

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



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

**ANNOUNCEMENT OF QUARTERLY RESULTS
FOR THE NINE MONTHS ENDED 31 DECEMBER 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.

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 nine months ended 31 December 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		Nine months ended	
		31 December		31 December	
		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	4	100,057	99,679	300,960	295,744
Cost of services		(79,506)	(79,336)	(237,358)	(233,949)
Gross profit		20,551	20,343	63,602	61,795
Other revenue	5	866	80	1,072	232
Administrative expenses		(12,105)	(11,937)	(37,161)	(36,741)
Other operating expenses		(3,928)	(4,147)	(12,428)	(13,416)
Finance costs	6	(262)	(38)	(947)	(151)
Share of profits of an associate		(300)	–	5,107	–
Profit before tax	7	4,822	4,301	19,245	11,719
Income tax expense	8	(910)	(970)	(2,941)	(2,876)
Profit and total comprehensive income for the period attributable to owners of the Company		3,912	3,331	16,304	8,843
Earnings per share		<i>HK Cent</i>	<i>HK Cent</i>	<i>HK Cent</i>	<i>HK Cent</i>
— basic	10	0.46	0.56	2.20	1.65
— diluted	10	0.46	0.56	2.20	1.65

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)	-	-	-	-	-	8,843	8,843
Placing of shares (unaudited)	990	21,017	-	-	-	-	22,007
Changes in equity for the period (unaudited)	990	21,017	-	-	-	8,843	30,850
As at 31 December 2016 (unaudited)	<u>5,942</u>	<u>96,000</u>	<u>3,872</u>	<u>4,750</u>	<u>(8,733)</u>	<u>17,361</u>	<u>119,192</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)	-	-	-	-	-	16,304	16,304
Placing of shares (unaudited)	2,612	45,056	-	-	-	-	47,668
Changes in equity for the period (unaudited)	2,612	45,056	-	-	-	16,304	63,972
As at 31 December 2017 (unaudited)	<u>8,554</u>	<u>141,056</u>	<u>3,872</u>	<u>4,750</u>	<u>(13,000)</u>	<u>35,010</u>	<u>180,242</u>

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 nine months ended 31 December 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.

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 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)
Nine months ended 31 December 2017				
Reportable segment revenue:				
Revenue from external customers	<u>298,789</u>	<u>821</u>	<u>1,350</u>	<u>300,960</u>
Reportable segment profit	<u>15,705</u>	<u>636</u>	<u>1,257</u>	<u>17,598</u>
Depreciation of property, plant and equipment	1,090	4	–	1,094
Amortisation of intangible assets	1,536	–	–	1,536
Income tax expense	2,637	97	207	2,941
Interest revenue	233	–	–	233
Interest expense	947	–	–	947
Additions to property, plant and equipment	<u>474</u>	<u>–</u>	<u>–</u>	<u>474</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 31 December 2017				
Reportable segment assets	<u>133,299</u>	<u>29,392</u>	<u>14,876</u>	<u>177,567</u>
Reportable segment liabilities	<u>75,990</u>	<u>196</u>	<u>207</u>	<u>76,393</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)
Nine months ended 31 December 2016				
Reportable segment revenue:				
Revenue from external customers	295,744	–	–	295,744
Reportable segment profit	17,524	–	–	17,524
Depreciation of property, plant and equipment	877	–	–	877
Income tax expense	2,894	–	–	2,894
Interest revenue	227	–	–	227
Interest expense	151	–	–	151
Additions to property, plant and equipment	684	–	–	684
	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	85,324	417	–	85,741

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

	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Nine months ended 31 December		
Revenue		
Reportable segment revenue and consolidated revenue	300,960	295,744
Profit or loss		
Reportable segment profits	17,598	17,524
Unallocated profit	789	–
Unallocated corporate expenses	(4,249)	(5,805)
Unallocated share of profits of an associate	5,107	–
Consolidated profit before tax	19,245	11,719

	At 31 December 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
Assets		
Reportable segment assets	177,567	143,311
Unallocated cash and cash equivalents	856	13,034
Other unallocated corporate assets	<u>78,982</u>	<u>47,050</u>
Consolidated total assets	<u><u>257,405</u></u>	<u><u>203,395</u></u>
Liabilities		
Reportable segment liabilities	76,393	85,741
Unallocated corporate liabilities	<u>770</u>	<u>1,384</u>
Consolidated total liabilities	<u><u>77,163</u></u>	<u><u>87,125</u></u>

(b) Geographical information

During the nine months ended 31 December 2017 and 2016, all revenue is derived from customers in Hong Kong and the Group's non-current assets as at 31 December 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 nine months ended 31 December 2017 and provision of property management services during the nine months ended 31 December 2016. An analysis of the Group's revenue recognised during the periods is as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Provision of property management services	99,204	99,679	298,789	295,744
Rental income from an investment property	250	–	821	–
Loan interest income	<u>603</u>	<u>–</u>	<u>1,350</u>	<u>–</u>
	<u><u>100,057</u></u>	<u><u>99,679</u></u>	<u><u>300,960</u></u>	<u><u>295,744</u></u>

5. OTHER REVENUE

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest income	77	75	233	227
Sundry income	–	5	50	5
Interest income on convertible notes	789	–	789	–
	<u>866</u>	<u>80</u>	<u>1,072</u>	<u>232</u>

6. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest on bank borrowings	74	34	171	136
Interest on promissory notes	185	–	768	–
Finance lease charges	3	4	8	15
	<u>262</u>	<u>38</u>	<u>947</u>	<u>151</u>

7. PROFIT BEFORE TAX

Profit before tax is arrived at after charging the following:

	Three months ended 31 December		Nine months ended 31 December	
	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	79,517	82,680	242,369	244,910
— Contributions to retirement benefit scheme	2,209	2,407	6,707	7,069
	<u>81,726</u>	<u>85,087</u>	<u>249,076</u>	<u>251,979</u>
Auditors' remuneration	187	137	614	442
Depreciation of property, plant and equipment	362	276	1,101	882
Amortisation of intangible assets	512	–	1,536	–
Operating lease rentals in respect of:				
— premises	671	869	2,271	2,528
— motor vehicles	150	144	442	424

8. INCOME TAX EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	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	1,073	1,093	3,714	3,560
Deferred taxation	(163)	(123)	(773)	(684)
	<u>910</u>	<u>970</u>	<u>2,941</u>	<u>2,876</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 nine months ended 31 December 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 nine months ended 31 December 2017 attributable to owners of the Company of approximately HK\$3.9 million and HK\$16.3 million respectively (three and nine months ended 31 December 2016: profit of approximately HK\$3.3 million and HK\$8.8 million respectively) and the weighted average number of ordinary shares of 855,351,515 and 742,008,970 respectively (three and nine months ended 31 December 2016: 594,151,515 and 537,271,515 respectively) in issue during the periods.

Diluted earnings per share

The effect of the Company's outstanding share options for the three and nine months ended 31 December 2017 and 2016 did not give 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 nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2017, the Group recorded loan interest income of approximately HK\$1.4 million (nine months ended 31 December 2016: Nil). As at 31 December 2017, the Group has loan receivables with carrying amount of approximately HK\$14.4 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)
C	27 December 2017	HK\$3.5 million	14% per annum	9 months	

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 15 August 2017.

For the properties investment business, the Group recorded rental income from investment property of approximately HK\$0.8 million for the nine months ended 31 December 2017 (31 December 2016: Nil).

Financial Review

For the nine months ended 31 December 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 nine months ended 31 December 2017 and 2016:

	Nine months ended 31 December			
	2017		2016	
	<i>HK\$'million</i>	<i>Percentage</i>	<i>HK\$'million</i>	<i>Percentage</i>
Property management services contracts	274.2	91.1%	272.7	92.2%
Property security services contracts	24.6	8.2%	23.0	7.8%
Rental services contracts	0.8	0.3%	–	–
Money lending services	1.4	0.4%	–	–
	<u>301.0</u>	<u>100%</u>	<u>295.7</u>	<u>100%</u>

The Group's revenue improved by approximately 1.8% from approximately HK\$295.7 million for the nine months ended 31 December 2016 to approximately HK\$301.0 million for the nine months ended 31 December 2017. The increase was primarily attributable to the growth of revenue generated from security services contracts, increased by around 7.0% to approximately HK\$24.6 million for the nine months ended 31 December 2017. Revenue generated from property management services contracts recorded an increase of around 0.6% to approximately HK\$274.2 million for the nine months ended 31 December 2017.

The gross profit of the Group increased by approximately 2.9% from approximately HK\$61.8 million for the nine months ended 31 December 2016 to approximately HK\$63.6 million for the nine months ended 31 December 2017. The gross profit margin was approximately 20.9% and 21.1% for the nine months ended 31 December 2016 and 2017 respectively. The total cost of services amounted to approximately HK\$233.9 million and HK\$237.4 million for the nine months ended 31 December 2016 and 2017 respectively, representing approximately 79.1% and 78.9% of the Group's revenue.

The Group has recorded a profit of approximately HK\$16.3 million for the nine months ended 31 December 2017 as compared to the profit of approximately HK\$8.8 million for the nine months ended 31 December 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 management services contracts 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 31 December 2017, the Group had a total of 2,011 employees (31 December 2016: 2,159 employees). The Group's staff costs for the nine months ended 31 December 2017 amounted to approximately HK\$249.1 million (nine months ended 31 December 2016: approximately HK\$252.0 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 nine months ended 31 December 2017, 15 property management services contracts were awarded to the Group.

For the nine months ended 31 December 2017, there were a total of 429 service contracts (nine months ended 31 December 2016: 430 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 those 429 service contracts in force as at 31 December 2017, 144 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 285 valid contracts as at 31 December 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 nine months ended 31 December 2017 included the mandatory terms requiring the client to follow the said procedural requirements, if applicable.

Client Accounts

As at 31 December 2017, the Group holds 58 (31 March 2017: 61) client accounts amounting to approximately HK\$40.6 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 31 December 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.

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 of the Company (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.

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.

Major Shareholders

Heng Sheng Capital Limited is an investment holding company incorporated in the British Virgin Islands on 4 August 2011 with limited liability and is beneficially and wholly owned by Mr. Huang Liming (“Mr. Huang”). Mr. Huang is the sole director of Heng Sheng Capital Limited.

As at 31 December 2017, Heng Sheng Capital Limited own an aggregate of 257,504,000 shares of the Company, representing 30.11% of the issued share capital of the Company.

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 (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 Hua Long Jin Kong Company Limited (formerly known as 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 nine months ended 31 December 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

Conditional Mandatory Cash Offers

On 4 January 2018, the Company and Heng Sheng Capital Limited (“Offeror”) jointly announced that immediately prior to the share purchases on the market by the Offeror totalling 257,504,000 shares (the “Share(s)”) of the Company (including the Additional Share Purchases (as defined hereinafter)), representing approximately 30.11% of the entire share capital of the Company as at the date of the relevant joint announcement (the “Share Purchases”), the Offeror and parties acting in concert with it were not interested in any Shares. Immediately prior to the share purchases on the market by the Offeror of 15,000,000 Shares on 29 December 2017, representing approximately 1.76% of the entire share capital of the Company as at the date of the relevant joint announcement (the “Additional Share Purchases”), the Offeror and parties acting in concert with it were interested in 242,504,000 Shares, representing approximately 28.35% of the entire issued share capital of the Company as at the date of the relevant joint announcement. Immediately following the Share Purchases (including the Additional Share Purchases), the Offeror and parties acting in concert with it own an aggregate of 257,504,000 Shares, representing approximately 30.11% of the entire issued share capital of the Company as at the date of the relevant joint announcement.

The Offeror is required to make the conditional mandatory cash offers (the “Offers”) for all the issued Shares (other than those already owned or to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code and to cancel all the outstanding share options granted under the share option scheme adopted by the Company on 19 September 2013 pursuant to Rule 13.5 of the Takeovers Code.

Kingston Securities Limited, for and on behalf of the Offeror and in compliance with the Takeovers Code, made the Offers on the terms set out in the composite document dated 24 January 2018 (the “Composite Document”).

On 5 January 2018, the Board announced that the independent board committee of the Board (the “Independent Board Committee”), comprising all the independent non-executive Directors, namely Mr. Tso Siu Lun, Alan, Mr. Lam Kai Yeung and Mr. Lo Chi Ho, Richard, has been established for the purpose of making a recommendation to the shareholders of the Company other than the Offeror and parties acting in concert with it and the holders of the Share Options in respect of the Offers and, in particular, as to whether the terms of the Offers are fair and reasonable and as to acceptance of the Offers. The recommendation of the Independent Board Committee was included in the Composite Document.

With the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code, the Company has appointed Euto Capital Partners Limited as an independent financial adviser to advise the Independent Board Committee in respect of the Offers and, in particular, as to whether the terms of the Offers are fair and reasonable and as to the acceptance of the Offers. Euto Capital Partners Limited is a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities under the SFO. The letter of advice from Euto Capital Partners Limited in respect of the Offers was included in the Composite Document despatched jointly by the Company and the Offeror.

The Composite Documents in relation to the Offers were despatched on 24 January 2018.

Details of above are set out in the Company’s announcements dated 4 January 2018 and 5 January 2018 and Composite Document dated 24 January 2018.

COMPENSATION FROM ALL PROFIT

On 21 June 2015, the Company, Capital Creation (BVI) Limited and All Profit Alliance Limited (“All Profit”) entered into a subscription and shareholders’ agreement (the “Subscription and Shareholders’ Agreement”) pursuant to which the Company subscribed 10% of the issued share capital of All Profit at the subscription price of HK\$13 million.

Under the Subscription and Shareholders’ Agreement, All Profit guaranteed to the Company that the net profit of All Profit after tax (the “2016 After-Tax Profit”) for the period from 20 March 2015 (date of incorporation of All Profit) to 30 June 2016 (the “Initial Guarantee Period”) shall not be less than HK\$10 million (the “Guaranteed Profit Amount”). If the 2016 After-Tax Profit of All Profit falls below the Guaranteed Profit Amount, All Profit shall allot and issue to the Company such number of new All Profit Shares representing 10% of the then issued share capital of All Profit enlarged by the allotment and issue of such new All Profit Shares and the Guaranteed Profit Amount shall be extended for a further 12 months to the year ended 30 June 2017 (the “Extended Guarantee Period”) in the same guaranteed amount (the “Extended Profit Guarantee”). If the net profit of All Profit after tax for the year ended 30 June 2017 (the “2017 After-Tax Profit”) is less than that Extended Profit Guarantee, All Profit shall compensate the Company for the shortfall (the “Compensation”) calculated as follows:

The difference between the 2017 After-Tax Profit and the Extended Profit Guarantee × 13 × 20%

For the avoidance of doubt, if the 2017 After-Tax Profit is zero or a negative amount, the formula (HK\$10,000,000 × 13 × 20%) will be adopted in calculating the amount of the Compensation. Notwithstanding the above, the Company shall have the right to request All Profit to issue and allot to the Company such number of additional new All Profit Shares representing 5% of the then issued share capital of All Profit as enlarged by the allotment and issue of such new shares of All Profit (“All Profit Shares”) in lieu of the Compensation.

As advised by All Profit, based on the audited financial statements of All Profit for the year ended 30 June 2017, it recorded an audited net loss of approximately HK\$7.3 million for the year ended 30 June 2017 and approximately HK\$3.9 million for the period from 20 March 2015 (date of incorporation) to 30 June 2016, respectively. Accordingly, the profit guarantee for both the Initial Guarantee Period and the Extended Guarantee Period are not met. The aforesaid audited financial statements of All Profit for the year ended 30 June 2017 were issued in late 2017.

Pursuant to the Subscription and Shareholders Agreement, the Company has demanded (i) the additional All Profit Shares, representing 10% of the then issued share capital of All Profit, to be allotted and issued to the Company as a result of All Profit failing to meet the profit guarantee for the Initial Guarantee Period such that the Company will be interested in approximately 20% of the issued share capital in All Profit; and (ii) the Compensation of HK\$26 million calculated based on the abovementioned formula (i.e. $\text{HK\$}10,000,000 \times 13 \times 20\%$) from All Profit as a result of All Profit failing to meet the profit guarantee for the Extended Guarantee Period. All Profit has confirmed to the Company that allotment and issue of the additional All Profit Shares was completed on 26 January 2018 and the Compensation will be fully settled on or before 31 December 2018.

Details of above are set out in the Company's announcements dated 11 May 2015, 22 June 2015, 3 July 2015 and 30 January 2018.

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 nine months ended 31 December 2017.

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

As at 31 December 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 nine months ended 31 December 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, the following persons/entities (other than a Director or chief executive of the Company) had or were deemed or taken to have interests and short positions in the Shares and underlying shares of the Company as recorded in the register of interests and short positions of substantial shareholders (the "Register of Substantial Shareholders") required to be kept by the Company pursuant to section 336 of the SFO:

Long Positions in the Securities of the Company

Name of Shareholders	Capacity and nature of interest	Number of shares	Approximate percentage of interests in the issued share capital
Heng Sheng Capital Limited (note 1)	Beneficial Owner	257,504,000 (L) (note 2)	30.11%
Huang Liming (note 1)	Interest in controlled corporation	257,504,000 (L) (note 2)	30.11%
Li Mengya (note 1)	Interest of spouse	257,504,000 (L) (note 2)	30.11%

Notes:

- 1 Heng Sheng Capital Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is owned by Mr. Huang Liming, and accordingly under the SFO, Mr. Huang is deemed to be interested in the Shares held by Heng Sheng Capital Limited. Ms. Li Mengya is the spouse of Mr. Huang Liming and, accordingly under the SFO, she is deemed to be interested in the same number of Shares in which Mr. Huang Liming is interested.
- 2 The letter "L" denotes long position in the Shares

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any persons/entities (other than a Director or chief executive of the Company) who/which had or were deemed or taken to have any other interests or short positions in Shares or underlying shares of the Company as recorded in the Register of Substantial Shareholders required to be kept by the Company pursuant to under section 336 of the SFO.

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 nine months ended 31 December 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 nine months ended 31 December 2017 and recommended approval to the Board.

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

Hong Kong, 9 February 2018

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.