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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)**

**FIRST QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE THREE MONTHS ENDED 30 JUNE 2017**

**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.**

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*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 2017, together with the unaudited comparative figures for the corresponding period in 2016 are set out as follows:

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

	<i>Notes</i>	<b>Three months ended 30 June</b>	
		<b>2017</b> <i>HK\$'000</i> <b>(unaudited)</b>	<b>2016</b> <i>HK\$'000</i> <b>(unaudited)</b>
<b>Revenue</b>	4	<b>100,845</b>	94,464
Cost of services		<b>(80,579)</b>	(75,214)
<b>Gross profit</b>		<b>20,266</b>	19,250
Other revenue	5	<b>78</b>	76
Administrative expenses		<b>(12,786)</b>	(12,485)
Other operating expenses		<b>(4,318)</b>	(4,721)
Finance costs	6	<b>(357)</b>	(61)
Share of profits of an associate		<b>1,910</b>	–
<b>Profit before tax</b>		<b>4,793</b>	2,059
Income tax expense	8	<b>(753)</b>	(730)
<b>Profit and total comprehensive income for the period attributable to owners of the Company</b>	7	<b>4,040</b>	1,329
Earnings per share		<i>HK Cent</i>	<i>HK Cent</i>
— basic	10	<b>0.63</b>	0.27
— diluted	10	<b>0.63</b>	0.27

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Merger reserve HK\$'000	Equity investment revaluation reserve HK\$'000	Retained profits HK\$'000	
As at 1 April 2016 (audited)	4,952	74,983	3,872	4,750	(8,733)	8,518	88,342
Profit and total comprehensive income for the period (unaudited)	–	–	–	–	–	1,329	1,329
<b>As at 30 June 2016 (unaudited)</b>	<b>4,952</b>	<b>74,983</b>	<b>3,872</b>	<b>4,750</b>	<b>(8,733)</b>	<b>9,847</b>	<b>89,671</b>
As at 1 April 2017 (audited)	5,942	96,000	3,872	4,750	(13,000)	18,706	116,270
Profit and total comprehensive income for the period (unaudited)	–	–	–	–	–	4,040	4,040
Placing of shares (unaudited)	1,188	26,469	–	–	–	–	27,657
Changes in equity for the period (unaudited)	1,188	26,469	–	–	–	4,040	31,697
<b>As at 30 June 2017 (unaudited)</b>	<b>7,130</b>	<b>122,469</b>	<b>3,872</b>	<b>4,750</b>	<b>(13,000)</b>	<b>22,746</b>	<b>147,967</b>

## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

### **1. GENERAL INFORMATION**

Kong Shum Union Property Management (Holding) Limited (the “Company”) was incorporated in the Cayman Islands with limited liability. Its shares were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 11 October 2013. The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit 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; properties investment and money lending business.

These financial statements are presented in Hong Kong dollar (“HK\$”), unless otherwise stated.

### **2. BASIS OF PRESENTATION**

These unaudited condensed consolidated financial statements of the Group for the three months ended 30 June 2017 have been prepared in accordance with accounting principles generally accepted in Hong Kong and in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”).

The accounting policies adopted by the Group are consistent with the consolidated financial statements for the year ended 31 March 2017.

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 2017.

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 2017.

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

#### (a) Reportable segments

The Group has three (2016: one) reportable segments. The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

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

Segment profits or losses do not include dividend income and gains or losses from investments. Segment assets do not include investments. Segment non-current assets do not include financial instruments and deferred tax assets.

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

#### (i) Business segments

	<b>Provision of property management services</b>	<b>Properties investment</b>	<b>Money lending business</b>	<b>Total</b>
<b>Three months ended 30 June 2017</b>	<b>HK\$'000 (unaudited)</b>	<b>HK\$'000 (unaudited)</b>	<b>HK\$'000 (unaudited)</b>	<b>HK\$'000 (unaudited)</b>
Reportable segment revenue:				
Revenue from external customers	<u>100,552</u>	<u>293</u>	<u>–</u>	<u>100,845</u>
Reportable segment profit/(loss)	<u>4,197</u>	<u>234</u>	<u>(5)</u>	<u>4,426</u>
Depreciation of property, plant and equipment	372	1	–	373
Amortisation of intangible assets	512	–	–	512
Income tax expense	717	36	–	753
Interest revenue	78	–	–	78
Interest expense	357	–	–	357
Additions to property, plant and equipment	112	–	–	112
<b>At 30 June 2017</b>				
Reportable segment assets	<u>119,908</u>	<u>29,295</u>	<u>15,044</u>	<u>164,247</u>
Reportable segment liabilities	<u>72,367</u>	<u>439</u>	<u>–</u>	<u>72,806</u>

	Provision of property management services	Properties investment	Money lending business	Total
Three months ended 30 June 2016	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)
Reportable segment revenue:				
Revenue from external customers	<u>94,464</u>	<u>–</u>	<u>–</u>	<u>94,464</u>
Reportable segment profit	<u>4,488</u>	<u>–</u>	<u>–</u>	<u>4,488</u>
Depreciation of property, plant and equipment	329	–	–	329
Income tax expense	730	–	–	730
Interest revenue	76	–	–	76
Interest expense	61	–	–	61
Additions to property, plant and equipment	558	–	–	558
At 30 June 2016				
Reportable segment assets	<u>116,155</u>	<u>–</u>	<u>–</u>	<u>116,155</u>
Reportable segment liabilities	<u>60,185</u>	<u>–</u>	<u>–</u>	<u>60,185</u>

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

Three months ended 30 June	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
<b>Revenue</b>		
Reportable segment revenue and consolidated revenue	<u>100,845</u>	<u>94,464</u>
<b>Profit or loss</b>		
Reportable segment profits	4,426	4,488
Unallocated corporate expenses	(1,543)	(2,429)
Unallocated share of profits of an associate	<u>1,910</u>	<u>–</u>
<b>Consolidated profit before tax</b>	<u>4,793</u>	<u>2,059</u>

	<b>At 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Assets</b>		
Reportable segment assets	164,247	116,155
Unallocated cash and cash equivalents	20,640	24,571
Other unallocated corporate assets	36,707	10,136
	<u>221,594</u>	<u>150,862</u>
<b>Liabilities</b>		
Reportable segment liabilities	72,806	60,185
Unallocated corporate liabilities	821	1,006
	<u>73,627</u>	<u>61,191</u>

**(b) Geographical information**

During the three months ended 30 June 2017 and 2016, all revenue is derived from customers in Hong Kong and the Group's non-current assets as at 30 June 2017 and 2016 are all located in Hong Kong.

**4. REVENUE**

The Group is principally engaged in the provision of property management services and properties investment business during the three months ended 30 June 2017 and provision of property management services during the three months ended 30 June 2016. An analysis of the Group's revenue recognised during the periods is as follows:

	<b>Three months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Provision of property management services	100,552	94,464
Rental income from investment properties	293	–
	<u>100,845</u>	<u>94,464</u>

**5. OTHER REVENUE**

	<b>Three months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interest income	78	76

## 6. FINANCE COSTS

	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings	48	55
Finance lease charges	3	6
Interest on promissory notes	306	—
	<u>357</u>	<u>61</u>

## 7. PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Staff costs including directors' remuneration:		
— salaries, wages and other staff benefits	84,168	79,353
— contributions to retirement benefit scheme	2,271	2,243
	<u>86,439</u>	<u>81,596</u>
Auditor's remuneration	190	138
Depreciation of property, plant and equipment	375	329
Amortisation of intangible assets	512	—
Legal and professional fees	761	1,702
Operating lease rentals in respect of		
— premises	790	763
— motor vehicles	144	138
	<u>144</u>	<u>138</u>

## 8. INCOME TAX EXPENSE

	Three months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The tax charge comprises:		
Hong Kong Profits Tax — current period	1,078	1,098
Deferred taxation	(325)	(368)
	<u>753</u>	<u>730</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% (2016: 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 2017 (2016: Nil).

## **10. EARNINGS PER SHARE**

### **Basic earnings per share**

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately HK\$4.0 million (2016: approximately HK\$1.3 million) and the weighted average number of ordinary shares of 641,149,317 (2016: 495,151,515) in issue during the period.

### **Diluted earnings per share**

The effect of the Company's outstanding share options for the three months ended 30 June 2017 and 2016 did not give rise to any dilution effect to the earnings 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 2017, the Group provided property security services for 14 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. During the three months ended 30 June 2017, the Group expanded its business into money lending services.

#### Financial review

For the three months ended 30 June 2017 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 2017 and 2016:

	Three months ended 30 June			
	2017		2016	
	<i>HK\$'million</i>	<i>Percentage</i>	<i>HK\$'million</i>	<i>Percentage</i>
Property management services contracts	<b>92.4</b>	<b>91.7%</b>	89.3	94.5%
Property security services contracts	<b>8.1</b>	<b>8.0%</b>	5.2	5.5%
Rental services contracts	<b>0.3</b>	<b>0.3%</b>	–	–
	<b>100.8</b>	<b>100%</b>	<b>94.5</b>	<b>100%</b>

The Group’s revenue improved by approximately 6.8% from approximately HK\$94.5 million for the three months ended 30 June 2016 to approximately HK\$100.8 million for the three months ended 30 June 2017. The increase was primarily attributable to the growth of revenue generated from property management services contracts, increased by around 3.5% to approximately HK\$92.4 million for the three months ended 30 June 2017. Revenue generated from security services contracts recorded an increase of around 55.8% to approximately HK\$8.1 million for the three months ended 30 June 2017.

The gross profit of the Group increased by approximately 5.3% from approximately HK\$19.3 million for the three months ended 30 June 2016 to approximately HK\$20.3 million for the three months ended 30 June 2017. The gross profit margin was approximately 20.4% and 20.1% for the three months ended 30 June 2016 and 2017 respectively. The total cost of services amounted to approximately HK\$75.2 million and HK\$80.6 million for the three months ended 30 June 2016 and 2017 respectively, representing approximately 79.6% and 79.9% of the Group's revenue.

The Group has recorded a profit of approximately HK\$4.0 million for the three months ended 30 June 2017 compared to the profit of approximately HK\$1.3 million for the three months ended 30 June 2016. The increase was mainly attributable to:

- (i) share of profits of an associate, contributed by the acquisition of 30% of the issued shares of Dakin Holdings Inc.
- (ii) the increase in revenue from the effect of increase in statutory minimum wage was to HK\$34.5 per hour effective from 1 May 2017 which led to the increase in the property service contract sum.
- (iii) the net effect of decrease in legal and professional fee, increase in interest on promissory note and amortisation of intangible assets during the period.

## **OPERATION REVIEW**

### **Human resources**

As at 30 June 2017, the Group had a total of 2,060 employees (30 June 2016: 2,132 employees). The Group's staff costs for the three months ended 30 June 2017 amounted to approximately HK\$86.4 million (30 June 2016: approximately HK\$81.6 million). In order 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 2017, 5 property management contracts were awarded to the Group during the period under review.

For the three months ended 30 June 2017, there were in total 429 service contracts (for the three months ended 30 June 2016: 431 service contracts) comprising 398 property management service contracts, 15 stand alone securities contracts and 16 facility management service contracts.

## **Contract renewal complying with procedural requirements**

A service contract which does not comply with the procedural requirements for contract renewal as stipulated in section 20A of the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong) may be cancelled by the owners' corporation. For the 429 contracts in force as at 30 June 2017, 159 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 270 valid contracts as at 30 June 2017 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 2017 included the mandatory term requiring the client to follow the said procedural requirements, if applicable.

## **Client accounts**

As at 30 June 2017, the Group holds 62 (as at 31 March 2017: 61 clients) client accounts amounting to approximately HK\$49.1 million (as at 31 March 2017: approximately HK\$40.8 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 2017, the banks issued 7 (as at 31 March 2017: 10) bond certificates amounting to approximately HK\$14.9 million (as at 31 March 2017: approximately HK\$20.4 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.

Management of the Company has been exploring suitable opportunities to commence and develop business of property development and of financial services in Hong Kong, which include, but not limited to, (i) carrying out schemes for property consolidation, assembly and redevelopments; (ii) property trading and/or investment; (iii) obtaining a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong); and (iv) securities brokerage and/or asset management (the "Potential New Businesses"). The Board intends to develop the Potential New Businesses 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. Further details of the Potential New Businesses are set out in the section headed "Business update" of this announcement.

The 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. In view of the current economic and capital markets environment, the Board believes that engaging in the Potential New Businesses is an opportunity of the Group to diversify its source of income and will therefore be in the interest of the Company and its shareholders of the Company (the “Shareholders”) as a whole.

Notwithstanding the Group’s intention to explore the Potential New Businesses, 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 Businesses will enable the Group to expand its business portfolio, diversify its income source and possibly enhance its financial performance.

### **Significant investments held, material acquisitions and disposals of subsidiaries, associates, joint ventures and future plans for material investments or capital asset**

#### *Acquisition of a financial services company*

On 20 January 2017, the Company, as potential purchaser, entered into a non-legally binding memorandum of understanding (the “MOU”) with a potential vendor (the “Potential Vendor”). Pursuant to the MOU, the Company intends to acquire, and the Potential Vendor intends to dispose of, the entire issued share capital in a company incorporated in the British Virgin Islands with limited liability which, together with its subsidiaries (collectively, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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) (the “MLO”). In addition, the Target Group has recently submitted an application to the Securities and Futures Commission of Hong Kong for approval of the addition of Type 9 (asset management) regulated activity.

On 13 February 2017, a wholly-owned subsidiary of the Company (as purchaser) and the Company (as guarantor) entered into an agreement (the “Agreement II”) with Mr. Chang Tin Duk, Victor (“Mr. Chang”) (as vendor), pursuant to which the aforesaid purchaser has conditionally agreed to acquire, and Mr. Chang has conditionally agreed to sell, 30% of the issued share capital of the target company contemplated therein (the “Target Company II”) at a consideration of HK\$31,500,000.

On 28 April 2017, all the conditions precedent set out in the Agreement II have been fulfilled and the aforesaid completion took place on 28 April 2017 in accordance with the terms and conditions of the Agreement II.

Following the aforesaid completion, the Company is holding 30% of the equity interest in the Target Company II, and the Target Company II has become an associate of the Company and the investment of the Group in the Target Group will be classified as investment in an associate.

Details of these announcements are disclosed in the Company's announcements dated 20 January 2017, 13 February 2017 and 28 April 2017.

### **Business update**

On 15 June 2017, a money lenders licence has been granted by the licensing court to a wholly-owned subsidiary of the Company. The Group has commenced its money lending business under the MLO and has decided to include the money lending business as one of its principal business activities from the date of this announcement.

Reference is made to 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. In view of the current economic and capital markets environment, the Board anticipates that extending its principal business activities into the money lending business will enable the Group to diversify the Group's business scope and broaden the revenue source of the Group with a view to bring more stable return to the Company and increase Shareholders' value. The Board considers the commencement of this new business segment is in the interest of the Company and its Shareholders as a whole. The Company will continue to explore further suitable opportunities to enhance the spectrum of its financial services in Hong Kong.

Details of which are set out in the announcement of the Company dated 15 June 2017.

### **Update on Directors' information**

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, changes in the Directors' information since the disclosure made in the Company's annual report 2016–2017 or the announcement in relation to the appointment of director (as the case may be) are set out as follows:

- Mr. Tso Siu Lun, Alan, an independent non-executive Director of the Company, was appointed as an independent non-executive director of Dragonite International Limited (a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, Stock Code: 329) since May 2017.

### **Fund raising activities**

#### *Placing of new shares under general mandate*

On 11 May 2017, The Company entered into a placing agreement with Supreme China Securities Limited (the "Placing Agent"), pursuant to which 118,800,000 new ordinary shares ("Shares") of par value of HK\$0.01 each of the Company would be placed, on a best effort basis at HK\$0.24 per Share to independent third parties (the "Placing"). Details of the Placing are set out in the Company's announcement dated 11 May 2017.

Completion of the Placing took place on 26 May 2017 and 118,800,000 Shares were successful placed by the Placing Agent.

## **CORPORATE GOVERNANCE PRACTICES**

The Board and the management of the Group are committed to upholding high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial for the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of Shareholders.

The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules for the three months ended 30 June 2017. The principles adopted by the Company emphasize a quality Board, sound internal controls, transparency and accountability to all Shareholders.

## **EVENTS AFTER THE REPORTING PERIOD**

### **(a) Discloseable transaction in relation to the provision of financial assistance**

On 17 July 2017, a loan agreement (the “Loan Agreement”) was entered into among Lucky Stone Finance Limited (the “Lender”), an indirect wholly-owned subsidiary of the Company, the borrower to the Loan Agreement (the “Borrower”) and a guarantor. Pursuant to the Loan Agreement, the Lender has agreed to grant a loan in the principal amount of HK\$16,000,000 to the Borrower for a period of 6 months commencing from the date of the Loan Agreement at an interest rate of 14% per annum and is secured by a guarantee.

The loan provided under the Loan Agreement constitutes a financial assistance provided by the Lender within the meaning of the GEM Listing Rules.

Details of the above are set out in the Company’s announcement dated 17 July 2017.

### **(b) Discloseable transaction in relation to the proposed acquisition of the convertible notes**

On 14 July 2017, Oceanic Alliance Investments Limited (the “Seller”), and Lucky Stone Investments Limited, a wholly-owned subsidiary of the Company (the “Buyer”), entered into an agreement in relation to the acquisition of convertible notes (the “Agreement”).

Subject to the satisfaction (or waiver) of the conditions precedent as set out in the Agreement, the Buyer conditionally agrees to acquire the convertible notes from the Seller at a total consideration of HK\$36,000,000 (equivalent to AUD6,000,000, using an agreed exchange rate of AUD1=HK\$6 and being the face value of the aggregate principal amount of the convertible notes) (the “Acquisition”). Further, the Buyer agrees to pay to the Seller an accrued interest of the convertible notes from 1 April 2017 and up to the completion date specified under the Agreement (both date inclusive) to be calculated at an interest rate of 10% per annum in accordance with terms of a deed of convertible note entered into between the Seller and ASF Group Limited (CAN 008 924 570) (the “Issuer”), a public company limited by shares, incorporated and domiciled in Australia, with its issued shares being listed on the Australian Stock Exchange Limited (CAN 008 624 691).

The convertible notes for the principal amount of AUD6,000,000 with a maturity date on 1 March 2019 are issued by the Issuer and are unsecured and not listed on any stock exchange.

Details of above are set out in the Company's announcement dated 14 July 2017.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in securities of the Company. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the three months ended 30 June 2017.

## **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 2017, 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 2017 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 2017, 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 Companies Ordinance.

## **BOARD COMPOSITION AND DIVERSITY POLICY**

The Company has adopted the board diversity policy since 11 October 2013. The policy sets out the approach to achieve diversity in the Board that should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business and compliance with policies. The composition and diversity policies of the Board are reviewed annually and regularly. The Board should ensure that its changes in composition will not result in any undue interference. The Board members should possess appropriate professionalism, experience and trustworthiness in performing duties and functions. The Board would diversify its members according to the Company's situations and needs. While participating in nomination and recommendation of director candidates during the year, each member of the Board may consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience in achieving diversity for the benefit of the Company's various business development and management. The Board is to review the policy concerning diversity of Board members, and to disclose the policy or a summary of the policy in the corporate governance report, including any quantitative targets and standards and its progress with policy implementation.

### **Procedures for Shareholders to propose a person for election as a Director**

Any Shareholder who wishes to propose a person other than a retiring director of the Company or the Shareholder himself/herself for election as Director in general meeting of the Company should follow the procedures available on the Company's website.

## **PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2017.

## **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.66–67 of the annual report of the Company for the year ended 31 March 2017, 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.

## 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 2017 and recommended approval to the Board.

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

Hong Kong, 10 August 2017

*As at the date hereof, the executive Directors are Mr. Eric Todd (Chairman), Mr. Ho Ying Choi and Mr. Lee Chin Ching, Cyrix; 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](http://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](http://www.kongshum.com.hk).*