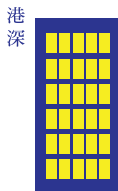


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Kong Shum Union Property Management (Holding) Limited
港深聯合物業管理(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8181)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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.

HIGHLIGHTS

- Revenue of the Group for the six months ended 30 September 2017 was approximately HK\$200.9 million, representing an increase of approximately 2.5% as compared to the corresponding period in 2016.
- Gross profit of the Group for the six months ended 30 September 2017 was approximately HK\$43.1 million, representing an increase of approximately 3.9% as compared to the corresponding period in 2016.
- Profit and total comprehensive income attributable to the owners of the Company for the six months ended 30 September 2017 was approximately HK\$12.4 million, representing an increase of approximately 124.8% as compared to the corresponding period in 2016. Increase in profit mainly due to:
 - (i) share of profits of an associate, contributed by the acquisition of 30% of the issued shares of Dakin Holdings Inc.; and
 - (ii) new revenue sources from the money lending and properties investment businesses.
- The earnings per share for the six months ended 30 September 2017 was HK Cents 1.81 (six months ended 30 September 2016: HK Cents 1.08).
- The Directors do not recommend the payment of any dividend for the six months ended 30 September 2017.

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 six months ended 30 September 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>	Three months ended 30 September		Six months ended 30 September	
		2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Revenue	4	100,058	101,601	200,903	196,065
Cost of services		(77,273)	(79,399)	(157,852)	(154,613)
Gross profit		22,785	22,202	43,051	41,452
Other revenue	5	128	76	206	152
Administrative expenses		(12,270)	(12,319)	(25,056)	(24,804)
Other operating expenses		(4,182)	(4,548)	(8,500)	(9,269)
Finance costs	6	(328)	(52)	(685)	(113)
Share of profits of an associate		3,497	–	5,407	–
Profit before tax	7	9,630	5,359	14,423	7,418
Income tax expense	8	(1,278)	(1,176)	(2,031)	(1,906)
Profit and total comprehensive income for the period attributable to owners of the Company		8,352	4,183	12,392	5,512
Earnings per share		<i>HK Cent</i>	<i>HK Cent</i>	<i>HK Cent</i>	<i>HK Cent</i>
— basic	10	1.15	0.80	1.81	1.08
— diluted	10	1.15	0.80	1.81	1.08

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2017 <i>HK\$'000</i> (unaudited)	As at 31 March 2017 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	12,072	12,654
Investment property		28,817	28,817
Intangible assets		6,863	7,887
Goodwill		785	785
Deposits placed for life insurance policies		8,274	8,170
Deposits for acquisition of an associate		–	28,350
Deferred tax assets		3,123	2,547
Deposits for acquisition of convertible notes	<i>12</i>	3,600	–
Investment in an associate	<i>13</i>	36,907	–
		100,441	89,210
CURRENT ASSETS			
Trade and other receivables	<i>14</i>	98,784	61,914
Pledged bank deposits		5,414	7,106
Cash and cash equivalents		45,471	45,165
		149,669	114,185
CURRENT LIABILITIES			
Trade and other payables	<i>15</i>	52,460	64,007
Bank borrowings — secured		10,876	9,370
Finance lease payables		172	219
Current tax liabilities		2,707	999
		66,215	74,595
NET CURRENT ASSETS		83,454	39,590
TOTAL ASSETS LESS CURRENT LIABILITIES		183,895	128,800

	As at 30 September 2017	As at 31 March 2017
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
NON-CURRENT LIABILITIES		
Finance lease payables	9	84
Promissory notes payable	7,302	12,158
Deferred tax liabilities	254	288
	<u>7,565</u>	<u>12,530</u>
NET ASSETS	<u>176,330</u>	<u>116,270</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	<i>16</i> 8,554	5,942
Reserves	167,776	110,328
TOTAL EQUITY	<u>176,330</u>	<u>116,270</u>

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)	-	-	-	-	-	5,512	5,512
Placing of shares (unaudited)	990	21,017	-	-	-	-	22,007
Changes in equity for the period (unaudited)	990	21,017	-	-	-	5,512	27,519
As at 30 September 2016 (unaudited)	<u>5,942</u>	<u>96,000</u>	<u>3,872</u>	<u>4,750</u>	<u>(8,733)</u>	<u>14,030</u>	<u>115,861</u>
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)	-	-	-	-	-	12,392	12,392
Placing of shares (unaudited) <i>(notes 16(a), (b))</i>	2,612	45,056	-	-	-	-	47,668
Changes in equity for the period (unaudited)	2,612	45,056	-	-	-	12,392	60,060
As at 30 September 2017 (unaudited)	<u>8,554</u>	<u>141,056</u>	<u>3,872</u>	<u>4,750</u>	<u>(13,000)</u>	<u>31,098</u>	<u>176,330</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended	
	30 September	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(37,560)	5,477
Net cash used in investing activities	(5,186)	(1,929)
Net cash from financing activities	46,361	20,353
Net increase in cash and cash equivalents	3,615	23,901
Cash and cash equivalents at beginning of the period	41,035	63,127
Cash and cash equivalents at end of the period	44,650	87,028
Analysis of cash and cash equivalents		
Cash and bank balances	45,471	88,688
Bank overdrafts	(821)	(1,660)
	44,650	87,028

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 1001, 10 Floor, Chung Nam House, 59 Des Voeux 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 six months ended 30 September 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” 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 2017.

In the current period, the Group has adopted all the new/revised Hong Kong Financial Reporting Standards (“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; and
- (iii) Money lending business.

Segment profits or losses do not include dividend income and gains or losses from investments. Segment assets do not include investments. 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:*

	Provision of property management services HK\$'000 (unaudited)	Properties investment HK\$'000 (unaudited)	Money lending business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Six months ended 30 September 2017				
Reportable segment revenue:				
Revenue from external customers	<u>199,585</u>	<u>571</u>	<u>747</u>	<u>200,903</u>
Reportable segment profit	<u>10,958</u>	<u>457</u>	<u>663</u>	<u>12,078</u>
Depreciation of property, plant and equipment	731	2	–	733
Amortisation of intangible assets	1,024	–	–	1,024
Income tax expense	1,852	70	109	2,031
Interest revenue	156	–	–	156
Interest expense	685	–	–	685
Additions to property, plant and equipment	<u>152</u>	<u>–</u>	<u>–</u>	<u>152</u>
	Provision of property management services HK\$'000 (unaudited)	Properties investment HK\$'000 (unaudited)	Money lending business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
At 30 September 2017				
Reportable segment assets	<u>125,776</u>	<u>29,493</u>	<u>30,782</u>	<u>186,051</u>
Reportable segment liabilities	<u>72,527</u>	<u>448</u>	<u>109</u>	<u>73,084</u>

	Provision of property management services <i>HK\$'000</i> (unaudited)	Properties investment <i>HK\$'000</i> (unaudited)	Money lending business <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Six months ended 30 September 2016				
Reportable segment revenue:				
Revenue from external customers	<u>196,065</u>	<u>–</u>	<u>–</u>	<u>196,065</u>
Reportable segment profit	<u>11,684</u>	<u>–</u>	<u>–</u>	<u>11,684</u>
Depreciation of property, plant and equipment	606	–	–	606
Income tax expense	1,906	–	–	1,906
Interest revenue	152	–	–	152
Interest expense	113	–	–	113
Additions to property, plant and equipment	<u>81</u>	<u>–</u>	<u>–</u>	<u>81</u>
	Provision of property management services <i>HK\$'000</i> (audited)	Properties investment <i>HK\$'000</i> (audited)	Money lending business <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (audited)
At 31 March 2017				
Reportable segment assets	114,237	29,074	–	143,311
Reportable segment liabilities	<u>85,324</u>	<u>417</u>	<u>–</u>	<u>85,741</u>

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

	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Six months ended 30 September		
Revenue		
Reportable segment revenue and consolidated revenue	<u>200,903</u>	<u>196,065</u>
Profit or loss		
Reportable segment profits	12,078	11,684
Unallocated corporate expenses	(3,062)	(4,266)
Unallocated share of profits of an associate	<u>5,407</u>	<u>–</u>
Consolidated profit before tax	<u><u>14,423</u></u>	<u><u>7,418</u></u>
	At	At
	30 September	31 March
	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Assets		
Reportable segment assets	186,051	143,311
Unallocated cash and cash equivalents	20,068	13,034
Other unallocated corporate assets	<u>43,991</u>	<u>47,050</u>
Consolidated total assets	<u><u>250,110</u></u>	<u><u>203,395</u></u>
Liabilities		
Reportable segment liabilities	73,084	85,741
Unallocated corporate liabilities	<u>696</u>	<u>1,384</u>
Consolidated total liabilities	<u><u>73,780</u></u>	<u><u>87,125</u></u>

(b) Geographical information

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

4. REVENUE

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

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Provision of property management services	99,033	101,601	199,585	196,065
Rental income from investment property	278	–	571	–
Loan interest income	747	–	747	–
	<u>100,058</u>	<u>101,601</u>	<u>200,903</u>	<u>196,065</u>

5. OTHER REVENUE

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest income	78	76	156	152
Sundry income	50	–	50	–
	<u>128</u>	<u>76</u>	<u>206</u>	<u>152</u>

6. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest on bank borrowings	49	47	97	102
Interest on promissory notes	277	–	583	–
Finance lease charges	2	5	5	11
	<u>328</u>	<u>52</u>	<u>685</u>	<u>113</u>

7. PROFIT BEFORE TAX

Profit before tax is arrived at after charging the following:

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Staff costs including directors' remuneration:				
— Salaries, wages and other staff benefits	78,684	82,877	162,852	162,230
— Contributions to retirement benefit scheme	2,227	2,419	4,498	4,662
	<u>80,911</u>	<u>85,296</u>	<u>167,350</u>	<u>166,892</u>
Auditors' remuneration	237	167	427	305
Depreciation of property, plant and equipment	364	277	739	606
Amortisation of intangible assets	512	—	1,024	—
Operating lease rentals in respect of:				
— premises	810	758	1,600	1,659
— motor vehicles	148	142	292	280

8. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
The tax charge comprises:				
Hong Kong Profits Tax				
— current period	1,562	1,369	2,641	2,467
Deferred taxation	(284)	(193)	(610)	(561)
	<u>1,278</u>	<u>1,176</u>	<u>2,031</u>	<u>1,906</u>

The Company is tax exempted under the laws of the Cayman Islands. The Company's subsidiaries operating 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 and six months ended 30 September 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 consolidated profit for the three and six months ended 30 September 2017 attributable to owners of the Company of approximately HK\$8.4 million and HK\$12.4 million respectively (three and six months ended 30 September 2016: profit of approximately HK\$4.2 million and HK\$5.5 million respectively) and the weighted average number of ordinary shares of 728,429,776 and 685,028,017 respectively (three and six months ended 30 September 2016: 522,053,689 and 508,676,105) in issue during the periods.

Diluted earnings per share

The effect of the Company's outstanding share options for the three and six months ended 30 September 2017 and 2016 did not give any dilution effect to the earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired property, plant and equipment at a cash consideration of approximately HK\$0.16 million mainly for office equipment, computer software and equipment (six months ended 30 September 2016: approximately HK\$0.68 million).

12. DEPOSITS FOR ACQUISITION OF CONVERTIBLE NOTES

	At 30 September 2017 <i>HK\$'000</i> (unaudited)	At 31 March 2017 <i>HK\$'000</i> (audited)
Deposits for acquisition of convertible notes	<u>3,600</u>	<u>–</u>

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 of HK\$36,000,000 (the "CN") (for the agreement, the "CN Agreement").

Subject to the satisfaction (or waiver) of the conditions precedent as set out in the CN Agreement, the Buyer conditionally agrees to acquire the CN 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 CN) (the "CN Acquisition"). The CN for the principal amount of AUD6,000,000 with a maturity date on 1 March 2019 are issued by ASF Group Limited, 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 "Issuer") and are unsecured and not listed on any stock exchange. Further, the Buyer agrees to pay to the Seller an accrued interest of the CN from 1 April 2017 and up to the completion date specified under the CN Agreement (both date inclusive) to be calculated at an interest rate of 10% per annum in accordance with terms of a deed of the CN entered into between the Seller and the Issuer.

The acquisition of the CN was completed on 12 October 2017. For details, please refer to the Company's announcement dated 13 October 2017.

13. INVESTMENT IN AN ASSOCIATE

	As at 30 September 2017 <i>HK\$'000</i> (unaudited)	As at 31 March 2017 <i>HK\$'000</i> (audited)
Unlisted investment in Hong Kong:		
Share of net assets	14,257	–
Goodwill	22,650	–
	<u>36,907</u>	<u>–</u>

Below is the information of the associate. The associate is accounted for in the unaudited consolidated financial statements using the equity method.

Name	:	Dakin Holdings Inc.
Principal place of business/ country of incorporation	:	Hong Kong/BVI
Principal activities	:	Provision of financial services in Hong Kong

	As at 30 September 2017 (unaudited)	As at 31 March 2017 (audited)
% of ownership interests/voting rights held by the Company	30%/30%	–

	As at 30 September 2017 <i>HK\$'000</i> (unaudited)	As at 31 March 2017 <i>HK\$'000</i> (audited)
Non-current assets	20,195	–
Current assets	155,054	–
Non-current liabilities	(124,678)	–
Current liabilities	(3,047)	–
Net assets	<u>47,524</u>	<u>–</u>
Group's share of net assets	14,257	–
Goodwill	22,650	–
Group's share of carrying amount of interests	<u>36,907</u>	<u>–</u>

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	26,292	–	40,507	–
Profit and total comprehensive income	11,657	–	18,022	–
Dividend received from associate	–	–	–	–

14. TRADE AND OTHER RECEIVABLES

	As at	As at
	30 September	31 March
	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Trade receivables	60,577	47,009
Loan receivables	30,747	–
Deposits, prepayments and other receivables	7,460	14,905
	<u>98,784</u>	<u>61,914</u>

The Group does not grant credit terms to its customers (2016: Nil). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management and the Directors.

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	As at	As at
	30 September	31 March
	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Overdue by:		
1 to 30 days	33,384	10,194
31 to 60 days	16,468	28,261
61 to 90 days	6,088	3,925
Over 90 days	4,637	4,629
	<u>60,577</u>	<u>47,009</u>

15. TRADE AND OTHER PAYABLES

	As at 30 September 2017 <i>HK\$'000</i> (unaudited)	As at 31 March 2017 <i>HK\$'000</i> (audited)
Trade payables	1,300	1,148
Other payables and accruals	<u>51,160</u>	<u>62,859</u>
	<u><u>52,460</u></u>	<u><u>64,007</u></u>

The aging analysis of the trade payables based on invoice date is as follows:

	As at 30 September 2017 <i>HK\$'000</i> (unaudited)	As at 31 March 2017 <i>HK\$'000</i> (audited)
1 to 30 days	<u>1,300</u>	<u>1,148</u>

16. SHARE CAPITAL

Authorised and issued share capital

	2017		2016	
	Number of ordinary shares	Nominal Value <i>HK\$</i>	Number of ordinary shares	Nominal Value <i>HK\$</i>
Ordinary shares of HK\$0.01 each				
Authorised:				
As at 1 April and 30 September	<u>5,000,000,000</u>	<u>50,000,000</u>	<u>5,000,000,000</u>	<u>50,000,000</u>
Issued and fully paid:				
As at 1 April	594,151,515	5,941,515	495,151,515	4,951,515
Placing of shares (<i>notes (a & b)</i>)	<u>261,200,000</u>	<u>2,612,000</u>	<u>99,000,000</u>	<u>990,000</u>
As at 30 September	<u><u>855,351,515</u></u>	<u><u>8,553,515</u></u>	<u><u>594,151,515</u></u>	<u><u>5,941,515</u></u>

Notes:

- (a) On 11 May 2017, the Company and the placing agent entered into a placing agreement in respect of the placement of 118,800,000 ordinary shares of HK\$0.01 each at a price of HK\$0.24 per share. The placement was completed on 26 May 2017 and the premium on the issue of shares, amounting to approximately HK\$26.5 million, was credited to the Company's share premium account.
- (b) On 29 August 2017, the Company and the placing agent entered into a placing agreement in respect of the placement of 142,400,000 ordinary shares of HK\$0.01 each at a price of HK\$0.145 per share. The placement was completed on 21 September 2017 and the premium on the issue of shares, amounting to approximately HK\$18.6 million, was credited to the Company's share premium account.

17. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed financial statements, the Group had the following material transactions with its related parties during the three and six months ended 30 September 2017 and 2016:

	Three months ended		Six months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Related party transactions:				
(i) Related companies				
— Rental expenses paid to More Rise Investment Limited ("More Rise") (note a)	–	96	–	192
— Car rental expenses paid to Kong Shum Union (China) Limited ("KSU China") (note b)	<u>148</u>	<u>142</u>	<u>292</u>	<u>280</u>
(ii) Directors				
— Compensation of key management personnel	<u>1,379</u>	<u>1,681</u>	<u>2,994</u>	<u>3,280</u>

Notes:

- (a) Mr. Ho Ying Choi, an executive Director is also a director of More Rise. On 31 March 2017, the Group completed the acquisition of More Rise and More Rise became a wholly owned subsidiary of the Group.
- (b) Mr. Ho Ying Choi, an executive Director is also a director of KSU China.

18. LEASE COMMITMENTS

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 30 September 2017 HK\$'000 (unaudited)	As at 31 March 2017 HK\$'000 (audited)
Within one year	3,580	2,999
In the second to fifth years inclusive	893	2,202
	<u>4,473</u>	<u>5,201</u>

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for terms of one to two years and rentals are fixed over the lease terms and do not include contingent rentals.

19. CONTINGENT LIABILITIES

(a) Performance bond and incorporated owners' fund

Performance bond has been issued by several banks as the Group maintains certain incorporated owners' funds in the form of client accounts which were held on trust for and on behalf of the incorporated owners. These client accounts are not recognised as assets and associated liabilities in the financial statements of the Group. At the end of reporting period, the Directors do not consider it probable that a claim on the performance bonds will be made against the Group.

As at 30 September 2017, the amount of outstanding performance bond was approximately HK\$15.5 million (31 March 2017: HK\$20.4 million).

As at 30 September 2017, the aggregate amount of the bank balances in the client accounts not dealt with in the consolidated financial statements of the Group is approximately HK\$43.2 million (31 March 2017: HK\$40.8 million).

(b) Legal cases

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Group generally include (i) claims for employees' compensation by the Group's employees; (ii) claims for personal injury caused by the negligence of the Group and owners' corporations of the properties by passersby, residents or other users of the respective properties; (iii) claims for property damage or economic loss caused by the negligence of the Group and owners' corporations of the properties by residents or other users of the respective properties; and (iv) claims for property damage caused by the negligence of individual flat owners by other residents or users of the respective properties. The Group maintains insurance cover and, in the opinion of the directors of the Company, based on current evidence, any such existing claims have no material financial impact to the Group as at 30 September 2017.

20. SHARE-BASED PAYMENTS

Equity-settled share option scheme

On 19 September 2013, the Company has adopted a share option scheme (the “Share Option Scheme”) under which the board of directors is authorised to grant share options to any employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the board, has contributed or may contribute to the Group (the “Eligible Participants”) as incentive or reward for their contribution to the Group.

- (i) Subject to (ii) below, the maximum number of shares of the Company (“Shares”) in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of the Group shall not exceed such number of Shares as equals 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme. On 14 August 2015, the Company successfully sought approval by its shareholders in general meeting to refresh the 10% limit (the “Refreshment”). Upon the Refreshment approved by the shareholders of the Company at the annual general meeting on 14 August 2015, the Company may grant Options entitling holders thereof to subscribe for up to a maximum number of 40,000,000 Shares. An Option previously granted under the Share Option Scheme and any other share option schemes of the Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes and exercised options) will not be counted for the purpose of calculating the limit as refreshed. No further share option was granted after 14 August 2015, Options entitling holders thereof to subscribe for up to a maximum number of 40,000,000 Shares may be granted by the Company under the Share Option Scheme, representing approximately 4.7% of the issued shares as at 30 September 2017;
- (ii) The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other share option schemes of the Group must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Group if this will result in the limit being exceeded; and
- (iii) Unless approved by the shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the shareholders of the Company in general meeting with such Eligible Participant and his associates abstaining from voting. The Company must send a circular to the shareholders of the Company and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and such information as may be required under the GEM Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before approval of the shareholders of the Company and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price. The exercise of any option shall be subject to the shareholders of the Company in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto, the Directors shall make available sufficient of the then authorised but unissued share capital of the Company to allot the Shares on the exercise of any option.

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Share Option Scheme.

Though there is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the Share Option Scheme, the Directors may make such grant of options, subject to such terms and conditions in relation to the minimum period of such options to be held and/or the performance targets to be achieved as the Directors may determine in their absolute discretion.

Subject to the terms of the Share Option Scheme, the Directors may, in their absolute discretion, make offer to the Eligible Participants. An offer shall be made to an Eligible Participant in writing in such form as the Directors may from time to time determine. An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a non-refundable remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the offer.

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of the Directors but in any event will not be less than the highest of (a) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average of the closing price of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of the particular option; and (c) the nominal value of a Share on the offer date of the particular option.

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

Details of the specific categories of options are as follows:

Categories	Date of grant	Vesting period	Exercise period	Exercise price HK\$
2015(A)	6 February 2015	N/A	6 February 2015 to 5 February 2018	1.09
2015(B)	6 February 2015	6 February 2015 to 29 June 2015	30 June 2015 to 5 February 2018	1.09
2015(C)	6 February 2015	N/A	6 February 2015 to 5 February 2018	1.09
2015(D)	6 February 2015	6 February 2015 to 29 June 2015	30 June 2015 to 5 February 2018	1.09

Details of the share options outstanding during the year are as follows:

	2017		2016	
	Number of share options	Weighted average exercise price <i>HK\$</i>	Number of share options	Weighted average exercise price <i>HK\$</i>
Outstanding at the beginning and the end of the year	<u>20,000,000</u>	<u>1.09</u>	<u>20,000,000</u>	<u>1.09</u>

The weighted average share price at the date of exercise for share options exercised during the year was HK\$1.09. The options outstanding at the end of the year have a weighted average remaining contractual life of 1 year (2016: 2 years) and the exercise price of all options is HK\$1.09 (2016: HK\$1.09). The options were granted on 6 February 2015.

The fair value of the share option granted during the year ended 31 March 2015 was calculated using the Binomial pricing model. The inputs into the model are as follows:

Weighted average share price	HK\$0.99
Weighted average exercise price	HK\$1.09
Expected volatility	35.98%
Expected life	3 years
Risk free rate	0.72%
Expected dividend yield	4.59%

Expected volatility was determined by reference to the volatilities of companies operating in the same industry as the Company.

The expected life used in the model is the duration of the option life.

Risk-free rate adopted in the model was based on the yield of HK\$ Hong Kong Sovereign Curve.

The historical dividend yield of the Company's stock is used to estimate the future dividend yield of the stock during the option validity period.

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 six months ended 30 September 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 six months ended 30 September 2017, the Group expanded its business into provision of money lending business and properties investment business.

In relation to the provision of money lending business commenced during the six months ended 30 September 2017, the Group recorded loan interest income of approximately HK\$0.7 million (six months ended 30 September 2016: Nil). As at 30 September 2017, the Group has loan receivables with carrying amount of approximately HK\$30.7 million (31 March 2017: Nil). Principal terms of the loan receivables are as follows:

Borrowers	Drawdown date	Principal amount	Interest rate	Terms	Notes
A	17 July 2017	HK\$16 million	14% per annum	6 months	(i)
B	18 July 2017	HK\$7 million	12% per annum	6 months	(ii)
B	15 August 2017	HK\$7 million	12% per annum	6 months	(ii)

Notes:

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

(ii) Details of the above are set out in the Company’s announcement dated 18 August 2017.

For the properties investment business, the Group recorded rental income from investment property of approximately HK\$0.6 million for the six months ended 30 September 2017 (30 September 2016: Nil).

Financial review

For the six months ended 30 September 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 six months ended 30 September 2017 and 2016:

	Six months ended 30 September			
	2017		2016	
	<i>HK\$'million</i>	<i>Percentage</i>	<i>HK\$'million</i>	<i>Percentage</i>
Property management services contracts	183.2	91.2%	180.7	92.1%
Property security services contracts	16.4	8.2%	15.4	7.9%
Rental services contracts	0.6	0.3%	–	–
Money lending services	0.7	0.3%	–	–
	200.9	100%	196.1	100%

The Group's revenue improved by approximately 2.5% from approximately HK\$196.1 million for the six months ended 30 September 2016 to approximately HK\$200.9 million for the six months ended 30 September 2017. The increase was primarily attributable to the growth of revenue generated from property management services contracts, increased by around 1.4% to approximately HK\$183.2 million for the six months ended 30 September 2017. Revenue generated from security services contracts recorded an increase of around 6.5% to approximately HK\$16.4 million for the six months ended 30 September 2017.

The gross profit of the Group increased by approximately 3.9% from approximately HK\$41.5 million for the six months ended 30 September 2016 to approximately HK\$43.1 million for the six months ended 30 September 2017. The gross profit margin was approximately 21.1% and 21.4% for the six months ended 30 September 2016 and 2017 respectively. The total cost of services amounted to approximately HK\$154.6 million and HK\$157.9 million for the six months ended 30 September 2016 and 2017 respectively, representing approximately 78.9% and 78.6% of the Group's revenue.

The Group has recorded a profit of approximately HK\$12.4 million for the six months ended 30 September 2017 as compared to the profit of approximately HK\$5.5 million for the six months ended 30 September 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) new revenue sources from the money lending and properties investment businesses;
- (iii) the increase in revenue from the effect of increase in statutory minimum wage to HK\$34.5 per hour effective from 1 May 2017 which led to the increase in the property service contract sum; and
- (iv) the net effect of decrease in legal and professional fee, increase in interest on promissory notes and amortisation of intangible assets during the period.

OPERATION REVIEW

Human resources

As at 30 September 2017, the Group had a total of 1,991 employees (30 September 2016: 2,177 employees). The Group's staff costs for the six months ended 30 September 2017 amounted to approximately HK\$167.4 million (six months ended 30 September 2016: HK\$166.9 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, during the six month ended 30 September 2017, 9 property management contracts were awarded to the Group during the period under review.

For the six months ended 30 September 2017, there were a total of 428 service contracts (six months ended 30 September 2016: 432 service contracts) comprising 397 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 those 428 service contracts in force as at 30 September 2017, 150 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 278 valid contracts as at 30 September 2017 were in compliance with the said procedural requirements or not applicable under the Building Management Ordinance. Senior management adopts a tight control system to monitor the compliance of the procedural requirements. All newly signed contracts during the six months ended 30 September 2017 included the mandatory terms requiring the client to follow the said procedural requirements, if applicable.

Client accounts

As at 30 September 2017, the Group holds 58 (31 March 2017: 61) client accounts amounting to approximately HK\$43.2 million (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 properties. Management fees received from the tenants or owners of the properties were deposited into these client accounts and the expenditures of these customers were paid by these client accounts.

Performance bond

As at 30 September 2017, the banks issued 8 (31 March 2017: 10) bond certificates amounting to approximately HK\$15.5 million (31 March 2017: approximately HK\$20.4 million) on behalf of the Group to the clients as required in the service contracts.

Liquidity, financial resources and capital structure

The Group's bank borrowings, promissory notes payable and obligations under finance lease, as at 30 September 2017 was approximately HK\$18.4 million (31 March 2017: approximately HK\$21.8 million). As at 30 September 2017, the Group had bank balances and cash of approximately HK\$45.5 million (31 March 2017: approximately HK\$45.2 million). As at 30 September 2017, the Group's net current assets amounted to approximately HK\$83.5 million (31 March 2017: approximately HK\$39.6 million). Current ratio as at 30 September 2017 was approximately 2.26 times (31 March 2017: approximately 1.53 times).

The Group's operations are financed principally by revenue generated from its business operations, available cash and bank balances, promissory notes payable and bank borrowings.

Capital expenditure

The Group purchased property, plant and equipment amounting to approximately HK\$0.16 million for the six months ended 30 September 2017 (six months ended 30 September 2016: approximately HK\$0.68 million).

Capital commitments

The Group did not have any significant capital commitments as at 30 September 2017 (31 March 2017: Nil).

Contingent liabilities

Details of contingent liabilities of the Group are set out in note 19 to the unaudited consolidated financial statements.

Foreign currency risk

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in HK\$. During the six months ended 30 September 2017, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies.

The Group did not engage in any derivatives arrangement and did not commit to any financial instruments to hedge its foreign exchange exposure during the six months ended 30 September 2017.

Charges over assets of the group

As at 30 September 2017, certain bank deposits of approximately HK\$5.4 million (31 March 2017: approximately HK\$7.1 million) and the deposits placed for life insurance policies of approximately HK\$8.3 million (31 March 2017: approximately HK\$8.2 million) were pledged to a bank to secure banking facilities granted to the Group. Besides, the Group had certain motor vehicles acquired under finance lease. The carrying value of motor vehicles under finance lease amounted to approximately HK\$0.3 million and HK\$0.4 million as at 30 September 2017 and 31 March 2017 respectively.

The deposits placed for life insurance policies are denominated in United States dollars, a currency other than the functional currency of the Group.

Gearing ratio

The Group's gearing ratio, being as the total debt (i.e. bank borrowing, promissory notes payable and finance leases obligation) divided by total equity, as at 30 September 2017, is approximately 10.4% (31 March 2017: approximately 18.8%).

Fund raising activities

In order to meet the needs of business development, the Group successfully completed a number of equity fund raising activities during the past twelve months immediately preceding 30 September 2017, as detailed below:

Date of initial announcement	Fund raising activities	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
11 May 2017 (completed on 26 May 2017)	Placing of 118,800,000 new ordinary shares of HK\$0.01 each under general mandate at the placing price of HK\$0.24 per Share to not less than six placees who are independent professional, institutional or other investors (closing price of the Share as quoted on the Stock Exchange on the date of the placing agreement is HK\$0.245)	Approximately HK\$27.6 million (net proceeds raised per Share was approximately HK\$0.23 per Share)	Intended to be used for future investment opportunities of the Company which includes but not limited to capital investment in the provision of financial services in Hong Kong such as money lending business, securities investments, and/or properties investment and/or as general working capital of the Group	Utilised as to 10% for working capital and 90% in the money lending business as intended. All of the net proceeds thereof are fully utilised

Date of initial announcement	Fund raising activities	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
29 August 2017 (completed on 21 September 2017)	Placing of 142,400,000 new ordinary shares of HK\$0.01 each under general mandate at the placing price of HK\$0.145 per Share to not less than six places who are independent third parties to the Company (closing price of the Share as quoted on the Stock Exchange on the date of the placing agreement is HK\$0.174)	Approximately HK\$20.0 million (net proceeds raised per share was approximately HK\$0.14 per share)	Intended to be used for (i) approximately HK\$18.0 million for future investment opportunities of the Company (including but not limited to capital investment in the provision of financial services in Hong Kong such as money lending business, securities investments, and/or properties investment); and (ii) approximately HK\$2 million as general working capital of the Group.	Approximately HK\$14.3 million was utilised for the acquisition of convertible notes and approximately HK\$0.7 million has been used as working capital of the Group, the remaining balance of HK\$5.0 million is held in a bank for the intended use in the future.

OUTLOOK

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

Management of the Company has been exploring suitable opportunities to develop business in properties investment and provision of financial services in Hong Kong and/or the People's Republic of China, 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 the Shareholders as a whole.

Notwithstanding the Group will continue to develop 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”) 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”) at a consideration of HK\$31,500,000.

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

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

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 of HK\$36,000,000 (the “CN Agreement”).

Subject to the satisfaction (or waiver) of the conditions precedent as set out in the CN 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 “CN Acquisition”). The convertible notes for the principal amount of AUD6,000,000 with a maturity date on 1 March 2019 are issued by ASF Group Limited (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), and are unsecured and not listed on any stock exchange. 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 the Issuer.

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. Lo Chi Ho, Richard, an independent non-executive Director of the Company, was appointed as an independent non-executive director of Chinney Investments, Limited with effect from 3 November 2017 (a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, Stock Code: 216);
- Mr. Tso Siu Lun, Alan, an independent non-executive Director of the Company, was appointed as an independent non-executive director of OCI International Holdings Limited (as formerly known as Dragonite International Limited) (a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, Stock Code: 329) since May 2017; and
- Mr. Lam Kai Yeung, an independent non-executive Director of the Company, was appointed as (i) an independent non-executive director of Kin Shing Holdings Limited (stock code: 1630) since May 2017; and (ii) an executive director of Highlight China IoT International Limited (stock code: 1682) since June 2017. The securities of these companies are listed on the Main Board of the Stock Exchange.

CORPORATE GOVERNANCE PRACTICES

The Board and 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 the Shareholders.

The Company has complied with the required code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 15 of the GEM Listing Rules for the six months ended 30 September 2017 except for the following deviations:

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

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

EVENTS AFTER THE REPORTING PERIOD

Completion of the CN Acquisition

On 12 October 2017, all conditions precedent under the CN Agreement have been fulfilled and the completion in relation to the CN Acquisition took place.

The convertible notes for the principal amount of AUD6,000,000 (equivalent to HK\$36,000,000) 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 announcements dated 14 July 2017 and 13 October 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 six months ended 30 September 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 September 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 six months ended 30 September 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 September 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 the 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 six months ended 30 September 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 interim results for the six months ended 30 September 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 November 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 for at least 7 days from the date of its publication and on the Company's website at www.kongshum.com.hk.