

*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 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.*

The board of Directors (the “Board”) 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 three and nine months ended 31 December 2014 (the “Third Quarterly Financial Statement”), together with the unaudited comparative figures for the corresponding periods in 2013 as follows:

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine months ended 31 December 2014

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Revenue</b>	4	<b>85,509</b>	83,008	<b>252,125</b>	241,554
Cost of services		<b>(68,645)</b>	(66,307)	<b>(200,822)</b>	(194,497)
<b>Gross profit</b>		<b>16,864</b>	16,701	<b>51,303</b>	47,057
Other income	5	<b>101</b>	183	<b>286</b>	267
Administrative expenses		<b>(10,745)</b>	(9,482)	<b>(31,995)</b>	(26,366)
Other operating expenses		<b>(4,949)</b>	(3,592)	<b>(12,950)</b>	(9,617)
Finance costs		<b>(163)</b>	(225)	<b>(511)</b>	(956)
Listing expenses		<b>–</b>	(5,611)	<b>–</b>	(6,455)
<b>Profit/(loss) before taxation</b>	6	<b>1,108</b>	(2,026)	<b>6,133</b>	3,930
Income tax expense	7	<b>(507)</b>	(788)	<b>(1,495)</b>	(1,880)
<b>Profit/(loss) and total comprehensive income attributable to owners of the Company for the period</b>		<b>601</b>	(2,814)	<b>4,638</b>	2,050
Earnings/(loss) per share – basic	9	<b>0.2</b>	(0.7)	<b>1.2</b>	0.6
Earnings/(loss) per share – diluted	9	<b>N/A</b>	N/A	<b>N/A</b>	N/A

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the nine months ended 31 December 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) <i>(Note 1)</i>	(unaudited)	(unaudited)
As at 1 April 2013 (audited)	4,750	–	–	15,701	20,451
Profit and the total comprehensive income for the period	–	–	–	2,050	2,050
Arising from Reorganisation <i>(Note 1)</i>	(4,750)	–	4,750	–	–
Capitalisation issue <i>(Note 2)</i>	3,000	(3,000)	–	–	–
Placing of share <i>(Note 3)</i>	1,000	32,000	–	–	33,000
Share issue expenses	–	(4,912)	–	–	(4,912)
As at 31 December 2013	<u>4,000</u>	<u>24,088</u>	<u>4,750</u>	<u>17,751</u>	<u>50,589</u>
As at 1 April 2014 (audited)	<b>4,000</b>	<b>24,088</b>	<b>4,750</b>	<b>20,729</b>	<b>53,567</b>
Profit and the total comprehensive income for the period	–	–	–	4,638	4,638
Dividend paid to equity holders – final dividend of HK5cents per share for year ended 31 March 2014	–	–	–	(20,000)	(20,000)
As at 31 December 2014	<u><b>4,000</b></u>	<u><b>24,088</b></u>	<u><b>4,750</b></u>	<u><b>5,367</b></u>	<u><b>38,205</b></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 of the date of Reorganisation. The said aggregated 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 way of 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.
3. On 11 October 2013, 100,000,000 ordinary shares of HK\$0.01 each were issued by 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.

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

*For the nine months ended 31 December 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 three and nine months ended 31 December 2014 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") 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 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 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 three and nine months ended 31 December 2014 and 2013, all revenues are derived from customers in Hong Kong and the Group's non-current assets as at 31 December 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 three and nine months ended 31 December 2014 and 2013. An analysis of the Group's revenue recognised during the periods is as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2014 <i>HK\$'000</i> (unaudited)	2013 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)	2013 <i>HK\$'000</i> (unaudited)
Provision of property management services	<b>85,509</b>	83,008	<b>252,125</b>	241,554

### 5. OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2014 <i>HK\$'000</i> (unaudited)	2013 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)	2013 <i>HK\$'000</i> (unaudited)
Interest income	<b>79</b>	174	<b>227</b>	258
Sundry income	–	9	<b>37</b>	9
Gain on disposal of motor vehicles	<b>22</b>	–	<b>22</b>	–
	<b>101</b>	183	<b>286</b>	267

## 6. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation as stated is arrived at after charging the following items:

	Three months ended		Nine months ended	
	31 December		31 December	
	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	71,404	67,812	209,151	197,060
Contributions to retirement benefit scheme	2,286	2,311	6,773	6,783
	<u>73,690</u>	<u>70,123</u>	<u>215,924</u>	<u>203,843</u>
Auditors' remuneration	163	238	488	563
Depreciation of property, plant and equipment	319	358	856	1,059
Operating lease rentals in respect of rented premises	698	482	1,978	1,445
	<u>698</u>	<u>482</u>	<u>1,978</u>	<u>1,445</u>

## 7. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	31 December		31 December	
	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	517	819	1,750	2,378
– Deferred taxation	(10)	(31)	(255)	(498)
	<u>507</u>	<u>788</u>	<u>1,495</u>	<u>1,880</u>

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 three and nine months ended 31 December 2014 (2013: Nil).

## **9. EARNINGS/(LOSS) PER SHARE**

The calculation of basic earnings/(loss) per share is based on the consolidated profit attributable to owners of the Company for the three and nine months ended 31 December 2014 of approximately HK\$0.6 million and HK\$4.6 million (three and nine months ended 31 December 2013: loss of approximately HK\$2.8 million and profit of approximately HK\$2.1 million) respectively, and the weighted average number of shares in issue during the three and nine months ended 31 December 2014 of 400,000,000 (three and nine months ended 31 December 2013: 389,130,435 and 329,818,182 respectively).

The Group did not have any dilutive potential ordinary shares during the three and nine months ended 31 December 2014 and 2013.

## 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 nine months ended 31 December 2014, the Group provided property security services for 27 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 nine months ended 31 December 2014 and 2013, all of the Group’s revenue was derived from its operation in Hong Kong. The Group derived revenue of approximately HK\$15.3 million from stand-alone security services contracts for each of the nine months ended 31 December 2014 and 2013, representing approximately 6.1% and 6.3% of its total revenue respectively. The following table sets out the Group’s revenue by contract type for each of nine months ended 31 December 2014 and 2013:

	Nine months ended 31 December			
	2014		2013	
	<i>HK\$' million</i>	<i>percentage</i>	<i>HK\$' million</i>	<i>percentage</i>
Property management services contracts	<b>236.8</b>	<b>93.9%</b>	226.3	93.7%
Property security services contracts	<b>15.3</b>	<b>6.1%</b>	15.3	6.3%
	<b><u>252.1</u></b>	<b><u>100%</u></b>	<u>241.6</u>	<u>100%</u>

The Group's revenue improved by approximately 4.4% from approximately HK\$241.6 million for the nine months ended 31 December 2013 to approximately HK\$252.1 million for the nine months ended 31 December 2014. The increase was primarily attributed to the growth of revenue generated from property management services contracts, increased by around 4.6% to approximately HK\$236.8 million for the nine months ended 31 December 2014. Revenue generated from security services contracts remain unchanged for the nine months ended 31 December 2014.

The gross profit of the Group increased by approximately 9.0% from approximately HK\$47.1 million for the nine months ended 31 December 2013 to approximately HK\$51.3 million for the nine months ended 31 December 2014. The gross profit margin was approximately 19.5% and 20.3% for nine months ended 31 December 2013 and 2014 respectively. The total cost of services amounted to approximately HK\$194.5 million and HK\$200.8 million for the nine months ended 31 December 2013 and 2014, representing approximately 80.5% and 79.7% of the Group's revenue respectively.

Profit attributable to owners of the Company increased by approximately 126.2% from approximately HK\$2.1 million for nine months ended 31 December 2013 to approximately HK\$4.6 million for nine months ended 31 December 2014. The Group's net profit margin increased by approximately 1 percentage point from approximately 0.8% to 1.8% for the nine months ended 31 December 2013 and 2014 respectively.

## **OPERATION REVIEW**

### **Human resources**

As at 31 December 2014, the Group had a total of 2,123 employees. The Group's staff costs for the nine months ended 31 December 2014 amounted to approximately HK\$215.9 million. To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees 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 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, 21 property management contracts and one stand-alone security service contract were awarded to the Group during the period under review.

As at 31 December 2014, there were in total 417 service contracts comprising 396 property management service contracts, 14 stand-alone security service contracts and 7 facility management service contracts.

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

During the nine months ended 31 December 2014, 10 out of the total of 417 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 on the clients who failed to follow the procedural requirements. All of the remaining 407 valid contracts as at 31 December 2014 were in compliance with the said procedural requirements or not applicable under the Building Management Ordinance. The senior management adopts a tight control system to monitor the full compliance of the procedural requirements. All newly signed contracts during the nine months ended 31 December 2014 included the mandatory term requiring the client to follow the said procedural requirements (if applicable).

### **Client accounts**

As at 31 December 2014, the Group was holding 53 client accounts amounting to approximately HK\$29.5 million (as at 31 March 2014: approximately HK\$18.0 million) on trust for and on behalf of customers. These bank accounts were 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 31 December 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 by the service contracts.

### **Outlook**

The number of properties in the Hong Kong market has been growing. Public voices concern over the housing stock production and it is expected that the speeding up of the housing completion in the near future will relieve 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 are not avoidable, the Directors are optimistic that the Group will continue to increase its market share after the Listing of the Company's shares on GEM and believe that the said opportunities benefit the Group's business.

## **Liquidity, financial resources and capital structure**

The Group's bank borrowings and obligations under finance leases, as at 31 December 2014 was approximately HK\$17.7 million (as at 31 March 2014: approximately HK\$19.9 million). As at 31 December 2014, the Group had cash and bank balances of approximately HK\$35.6 million (as at 31 March 2014: approximately HK\$35.9 million). As at 31 December 2014, the Group's net current assets amounted to approximately HK\$23.8 million (as at 31 March 2014: approximately HK\$41.9 million). Current ratio as at 31 December 2014 was approximately 1.36 (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\$3.1 million for the nine months ended 31 December 2014 (nine months ended 31 December 2013: approximately HK\$0.43 million).

### **Capital commitments**

The Group did not have any significant capital commitments as at 31 December 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 31 December 2014 is 46.4% (as at 31 March 2014: 37.1%).

### **Foreign currency risk**

The Group's business operations were solely conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollar. During the period ended 31 December 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 31 December 2014.

## Corporate governance practices

The Company endeavors 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 nine months ended 31 December 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 the 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 executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation

As at 31 December 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 position

#### *Ordinary shares of the Company*

Name	Capacity and nature of interest	Number of shares (note 1)	Percentage of the Company's issued share capital
Mr. Liu Dan (note 2)	Interest in controlled corporation	300,000,000 (L)	75%

#### Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
2. Mr. Liu Dan is an executive Director who is the beneficial owner of the entire issued share capital of Wiser Capital Management Limited. Mr. Liu Dan is deemed to be interested in the shares held by Wiser Capital Management Limited under Part XV of the SFO.

Save as disclosed above, as at 31 December 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 31 December 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 position**

##### *Ordinary shares of the Company*

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of shares</b> <i>(note 1)</i>	<b>Percentage of the Company's issued share capital</b>
Wiser Capital Management Limited <i>(note 2)</i>	Beneficial owner	300,000,000 (L)	75%

#### *Notes:*

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
2. Wiser Capital Management Limited is wholly and beneficially owned by Mr. Liu Dan.

Save as disclosed above, as at 31 December 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 nine months ended 31 December 2014.

## **Contract of significance**

At 31 December 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 has been appointed to provide legal advices to the committee and to attend the committee meeting on need basis. For the nine months ended 31 December 2014, nine 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 nine months ended 31 December 2014, the committee held six meeting and 57 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.

## **Change of Controlling Shareholders, General Offer and change of Directors**

The Company and the Wiser Capital Management Limited ("Offeror") jointly announced on 27 November 2014, among other things, that on 20 November 2014, the Offeror, Topgrow, Mr. Ho Ying Cheung and Mr. Ho Ying Choi entered into the sale and purchase agreement ("Share Purchase Agreement"), pursuant to which the Offeror agreed to acquire, and Topgrow agreed to sell the sale shares (the "Sale Shares") which represent 75% of the existing entire issued share capital of the Company as at the date of the Share Purchase Agreement at the consideration of HK\$183,750,000 (equivalent to HK\$0.6125 per Sale Share). The Offeror was wholly-owned by Mr. Liu Dan. The completion of the Share Purchase Agreement took place on 25 November 2014.

Upon the completion of the Share Purchase Agreement on 25 November 2014, the Offeror became the owner of 75% of the existing entire issued share capital of the Company, and accordingly, as at the date of announcement on 9 January 2015, the Offeror was required to make an unconditional mandatory cash offer (the "Offer") for all the issued Shares (other than those already acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Kingston Securities Limited made the Offer for and on behalf of the Offeror in accordance with Rule 26.1 of the Takeovers Code.

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, an independent board committee, comprising all non-executive Directors, namely, Mr. Kam Tak Yeung, Mr. Tso Ping Cheong Brian, Mr. Cheung Kwong Wai, Mr. Tong Sze Chung, Mr. So Chung Shing and Mr. Wong Tsz Ho, was formed to advise the independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer.

The offer price (the "Offer Price") of HK\$0.6125 per offer Share in respect of which the Offer is made was the same as the price per Sale Share paid by the Offeror to Topgrow under the Share Purchase Agreement. As the Offeror, Mr. Liu Dan and parties acting in concert with any of them were interested in 300,000,000 Shares as at the latest practicable date prior to the printing of the composite offer and response document jointly issued by the Offeror and the Company on 9 January 2015 (the "Composite Offer Document"), 100,000,000 Shares were subject to the Offer and the total consideration of the Offer would be approximately HK\$61,250,000 based on the Offer Price.

Seven of the then Directors before the Offer tendered their resignation to the Board but each of them indicated in his resignation that his resignation is subject to the Takeovers Code and shall not take effect until the earliest possible date when such resignations may be permitted to take effect under the Takeovers Code. The remaining two Directors, namely Mr. Ho Ying Choi and Mr. Shum Lok To, who have not tendered their resignation will remain in the Board after completion of the Offer. With effect from 21 January 2015, Mr. Liu Dan was appointed as an executive Director of the Company.

### **Close of the Offer and the Level of Acceptance**

The Board and the Offeror jointly announced that the Offer made by Kingston Securities Limited on behalf of the Offeror was closed at 4:00 p.m. on Monday, 2 February 2015.

As at 4:00 p.m. on Monday, 2 February 2015, being the latest time and date for acceptance of the Offer as set out in the Composite Offer Document, the Offeror has not received any valid acceptances of the Shares under the Offer. The Offer has not been revised or extended.

### **Major shareholders**

Wiser Capital Management Limited is an investment holding company and is beneficially and wholly owned by Mr. Liu Dan. The principal activity is investment holding and the principal assets are its equity interest in the Company. Mr. Liu Dan is the sole shareholder and sole director of Wiser Capital Management Limited.

### **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 nine months end 31 December 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 31 December 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 5 February 2015

*As at the date of this announcement, the executive Directors are Mr. Ho Ying Cheung, Mr. Ho Ying Choi, Mr. Shum Lok To and Mr. Liu Dan, 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](http://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](http://www.kongshum.com.hk).*