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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 TRANSACTION IN RELATION TO
THE PROPOSED ACQUISITION OF 30% OF
THE ISSUED SHARES IN DAKIN HOLDINGS INC.**



Financial adviser of the Company

THE AGREEMENT

The Board is pleased to announce that, on 13 February 2017 (after trading hours of the Stock Exchange), the Purchaser (a wholly-owned subsidiary of the Company) (as purchaser) and the Company (as guarantor) entered into the Agreement with the Vendor (as vendor), pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 30% of the issued share capital of the Target Company at the Consideration of HK\$31,500,000.

Upon Completion, the Company will indirectly hold 30% of the equity interest in the Target Company, which will become an associate of the Company and the investment of the Group in the Target Group will be classified as investment in an associate.

GEM LISTING RULES IMPLICATION

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.

THE AGREEMENT IS CONDITIONAL UPON THE SATISFACTION OF A NUMBER OF CONDITIONS PRECEDENT SET OUT IN THE AGREEMENT. THEREFORE, THE ACQUISITION MAY OR MAY NOT PROCEED. INVESTORS AND SHAREHOLDERS ARE ADVISED TO EXERCISE CAUTION IN DEALING IN THE COMPANY'S SECURITIES.

INTRODUCTION

Reference is made to the announcement of the Company dated 20 January 2017 in relation to the entering into of a memorandum of understanding between the Company and the Vendor in relation to the proposed acquisition of a company in the financial services industry.

The Board is pleased to announce that, on 13 February 2017 (after trading hours of the Stock Exchange), the Purchaser (a wholly-owned subsidiary of the Company) (as purchaser) and the Company (as guarantor) entered into the Agreement with the Vendor (as vendor), pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 30% of the issued share capital of the Target Company at the Consideration of HK\$31,500,000. The principal terms of the Agreement are summarised below:

THE AGREEMENT

Date: 13 February 2017

Parties

Purchaser: Lucky Stone Investments Limited (a wholly-owned subsidiary of the Company)

Vendor: Mr. Chang Tin Duk, Victor

Guarantor: The Company

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor, being the ultimate beneficial owner of the Target Company and a director of the Target Company and its subsidiaries, is a third party independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 30% of the issued share capital of the Target Company at the Consideration of HK\$31,500,000.

Upon Completion, the Company will indirectly hold 30% of the issued share capital in the Target Company through the Purchaser, and the Target Company will become an associate of the Company and the investment of the Group in the Target Group will be classified as investment in an associate.

Consideration and payment terms

The Consideration of HK\$31,500,000 shall be satisfied in the following manners:

- (i) the Purchaser shall pay to the Vendor a deposit in the sum of HK\$12,600,000 (the “**1st Deposit**”) within ten (10) Business Days from the date of signing of the Agreement, which will upon Completion represent part payment of the Consideration;
- (ii) on or before 28 February 2017, the Purchaser shall pay to the Vendor a further deposit in the sum of HK\$15,750,000 (the “**2nd Deposit**”, together with the 1st Deposit, the “**Deposit**”), which will upon Completion represent part payment of the Consideration; and
- (iii) upon Completion, the Purchaser shall pay to the Vendor HK\$3,150,000 (the “**Balance**”), being the remaining balance of the Consideration in cash.

The Consideration under the Agreement will be funded by the Group’s internal resources as the Directors may deem appropriate.

Basis of determination of the Consideration

The Consideration for the Sale Shares was determined after arm’s length negotiation between the Purchaser and the Vendor taking into account various factors, amongst others, (a) the Group’s assessment on the future prospect of the business of financial services in Hong Kong; (b) the preliminary valuation of the Target Company as at 31 December 2016 and the preliminary fair value of 100% interest in the Target Company is approximately HK\$125,000,000 as at 31 December 2016 as assessed by an independent professional valuer applying market approach; (c) the historical financial performance and position of the Target Group; and (d) the reasons for and benefits of the Acquisition as described under the paragraph headed “Reasons for and benefits of the Acquisition” below.

Having considered the above, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is conditional upon the fulfilment of all the following conditions precedent:

- (a) the Purchaser being reasonably satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of the Target Group as it may reasonably consider appropriate;
- (b) all approvals and consents (including but not limited to all relevant approvals and consents as may be required from the SFC and any other governmental or regulatory authority) required to be obtained on the part of the Vendor and any member of the Target Group in respect of the Agreement and the transactions contemplated thereunder shall have been obtained and remain in full force and effect;
- (c) all approvals and consents required to be obtained on the part of the Purchaser and the Guarantor in respect of the Agreement and the transactions contemplated thereunder shall have been obtained and remain in full force and effect and any applicable legal or

regulatory requirements (including but not limited to any requirements under the SFO and the GEM Listing Rules) applicable to the Purchaser and/or the Guarantor in respect of the entering into of the Agreement and the transactions contemplated thereunder shall have been duly complied with by the Purchaser and/or the Guarantor;

- (d) all requisite consents and approvals from the SFC and/or any other governmental or regulatory authority in relation to the transactions contemplated under the Agreement, including but not limited to the addition of the Purchaser as a substantial shareholder (as defined in the SFO) of the subsidiaries of the Target Company shall have been obtained and remain in full force and effect;
- (e) the warranties, representations and undertakings given or made by the Vendor under the Agreement remaining true, accurate and not misleading in all material respects; and
- (f) the Purchaser having reasonably satisfied that there has not been any Material Adverse Change on the Target Group since the date of the Agreement.

In the event that the conditions precedent set out above cannot be fulfilled on or before the Longstop Date, the Agreement shall cease and determine (save and except those provisions dealing with termination, confidentiality, notices and governing law and jurisdiction which shall continue to have full force and effect) and the parties to the Agreement will be released from all obligations thereunder, save for the liabilities of any antecedent breaches of the terms thereof, and the Vendor shall release the Deposit in full to the Purchaser within seven (7) days from the date of termination of this Agreement.

Guarantee

Pursuant to the Agreement, the Guarantor should unconditionally, irrevocably and absolutely guarantees to the Purchaser the full, due and punctual performance by the Purchaser of all its obligations under the Agreement and, in the case of failure by the Purchaser, fully, duly or punctually to perform such obligations, shall itself forthwith on demand perform such obligations, and undertakes to indemnify and keep indemnified the Vendor against all losses, liabilities, damages, reasonable costs and expenses of whatsoever nature including, without limitation, legal expenses, which it may suffer or incur, arising from or in connection with any default or undue delay on the part of the Purchaser in the performance of its obligations under the Agreement.

Undertakings

Pursuant to the Agreement, the Vendor has undertaken to the Purchaser, among other things, that:

- (i) the Vendor shall (at his own cost) be responsible for the preparation of the application documents and shall use his reasonable endeavours to apply for, secure and obtain the approval from SFC in relation to the addition of the Purchaser as a substantial shareholder (as defined in the SFO) of the subsidiaries of the Target Company; and

- (ii) the Vendor shall and shall procure the Target Company to enter into a shareholders' agreement in relation to, among other matters, the business, affairs, operation and management of the Target Group with the Purchaser as soon as possible after Completion.

Completion

Completion shall take place at or before 3:00 p.m. (or such other time as the parties to the Agreement may agree prior to Completion) on the Completion Date.

Without prejudice to any remedies any party to the Agreement may have, if the Vendor or the Purchaser fails to complete the sale and purchase of the Sale Shares in accordance with the terms of the Agreement, the party not in default may, among other things, by notice in writing to the other terminate the Agreement in which event the Vendor shall forthwith refund the Deposit in full to the Purchaser.

Upon Completion, the Company will indirectly hold 30% of the equity interest in the Target Company, which will become an associate of the Company and the investment of the Group in the Target Group will be classified as investment in an associate.

INFORMATION OF THE TARGET GROUP

The Target Group is currently licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO. The Target Group also holds a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). In addition, the Target Group has recently submitted an application to the SFC for approval of the addition of Type 9 (asset management) regulated activity. The approval of such licensing application, however, is not a condition precedent to Completion and there is no guarantee that the approval of such licensing application can be obtained from SFC.

The Target Group is principally engaged in (i) the business of advising on corporate finance; (ii) the business of dealing in securities and future contracts; and (iii) the business of money lending services. As at the date of this announcement, the Target Group has a total of 25 staff of which 8 were Responsible Officers and 14 were Licensed Representatives.

Set out below are the financial information of the Target Group as extracted from its management accounts for the period from 13 March 2015 (date of incorporation of the Target Company) to 31 March 2016 and the nine months ended 31 December 2016:

	For the nine months ended 31 December 2016 (Unaudited) (approximately) HK\$'000	For the period from 13 March 2015 to 31 March 2016 (Unaudited) (approximately) HK\$'000
Profit before taxation and extraordinary items	8,377	4,656
Profit after taxation and extraordinary items	6,726	3,872

	As at 31 December 2016 (Unaudited) <i>(approximately)</i> HK\$'000	As at 31 March 2016 (Unaudited) <i>(approximately)</i> HK\$'000
Net assets	10,691	3,965

INFORMATION ON THE GROUP

The Purchaser is a company incorporated in the BVI 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.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As mentioned in the interim report of the Company for the six months ended 30 September 2016, the Group has been actively exploring other business opportunities in order to diversify the existing business of the Group and to explore new markets with significant growth potential. As disclosed in the announcement of the Company dated 20 December 2016, the Company has been exploring suitable opportunities to commence and develop business of provision of financial services in Hong Kong. By investing in the Target Company, it is expected that the Company can expand its business portfolio, diversify its revenue sources and capture new business opportunities which may create substantial value to the Shareholders.

In addition, the launching of the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are expected to increase the trading volume of the stock transactions in Hong Kong stock market and in turn the overall revenue of financial industry in Hong Kong. In view of the positive prospect of the industry together with the strong financial performance and the professional personnel of the Target Group, the Group is expected to benefit from diversifying a new profit stream which is expected to enhance the long-term growth potential of the Group.

The Directors are of the view that the Acquisition provides a prime opportunity for the Group to enter into the financial services in Hong Kong and diversify the revenue stream of the Group.

In view of the above, the Directors consider that the terms of the Agreement are on normal commercial terms after arm's length negotiation and are fair and reasonable, and the Acquisition, which enables the Group to tap into the business of financial services and achieve its long-term business growth, is in the interest of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATION

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

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DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of 30% of the issued share capital of the Target Company by the Purchaser from the Vendor;
“Agreement”	the sale and purchase agreement dated 13 February 2017 and entered into among the Purchaser, the Vendor and the Guarantor in relation to the Acquisition;
“Balance”	has the meaning ascribed thereto in the paragraphs headed “Consideration and payment terms” in this announcement;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday, a Sunday or a day on which a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong) on which banks are generally open for business in Hong Kong throughout their normal business hours;
“BVI”	the British Virgin Islands;
“Company”	Kong Shum Union Property Management (Holding) Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued ordinary shares of which are listed on GEM (stock code: 8181);
“Completion”	completion of the sale and purchase of the Sale Shares;
“Completion Date”	the date when the Completion takes place, which shall be the third Business Day from the date on which all the conditions precedent set out in the Agreement have been fulfilled or such later date as the parties to the Agreement may agree in writing;

“Consideration”	HK\$31,500,000, being the aggregate consideration for the Acquisition which is the purchase price payable by the Purchaser for the Sale Shares;
“Deposit”	has the meaning ascribed thereto in the paragraphs headed “Consideration and payment terms” in this announcement;
“Director(s)”	the director(s) of the Company;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company together with its subsidiaries;
“Guarantor”	the Company;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Licensed Representatives(s)”	an individual who is granted a licence under section 120(1) or 121(1) of the SFO to carry on one or more regulated activities for a licensed corporation to which he/she is accredited;
“Longstop Date”	30 November 2017, or such other date to be agreed by the parties to the Agreement;
“Material Adverse Change (or Effect)”	any change (or effect) which has a material and adverse effect on the financial or trading position, business, prospects, results of operations of the Group;
“Purchaser”	Lucky Stone Investments Limited, a company incorporated in the BVI with limited liability, a wholly-owned subsidiary of the Company;
“Responsible Officer(s)”	Licensed Representative(s) who is also approved as a responsible officer under section 126 of the SFO to supervise one or more regulated activities of the licensed corporation to which he/she is accredited;
“Sale Shares”	a total of 3,000 ordinary shares in the capital of the Target Company, representing 30% of the total issued share capital of the Target Company as at the date of the Agreement and to be sold by the Vendor to the Purchaser pursuant to the Agreement;
“SFC”	the Securities and Futures Commission of Hong Kong;

“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Dakin Holdings Inc., a company incorporated in the British Virgin Islands with limited liability, which, as at the date of the Agreement, is wholly, legally and beneficially owned by the Vendor;
“Target Group”	the Target Company and its subsidiaries, which (i) are licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO; (ii) hold a money lender’s licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong); and (iii) have recently submitted an application to the SFC for approval of the addition of Type 9 (asset management) regulated activity;
“US\$”	US dollar, the lawful currency of the United States of America;
“Vendor”	Mr. Chang Tin Duk, Victor;
“1st Deposit”	has the meaning ascribed thereto in the paragraphs headed “Consideration and payment terms” in this announcement;
“2nd Deposit”	has the meaning ascribed thereto in the paragraphs headed “Consideration and payment terms” in this announcement; and
“%”	per cent.

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

Hong Kong, 13 February 2017

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

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

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.kongshum.com.hk.