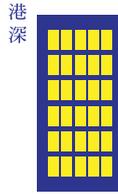


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Kong Shum Union Property Management (Holding) Limited

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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

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 “Directors”) 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 2014 was approximately HK\$166.6 million, representing an increase of approximately 5.1% as compared with the same period of last year.
- Consolidated gross profit of the Group for the six months ended 30 September 2014 was approximately HK\$34.4 million, representing an increase of approximately 13.5% as compared with the same period of last year.
- Profit attributable to the owners of the Company for the six months ended 30 September 2014 was approximately HK\$4.0 million, representing a decrease of approximately 17.0% as compared with the same period of last year.
- The earnings per share for the six months ended 30 September 2014 was HK Cents 1.0 (for the six months ended 30 September 2013: HK Cents 1.6).
- The Directors do not recommend the payment of any dividend for the six months ended 30 September 2014.

The board (the “Board”) of Directors of the Company is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2014, together with the unaudited comparative figures for the corresponding period in 2013 as follows:

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

For the six months ended 30 September 2014

		Three months ended		Six months ended	
		30 September		30 September	
		2014	2013	2014	2013
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	84,175	81,289	166,616	158,546
Cost of services		(66,182)	(65,245)	(132,177)	(128,190)
Gross profit		17,993	16,044	34,439	30,356
Other income	5	98	82	185	84
Administrative expenses		(10,630)	(8,325)	(21,250)	(16,883)
Other operating expenses		(4,382)	(3,209)	(8,002)	(6,024)
Finance costs		(169)	(348)	(348)	(731)
Listing expenses		–	(248)	–	(844)
Profit before taxation	6	2,910	3,996	5,024	5,958
Income tax expense	7	(607)	(759)	(988)	(1,094)
Profit and total comprehensive income attributable to owners of the Company for the period		2,303	3,237	4,036	4,864
Earnings per share – basic	9	HK Cent 0.6	HK Cents 1.1	HK Cent 1.0	HK Cents 1.6
Earnings per share – diluted	9	N/A	N/A	N/A	N/A

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

		30 September	31 March
		2014	2014
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	2,860	2,068
Deposits placed for life insurance policies	<i>11</i>	7,640	7,526
Deferred tax assets		2,479	2,234
		<u>12,979</u>	<u>11,828</u>
Current assets			
Trade and other receivables	<i>12</i>	51,583	52,370
Pledged bank deposits	<i>13</i>	5,064	15,896
Cash and bank balances	<i>13</i>	32,433	35,900
		<u>89,080</u>	<u>104,166</u>
Current liabilities			
Trade and other payables	<i>14</i>	43,848	41,610
Obligations under finance leases	<i>15</i>	344	352
Income tax payable		2,159	927
Bank borrowings – secured	<i>16</i>	18,076	19,334
		<u>64,427</u>	<u>62,223</u>
Net current assets		<u>24,653</u>	<u>41,943</u>
Total assets less current liabilities		<u>37,632</u>	<u>53,771</u>
Non-current liabilities			
Obligations under finance leases	<i>15</i>	29	204
Net assets		<u>37,603</u>	<u>53,567</u>
Capital and reserves			
Share capital	<i>17</i>	4,000	4,000
Reserves		33,603	49,567
Total equity		<u>37,603</u>	<u>53,567</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	(Unaudited)				
	Share capital	Share premium	Merger reserve	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited) (Note 1)	(unaudited)	(unaudited)
As at 1 April 2013 (audited) (Note 1)	4,750	–	–	15,701	20,451
Profit and the total comprehensive income for the period	–	–	–	4,864	4,864
Arising from Reorganisation	(4,750)	–	4,750	–	–
As at 30 September 2013	<u>–</u>	<u>–</u>	<u>4,750</u>	<u>20,565</u>	<u>25,315</u>
As at 1 April 2014 (audited) (Note 2)	4,000	24,088	4,750	20,729	53,567
Profit and the total comprehensive income for the period	–	–	–	4,036	4,036
Dividend paid to equity holders – final dividend of HK5cents per share for year ended 31 March 2014	–	–	–	(20,000)	(20,000)
As at 30 September 2014	<u>4,000</u>	<u>24,088</u>	<u>4,750</u>	<u>4,765</u>	<u>37,603</u>

Notes:

- On 8 August 2013, pursuant to a reorganisation (the “Reorganisation”) of the Group to rationalize the structure of the Company’s shares which were listed on GEM on 11 October 2013 (the “Listing”) as explained in the paragraph headed the “Reorganisation” of the section headed “History, Reorganisation and Corporate Structure” in the prospectus of the Company dated 30 September 2013 (the “Prospectus”), among all the steps in the Reorganisation, the Company acquired the entire issued share capital of Kong Shum Union Property Management Company Limited (“KSU”) from Topgrow Holdings Limited (“Topgrow”) in consideration of the allotment and issue of a total of 1 share, credited as fully paid up to Topgrow.

HK\$4,750,108 represents the aggregate amounts of issued share capital of Kong Shum Union Property Management Group Limited (“KSG”), KSU, K-King Cleaning Services Limited (“K-King”) and Q&V Security Company Limited (“Q&V”) as at 31 March 2013. The said total share capital of HK\$4,750,108 was reallocated to merger reserve after the Reorganisation.

2. On 19 September 2013, conditional on the share premium account of the Company being credited by HK\$2,999,999.80 as a result of the issue of placing shares pursuant to the placing as mentioned below, an aggregate of 299,999,980 shares, by the way by capitalisation of the sum of HK\$2,999,999.80 standing to the credit of the share premium account of the Company, would be allotted, issued and credited as fully paid at par to the Shareholders as appearing on the register of members of the Company at close of business of 18 September 2013 (the “Capitalisation”). Upon the Capitalisation, the issued share capital of the Company would become HK\$3,000,000 divided into 300,000,000 shares of HK\$0.01 each.

On 11 October 2013, 100,000,000 ordinary shares of HK\$0.01 each were issued by the way of placing at a price of HK\$0.33 per share (the “Placing Price”) for a total cash consideration of HK\$33,000,000. The excess of the Placing Price over the par value of the shares issued net of issuance cost was credited to the share premium account of the Company.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 September 2014

	Six months ended	
	30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash generated from operating activities	8,470	9,709
Net cash (used in) investing activities	(10,495)	(3,906)
Net cash (used in)/generated from financing activities	(1,930)	14,314
Net (decrease)/increase in cash and cash equivalents	(3,955)	20,117
Cash and cash equivalents at beginning of the period	34,767	(2,635)
Cash and cash equivalents at end of the period	30,812	17,482
Analysis of cash and cash equivalents consist of		
Cash and bank balances	32,433	18,426
Bank overdrafts	(1,621)	(944)
	30,812	17,482

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2014

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 August 2012, as an exempted company with limited liability under Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY-1111, Cayman Islands and its principal place of business in Hong Kong is at Unit L, 1/F, Kaiser Estate Phase 2, 51 Man Yue Street, Hunghom, Kowloon, Hong Kong. The Company's shares were listed on GEM since 11 October 2013.

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

These condensed consolidated financial statements are presented in Hong Kong dollar ("HK\$"), which is the same as the functional currency of the Company and all value are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PRESENTATION

These unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2014 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

These unaudited condensed consolidated financial statements have been prepared under historical cost convention and should be read in conjunction with the annual financial statements of the Company for the year ended 31 March 2014. The accounting policies and method of computation adopted are consistent with those applied in the Group's annual financial statements for the year ended 31 March 2014.

In 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 2014. The Group has not yet applied new/revised HKFRSs that have been issued but not yet effective. The Group has already commenced an assessment of the impact of these new/revised HKFRSs but is not yet in a position to state whether these new/revised HKFRSs would have a material impact on its results of operations.

3. SEGMENT INFORMATION

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

During the six months ended 30 September 2014 and 2013, all revenues are derived from customers in Hong Kong and the Group's non-current assets as at 30 September 2014 and 2013 were located in Hong Kong. Accordingly, no geographical information is presented.

4. REVENUE

The Group is principally engaged in the provision of property management services during the six months ended 30 September 2014 and 2013. An analysis of the Group's revenue recognised during the periods is as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Provision of property management services	84,175	81,289	166,616	158,546

5. OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income	74	82	148	84
Sundry income	24	–	37	–
	98	82	185	84

6. PROFIT BEFORE TAXATION

Profit before taxation as stated is arrived at after charging the following items:

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Staff costs including directors' emoluments:				
Wages, salaries and other staff benefits	68,941	65,619	137,747	129,248
Contributions to retirement benefit scheme	2,245	2,290	4,488	4,472
	71,186	67,909	142,235	133,720
Auditors' remuneration	163	163	325	325
Depreciation of property, plant and equipment	281	352	536	701
Operating lease rentals in respect of rented premises	643	482	1,280	963

7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The tax charge comprises:				
Hong Kong profits tax				
– Current tax	700	992	1,233	1,560
– Deferred taxation	(93)	(233)	(245)	(466)
	607	759	988	1,094

No provision of profit tax has been made by the Company as it is exempted from tax under the laws of the Cayman Islands. The subsidiaries of the Company operating in Hong Kong are subject to Hong Kong profits tax at a tax rate of 16.5% on the assessable profits earned in Hong Kong.

8. DIVIDEND

The Directors do not recommend payment of any dividend for the six months ended 30 September 2014 (2013: Nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company for the three and six months ended 30 September 2014 of approximately HK\$2.3 million and HK\$4.0 million (three and six months ended 30 September 2013: approximately HK\$3.2 million and HK\$4.9 million respectively), and the weighted average number of shares in issue during the six months ended 30 September 2014 of 400,000,000 (three and six months ended 30 September 2013: 300,000,000 shares in issue, being the number of shares in issue immediately after the completion of capitalisation issue on the assumption that they have been issued throughout the six months ended 30 September 2013).

The Group did not have any dilutive potential ordinary shares during the three and six months ended 30 September 2014 and 2013.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2014, the Group acquired property, plant and equipment for a cash consideration of approximately HK\$1.3 million mainly for leasehold improvement (for the six months ended 30 September 2013: approximately HK\$0.26 million).

11. DEPOSITS PLACED FOR LIFE INSURANCE POLICIES

	As at 30 September 2014 HK\$'000 (unaudited)	As at 31 March 2014 HK\$'000 (audited)
Deposits placed for life insurance policies	<u>7,640</u>	<u>7,526</u>

12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2014 <i>HK\$'000</i> (unaudited)	As at 31 March 2014 <i>HK\$'000</i> (audited)
Trade receivables	44,955	48,288
Other receivables and prepayments	<u>6,628</u>	<u>4,082</u>
	<u><u>51,583</u></u>	<u><u>52,370</u></u>

The Group's trade and other receivables were denominated in HK\$.

The Group does not grant credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables, overdue balances are reviewed regularly by the directors. The aging analysis of the trade receivables is as follows:

	As at 30 September 2014 <i>HK\$'000</i> (unaudited)	As at 31 March 2014 <i>HK\$'000</i> (audited)
1 to 30 days	27,920	27,977
31 to 60 days	10,412	11,589
61 to 90 days	3,291	2,947
Over 90 days	<u>3,332</u>	<u>5,775</u>
	<u><u>44,955</u></u>	<u><u>48,288</u></u>

13. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	As at 30 September 2014 <i>HK\$'000</i> (unaudited)	As at 31 March 2014 <i>HK\$'000</i> (audited)
Cash on hand	188	188
Bank balances	<u>32,245</u>	<u>35,712</u>
Cash and bank balances	<u><u>32,433</u></u>	<u><u>35,900</u></u>
Pledged bank deposits (<i>note</i>)	<u><u>5,064</u></u>	<u><u>15,896</u></u>

Note:

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group as at 31 March 2014 and 30 September 2014.

The Group's cash and bank balances and pledged bank deposits were denominated in HK\$.

14. TRADE AND OTHER PAYABLES

	As at 30 September 2014 <i>HK\$'000</i> (unaudited)	As at 31 March 2014 <i>HK\$'000</i> (audited)
Trade payables	1,341	1,199
Other payables and accruals	<u>42,507</u>	<u>40,411</u>
	<u><u>43,848</u></u>	<u><u>41,610</u></u>

The Group's trade and other payables were denominated in HK\$.

The aging analysis of the trade payables were as follows:

	As at 30 September 2014 <i>HK\$'000</i> (unaudited)	As at 31 March 2014 <i>HK\$'000</i> (audited)
1 to 30 days	<u>1,341</u>	<u>1,199</u>

15. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	As at 30 September 2014 <i>HK\$'000</i> (unaudited)	As at 31 March 2014 <i>HK\$'000</i> (audited)	As at 30 September 2014 <i>HK\$'000</i> (unaudited)	As at 31 March 2014 <i>HK\$'000</i> (audited)
Amount payable under finance leases:				
Within one year	355	373	344	352
In the second to fifth years inclusive	<u>29</u>	<u>207</u>	<u>29</u>	<u>204</u>
	384	580	373	556
Less: Future finance charge	<u>(11)</u>	<u>(24)</u>	<u>–</u>	<u>–</u>
Present value of lease obligations	<u>373</u>	<u>556</u>	373	556
Less: Amount due or settlement within 12 months shown under current liabilities			<u>(344)</u>	<u>(352)</u>
Amount due for settlement after 12 months			<u>29</u>	<u>204</u>

Certain of the Group's motor vehicles are held under finance lease. The lease terms are 3 to 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The above finance leases carry interest at the rate of 5% per annum.

16. BANK BORROWINGS – SECURED

	As at 30 September 2014 <i>HK\$'000</i> (unaudited)	As at 31 March 2014 <i>HK\$'000</i> (audited)
Bank loans, secured	16,455	18,202
Bank overdraft, secured	<u>1,621</u>	<u>1,132</u>
	<u>18,076</u>	<u>19,334</u>

The analysis of the carrying amount of the Group's bank borrowings is as follows:

	As at 30 September 2014 <i>HK\$'000</i> (unaudited)	As at 31 March 2014 <i>HK\$'000</i> (audited)
Bank overdrafts	1,621	1,132
Portion of bank loans due for repayment within one year	9,080	9,507
Portion of bank loans due for repayment after one year which contain a repayment on demand clause	<u>7,375</u>	<u>8,695</u>
	<u>18,076</u>	<u>19,334</u>

The Group's bank borrowings were due for repayment as follows:

	As at 30 September 2014 HK\$'000 (unaudited)	As at 31 March 2014 HK\$'000 (audited)
Overdrafts repayable on demand	1,621	1,132
Portion of bank loans due for repayment within one year	9,080	9,507
	10,701	10,639
Bank loans due for repayment after one year (<i>Note</i>)		
After 1 year but within 2 years	5,586	5,463
After 2 years but within 5 years	1,789	3,117
After 5 years	–	115
	7,375	8,695
	18,076	19,334

Note: The maturity of amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

The carrying amounts of bank borrowings are denominated in Hong Kong dollars.

The above bank borrowings carry interest at the rate per annum from 4.25% to 6.25% for the year ended 31 March 2014 and the six months ended 30 September 2014.

17. SHARE CAPITAL

	Number of Ordinary shares	Nominal Value HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 31 March and 30 September 2014	5,000,000,000	50,000,000
Issued and fully paid:		
As at 31 March and 30 September 2014	400,000,000	4,000,000

18. RELATED PARTY TRANSACTIONS

The Group had the following transactions with its related parties during the three and six months ended 30 September 2013 and 2014:

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Related company				
– Rental expenses	<u>69</u>	<u>63</u>	<u>138</u>	<u>126</u>
Directors				
– Compensation of key management personnel	<u>1,429</u>	<u>523</u>	<u>2,912</u>	<u>823</u>

19. 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	As at
	30 September	31 March
	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Within one year	2,195	2,216
In the second to fifth years inclusive	<u>1,278</u>	<u>1,608</u>
	<u>3,473</u>	<u>3,824</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.

20. CONTINGENT LIABILITIES

(a) Performance bond and incorporated owners' fund

Performance bond has been issued by several banks as the Group keeps certain incorporated owners' funds in the form of client accounts which were held on trust for and on behalf of the customers. These client accounts were not recognised as assets and associated liabilities in the financial statements of the Group. At the end of the 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 2014, the amount of outstanding performance bond was approximately HK\$18.1 million (as at 31 March 2014: approximately HK\$16.9 million).

As at 30 September 2014, the aggregate amounts of the bank balances in the client accounts mentioned above were approximately HK\$20.0 million (as at 31 March 2014: approximately HK\$18.0 million).

(b) Legal cases

In carrying out the ordinary course of its business, the Group is subject to the risk of being named as a party 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 passers-by, 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; The Group maintains insurance cover and, in the opinion of the directors of the Company, based on current evidence, any such existing claims should be adequately covered by the insurance as at 30 September 2014.

Save as disclosed herein below, as of the date of on which the consolidated financial statements approved by the directors, no member of the Group is involved in any litigation, arbitration or claim of material importance and, so far as the directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of the Group.

- (i) KSU has been named as a respondent regarding a personal injuries claim in District Court action commenced on 5 September 2014. On 21 September 2011, during the course of patrolling the staircases of one of the buildings managed by KSU, the applicant employed by KSU fell from the staircases. The insurance company, on behalf of KSU, has admitted its public liabilities on this case. The amount of compensation will be assessed by the Court therefore the Company is unable to assess the quantum of the case. At the time of the accident, KSU was insured against liability by an insurance company and the maximum amount of compensation payable by the insurance company is HK\$200,000,000.

- (ii) KSU has been named as one of the defendants regarding a personal injury claim sustained by the plaintiff on or about 7 July 2009 in a High Court action commenced on 30 May 2012. The insurance company for and on behalf of KSU filed a defence with the High Court on 14 January 2013. A joint orthopedic examination has been taken place on 9 July, 2013 to verify the condition of the plaintiff. The amount of damages for personal injury sustained by the plaintiff will be assessed by the court and the Company is unable to assess the quantum of the case. As stated in the statement of damages of the plaintiff dated 18 December 2012, the plaintiff claimed for a total of HK\$2,150,206 as compensation. At the time of the accident, KSU was insured against liability by an insurance company and the maximum amount of compensation payable by the insurance company is HK\$25,000,000. The Company's legal adviser as to legal proceedings opined that (i) the PL Policy covers the above accident occurred to the plaintiff; and (ii) save as the insurance company shall not be liable for the first HK\$3,000, the insurance company would have to pay for the claim to the plaintiff pursuant to the PL Policy. The Company's legal adviser as to legal proceedings is therefore of the view that KSU has no potential liability in this claim.

- (iii) On 15 July 2013, KSU issued a writ to one of its customers being an owners' corporation (the "Defendant"), claiming an amount of HK\$113,958 for the total sum of the fixed service charges as well as expenses incurred by KSU for the management of the property of the Defendants for the period from 1 November 2012 to 31 January 2013. The Defendants filed its defence and counterclaim on 5 September 2013. According to such defence and counterclaim, the Defendant avers that KSU is not entitled to the claim for the said sum on the ground that KSU was in breach of its duties under the management agreement. Further, the Defendant alleged that KSU was in breach of another agency agreement entered into between the Defendant and an advertising company. The Defendant did not state the amount of its counterclaim (the "Counterclaim") against KSU in its defence and counterclaim. KSU was insured against its professional liability by an insurance company for the maximum compensation amount payable at HK\$30,000,000 per claim. Given that (i) KSU maintained that the relevant documents, including income and expenditure statement and balance sheet and all the relevant documents and receipts for various expenses (if available), had already been provided to the Defendant; and (ii) the agency agreement was made directly between the Defendant and the said advertising company, to which KSU is not a party and has no relationship with the said advertising company, and all the advertising income paid by the advertising customers were paid by the said advertising company directly to the Defendant, not through KSU, the Company's legal adviser as to the legal proceedings opined that (i) KSU had a good defence to the Counterclaim; and (ii) it is likely that KSU's liability to the Counterclaim, if any, will be covered by the Professional Indemnity Insurance Policy.
- (iv) KSU has been named as a respondent regarding an employees' compensation claim and a personal injuries claim in District Court actions commenced on 17 April 2014 and 10 June 2014 respectively. On 13 September 2012, during the course of stationing at the security guard post sitting on the stool, the applicant as an employee of the Group saw a tenant and tried to retrieve an oversized post on the desk which could not be inserted into the letter box. The stool toppled and the applicant lost balance and fell from the stool landing on her back and buttock. As a result, the applicant sustained injuries to her right hip and back. The insurance company, on behalf of KSU, has admitted its employee's compensation liability on this case. The amount of compensation will be assessed by the Court therefore the Company is unable to assess the quantum of the case. At the time of the accident, KSU was insured against liability by an insurance company and the maximum amount of compensation payable by the insurance company is HK\$200,000,000.

- (v) KSU has been named as a respondent regarding a personal injuries claim in a District Court action commenced on 26 September 2014. On 13 November 2013, the applicant as a visitor was going to the estate. He stepped on the 1.5 ft. x 2.5 ft. iron plate which covered the waste drainage and the iron plate displaced and overturned. As a result, he lost his balance, and his left foot fell into the drainage and injured. As stated in the statement of damages of the plaintiff dated 18 September 2014, the plaintiff claimed for a total of HK\$384,450 as compensation. At the time of the accident, KSU was insured against liability by an insurance company and the maximum amount of compensation payable by the insurance company is HK\$50,000,000.

21. EVENT AFTER THE REPORTING PERIOD

On 14 October 2014, the Company was informed by Topgrow, the controlling shareholder (as defined in the GEM Listing Rules) of the Company, that it had entered into a memorandum of understanding dated 14 October 2014 (the “MOU”) with an independent third party (the “Potential Purchaser”) not connected with the Company, its directors, chief executive, substantial shareholders, subsidiaries and associates, in relation to a possible sale and purchase of the shares of the Company (the “Shares”) held by Topgrow. Topgrow is a company incorporated in the British Virgin Islands and its entire issued share capital is owned as to 40% by Mr. Ho Ying Cheung and as to 60% by Mr. Ho Ying Choi, both of whom are executive Directors. As at the date of the announcement on 16 October 2014, Topgrow and its concert parties are in aggregate beneficially interested in 300,000,000 Shares, representing 75% of the total issued share capital of the Company of 400,000,000 Shares.

The Board has been informed by Topgrow that, pursuant to the MOU, the Potential Purchaser may acquire approximately 75% of the total issued share capital of the Company, which if materialized and completed, will lead to an obligation of the Potential Purchaser to make a mandatory general offer under Rule 26.1 of the Code on Takeovers and Mergers of Hong Kong, such offer, if made, is expected to be in cash.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is 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 2014, the Group provided property security services for 26 properties under stand-alone security services contracts. The operating arm of the Group’s security services is mainly Q&V. The Group hires its own security staff to provide property security services. The Group also employs registered technicians to provide basic repair and maintenance services to its customers if required. In relation to the cleaning services, the Group subcontracts substantially all of its cleaning services to third-party contractors.

Financial review

For the six months ended 30 September 2014 and 2013, all of the Group’s revenue was derived from its operation in Hong Kong. The Group derived revenue of approximately HK\$10.3 million and HK\$10.6 million from stand-alone security services contracts for each of the six months ended 30 September 2014 and 2013, representing approximately 6.2% and 6.7% of its total revenue respectively. The following table sets out the Group’s revenue by contract type for each of six months ended 30 September 2014 and 2013:

	Six months ended 30 September			
	2014		2013	
	<i>HK\$' million</i>	<i>percentage</i>	<i>HK\$' million</i>	<i>percentage</i>
Property management services contracts	156.3	93.8%	147.9	93.3%
Property security services contracts	10.3	6.2%	10.6	6.7%
	<u>166.6</u>	<u>100%</u>	<u>158.5</u>	<u>100%</u>

The Group's revenue improved by approximately 5.1% from approximately HK\$158.5 million for the six months ended 30 September 2013 to approximately HK\$166.6 million for the six months ended 30 September 2014. The increase was primarily attributable to the growth of revenue generated from property management services contracts, increasing by around 5.7% to approximately HK\$156.3 million for the six months ended 30 September 2014. Revenue generated from security services contracts has a slight decrease of around 2.8% to approximately HK\$10.3 million for the six months ended 30 September 2014.

The gross profit of the Group increased by approximately 13.5% from approximately HK\$30.4 million for the six months ended 30 September 2013 to approximately HK\$34.4 million for the six months ended 30 September 2014. The gross profit margin was approximately 19.2% and 20.7% for six months ended 30 September 2013 and 2014 respectively. The total cost of services amounted to approximately HK\$128.2 million and HK\$132.2 million for the six months ended 30 September 2013 and 2014, representing approximately 80.9% and 79.3% of the Group's revenue respectively.

Profit attributable to owners of the Company decreased by approximately 17.0% from approximately HK\$4.9 million for six months ended 30 September 2013 to approximately HK\$4.0 million for six months ended 30 September 2014. The Group's net profit margin decreased by approximately 0.7 percentage point from approximately 3.1% to 2.4% for the six months ended 30 September 2013 and 2014 respectively. This was mainly attributable to the increase in staff cost including staff salaries, bonus and Directors' emoluments incurred during the period under review.

OPERATION REVIEW

Human resources

As at 30 September 2014, the Group had a total of 2,078 employees. The Group's staff costs for the six months ended 30 September 2014 amounted to approximately HK\$142.2 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 by reference to the Group's results and individual performance.

Services contracts

With the well-established team and project planning, during the six months ended 30 September 2014, seven facility management service contracts for non-domestic property management segment which included three shopping complexes, three educational institutes and empty bay were awarded to the Group. The success in securing the contracts gave the Group confidence to expand the property management portfolio continuously. In addition, 13 property management contracts and one stand-alone security service contract were awarded to the Group during the period under review.

As at 30 September 2014, there are in total 412 service contracts comprising 390 property management service contracts, 15 stand-alone security service contracts and 7 facility management service contracts.

Contract renewal complying with procedural requirements

During the six months ended 30 September 2014, 17 out of the total of 412 service contracts were not complying with the procedural requirements for contract renewal as stipulated in section 20A of the Building Management Ordinance (Cap. 344) and termination notices were served to the clients who failed to follow the procedural requirements. All of the remaining 395 valid contracts as at 30 September 2014 were in compliance with the said procedural requirements or not applicable under the Building Management Ordinance. The senior management adopts tight control system to monitor the full compliance of the procedural requirements. All newly signed contracts during the six months ended 30 September 2014 included the mandatory term requiring the client to follow the said procedural requirements (if applicable).

Client accounts

As at 30 September 2014, the Group was holding 50 client accounts amounting to approximately HK\$20.0 million (as at 31 March 2014: approximately HK\$18.0 million) on trust for and on behalf of customers. These bank accounts are opened in the names of the Group and the relevant properties. The management fees received from the tenants or owners of the properties were deposited into these client accounts and the expenditure of these customers was paid from these client accounts.

Performance bond

As at 30 September 2014, the banks issued 13 bond certificates amounting to approximately HK\$18.1 million (as at 31 March 2014: approximately HK\$16.9 million) on behalf of the Group to the clients as required in the service contracts.

Outlook

The number of property in Hong Kong market is growing. Public voices concern over the housing stock production and speeding up of the housing completion 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 minimum wage revision and inflation that are not avoidable, 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 GEM and believe that the Group would be benefited from the aforementioned opportunities.

Liquidity, financial resources and capital structure

The Group's bank borrowings and obligations under finance leases, as at 30 September 2014 was approximately HK\$18.4 million (as at 31 March 2014: approximately HK\$19.9 million). As at 30 September 2014, the Group had cash and bank balances of approximately HK\$32.4 million (as at 31 March 2014: approximately HK\$35.9 million). As at 30 September 2014, the Group's net current assets amounted to approximately HK\$24.7 million (as at 31 March 2014: approximately HK\$41.9 million). Current ratio as at 30 September 2014 was approximately 1.38 (as at 31 March 2014: approximately 1.67).

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

Capital expenditure

The Group purchased property, plant and equipment amounting to approximately HK\$1.3 million for the six months ended 30 September 2014 (six months ended 30 September 2013: approximately HK\$0.26 million).

Capital commitments

The Group did not have any significant capital commitments as at 30 September 2014 (as at 31 March 2014: Nil).

Gearing ratio

The Group's gearing ratio, defined as the total debt (i.e. bank borrowing and finance leases obligation) divided by total equity, as at 30 September 2014 is 49.1% (as at 31 March 2014: 37.1%).

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 Hong Kong dollar. During the period ended 30 September 2014, there was no material impact to the Group arising from the fluctuation in the foreign exchange.

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 period ended 30 September 2014.

Major investment, acquisitions and disposals

The Group did not have any major investment, acquisitions, and disposals during the period ended 30 September 2014.

Charges over assets of the group

As at 30 September 2014, certain pledged bank deposits of approximately HK\$5.1 million and the deposits placed for life insurance policies of approximately HK\$7.6 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\$0.7 million and approximately HK\$1.0 million as at 30 September 2014 and 31 March 2014 respectively.

The deposits placed for life insurance policies are denominated in US\$, a currency other than the functional currency of the Group.

The following table set out the pledged bank deposits of the Group as at 30 September 2014 and 31 March 2014:

	As at 30 September 2014 <i>HK\$'000</i>	As at 31 March 2014 <i>HK\$'000</i>
Pledged bank deposits (note)	<u>5,064</u>	<u>15,896</u>

Note: Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group as at 30 September 2014 and 31 March 2014.

Comparison of business objectives with actual business progress

An analysis comparing the business objectives as set out in the Prospectus for the period from 20 September 2013, being the latest practicable date as defined in the Prospectus (“**LPD**”), to 30 September 2014 (the “**Review Period**”) with the Group’s actual business progress for the Review Period is set out as follows:

	Business objectives stated in the Prospectus	Actual business progress
Expansion of the property management portfolio	<ul style="list-style-type: none">– hire additional professional as maintenance surveyors and building services engineers;– establish a new property management team with one property manager, one executive manager and two administrative staff;– prepare promotional materials;– take part in tendering of various non-residential property management contracts.	<p>During the period, one Property and Facility Management Division Surveyor was hired and some engineers will come into the working group in future.</p> <p>Subsequent to the formation of the working group comprising of different professionals, such as the Registered Housing Managers and the Chartered Surveyors, the Group has taken part in tendering of various non-domestic property management contracts including carparks, shopping complex, government office building and educational institute, etc. During the past months, the Group has successfully acquired five facilities management services contracts from different private and public sectors including:-</p> <ul style="list-style-type: none">– The Hong Kong International Theme Parks Ltd;– St. Francis of Assis Caritas School;– May Shing Court of Housing Department– Hop Yick Plaza, Yueng Long and;– Full Shing Plaza, Yuen Long. <p>The success in acquiring the above-mentioned contracts is encouraging and has proved our efforts for past months. The Group has great confidence in exploring and expanding the Company’s pre-determined goal of facilities management portfolio continuously in the future.</p> <p>Besides, the Group has still endeavored our efforts to the potential carpark clients by formulating different business plans for them in terms of operation, demand and supply, cost effectiveness, energy-saving market trends, equipments, and promotional strategy etc. Most of these plans are now still under the feasibility and availability studies by the Group’s clients before making further decisions.</p>

Implementation of the old district property management scheme

A group of old tenement buildings in To Kwa Wan, which were renovated a few years ago, were found having structural damages in August last year. The Buildings Department officials inspected the buildings immediately and promptly declared the building dangerous. Occupants were ordered to vacate the building within relatively short period of time. Community concerns were widely reported by the mass media. In December 2013, the Urban Renewal Authority voluntarily involved and speedily implemented the renewal project for the buildings with lucrative compensation packages for the owners. Old building owners understand the minor repairs will improve the buildings to an acceptable standard but the old buildings constructed at the then outdated building standard may impose potential danger resulted from aging, climate changes and environmental factors. Also, after this incident, it was envisaged the Urban Renewal Authority may step in to redevelop the old building so as to avoid adverse criticism, if they are condemned unsafe.

Since then, the scheme gradually encountered unfavorable responses and determent in the past months. Many old building owners now wait for their flats to be acquired and redeveloped. It is apparent the market has been changing drastically recently. Though efforts were endeavored to promote the scheme in the targeted old districts, unfortunately, they were in vain. For cost-effectiveness, the establishment of one property management team for the six month ending 30 September 2014 was restrained and no expenditure related to the scheme for the said period was incurred. During that period of time, the company continued to assign the senior staff and their subordinates to promote the scheme and research the market. The recent developments and observations are summarized as below:

1. *Persistently high real estate prices*

Inspite of the government's determination to curb the soaring real estate prices and the levy of Double Stamp Duty, the property market shows no sign of cooling down in 2014 mainly due to the scarcity of land and the acute shortage of supply. Prevailing long term planning aiming to solve the problem takes years to increase the housing stocks. In 2014, the Directors perceive that most of the owners of the old building speculate the values of their properties are most favorable from now to a couple of years later or till the tension of land supply is relieved. As such, they incline to dispose their properties rather than revitalizing them for better and safe living condition.

2. *Scarcity of land supply*

In 2014, a major land resumption plan in the New Territories by the Hong Kong government faced strong opposition and saw a major setback. While the government encounters formidable opposition and obstruction in acquiring land for development, relaxing and promoting the redevelopment of old buildings including factory and other non-residential buildings are advocated. Consequently, it is expected that there will be strong demand for redevelopment of old buildings. The heavy demand on acquisition of these types of buildings further discourages the old building owners to improve their buildings with the hope for early redevelopment.

3. *Community support*

The old buildings are owned by individual owners and do not have incorporated owners establishment at large. The Group's planning to promote and implement the old building management scheme is influenced by the views and support of the local leaders. Though their responses were favorable and promising initially before the Company was listed on 11 October 2013, in 2014 there was less support from those social leaders. The Directors believe the change in attitude is attributable to the reasons explained above and the recent social and political atmosphere in Hong Kong.

In view of the above, the management anticipates the scheme is and will be facing great difficulty. Though much effort will continue to explore the targeted buildings, the scheme implementation will be further reviewed in due course.

Use of proceeds from the Listing

The actual net proceeds from the issue of new shares of the Company under the placing as set out in the Prospectus were approximately HK\$17.5 million, which was different from the estimated net proceeds of approximately HK\$24.4 million (estimated on the assumption that the placing price would be the mid-point of the stated range as stated in the Prospectus). For the period from the LPD until 30 September 2014, the Group has applied the net proceeds as follows:

	Net proceeds (HK\$ million)		
	Available	Utilised	Unutilised
Repayment of bank loan	7.5	7.5	–
Implementation of old district property management scheme	0.3	–	0.3
Expansion of the property management portfolio	0.9	0.9	–
	<u>8.7</u>	<u>8.4</u>	<u>0.3</u>

The unutilized balance of the net proceeds will be applied in the manner consistent with that mentioned in the Prospectus, although the implementation of the old district property management scheme will be reviewed in due course.

Share option scheme

The Company has adopted the share option scheme (the “Scheme”) on 19 September 2013 which will remain in force for a period of 10 years from the effective date of the Scheme and will expire on 10 October 2023. The principal terms of the Scheme are summarised in the section headed “Share Option Scheme” in Appendix IV to the Prospectus.

For the six months ended 30 September 2014, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

Corporate governance practices

The Company endeavours to maintain high standard of corporate governance for the enhancement of shareholders’ value and provide transparency, accountability and independence. The Company has complied with the required code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 of the GEM Listing Rules for the six months ended 30 September 2014.

Compliance with the required standard of dealings in securities transactions by Directors

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 Directors’ securities transactions in securities of the Company. Upon the Group’s specific enquiry, each Director confirmed that, he had fully complied with the required standard of dealings and there was no event of non-compliance.

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 2014, the interest and short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and 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 maintained 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 Rules 5.46 of the GEM Listing Rules were as follows:

Long positions

Ordinary share of the Company

Name	Capacity and nature of interest	Number of shares (note 1)	Percentage of the Company's issued share capital
Ho Ying Cheung (note 2)	Beneficial interest in controlled corporation	300,000,000 (L)	75%
Ho Ying Choi (note 2)	Beneficial interest in controlled corporation	300,000,000 (L)	75%

Note:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
2. Mr. Ho Ying Cheung and Mr. Ho Ying Choi both executive Directors owned 40% and 60% of the shares in Topgrow respectively. Mr. Ho Ying Cheung and Mr. Ho Ying Choi are deemed to be interested in the shares held by Topgrow under Part XV of the SFO.

Save as disclosed above, as at 30 September 2014, 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 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.

Substantial shareholders' and other persons' interests and short positions in the shares and underlying shares of the Company

As at 30 September 2014, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions

Ordinary shares of the Company

Name	Capacity and nature of interest	Number of shares (note 1)	Percentage of the Company's issued share capital
Topgrow Holdings Limited	Beneficial owner	300,000,000 (L)	75%
Millionchamp International Limited (note 2)	Beneficial owner	148,000,000 (L)	37%
Zhang Yan (note 2)	Interest in controlled corporation	148,000,000 (L)	37%
Lee Ka Bo (note 3)	Family interest	148,000,000 (L)	37%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
2. As Zhang Yan owned 100% of the shares in Millionchamp International Limited, Zhang Yan is deemed to be interested in the shares held by Millionchamp International Limited under Part XV of the SFO.
3. Lee Ka Bo is deemed to be interested in the shares held by Zhang Yan under the SFO.

Save as disclosed above, as at 30 September 2014, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of the SFO.

Purchases, sales or redemption of the Company's 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 2014.

Contract of significance

At 30 September 2014, there is no contract of significance between the Company or any of its subsidiaries, and any controlling shareholder of the Company or any of its subsidiaries.

Compliance committee

The compliance committee is a committee under the Company's audit committee and is chaired by Mr. Ho Ying Choi, the chief executive officer and an executive Director, and comprises Mr. Lau Ping Kwai, the associate director of KSU (*note*), Mr. Fong Shek Hung, the associate director of KSU (*note*) and Mr. Cheng Kam Hung, the financial controller of KSU. The Group's legal adviser, Y.C. Lee Pang, Kwok & Ip Solicitors, is procured to provide legal advices and to attend the committee meeting on need basis. For the six months ended 30 September 2014, six meetings were held and the minutes of the meetings were distributed to the legal adviser, Y.C. Lee, Pang, Kwok & Ip Solicitors, and the audit committee members for scrutiny and comment. The committee addresses the matters concerning the compliance of law and regulations, contract terms and litigation cases of the Group.

Safety committee

To raise the management's awareness of the health and safety in the workplace, the Group formed a safety committee comprising Mr. Fong Shek Hung, the associate director (*note*) of KSU, and Mr. Law Kwok Leung, a senior property manager of KSU, eight other committee members from (i) property management department; (ii) cleaning department; (iii) security department; (iv) maintenance department; and (v) administration department, and two members appointed by the Safety Consultant. Among eight of the ten members who are the Group's staff, at least five members, including Mr. Fong Shek Hung and Mr. Law Kwok Leung, have more than ten years of experience in property management while the other two members have more than fifteen years of experience in cleaning and maintenance services industry. The responsibilities of the safety committee are, among other things, to establish the Group's workplace health and safety management system, formulate and implement the internal health and safety policies, and arrange staff trainings. The safety committee holds monthly meetings to review the effectiveness of the system. The Group engages an external safety consultancy firm (the "Safety Consultant") for the review and recommendation in respect of safety in buildings managed by the Group. For the six months ended 30 September 2014, the committee held four meeting and 50 buildings or estates were reviewed by the Safety Consultant.

Note: The position "associate director" is a corporate title only and not a "director" within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the GEM Listing Rules. An associate director named herein is principally responsible for (i) the supervision of property management of the Group or its staff; (ii) supervision of the Group's administration or overall standard; and (iii) the Group's customer relations.

Board diversity policy

The policy aims to set out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diversified Board to enhance the quality of its performance. The details of the policy are available on the Company's website.

Procedures for shareholders to propose a person for election as a Director

Any shareholder of the Company who wishes to propose a person other than a retiring Director 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.

Major shareholders

Topgrow is a company incorporated in the British Virgin Islands with limited liability in November 2001. After completion of the capitalisation issue and the placing, it beneficially owns 75% of the entire issue capital of the Company. Topgrow is owned as to 60% and 40% by Mr. Ho Ying Choi and Mr. Ho Ying Cheung holdings respectively. The Group was founded by Mr. Ho Ying Cheung and other then shareholders in 1984, while Mr. Ho Ying Choi joined KSU as a director in 1992.

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 in compliance with the GEM Listing Rules. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee is currently composed of the four independent non-executive Directors, namely Mr. Tong Sze Chung (chairman of the audit committee), Mr. Wong Tsz Ho, Mr. Cheung Kwong Wai and Mr. So Chung Shing.

The audit committee has reviewed and approved the unaudited consolidated financial statements of the Group for the six months end 30 September 2014 and recommended approval to the Board.

Interests of the compliance adviser

As notified by the compliance adviser of the Company, Ample Capital Limited, as at 30 September 2014, except for the compliance adviser agreement entered into between the Company and Ample Capital Limited dated 27 September 2013, neither Ample Capital Limited or its directors, employees or close associates had any interest in relation to the Group.

By order of the Board
Kong Shum Union Property Management (Holding) Limited
Ho Ying Cheung
Chairman

Hong Kong 14 November 2014

As at the date of this announcement, the executive Directors are Mr. Ho Ying Cheung, Mr. Ho Ying Choi and Mr. Shum Lok To, the non-executive Directors are Mr. Kam Tak Yeung and Mr. Tso Ping Cheong, Brian; and the independent non-executive Directors are Mr. Cheung Kwong Wai, Mr. Tong Sze Chung, Mr. Wong Tsz Ho and Mr. So Chung Shing.

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