying Choi, who has a material interest in the Agreement and the transactions contemplated thereunder, had abstained from voting at the relevant board resolution(s) approving the Agreement and the transactions contemplated thereunder.

RE-ELECTION OF DIRECTOR

Pursuant to Article 83(3) of the articles of association of the Company, Mr. Lee Chin Ching Cyrix (“**Mr. Lee**”), who were appointed as an executive Director with effect from 20 December 2016 to fill the casual vacancy occasioned by the resignation of Ms. Huang He, shall hold office until the EGM and being eligible, will offer himself for re-election at the EGM. Resolution for re-electing Mr. Lee as an executive Director will be proposed at the EGM.

Biographical details of Mr. Lee are set out as follows:

Mr. Lee, aged 31, holds a bachelor degree in business administration from Washington State University in the United States of America. Mr. Lee has extensive experience in the real estate investments, acquisition, valuation and assets management. Prior to his appointment as an executive Director, Mr. Lee had been a business consultant of the Company since 1 May 2016.

Mr. Lee has entered into a service contract with the Company for an initial term of one year with effect from 20 December 2016 which is renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of the appointment, unless terminated by either party giving not less than one month’s notice in writing to the other party. Mr. Lee is entitled to a Director’s fee of HK\$45,000 per month pursuant to the service contract, which was determined by arm’s length negotiation between Mr. Lee and the Company with reference to his duties, responsibilities and the prevailing market conditions and is subject to review by the Remuneration Committee of the Company. The appointment is also subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

Mr. Lee confirmed that he did not have any interest or short position (both within the meaning of Part XV of the SFO) in the shares, underlying shares or debentures of the Company or any of its associated corporation (as defined under Part XV of the SFO) as at the Latest Practicable Date.

Mr. Lee also confirmed that as at the Latest Practicable Date, (i) he did not hold any directorships in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years, nor did he possess any other major appointments or professional qualifications; (ii) he did not hold any other positions with the Company or any subsidiaries of the Company; (iii) he did not have any relationship with any Directors, senior management or substantial shareholders or controlling shareholders (as defined in the GEM Listing Rules) of the Company; and (iv) there is no information that should be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules nor any other matter that needs to be brought to the attention of the Shareholders in respect of the re-election of Mr. Lee as Director.

LETTER FROM THE BOARD

EGM

A notice convening the EGM to be held at Unit L, 1/F., Kaiser Estate, Phase 2, 51 Man Yue Street, Hung Hom, Kowloon, Hong Kong on Friday, 24 March 2017 at 3:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

The ordinary resolutions to approve the Agreement and the transactions contemplated thereunder, and the re-election of Director will be taken by poll at the EGM and an announcement on the results of the EGM will be made by the Company after the EGM.

To the best of the Director's knowledge, information and belief having made all reasonable enquires, as at the Latest Practicable Date, no Shareholder has a material interest in the Agreement and the transactions contemplated thereunder that is required to abstain from voting and being counted towards the quorum on the relevant resolution at the EGM.

RECOMMENDATION

In addition to the information contained in the sections immediately preceding this section headed "Recommendation", your attention is drawn to the letter from the Independent Board Committee set out on pages 17 to 18 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Agreement and the transactions contemplated thereunder, and the letter from the Independent Financial Adviser set out on pages 19 to 36 of this circular which contains its advice to the Independent Board Committee and Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder and the principal factors and reasons considered by it in arriving its opinions.

Having considered the reasons set out herein and taken into account the advice of the Independent Financial Adviser, the Directors are of the view that the Agreement were entered into on normal commercial terms, and the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Agreement and the transactions contemplated thereunder (including the Acquisition) are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
Kong Shum Union Property Management (Holding) Limited
Eric Todd
Chairman



Kong Shum Union Property Management (Holding) Limited
港深聯合物業管理(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8181)

8 March 2017

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
INVOLVING THE ISSUE OF THE PROMISSORY NOTES**

We refer to the circular of the Company to the Shareholders of the date of this letter (the “**Circular**”), in which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter will have the same meanings as defined in the Circular.

For the purpose of the GEM Listing Rules, we have been appointed as the Independent Board Committee to consider the Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the Agreement and the transactions contemplated under the Agreement. We are required to recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

The Independent Financial Adviser, namely INCU Corporate Finance Limited, has been appointed with the Independent Board Committee’s approval to advise the Independent Board Committee and the Independent Shareholders in relation to the, amongst other things, Acquisition.

We wish to draw your attention to the “Letter from the Independent Financial Adviser” as set out in the Circular which contains its advice to the Independent Shareholders and us in relation to the Acquisition. We also draw your attention to the “Letter from the Board” set out in the Circular and additional information set out in the appendices to this Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter of advice, we are of the view that the terms of the Agreement are fair and reasonable, and are of the view that although the transactions contemplated under the Agreement are not in the ordinary and usual course of business of the Group, the Agreement and the transactions contemplated thereunder (including the Acquisition) are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM for the approval of the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Mr. Tso Siu Lun, Alan Mr. Lam Kai Yeung Mr. Lo Chi Ho, Richard
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this Circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder.



INCU Corporate Finance Limited
Unit 1701, 17/F, Wings Building,
110–116 Queen's Road Central,
Central, Hong Kong

8 March 2017

*To: The Independent Board Committee and
the Independent Shareholders of
Kong Shum Union Property Management (Holding) Limited*

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF THE PROMISSORY NOTES

A. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company dated 8 March 2017 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless the context requires otherwise.

Reference is made to the announcement of the Company dated 8 February 2017 in relation to the Acquisition. On 8 February 2017 (after trading hours of the Stock Exchange), the Purchaser (a wholly-owned subsidiary of the Company) entered into the Agreement with the Vendors and the Target Companies, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the entire issued share capital of the Target Companies at the Consideration of HK\$40 million. Upon Completion, the Target Companies will become the indirectly wholly-owned subsidiaries of the Company, and the financial results of the Target Companies will be consolidated into the consolidated financial statements of the Group.

As one or more of the applicable percentage ratios for the Acquisition under the GEM Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. Accordingly, the Acquisition is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Mr. Ho Ying Choi (an executive Director and brother of Mr. Ho Ying Cheung) and Mr. Ho Ying Cheung (a director of the Purchaser and brother of Mr. Ho Ying Choi) are the Vendors and are connected persons of the Company for the purpose of Chapter 20 of the GEM Listing Rules. Accordingly, the entering into of the Agreement and the transactions contemplated thereunder constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As one of more of the applicable percentage ratios for the Acquisition under the GEM Listing Rules are more than 5% but less than 25% and the total Consideration exceeds HK\$10 million, the Acquisition is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As at the Latest Practicable Date, each of Mr. Ho Ying Choi and Mr. Ho Ying Cheung and their respective associates are not interested in any Shares. Should either Mr. Ho Ying Choi and/or Mr. Ho Ying Cheung is interested in Shares subsequently, he (they) has (have) to abstain from voting at the EGM in respect of the Agreement and the transactions contemplated thereunder.

Mr. Ho Ying Choi, who has a material interest in the Agreement and the transactions contemplated thereunder, has abstained from voting at the relevant board resolution(s) approving the Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising all the independent non-executive Directors (namely Mr. Tso Siu Lun, Alan, Mr. Lam Kai Yeung and Mr. Lo Chi Ho, Richard), has been established to consider and advise the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Agreement and the transactions contemplated thereunder.

In our capacity as the Independent Financial Adviser, our role is to give an independent opinion as to whether the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and whether the Independent Board Committee should recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

We have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Board Listing Rules to act as the Independent Financial Adviser. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Agreement and the transactions contemplated thereunder, and accordingly, are eligible to give independent advice and recommendations on the terms of the Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Agreement and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B. BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the management of the Group. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not conducted any in-depth independent investigation into the businesses, affairs and financial positions of the Group, the Vendors and the Target Companies nor have we carried out any independent verification of the information supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendation to the Independent Board Committee and Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, we have considered the principal factors and reasons set out below:

I. Background and financial performance of the Group

Background of the Group

The Company is an investment holding company. The Group is principally engaged in provision of property management services in Hong Kong primarily targeting residential properties.

Historical financial information of the Group

Set out below is a summary of the consolidated financial results of the Group for the years ended 31 March 2015 (the “FY2015”) and 31 March 2016 (the “FY2016”), the six months ended 30 September 2015 (the “1H2015/16”) and 30 September 2016 (the “1H2016/17”) as extracted from the annual report of the Company for the year ended 31 March 2016 (the “2016 Annual Report”) and the interim report of the Company for the six months ended 30 September 2016 (the “2016 Interim Report”).

	FY2015 (audited) HK\$'000	FY2016 (audited) HK\$'000	1H2015/16 (unaudited) HK\$'000	1H2016/17 (unaudited) HK\$'000
Revenue	339,722	374,024	186,096	196,065
Gross Profit	70,442	78,268	38,964	41,452
Profit before taxation	7,294	5,956	2,944	7,418
Income tax expense	(2,320)	(3,141)	(2,152)	(1,906)
Profit for the year/period attributable to owners of the Company	4,974	2,815	792	5,512
		As at	As at	As at
		31 March	31 March	30 September
		2015	2016	2016
		(audited)	(audited)	(unaudited)
		HK\$'000	HK\$'000	HK\$'000
Non-current assets		13,827	17,982	21,449
Current assets		86,735	126,888	157,216
Non-current liabilities		130	303	503
Current liabilities		61,145	56,225	62,301
Net assets attributable to owners of the Company		39,287	88,342	115,861

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial performance in FY2016 and FY2015

As disclosed in the 2016 Annual Report, revenue of the Group was approximately HK\$374.0 million in FY2016, representing an increase of approximately HK\$34.3 million, or 10.1%, compared to revenue of approximately HK\$339.7 million in FY2015. The increase in revenue was mainly due to increase in service charge for property management services provided by the Group as a result of the increase in statutory minimum wage in Hong Kong from HK\$30.0 per hour to HK\$32.5 per hour effective from 1 May 2015.

Gross profit margin remained at a stable level of approximately 20.9% for FY2016 (FY2015: approximately 20.7%).

Profit attributable to owners of the Company amounted to HK\$4.97 million and HK\$2.82 million for FY2015 and FY2016 respectively. The decrease in profit was mainly attributable to (i) increase in share-based payment for consultancy fees of approximately HK\$2.09 million; (ii) increase in income tax expense of approximately HK\$0.82 million; and (iii) partly offset by one-off gain on waiver of amount due to former ultimate holding company of approximately HK\$1.21 million in FY2016.

Financial performance in 1H2015/16 and 1H2016/17

As disclosed in the 2016 Interim Report, revenue of the Group was approximately HK\$196.1 million in 1H2016/17, representing an increase of approximately HK\$10 million, or 5.4%, compared to revenue of approximately HK\$186.1 million in 1H2015/16. The increase was primarily attributable to the growth of revenue generated from property management services contracts, by approximately 2.6% to approximately HK\$180.7 million in 1H2016/17.

Gross profit margin remained at a stable level of approximately 21.1% in 1H2016/17 as compared to approximately 20.9% in 1H2015/16.

Profit attributable to owners of the Company in 1H2016/17 amounted to approximately HK\$5.5 million (1H2015/16: approximately HK\$0.8 million). The increase was mainly attributable to (i) the increase in revenue as discussed above and (ii) the absence of share-based payment expenses in 1H2016/17 (1H2015/16: HK\$3.1 million).

Financial positions of the Group

Based on the 2016 Annual Report, the Group recorded net assets attributable to owners of the Company of approximately HK\$88.34 million as at 31 March 2016 (31 March 2015: approximately HK\$39.29 million). The current assets of the Group of approximately HK\$126.89 million mainly comprised cash and bank balances of approximately HK\$64.77 million (31 March 2015: approximately HK\$34.58 million) and trade and other receivables of approximately HK\$54.52 million (31 March 2015: approximately HK\$46.50 million), while the non-current assets of the Group of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

approximately HK\$17.98 million mainly comprised deposits placed for life insurance policies of approximately HK\$7.96 million (31 March 2015: approximately HK\$7.75 million) and available-for-sale financial asset of approximately HK\$4.27 million (31 March 2015: nil). The increase in net assets attributable to owners of the Company was mainly attributable to the increase in cash position as a result of the placing of shares amounted to approximately HK\$31.21 million which was completed on 6 October 2015.

As at 31 March 2016, the current liabilities of the Group of approximately HK\$56.23 million mainly comprised trade and other payables of approximately HK\$46.10 million (31 March 2015: approximately HK\$42.47 million) and secured bank borrowings of approximately HK\$8.58 million (31 March 2015: approximately HK\$16.71 million).

Based on the 2016 Interim Report, the Group recorded net assets attributable to owners of the Company of approximately HK\$115.86 million as at 30 September 2016 (31 March 2016: approximately HK\$88.34 million). The current assets of the Group of approximately HK\$157.22 million mainly comprised cash and bank balances of approximately HK\$88.69 million (31 March 2016: approximately HK\$64.77 million) and trade and other receivables of approximately HK\$62.18 million (31 March 2016: approximately HK\$54.52 million), while the non-current assets of the Group of approximately HK\$21.45 million mainly comprised deposits placed for life insurance policies of approximately HK\$8.07 million (31 March 2016: approximately HK\$7.96 million), available-for-sale financial asset of approximately HK\$4.27 million (31 March 2016: approximately HK\$4.27 million) and property, plant and equipment of approximately HK\$3.53 million (31 March 2016: approximately HK\$3.45 million). The increase in net assets attributable to owners of the Company was mainly attributable to the increase in cash position as a result of the placing of shares amounted to approximately HK\$22.01 million which was completed on 6 September 2016.

As at 30 September 2016, the current liabilities of the Group mainly comprised trade and other payables of approximately HK\$51.23 million (31 March 2016: approximately HK\$46.10 million) and secured bank borrowings of approximately HK\$7.09 million (31 March 2016: approximately HK\$8.58 million).

The Group has maintained a low level of gearing ratio of approximately 6.5% as at 30 September 2016 (31 March 2016: approximately 10.4%), calculated by dividing total debt (i.e. bank borrowings and finance lease obligation) by total equity.

Recent business development of the Group

Reference is made to the announcement of the Company dated 13 February 2017. The Company entered into an agreement regarding a discloseable transaction in relation to the proposed acquisition of 30% of the issued shares in Dakin Holdings

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Inc. The consideration of HK\$31.5 million will be financed by the Group's internal resources as the Directors may deem appropriate. As at the Latest Practicable Date, the transaction has not yet completed.

II. Background and information of the Target Companies

Target Company A

As at the Latest Practicable Date, Target Company A is wholly owned by the Vendors (as to 50% by Mr. Ho Ying Choi and 50% by Mr. Ho Ying Cheung). Upon Completion, Target Company A will become an indirect wholly-owned subsidiary of the Company.

Target Company A was incorporated in Hong Kong with limited liability and its principal activity is property investment. The sole asset of Target Company A is Property A. Target Company A has no other business operation other than holding interests in Property A. Target Company A acquired Property A at a consideration of HK\$10,150,000 in 2010. The increase of market value of Property A was mainly attributable to the significant growth experienced by the Hong Kong property market in recent years.

Property A is located at Work Shop A1 on 1st Floor, Hang Fung Industrial Building, Phase 1, No. 2G Hok Yuen Street, Kowloon, Hong Kong with a total SA of approximately 6,271 sq. ft. and is currently leased to twelve tenants for a total monthly rent of HK\$98,800.

As advised by the management of the Company and we have reviewed the existing tenancy agreements under Property A, we note that 17 out of 20 units of Property A are currently leased out. Target Company A is currently seeking for potential tenants for the remaining 3 units of Property A.

Property A is currently subject to a mortgage for securing a banking facilities granted to Target Company A.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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Set out below is the financial information of Target Company A extracted from the audited financial statements for FY2015 and FY2016 and unaudited financial information extracted from the management accounts for 1H2016/17:

	FY2015 (Audited) <i>HK\$</i>	FY2016 (Audited) <i>HK\$</i>	1H2016/17 (Unaudited) <i>HK\$</i>
Profit/(loss) before taxation and extraordinary items	(132,873)	320,578	228,035
Profit/(loss) after taxation and extraordinary items	(216,216)	145,964	190,409
		As at 31 March 2016 (Audited) <i>HK\$</i>	As at 31 December 2016 (Unaudited) <i>HK\$</i>
Net liabilities		2,530,269	2,339,859

The Group's financial position of net liabilities as at 31 March 2016 were mainly due to the directors' loan and mortgage loan amounted to approximately HK\$7.60 million and HK\$3.06 million respectively. Pursuant to the Agreement, the Vendors and the Company shall have executed a deed of waiver and a deed of novation in the forms as agreed between the parties, among others, in relation to the directors' loan of the Company. In addition, the Vendors shall deploy part of the Consideration for payment of the loans of the aforementioned mortgage in the name and on behalf of the Target Company A.

In respect of the loss-making result of Target Company A for the FY2015, we are advised by the Company that the loss was mainly attributable to a non-recurring service charge of HK\$300,000 paid to a related company of Target Company A, Wah Hing (HK) Engineering Limited, for rental management services provided during the period from April of 2014 to March 2015, and, since 1 April 2015, the rental management services had been terminated as the management of Target Company A considered such arrangement no longer necessary as it was not cost effective. From the date thereof, Target Company A manages its own Property A. As a result, such expense was not incurred in the FY2016 and 1H2016/17. In view of the profit-making positions of Target Company A in recent periods, we concur with the Directors' view that the Acquisition will bring positive financial effect on the Group's earnings.

After the discharge of the above-mentioned mortgage and directors' loan, we expect that Target Company A will merely hold interests in Property A and certain rental deposits and will maintain a positive net asset value position upon Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Purchaser has appointed an independent valuer to assess the market value of Property A as at 31 December 2016. Pursuant to valuation report prepared by the independent valuer as set out in the Appendix I to the Circular, the market value of Property A was HK\$30 million. The adjusted net asset value of Target Company A after adjustment of the valuation premium of Property A is approximately HK\$20,121,000, over which the consideration of Target Company A represents a premium of approximately 49.10%.

As (i) one of the conditions precedent to completion of the Acquisition is that the Vendors and the Target Companies shall have executed a deed of waiver and a deed of novation in the forms as agreed between the parties in relation to the directors' loan(s) of the Target Companies; and the loan(s) between the Target Company A and the Target Company B before the Completion Date and (ii) as discussed above, the mortgage loan shall be fully released and discharged upon Completion, the financial position of Target Company A will be free of directors' loan, mortgage loan and loan between the Target Companies. Accordingly, based on the unaudited net liabilities position of Target Company A of approximately HK\$2,340,000 as at 31 December 2016, the adjusted net asset value of Target Company A after adjustments of the valuation premium of Property A of approximately HK\$22,461,000, waivers of directors' loan of approximately HK\$7,187,000, mortgage loan of approximately HK\$2,588,000 and loan due to Target Company B of approximately HK\$73,500 will be approximately HK\$29,970,000, over which the consideration of Target Company A represents a premium of approximately 0.10%.

Target Company B

As at the Latest Practicable Date, Target Company B is wholly-owned by the Vendors (as to 50% by Mr. Ho Ying Choi and 50% by Mr. Ho Ying Cheung). Upon Completion, Target Company B will become an indirect wholly-owned subsidiary of the Company.

Target Company B was incorporated in Hong Kong with limited liability and its principal activity is property investment. The sole asset of the Target Company B is Property B. Target Company B has no other business operation other than holding interests in Property B. Target Company B acquired Property B at a consideration of HK\$1,550,000 in 2008. The increase of market value of Property B was mainly attributable to the significant growth experienced by the Hong Kong property market in recent years.

Property B is located at Factory Unit A on 13/F, Tak Wing Industrial Building, No. 3 Tsun Wen Road, Tuen Mun, New Territories, Hong Kong with a total SA of approximately 2,560 sq. ft. and is currently leased to the Purchaser as a branch office of the Purchaser for a monthly rent of HK\$32,000. The lease will expire on 31 March 2017 and it is expected that Property B will continue to be the branch office of the Purchaser.

As advised by the management of the Company, Property B is currently subject to a mortgage and a rent assignment for securing the banking facilities granted to Target Company B. Pursuant to the Agreement, the Vendors shall deploy part of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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Consideration for payment of the loans of the aforementioned mortgage and rent assignment in the name and on behalf of Target Company B and the said mortgage and rent assignment shall be fully released and discharged upon Completion.

Set out below is the financial information extracted from the audited financial statements of Target Company B for FY2015 and FY2016 and unaudited financial information extracted from the management accounts for 1H2016/17:

	FY2015 (Audited) <i>HK\$</i>	FY2016 (Audited) <i>HK\$</i>	1H2016/17 (Unaudited) <i>HK\$</i>
Profit before taxation and extraordinary items	219,303	268,435	244,767
Profit after taxation and extraordinary items	196,842	217,867	204,381
		As at 31 March 2016 (Audited) <i>HK\$</i>	As at 31 December 2016 (Unaudited) <i>HK\$</i>
Net assets		1,940,735	2,145,116

The Purchaser has appointed an independent valuer to assess the market value of Property B as at 31 December 2016. Pursuant to valuation report prepared by the independent valuer as set out in the Appendix I to the Circular, the market value of Property B was HK\$10 million. The adjusted net asset value of Target Company B after adjustment of the valuation premium of Property B is approximately HK\$9,283,000, to which the consideration of Target Company B represents a premium of approximately 7.73%.

As one of the conditions precedent to completion of the Acquisition is that the Vendors and the Target Companies shall have executed a deed of waiver and a deed of novation in the forms as agreed between the parties in relation to the directors' loan(s) of the Target Companies; and the loan(s) between the Target Company A and the Target Company B before the Completion Date, the financial position of Target Company B will be free of directors' loan and loan between the Target Companies. Accordingly, based on the unaudited net assets position of Target Company B of approximately HK\$2,145,000 as at 31 December 2016, the adjusted net asset value of Target Company B after adjustments of the valuation premium of Property B of approximately HK\$8,843,000, waivers of loan to directors of approximately HK\$1,632,000 and loan due from Target Company A of approximately HK\$73,500 will be approximately HK\$9,283,000, over which the consideration of Target Company B represents a premium of approximately 7.73%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the management of the Company, discharge of the above-mentioned mortgages and rental assignment of the Target Companies are in the progress and the transaction is expected to be completed around mid of March 2017.

Upon Completion, the Target Companies will become the indirectly wholly-owned subsidiaries of the Company and the financial results of the Target Companies will be consolidated into the consolidated financial statements of the Group.

III. Reasons and benefits of the Acquisition

As disclosed in the Letter from the Board, it is expected that Property A can generate a stable and recurrent rental income to the Group while the acquisition of Property B can reduce the rental expenses of the Group. It also enables the Group to explore and widen its business prospect in the property market in Hong Kong. The Company started negotiating the proposed acquisitions of both Target Companies at about the same time. The Company decided to carry out both acquisitions at the same time in order to avoid additional costs and expenses (including but not limited to legal and other professional fees) to be incurred. The Board considers that it is important for the Group to minimise all costs which may be incurred associated with the Acquisition. In view of the above, the Directors consider that entering into the Agreement is on normal commercial terms after arm's length negotiation, and the terms of which are fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders of the Company as a whole.

In order to get a better grasp of the industrial property market in Hong Kong, we have conducted our own desktop research.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table is the rental index for industrial properties in Hong Kong from 2012 to 2016 as released by the Rating and Valuation Department of the Government of the Hong Kong Special Administrative Region (the “**HK Government**”):

Year	Rental Index <i>(Note)</i>	Year-on-year change <i>(%)</i>
2012	131.9	11.21%
2013	147.3	11.68%
2014	160.1	8.69%
2015	174.4	8.93%
2016	181.3	3.96%

Note: A base index of 100 is set for in year 1999.

Source: The Rating and Valuation Department of the HK Government

As shown in the table above, the rental index for industrial properties in Hong Kong has increased from approximately 131.9 in 2012 to approximately 181.3 in 2016, representing a compound annual growth rate (CAGR) of approximately 8.28%.

Month — 2016	Rental Index	% change
January	177.6	0.00%
February	178.2	0.34%
March	179.4	0.67%
April	179.7	0.17%
May	181.4	0.95%
June	182.0	0.33%
July <i>(Note)</i>	182.4	0.22%
August <i>(Note)</i>	181.2	(0.66%)
September <i>(Note)</i>	182.1	0.50%
October <i>(Note)</i>	182.3	0.11%
November <i>(Note)</i>	183.5	0.66%
December <i>(Note)</i>	185.4	1.04%

Note: Provisional figures

Source: The Rating and Valuation Department of the HK Government

Furthermore, according to the same source from the Rating and Valuation Department, the rental index for industrial properties in Hong Kong overall shows an upward trend in 2016, which has increased approximately 4.39% from January to December in 2016. Property A will be held by the Group as an investment producing rental income while Property B will be held for own-used. The Acquisition will enable the Group to benefit from a steady income stream from Property A and reduce the rental expense burden in relation to Property B.

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Having considered that (i) the Acquisition enables the Group to widen its business prospect in the property market in Hong Kong; (ii) the rental rate for industrial properties in Hong Kong is experiencing an upward trend; (iii) the Group intends to acquire a branch office for the Purchaser with an aim to save future rental cost; and (iv) the Acquisition will enable the Group to benefit from a steady income stream, we concur with the Directors' view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

IV. Principal terms of the Agreement

Date	:	8 February 2017
Purchaser	:	Kong Shum Union Property Management Company Limited (a wholly-owned subsidiary of the Company)
Vendors	:	Mr. Ho Ying Choi (as vendor in respect of 50% interest in each of Target Company A and Target Company B) and Mr. Ho Ying Cheung (as vendor in respect of 50% interest in each of Target Company A and Target Company B)
Target Companies	:	Fortune Trend Investment Limited and More Rise Investment Limited

As at the Latest Practicable Date, Mr. Ho Ying Choi is an executive Director; Mr. Ho Ying Cheung is the director of the Purchaser. Mr. Ho Ying Choi is also the brother of Mr. Ho Ying Cheung. The Vendors are therefore connected persons of the Company under Chapter 20 of the GEM Listing Rules.

Assets to be acquired

Pursuant to the Agreement, the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell the Sale Shares, representing the entire share capital of the Target Companies.

Consideration and payment terms

The Consideration for the Acquisition is HK\$40 million in aggregate, in which the consideration for Target Company A and Target Company B are HK\$30 million and HK\$10 million respectively. The Consideration shall be payable to the Vendors in proportion to their respective shareholding interests in the Target Companies immediately prior to Completion (i.e. HK\$20 million are payable to each of Mr. Ho Ying Choi and Mr. Ho Ying Cheung, respectively) by the Purchaser in the following manner:

- (a) HK\$4 million being the deposit (the “**Deposit**”) (which is refundable) has been paid by the Purchaser to the Vendors' solicitors as stakeholder (who may release the same to the Vendors at Completion) within ten (10) Business Days from the date of the Agreement; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) HK\$36 million being the balance of the Consideration shall be paid by the Purchaser to the Vendors in proportion to their respective shareholding interests in the Target Companies immediately prior to Completion on the Completion Date, of which HK\$22 million will be paid by cash and HK\$14 million will be paid by way of issue of the Promissory Notes to the Vendors or their respective nominee(s).

As disclosed in the Letter from the Board, the Consideration was determined by arm's length negotiations between the Vendors and Purchaser with reference to, amongst other things, the valuation of the Properties as appraised by Valuer based on market value approach, of which the market value of Property A and Property B are HK\$30 million and HK\$10 million, respectively as set out in Appendix I to the Circular. The Consideration will be financed by the Group's internal resources.

The adjusted net asset value of Target Company A and Target Company B are approximately HK\$29,970,000 and approximately HK\$9,283,000 respectively, over which the consideration for Target Company A and Target Company B represent premium of approximately 0.10% and 7.73% respectively. (Although the consideration for Target Company B represents a premium of approximately 7.73% to the adjusted net asset value of Target Company B, the Board consider the consideration for Target Company B is fair and reasonable since (i) the consideration for Target Company B is the market value of Property B; and (ii) the Group can save future rental expenses after acquiring Property B, which amounted to HK\$32,000 per month from April 2016 to March 2017.)

According to the price index for industrial properties in Hong Kong published by the Rating and Valuation Department of the HK Government, the price index has increased from approximately 235.9 in 2008 (being the previous acquisition by Target Company B) and approximately 284.4 in 2010 (being the previous acquisition by Target Company A) to approximately 691.4 in 2016, representing a CAGR of approximately 14.39% and 15.96% respectively. Based on the above, it is noted that the price of industrial properties has shown a growing trend subsequent to the previous acquisition by the Target Companies.

Even the Consideration is higher than the original acquisition cost to Vendors, considering that (i) the original acquisition costs (i.e. HK\$10,150,000 for Property A and HK\$1,550,000 for Property B) were historical prices which do not reflect changes in prices of industrial properties in recent years; (ii) the Consideration was determined with reference to the valuation of Property A and Property B, which reflects the current market value; and (iii) the underlying principal assumptions of the valuation as conducted by the Valuer are fair and reasonable and the valuation could serve as an appropriate reference when determining the Consideration, we concur with the Directors' view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

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As advised by the Company's management, the cash and cash equivalents of the Group (i.e. cash and bank balances, net of bank overdraft) as at 31 December 2016 amounted to approximately HK\$87.31 million. Having reviewed the cash flow forecast of the Group and discussed with the Group's management, the cash-outflow arising from the Acquisition of HK\$26 million has no material impact on cash flow and working capital of the Group, thus we consider that the Group has sufficient funds to settle the Consideration.

Adjusted net assets value

We note that the consideration for Target Company B represents a premium of approximately 7.73% to the adjusted net asset value of Target Company B. Nevertheless, having considered that (i) the consideration is determined with reference to the valuation of the Property B by Valuer, which represents market value of the principal asset of Target Company B; (ii) the positive financial benefits to the Group (i.e. reducing rental expense after acquiring Property B), we concur with the Directors' view that the consideration of Target Company B is fair and reasonable.

Based on the adjusted net assets value of Target Company A of approximately HK\$29,970,000 and Target Company B of approximately HK\$9,283,000, in aggregate approximately HK\$39,253,000, the Consideration of HK\$40,000,000 represented a premium of approximately 1.9% over the aggregate net assets value of Target Companies.

We are unable to compare the 1.9% premium to the similar transactions in the market due to unavailability of such reassessed NAVs of other listed companies, supported by independent valuation, from public source.

Nevertheless, having considered (i) the principal assets of the Target Companies are the Properties; and (ii) the premium over the adjusted net asset value of the Target Companies is not material, we agree with the Directors that the Valuation is the appropriate reference in determining the Consideration.

Valuation of the Properties

To assess the fairness and reasonableness of the consideration for transfer of the Properties, we have reviewed the property valuation report as contained in the Appendix I to the Circular (the "**Valuation Report**").

In assessing the independence of the valuer, we interviewed the relevant staff of Roma Appraisals Limited (the "**Valuer**") and make inquiry on any current or prior relationship between the Valuer and the Group, the Vendors and their core connected persons. The Valuer confirmed that it is independent of and not connected with the Group, the Vendors, the Target Companies and their respective associates. In addition, we have reviewed the Valuer's engagement letter including their scope of

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work. Based on the review and the interview, we are satisfied with the terms of the engagement of the Valuer and its qualification and experience for preparation of the valuation report.

As stated in the Valuation Report, in arriving at the valuation of HK\$40,000,000 for the Properties, the Valuer has adopted direct comparison method assuming sale of the properties in their existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market. The valuation has been made on the assumption that owners sell the properties in the open market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangements which would serve to increase the values of such properties. The Valuer confirmed that in valuing the Properties, it has complied with the requirements set out in Chapter 8 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

For our due diligence purpose, we have reviewed and enquired into (i) the methodology used and principal bases and assumptions adopted in the Valuation Report; (ii) the underlying calculations of the Valuation Report and the information of the comparable properties (including unit prices) adopted by the Valuer; (iii) the selection criteria of comparable properties adopted in the Valuation Report and (iv) discussed with the Valuer and understood that the Valuer has included all of the most suitable comparable properties meeting the selection criteria as identified by them based on their best information, knowledge and belief.

As discussed with the Valuer, we understand that the Valuer has selected 5 comparables for Property A and 3 comparables for Property B, which are of similar size and location. We have reviewed all of the comparables adopted by the Valuer for the market sales of similar industrial buildings in the market and we noted that (i) all information is quoted from public real-estate agents' websites within a twenty-four month period prior to the date of the Valuation Report; (ii) all properties are located in locations close to the Properties with similar size; and (iii) all selling prices quoted are the transacted amount based on the aforementioned websites. Based on the above, we consider that the comparables selected by the Valuer are fair and representative samples for direct comparison purpose.

Further details of the basis and assumptions of the valuation are included in the Valuation Report as contained in Appendix I to this Circular.

During our assessment, we have not found any material facts which may lead us to doubt the principal basis and assumptions adopted for or the information used in the valuation and the valuation report is reasonable. As the principal assets of the Target Companies are Property A and Property B with other assets and liabilities of insignificant amounts, the value of the Target Companies largely depends on the fair

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

value of Property A and Property B. Thus, we concur with the Directors' view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

The Promissory Notes

The Purchaser shall issue to each of the Vendors (or their respective nominee(s)) the Promissory Notes in the principal amount of HK\$7 million each on the Completion Date. The principal terms of the Promissory Notes are as follow:

Issuer	:	the Purchaser
Noteholders	:	the Vendors or their respective nominee(s)
Principal amount to be issued	:	HK\$7 million each
Issue date	:	the Completion Date
Maturity date	:	the date immediately following 18 months after the date of issue of the Promissory Notes
Interest	:	nil
Transferability	:	non-transferrable
Security	:	the obligations of the Purchaser under the Promissory Notes are unsecured
Early redemption	:	the Purchaser may by giving of not less than one month prior notice in writing to the noteholder(s) to repay the whole or any part of the Promissory Notes

Having considered the Promissory Notes bear no interest, unsecured and the Purchaser is allowed to early repay the whole or any party of the Promissory Notes without penalty, we consider that the payment terms (comprising cash and the Promissory Notes) would provide financial flexibility to the Group and therefore are in the interests of the Company and the Independent Shareholders as a whole.

V. Possible financial effects of the Acquisition

Upon Completion, members of the Target Companies will become indirect wholly-owned subsidiaries of the Company. As a result, financial results, assets and liabilities of the Target Companies will be consolidated with those of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Net assets

Without considering transaction costs incurred for the Acquisition and discount factor for accounting purpose, the net assets of the Group upon Completion will remain unchanged, given the total assets and the total liabilities of the Group are expected to increase by the same amount of HK\$14 million, representing the amount of the Promissory Notes to be issued.

Earnings

It is expected that the earnings of the Group would be improved after Completion as (i) Acquisition of Property A will bring steady rental income to the Group; and (ii) the Acquisition of Property B will reduce the rental expenses burden of the Group.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after Completion.

RECOMMENDATION

Having taken into account, in particular, (i) reasons and benefits of the Acquisition; (ii) the basis of determination of the Consideration; (iii) favorable payment terms of the Acquisition; and (iv) positive financial effects of the Acquisition, we are of the view that the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the upcoming EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
INCU Corporate Finance Limited
Gina Leung
Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 31 December 2016 of the Properties to be acquired by the Group.



Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel: (852) 2529 6878 Fax: (852) 2529 6806
E-mail: info@romagroup.com
<http://www.romagroup.com>

8 March 2017

Kong Shum Union Property Management (Holding) Limited

Unit 906, 9/F.,
Wings Building,
Nos. 110–116 Queen’s Road Central,
Central, Hong Kong

Dear Sir/ Madam,

Re: Properties Valuation of Various Properties to be Acquired by the Group Located in Hong Kong

In accordance with your instructions for us to value the properties to be acquired by Kong Shum Union Property Management (Holding) Limited and/or its subsidiaries (together referred to as the “**Group**”) located in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 December 2016 (the “**Date of Valuation**”) for the purpose of incorporation in the Circular of the Group dated 8 March 2017.

1. BASIS OF VALUATION

Our valuations of the properties are our opinion of the market values of the concerned properties which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. PROPERTY CATEGORIZATION

In the course of our valuations, the properties to be acquired by the Group are categorized into the following groups:

- Group I (Property to be acquired by the Group for owner-occupation purpose in Hong Kong); and
- Group II (Property to be acquired by the Group for investment purpose in Hong Kong).

3. VALUATION METHODOLOGY

We have valued the properties by the direct comparison approach assuming sale of the properties in their existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

4. TITLE INVESTIGATION

For the properties in Hong Kong, we have carried out land searches at Land Registry. However, we have not scrutinized all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

5. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the properties in the open market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

6. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, floor areas, age of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

7. VALUATION CONSIDERATIONS

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the floor areas of the properties under consideration but we have assumed that the floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuations are prepared in compliance with the requirements set out in Chapter 8 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and in accordance with the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

8. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation are in Hong Kong Dollars (HK\$).

Our Summary of Values and Valuation Certificates are attached.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

Dr. Alan W K Lee
BCom (Property) MFin PhD(BA)
MHKIS RPS(GP) AAPI CPV CPV(Business)
Director

Nancy Chan
BSc (Hons) MHKIS MRICS
RPS(GP)
Senior Manager

Notes: Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 13 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

Ms. Nancy Chan is a Registered Professional Surveyor (General Practice), member of Hong Kong Institute of Surveyors and a member of the Royal Institution of Chartered Surveyors. She has over 7 years' experience in real estate industry and property and asset valuation in Hong Kong, Macau, the PRC, Singapore, Taiwan, United Kingdom and other overseas countries.

SUMMARY OF VALUES

Group I — Property to be acquired by the Group for owner-occupation purpose in Hong Kong

No.	Property	Market Value in Existing State as at 31 December 2016
1.	Factory Unit A on 13/F, Tak Wing Industrial Building, No. 3 Tsun Wen Road, Tuen Mun, New Territories, Hong Kong	HK\$10,000,000
Sub-Total:		<u>HK\$10,000,000</u>

Group II — Property to be acquired by the Group for investment purpose in Hong Kong

2.	Work Shop A1 on 1st Floor, Hang Fung Industrial Building, Phase 1, No. 2G Hok Yuen Street, Kowloon, Hong Kong	HK\$30,000,000
Sub-Total:		<u>HK\$30,000,000</u>
Grand-Total:		<u><u>HK\$40,000,000</u></u>

VALUATION CERTIFICATE

Group I — Property to be acquired by the Group for owner-occupation purpose in Hong Kong

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2016
1.	Factory Unit A on 13/F, Tak Wing Industrial Building, No. 3 Tsun Wen Road, Tuen Mun, New Territories, Hong Kong 140/15,430th equal and undivided shares of and in Tuen Mun Town Lot No. 83	The property comprises a factory unit on the 13th floor of a 22-storey industrial building plus a storey of car-parking basement, known as Tak Wing Industrial Building, completed in 1981. The property has a gross floor area of about 3,079 sq.ft. (or about 286.05 sq.m.). As scaled from the registered floor plan, the saleable area of the property is approximately 2,560 sq.ft. (or about 237.83 sq.m.). The property is held under New Grant No. 2153 for a term of 99 years commencing on 1 July 1898 and extended until 30 June 2047.	As advised by the Group, the property is occupied by the Group under a tenancy for a term of 1 year commencing on 1 April 2016 and expiring on 31 March 2017 with a monthly rent of HK\$32,000, exclusive of management fee, Government Rent, rates and other outgoings.	HK\$10,000,000

Notes:

1. The registered owner of the property is More Rise Investment Limited vide Memorial No. 08052000010197 dated 18 April 2008.
2. The property is subject to the following encumbrances:
 - a. Waiver Letter in favour of District Officer, Tuen Mun vide Memorial No. TM213895 dated 2 March 1982;
 - b. Deed of Mutual Covenant with Plans vide Memorial No. TM258264 dated 27 May 1985;
 - c. Mortgage in favour of The Hong Kong and Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities vide Memorial No. 12082902680318 dated on 22 August 2012; and
 - d. Rent Assignment in favour of The Hong Kong and Shanghai Banking Corporation Limited vide Memorial No. 12082902680323.
3. The property lies within an area zoned "Other Specified Uses (Business)" under Tuen Mun Outline Zoning Plan No. S/TM/33 gazetted on 13 February 2015.
4. Our inspection was performed by Ms. Vinci Hou M Sc. with 2 year' valuation experience, in February 2017.

VALUATION CERTIFICATE

Group II — Property to be acquired by the Group for investment purpose in Hong Kong

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2016
2.	Workshop No. A1 on 1st Floor, Hang Fung Industrial Building Phase 1, No. 2G Hok Yuen Street, Kowloon, Hong Kong 13/634th equal and undivided share of and in the Remaining Portion of Section B and Section C of Kowloon Marine Lot No. 69, the Remaining Portion of Section B and Section C of Kowloon Marine Lot No. 86 and the Sub-section 1 of Section J of Kowloon Marine Lot No. 40	The property comprises a workshop unit on the 1st floor of a 13-storey industrial building, completed in 1979. As scaled from the registered floor plan, the saleable area of the property is approximately 6,271 sq.ft. (or about 582.59 sq.m.). The Remaining Portion of Section B and Section C of Kowloon Marine Lot No. 69, the Remaining Portion of Section B and Section C of Kowloon Marine Lot No. 86 are held under Government Lease for a term of 75 years renewable for 75 years commencing from 23 July 1900. The Sub-section 1 of Section J of Kowloon Marine Lot No. 40 is held under Government Lease for a term of 75 years renewable for 75 years commencing from 15 September 1897.	As advised by the Group, portion of the property is subject to various tenancies with the latest expiry date of 31 January 2019 at total monthly rent of HK\$98,800. (Details please refer to Notes No. 4.) As advised by the Group, the remaining portion of the property (i.e. 3 workshop units, named as A1-02, A1-10 and A1-17) is vacant.	HK\$30,000,000

Notes:

1. The registered owner of the property is Fortune Trend Investment Limited vide Memorial No. 10111703040043 dated 18 October 2010.
2. The property is subject to the following encumbrances:
 - a. Deed of Mutual Grant of Rights and Easements with Plan in favour of Chun Ming Investment Company Limited vide UB1674609 dated 16 February 1979;
 - b. Deed of Mutual Covenant vide Memorial No. UB1684176 dated 22 February 1979; and
 - c. Mortgage in favour of The Hong Kong and Shanghai Banking Corporation Limited to secure all moneys in respect of general banking facilities vide Memorial No. 10111703040058 dated on 18 October 2010.
3. The property lies within an area zoned “Other Specified Uses (Business)” under Hung Hom Outline Zoning Plan No. S/K9/25 gazetted on 28 October 2016.

4. The property is divided into 17 workshop units, named as A1-01 to A1-20 (excluding A1-04, A1-13 and A1-14). Pursuant to the various tenancies agreements provided by the Group, A1-01, A1-03, A1-05, A1-06, A1-07, A1-08, A1-09, A1-11, A1-12, A1-15, A1-16, A1-18, A1-19, A1-20 are tenanted with the latest expiry date of 31 January 2019 at a total monthly rent of HK\$98,800.00 and details are as follows:

Premises	Commencement Date	Expiry Date	Use	Monthly Rent
A1-01	6 May 2016	5 May 2018	Industrial	HK\$5,600.00*
A1-03	1 June 2016	31 May 2017	Industrial	HK\$5,700.00* ^{#1}
A1-05	1 August 2015	31 July 2017	Industrial	HK\$5,200.00*
A1-06 & A1-07	13 July 2015	12 July 2017	Industrial	HK\$12,500.00* ^{#2}
A1-08 & A1-09	6 October 2016	5 October 2018	Industrial	HK\$12,500.00* ^{#3}
A1-11	18 June 2015	17 June 2017	Industrial	HK\$7,500.00*
A1-12	1 February 2016	31 January 2018	Industrial	HK\$8,700.00*
A1-15	4 June 2016	3 June 2017	Industrial	HK\$7,500.00*
A1-16	5 February 2016	4 February 2018	Industrial	HK\$8,000.00*
A1-18	15 January 2017	14 January 2019	Industrial	HK\$10,200.00*
A1-19	22 November 2016	21 November 2018	Industrial	HK\$10,400.00*
A1-20	1 February 2017	31 January 2019	Industrial	HK\$5,000.00*
Total				<u>HK\$98,800.00</u>

* inclusive of management fee, Government Rent and rates, but exclusive of all other outgoings.

^{#1} 5 days rent-free period for the term between 27 May 2016 and 31 May 2016 (both days inclusive).

^{#2} 7 days rent-free period for the term between 6 July 2015 and 12 July 2015 (both days inclusive).

^{#3} 7 days rent-free period of unit A1-09 for the term between 29 September 2016 and 5 October 2016 (both days inclusive).

5. Our inspection was performed by Ms. Vinci Hou M Sc. with 2 year' valuation experience, in February 2017.

RESPONSIBILITY STATEMENT

This circular, 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there was no person who had, or was deemed or taken to have, an interest or short position in the shares or underlying shares of the Group which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

Save for the Acquisition as contemplated under the Agreement and that Property B is currently leased to the Purchaser by the Target Company B (details of which are set out in "Letter from the Board" of this circular), as at the Latest Practicable Date, none of the Directors or proposed Directors, has, or had, any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Enlarged Group since 31 March 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

Save for the Agreement, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the controlling shareholders or their respective close associates had any interests in businesses which compete or may compete with the business of the Group or had any other conflict of interests which any such person has or may have with the Group.

LITIGATION

As at the Latest Practicable Date, none of the members of the Group were engaged in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any member of the Group.

SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, there is no existing or proposed service contract between any of the Directors and any member of the Enlarged Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

EXPERTS AND CONSENTS

The following is the qualification of the expert who has given an opinion or advice contained in this circular:

Name	Qualifications
INCU Corporate Finance Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, acting as the Independent Financial Adviser
Roma Appraisals Limited	an independent professional valuer, acting as the valuer for the valuation of the Properties

The above experts have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their letters, reports, advice and/or references to their names, in the form and context in which they appear.

As at the Latest Practicable Date, the above experts did not have any direct or indirect interest, in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above experts did not have any direct or indirect interest in any assets which had been since 31 March 2016 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to the Enlarged Group, or were proposed to be acquired or disposed of by or leased to the Enlarged Group.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2016, the date on which the latest published audited consolidated financial statements of the Company were made up.

GENERAL

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands;
- (b) The principal place of business of the Company in Hong Kong is at Unit 906, 9/F., Wings Building, 110–116 Queen’s Road Central, Hong Kong;
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited situated at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong; and
- (d) The secretary of the Company is Mr. Sheung Kwong Cho.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays) at the principal office of the Company in Hong Kong at Unit 906, 9/F, Wings Building, 110–116 Queen’s Road Central, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum of association and articles of association of the Company;
- (b) the Agreement;
- (c) the annual report of the Company for the two years ended 31 March 2015 and 2016;
- (d) the interim report of the Company for the six months ended 30 September 2016;
- (e) the third quarterly report of the Company for the nine months ended 31 December 2016;
- (f) the letter from the Board, the text of which is set out in this circular;
- (g) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (h) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (i) the property valuation report from Roma Appraisals Limited, the text of which is set out in Appendix I to this circular;

- (j) the written consent from the experts referred to in the paragraph headed “Experts and Consents” in this appendix; and
- (k) this circular.

MISCELLANEOUS

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF EGM



Kong Shum Union Property Management (Holding) Limited
港深聯合物業管理(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8181)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Kong Shum Union Property Management (Holding) Limited (the “**Company**”) will be held at Unit L, 1/F., Kaiser Estate, Phase 2, 51 Man Yue Street, Hung Hom, Kowloon, Hong Kong on Friday, 24 March 2017 at 3:00 p.m. to consider and, if thought fit, approve, with or without modifications, the following resolutions as ordinary resolutions.

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) subject to the fulfillment of the terms and conditions set out in the agreement (the “**Agreement**”) dated 8 February 2017 and entered into among (i) Kong Shum Union Property Management Company Limited (the “**Purchaser**”), a wholly-owned subsidiary of the Company; (ii) Mr. Ho Ying Choi and Mr. Ho Ying Cheung (collectively, the “**Vendors**”); and (iii) Fortune Trend Investment Limited and More Rise Investment Limited (collectively, the “**Target Companies**”) in relation to the acquisition of the entire issued share capital of the Target Companies by the Purchaser from the Vendors (the “**Acquisition**”), a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification, the Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement and the transactions contemplated thereunder.”

NOTICE OF EGM

2. “THAT Mr. Lee Chin Ching, Cyrix be re-elected as an executive director of the Company and the board of directors of the Company be authorised to fix his remuneration.”

Yours faithfully

By Order of the Board

Kong Shum Union Property Management (Holding) Limited

Eric TODD

Chairman

Hong Kong, 8 March 2017

Registered Office:

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111
Cayman Islands

*Principal place of business
in Hong Kong:*

Unit 906, 9/F
Wings Building
110–116 Queen’s Road Central
Hong Kong

Notes:

1. The register of members of the Company will be closed on Thursday, 23 March 2017 and Friday, 24 March 2017, during which period no transfer of Shares can be registered. In order to qualify for attending and voting at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on Wednesday, 22 March 2017.
2. A member of the Company entitled to attend and vote at the EGM may appoint one or more proxies (if he is a holder of two or more shares of the Company) to attend and vote in his stead. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member of the Company from attending the EGM and voting in person should he so wish. In such event, his form of proxy will be deemed to have been revoked.
3. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company’s Hong Kong branch share registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not less than 48 hours before the time for holding the meeting or any adjourned meeting thereof.
5. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning is in effect any time after 12:00 noon on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.kongshum.com.hk and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and venue of the rescheduled meeting.
6. The translation into Chinese language of the above notice is for reference only. In case of any inconsistency, the English version shall prevail.

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