

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 30 JUNE 2016**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE
STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of the companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Director(s)”) of Kong Shum Union Property Management (Holding) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

UNAUDITED FINANCIAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 30 June 2016, together with the unaudited comparative figures for the corresponding period in 2015 as follows:

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

	<i>Notes</i>	Three months ended 30 June	
		2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Revenue	4	94,464	91,991
Cost of services		(75,214)	(73,238)
Gross profit		19,250	18,753
Other revenue	5	76	76
Administrative expenses		(12,485)	(14,189)
Other operating expenses		(4,721)	(6,171)
Finance costs	6	(61)	(187)
Profit/(loss) before tax	7	2,059	(1,718)
Income tax expense	8	(730)	(937)
Profit/(loss) and total comprehensive income for the period attributable to owners of the Company		1,329	(2,655)
Earnings/(loss) per share		<i>HK Cent</i>	<i>HK Cent</i>
— basic	10	0.27	(0.66)
— diluted	10	0.27	(0.66)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company								
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Convertible notes reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2015 (audited)	4,000	24,088	745	-	4,750	-	5,704	35,287	39,287
Loss and total comprehensive income for the period	-	-	-	-	-	-	(2,655)	(2,655)	(2,655)
Recognition of share-based payments	-	-	3,127	-	-	-	-	3,127	3,127
Issue of convertible notes	-	-	-	359	-	-	-	359	359
Changes in equity for the period	-	-	3,127	359	-	-	(2,655)	831	831
As at 30 June 2015 (unaudited)	4,000	24,088	3,872	359	4,750	-	3,049	36,118	40,118
As at 1 April 2016 (audited)	4,952	74,983	3,872	-	4,750	(8,733)	8,518	83,390	88,342
Profit and total comprehensive income for the period	-	-	-	-	-	-	1,329	1,329	1,329
As at 30 June 2016 (unaudited)	4,952	74,983	3,872	-	4,750	(8,733)	9,847	84,719	89,671

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 August 2012 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at Unit 906, 9/F., Wings Building, 110–116 Queen’s Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are provision of property management services.

These unaudited condensed consolidated results are presented in Hong Kong dollars (“HK\$”), which is the functional currency of the Company and its subsidiaries.

2. BASIS OF PRESENTATION

These unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2016 have been prepared in accordance with accounting principles generally accepted in Hong Kong and in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2016.

In the current period, the Group has adopted all the new/revised HKFRSs issued by the HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 April 2016.

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

3. SEGMENT INFORMATION

The Group currently operates in one operating segment which is property management services. Management team reports are presented to the Group's chief operating decision-maker who allocates resources and assesses performance based on the consolidated result for the period for the entire business comprehensively. Accordingly, the Group does not present separate segment information.

During the three months ended 30 June 2016 and 2015, all revenue were derived from customers in Hong Kong and the Group's non-current assets as at 30 June 2016 and 2015 were located in Hong Kong.

4. REVENUE

The Group is principally engaged in the provision of property management services during the three months ended 30 June 2016 and 2015. An analysis of the Group's revenue recognised during the periods is as follows:

	Three months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Provision of property management services	<u>94,464</u>	<u>91,991</u>

5. OTHER REVENUE

	Three months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest income	<u>76</u>	<u>76</u>

6. FINANCE COSTS

	Three months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest on bank borrowings	55	134
Interest on convertible notes	–	48
Finance lease charges	<u>6</u>	<u>5</u>
	<u>61</u>	<u>187</u>

7. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging the following:

	Three months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Staff costs including directors' remuneration:		
— salaries, wages and other staff benefits	79,353	78,364
— contributions to retirement benefit scheme	2,243	2,344
— equity-settled share-based payments	—	920
	<u>81,596</u>	<u>81,628</u>
Auditor's remuneration	138	163
Depreciation of property, plant and equipment	329	340
Legal and professional fees	1,702	743
Operating lease rentals in respect of premises	901	734
Equity-settled consultancy fees	—	2,207
	<u>—</u>	<u>2,207</u>

8. INCOME TAX EXPENSE

	Three months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
The tax charge comprises:		
Hong Kong Profits Tax — current period	1,098	1,236
Deferred taxation	(368)	(299)
	<u>730</u>	<u>937</u>

The Company is tax exempt under the laws of the Cayman Islands. The Company's subsidiaries operate in Hong Kong are subject to Hong Kong Profits Tax which is calculated at 16.5% (2015: 16.5%) on the assessable profits earned in Hong Kong.

9. DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 30 June 2016 (2015: Nil).

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the consolidated profit for the period attributable to owners of the Company of approximately HK\$1.3 million (2015: loss approximately HK\$2.7 million) and the weighted average number of ordinary shares of 495,151,515 (2015: 400,000,000) in issue during the period.

Diluted earnings/(loss) per share

The effects of all potential ordinary shares of the Company in respect of share options and convertible notes do not give rise to any dilution effect to the earnings/(loss) per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is a property management services group principally engaged in the provision of property management services in Hong Kong primarily targeting residential properties. The Group operates under the brand name of “Kong Shum” and provides a range of management services including security, repair and maintenance, cleaning, finance management, administrative and legal support. Under an established functional structure with various departments, the Group has dedicated teams to carry out the aforementioned management services. The Group also employs a team of security staff to provide security services as part of the services provided under property management contracts or under stand-alone security services contracts. For the three months ended 30 June 2016, the Group provided property security services for 15 properties under stand-alone security services contracts. The operating arm of the Group’s security services is mainly Q & V Security Company Limited (“Q&V”). The Group hires its own security staff to provide property security services. The Group also employs registered technicians to provide basic repair and maintenance services to its customers if required. In relation to the cleaning services, the Group subcontracts substantially all of its cleaning services to third-party contractors.

Financial review

For the three months ended 30 June 2015 and 2016, all of the Group’s revenue was derived from its operation in Hong Kong. The following table sets out the Group’s revenue by contract type for each of three months ended 30 June 2015 and 2016:

	Three months ended 30 June			
	2016		2015	
	<i>HK\$’million</i>	<i>Percentage</i>	<i>HK\$’million</i>	<i>Percentage</i>
Property management services contracts	89.3	94.5%	87.2	94.8%
Property security services contracts	5.2	5.5%	4.8	5.2%
	<u>94.5</u>	<u>100%</u>	<u>92.0</u>	<u>100%</u>

The Group’s revenue improved by approximately 2.7% from approximately HK\$92.0 million for the three months ended 30 June 2015 to approximately HK\$94.5 million for the three months ended 30 June 2016. The increase was primarily attributable to the growth of revenue generated from property management services contracts, increased by around 2.4% to approximately HK\$89.3 million for the three months ended 30 June 2016. Revenue generated from security services contracts recorded an increase of around 8.3% to approximately HK\$5.2 million for the three months ended 30 June 2016.

The gross profit of the Group increased by approximately 2.7% from approximately HK\$18.8 million for the three months ended 30 June 2015 to approximately HK\$19.3 million for the three months ended 30 June 2016. The gross profit margin was approximately 20.4% for both of the three months ended 30 June 2015 and 2016 respectively. The total cost of services amounted to approximately HK\$73.2 million and HK\$75.2 million for the three months ended 30 June 2015 and 2016 respectively, representing approximately 79.6% of the Group's revenue for both periods.

The Group has recorded a profit of approximately HK\$1.3 million for the three months ended 30 June 2016 as opposed to the loss of approximately HK\$2.7 million for the three months ended 30 June 2015 (the "Turnaround"). The Turnaround was mainly attributable to the decrease in administrative expenses and other operating expenses for the three months ended 30 June 2016 as no share-based payments for share options were incurred during such period.

OPERATION REVIEW

Human resources

As at 30 June 2016, the Group had a total of 2,132 employees (as at 30 June 2015: 2,108 employees). The Group's staff costs for the three months ended 30 June 2016 amounted to approximately HK\$81.6 million (2015: HK\$81.6 million). To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees of the Group by reference to the Group's results and individual performance.

Services contracts

Due to the well established team and project planning, in the first quarter of 2016, 2 facility management service contract for non-domestic property management segment which included 2 shopping complexes was awarded to the Group. The success in securing the contract gave the Group confidence to expand the property management portfolio continuously. In addition, 7 property management contracts were awarded to the Group during the period under review.

As at 30 June 2016, there were in total 431 service contracts comprising 398 property management service contracts, 16 stand alone securities contracts and 17 facility management service contracts (as at 30 June 2015: 421 service contracts).

Contract renewal complying with procedural requirements

A service contract which does not comply with the procedural requirements for contract renewal as stipulated in section 20A of the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong) may be cancelled by the owners' corporation. For the 431 contracts in force as at 30 June 2016, 75 service contracts are not in strict compliance with the said contract renewal requirements, hence, termination notice were served on clients involving in these contracts. All of the remaining 356 valid contracts as at 30 June 2016 were in compliance with the said procedural requirements or not applicable under the Building Management Ordinance. The senior management adopts a tight control system to monitor the full compliance of the procedural requirements. All newly signed contracts during the three months ended 30 June 2016 included the mandatory term requiring the client to follow the said procedural requirements, if applicable.

Client accounts

As at 30 June 2016, the Group holds 63 (as at 31 March 2016: 63 clients) client accounts amounting to approximately HK\$57.8 million (as at 31 March 2016: approximately HK\$32.4 million) on trust for and on behalf of customers. These client accounts are opened in the names of the Group and the relevant property. The management fees received from the tenants or owners of the properties were deposited into these client accounts and the expenditure of these customers was paid from these client accounts.

Performance bond

As at 30 June 2016, the banks issued 8 (as at 31 March 2016: 10) bond certificates amounting to approximately HK\$12.77 million (as at 31 March 2016: approximately HK\$17.5 million) on behalf of the Group to the clients as required in the service contracts.

Outlook

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

We are currently exploring suitable opportunities to commence and develop business of property development in Hong Kong, which may include, but not limited to, (i) carrying out schemes for property consolidation, assembly and redevelopments; and (ii) property trading and/or investment (the "Potential New Business"). The Board intends to develop the Potential New Business through self-development of the subsidiaries, and/or investment(s) in suitable targets/assets, and/or through co-operation by way of joint venture(s) with other parties.

Our Board 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.

Notwithstanding the Group's intention to explore the Potential New Business, the existing principal business of the Group in the provision of property management services in Hong Kong, primarily targeting residential properties, will continue to be the core business of the Group. The Board expects that the Potential New Business will enable the Group to expand its business portfolio, diversify its income source and possibly enhance its financial performance.

MAJOR INVESTMENT

Acquisition of Property Management Business

On 3 March 2016, the Company entered into a non-legally binding memorandum of understanding, pursuant to which, the Company intends to acquire the entire issued share capital in a company (the “Target Company”) that is principally engaged in the business of providing property management services in Hong Kong.

On 26 May 2016, Kong Shum Union Property Management Group Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “Agreement”) with independent third parties (the “Vendors”), pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to purchase, the entire issued share capital of the Target Company at a total consideration of HK\$2,500,000, payable by cash (the “Acquisition”).

Details of the memorandum of understanding and the Agreement are disclosed in the Company’s announcements dated 3 March 2016 and 26 May 2016 respectively. On 30 June 2016, the Board announced that all conditions precedent to completion (“Completion”) of the Acquisition under the Agreement have been fulfilled and Completion took place on 30 June 2016 in accordance with the terms and conditions of the Agreement. Upon Completion, the Company owns 100% of the issued share capital of the Target Company and the Target Company has become an indirect wholly owned subsidiary of the Company. As such, the financial results of the Target Company has been consolidated into the accounts of the Group.

Termination of proposed open offer and underwriting agreement

On 21 April 2016, the Company announced that the proposed open offer of three shares for every one share of the Company held by the qualifying shareholders at a subscription price of HK\$0.12 per share (the “Proposed Open Offer”), together with the underwriting agreement entered into between the Company and the underwriter in connection with the Proposed Open Offer, were terminated due to the then recent volatile market conditions, details of which are set out in the announcements of the Company dated 3 December 2015, 11 January 2016 and 5 February 2016.

Establishment of strategic cooperation

On 13 June 2016, the Company and Crystal Properties Development Limited (an independent third party) (collectively referred to as the “Parties”) entered into a strategic partnership framework agreement pursuant to which the Parties have agreed to establish strategic partnership in investment in and redevelopment of old buildings in Hong Kong. Details of the aforementioned agreement are set out in the Company’s announcement dated 13 June 2016. As of the approval date of these financial statements, the establishment of strategic partnership as contemplated under the aforementioned agreement is still under progress.

RESIGNATION AND APPOINTMENT OF THE CHAIRMAN OF THE BOARD AND EXECUTIVE DIRECTOR

On 29 July 2016, the Board announced that Mr. Yan Chi Ming (“Mr. Yan”) had resigned as the Chairman of the Board and an executive Director with effect from 29 July 2016 due to his other business commitments.

On the same day, the Board also announced that Mr. Eric Todd has been appointed as the Chairman of the Board and an executive Director with effect from 1 August 2016 (the “Appointment”) to fill the vacancy arising from the resignation of Mr. Yan. Details of the resignation and appointment of the Chairman of the Board and executive Director are disclosed in the Company’s announcement dated 29 July 2016.

CHANGE OF ADDRESS OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

As disclosed in the announcement of the Company dated 29 July 2016, the address of head office and principal place of business in Hong Kong of the Company has been changed to Unit 906, 9/F., Wings Building, 110–116 Queen’s Road Central, Hong Kong with effect from 1 August 2016.

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

As at 30 June 2016, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the three months ended 30 June 2016 was the Company, its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangement to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS AND OTHER PERSONS DISCLOSEABLE UNDER THE SFO

So far is known to the Directors, as at 30 June 2016, there is no shareholder (other than a director or chief executive of the Company) who had interests or short positions in the securities of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly and indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO and the Hong Kong Companies Ordinance, (Cap 622).

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2016.

CONTRACT OF SIGNIFICANCE

Save for the respective director service contract with each Director, and save as disclosed under the paragraph headed "Connected Transactions" on P.79–81 of the annual report of the Company for the year ended 31 March 2016, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the period under review.

COMPETING INTERESTS

The Directors confirm that none of the controlling shareholders or Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the compliance adviser of the Company whose engagement has been completed on 28 June 2016 in full compliance of the relevant GEM Listing Rules requirements, except for the compliance adviser agreement entered into between the Company and Ample Capital Limited dated 27 September 2013, neither Ample Capital Limited or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in relation to the Group or the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference, which are available on the Company's website and the website of the Stock Exchange, in compliance with the GEM Listing Rules. The Audit Committee currently consists of all the independent non-executive Directors, namely Mr. Lam Kai Yeung (Chairman of the Audit Committee), Mr. Lo Chi Ho, Richard and Mr. Tso Siu Lun, Alan. The Audit Committee has reviewed and approved the Company's unaudited quarterly results for the three months ended 30 June 2016 and recommended approval to the Board.

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

Hong Kong, 8 August 2016

As at the date hereof, the executive Directors are Mr. Eric Todd (Chairman), Mr. Ho Ying Choi and Ms. Wu Yilin; the non-executive Director is Mr. Wong Kui Shing, Danny; and the independent non-executive Directors are Mr. Tso Siu Lun, Alan, Mr. Lam Kai Yeung and Mr. Lo Chi Ho, Richard.

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 Company's website at www.kongshum.com.hk.