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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Offers, this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Kong Shum Union Property Management (Holding) Limited, you should at once hand this Composite Document and the accompanying Forms of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Forms of Acceptance, make no representation as to their 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 Composite Document and the accompanying Forms of Acceptance.

This Composite Document should be read in conjunction with the accompanying Forms of Acceptance, the contents of which form part of the terms and conditions of the Offers.

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**Heng Sheng Capital Limited**  
**恒生資本有限公司**

*(Incorporated in the British Virgin Islands  
with limited liability)*

**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)**

### COMPOSITE OFFER AND RESPONSE DOCUMENT IN RELATION TO CONDITIONAL MANDATORY CASH OFFERS BY



**KINGSTON SECURITIES**

**FOR AND ON BEHALF OF**

**HENG SHENG CAPITAL LIMITED**

**FOR ALL THE ISSUED SHARES IN**

**KONG SHUM UNION PROPERTY MANAGEMENT (HOLDING) LIMITED**

**(OTHER THAN THOSE SHARES ALREADY OWNED OR**

**TO BE ACQUIRED BY HENG SHENG CAPITAL LIMITED AND**

**PARTIES ACTING IN CONCERT WITH IT) AND**

**TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF**

**KONG SHUM UNION PROPERTY MANAGEMENT (HOLDING) LIMITED**

**Financial adviser to the Offeror**



**KINGSTON CORPORATE FINANCE**

**Financial adviser to the Company**



**國泰君安國際**

**GUOTAI JUNAN INTERNATIONAL**

**Guotai Junan Capital Limited**

**Independent financial adviser to the Independent Board Committee**



**Euto 裕韜**  
**Capital Partners**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

Shareholders and Optionholders should inform themselves of and observe any applicable legal or regulatory requirements. See "NOTICE TO HOLDERS OUTSIDE OF HONG KONG" on page 1 of this Composite Document and "IMPORTANT NOTE TO OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS" of the Letter from Kingston Securities on page 13 of this Composite Document.

A letter from Kingston Securities containing, among other things, the details of the terms and conditions of the Offers are set out on pages 7 to 14 of this Composite Document. A letter from the Board is set out on pages 15 to 21 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and Optionholders is set out on pages 22 to 23 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 24 to 49 of this Composite Document.

The procedures for acceptance of the Offers and other related information are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. Acceptances of the Share Offer should be received by the Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, and acceptances of the Option Offer should be received by the company secretary of the Company, by no later than 4:00 p.m. on Wednesday, 14 February 2018 or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

24 January 2018

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## CHARACTERISTICS OF GEM

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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 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## EXPECTED TIMETABLE

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*The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.*

**2018**

Despatch date of this Composite Document and  
the accompanying Forms of Acceptance and  
commencement date of the Offers (*Note 1*) . . . . . Wednesday, 24 January

Latest time and date for acceptance of the Offers  
on the first Closing Date (*Notes 2, 6 and 7*) . . . . . by 4:00 p.m.  
on Wednesday, 14 February

First Closing Date (*Notes 2, 6 and 7*) . . . . . Wednesday, 14 February

Announcement of the results of the Offers as at  
the first Closing Date, to be posted on the website  
of the Stock Exchange (*Notes 2, 6 and 7*) . . . . . by 7:00 p.m.  
on Wednesday, 14 February

Latest date for posting of remittances for the amount due  
in respect of valid acceptances received under  
the Offers on or before 4:00 p.m. on the first Closing Date  
assuming the Offers become or are declared  
unconditional on the first Closing Date (*Notes 3 and 6*) . . . . . Tuesday, 27 February

Latest time and date for the Offers remaining open for  
acceptances assuming the Offers become or are declared  
unconditional on first Closing Date (*Notes 4 and 6*) . . . . . by 4:00 p.m.  
on Wednesday, 28 February

Final Closing Date (*Notes 4 and 6*) . . . . . Wednesday, 28 February

Announcement of the results of the Offers as at  
the final Closing Date, to be posted on the website of the  
Stock Exchange . . . . . by 7:00 p.m.  
on Wednesday, 28 February

Latest date for posting of remittances for the amount due  
in respect of valid acceptances received under the Offers  
on or before 4:00 p.m. on the final Closing Date,  
being the latest date on which the Offers remain open for  
acceptances assuming the Offers become or are declared  
unconditional on the first Closing Date (*Notes 3 and 6*) . . . . . Friday, 9 March

Latest time and date by which the Offers can become  
or be declared unconditional as to acceptances (*Note 5*) . . . . . Monday, 26 March

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## EXPECTED TIMETABLE

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*Notes:*

- (1) The Offers are made on Wednesday, 24 January 2018, the date of this Composite Document, and are capable of acceptance on and from that date until the Closing Date.
- (2) In accordance with the Takeovers Code, the Offers must initially be open for acceptance for at least twenty one (21) days following the date on which this Composite Document was posted. The latest time for acceptance of the Offers is 4:00 p.m. on the first Closing Date unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offers until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating the results of the Offers and whether the Offers have been revised or extended or have expired or have become or are declared unconditional. In the event that the Offeror decides to extend the Offers, the announcement will state the next closing date of the Offers or that the Offers will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing will be given before the Offers are closed to those Independent Shareholders and Optionholders who have not accepted the Offers.

Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (as set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

- (3) Subject to the Offers becoming unconditional, remittances in respect of the cash consideration for the Offer Shares (after deducting the seller's ad valorem stamp duty in respect of acceptances of the Share Offer) or the Share Options tendered under the Offers will be despatched to the accepting Shareholder(s) (to the address specified on the relevant Form of Share Offer Acceptance) or Optionholder(s) (to the address specified on the relevant Form of Option Offer Acceptance) by ordinary post at his/her/its own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt by the Registrar (in the case of Offer Shares) or the company secretary of the Company (in the case of Share Options) of the duly completed and signed Forms of Acceptance and all the relevant documents to render the acceptance under the Offers complete and valid, and the date on which the Offers become or are declared unconditional in all respects.
- (4) In accordance with the Takeovers Code, where the Offers become or are declared unconditional in all respects, the Offers should remain open for acceptance for not less than fourteen (14) days thereafter. In such case, at least fourteen (14) days' notice in writing must be given before the Offers are closed. The Offeror has the right, subject to the Takeovers Code, to extend the Offers until such date as they may jointly determine or as permitted by the Executive, in accordance with the Takeovers Code. The Offeror will issue an announcement in relation to any extension of the Offers, which will state the next closing date or, if the Offers have become or are at that time unconditional, that the Offers will remain open until further notice.
- (5) In accordance with the Takeovers Code, except with the consent of the Executive, the Offers may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day of this Composite Document is posted. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offers have previously become unconditional as to acceptances, the Offers will lapse on Monday, 26 March 2018 unless extended by the Offeror with the consent of the Executive and in accordance with the Takeovers Code. Therefore, the last day by which the Offers can become or be declared unconditional in all respects is Monday, 26 March 2018.

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## EXPECTED TIMETABLE

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- (6) The latest time and date for acceptance of the Offers and/or the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances will not take effect if there is a tropical cyclone warning signal number 8 or above, or a “black rainstorm warning”, in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers and/or the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances. Instead the latest time for acceptance of the Offers and/or the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.
- (7) Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the paragraph headed “7. Right of withdrawal” in Appendix I to this Composite Document.

Save as mentioned above, if the latest time for the acceptance of the Offers and/or the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders and Optionholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

**All references to date and time contained in this Composite Document and the accompanying Forms of Acceptance refer to Hong Kong date and time.**

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## IMPORTANT NOTICES

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### NOTICE TO HOLDERS OUTSIDE OF HONG KONG

The Offers made to the Independent Shareholders and Optionholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions where such persons are located. Such persons should inform themselves about and observe any applicable legal and regulatory requirements of their own jurisdictions. It is the responsibility of any Overseas Shareholders and Overseas Optionholders wishing to accept the Offers to satisfy themselves as to the full observance of the laws of the relevant jurisdictions in connection therewith, including the obtaining of any governmental or exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions.

Please refer to the section headed “IMPORTANT NOTE TO OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS” of the Letter from Kingston Securities in this Composite Document for further information.

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## DEFINITIONS

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*In this Composite Document, the following expressions have the meanings set out below unless the context requires otherwise.*

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Additional Share Purchases”	the share purchases on the market by the Offeror of 15,000,000 Shares on 29 December 2017, representing approximately 1.76% of the entire share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date
“associate(s)”	has the meaning ascribed thereto under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	Wednesday, 14 February 2018, being the first closing date of the Offers or any subsequent closing date as may be announced by the Offeror and the Company and approved by the Executive
“Company”	Kong Shum Union Property Management (Holding) Limited (stock code: 8181), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to all Shareholders and Optionholders in accordance with the Takeovers Code in connection with the Offers
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company



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## DEFINITIONS

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“Encumbrances”	any claim, charge, mortgage, security, lien, pledge, option, equity, power of sale, hypothecation or other third party rights, retention of title, right of pre-emption, right of first refusal or security interest of any kind, and “Encumber” shall be construed accordingly
“Euto Capital” or “Independent Financial Adviser”	Euto Capital Partners Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee on the Offers
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Form(s) of Acceptance”	the Form of Share Offer Acceptance and the Form of Option Offer Acceptance, and “Form of Acceptance” means either of them
“Form of Option Offer Acceptance”	the pink form of acceptance in respect of the Option Offer accompanying this Composite Document
“Form of Share Offer Acceptance”	the white form of acceptance in respect of the Share Offer accompanying this Composite Document
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors, namely Mr. Tso Siu Lun, Alan, Mr. Lam Kai Yeung and Mr. Lo Chi Ho, Richard, established to give a recommendation to the Independent Shareholders and Optionholders regarding the terms of the Offers

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## DEFINITIONS

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“Independent Shareholder(s)”	Shareholder(s), other than the Offeror and parties acting in concert with it
“Joint Announcement”	the joint announcement dated 4 January 2018 issued by the Company and the Offeror in respect of, amongst other things, the Offers
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and being the financial adviser to the Offeror in respect of the Offers
“Kingston Securities”	Kingston Securities Limited, a licensed corporation to carry on Type 1 (dealing in securities) regulated activity under the SFO and being the agent making the Offers for and on behalf of the Offeror
“Last Trading Day”	29 December 2017, being the last trading day on which the Shares were traded on the Stock Exchange prior to the issue and publication of the Joint Announcement
“Latest Practicable Date”	19 January 2018, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Loan Facility”	the loan facility granted by Kingston Securities to the Offeror for financing the consideration payable under the Offers
“Loan Facility Agreement”	the loan facility agreement entered into between Kingston Securities as lender and the Offeror as borrower dated 20 December 2017 in relation to the Loan Facility
“MLO”	the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong)
“Mr. Huang”	Mr. Huang Liming (黃黎明), the sole director and the beneficial owner of the Offeror
“Offer Period”	has the meaning ascribed to it under the Takeovers Code, being the period commencing on 4 January 2018, being the date of the Joint Announcement and ending on the Closing Date

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## DEFINITIONS

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“Offer Share(s)”	Share(s) in respect of which the Share Offer is made, being Share(s) not already owned or to be acquired by the Offeror and the parties acting in concert with it
“Offeror”	Heng Sheng Capital Limited, a company incorporated in the British Virgin Islands with limited liability
“Offers”	the Share Offer and the Option Offer
“Option Offer”	the conditional mandatory cash offer made by Kingston Securities for and on behalf of the Offeror for the cancellation of all the outstanding Share Options in accordance with the Takeovers Code
“Option Offer Price”	HK\$0.01 per Share Option
“Optionholder(s)”	holder(s) of the Share Option(s)
“Overseas Optionholder(s)”	the Optionholder(s) whose address(es), as shown on the register of Optionholders of the Company, is/are outside Hong Kong
“Overseas Shareholder(s)”	Independent Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Registrar”	Union Registrars Limited, the Hong Kong branch share registrar and transfer office of the Company
“Relevant Period”	the period commencing on 4 July 2017, being the date falling six months preceding the date of commencement of the Offer Period, up to and including the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“Share Offer”	the conditional mandatory cash offer made by Kingston Securities for and on behalf of the Offeror for all the issued Shares, other than those Shares already owned or to be acquired by the Offeror and parties acting in concert with it
“Share Offer Price”	the price at which the Share Offer is made, being HK\$0.38 per Offer Share
“Share Option(s)”	the share option(s) granted under the Share Option Scheme which entitle the grantees to subscribe for an aggregate of 20,000,000 Shares at an exercise price of HK\$1.09 per Share
“Share Option Scheme”	the share option scheme adopted by the Company on 19 September 2013
“Share Purchases”	the share purchases on the market by the Offeror totalling 257,504,000 Shares (including the Additional Share Purchases), representing approximately 30.11% of the entire share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs
“%”	per cent.



24 January 2018

*To the Independent Shareholders and Optionholders*

Dear Sir/Madam,

**CONDITIONAL MANDATORY CASH OFFERS BY  
KINGSTON SECURITIES LIMITED  
FOR AND ON BEHALF OF THE OFFEROR  
FOR ALL THE ISSUED SHARES IN THE COMPANY  
(OTHER THAN THOSE SHARES ALREADY OWNED OR  
TO BE ACQUIRED BY THE OFFEROR AND  
PARTIES ACTING IN CONCERT WITH IT) AND  
FOR THE CANCELLATION OF  
ALL THE OUTSTANDING SHARE OPTIONS OF THE COMPANY**

**INTRODUCTION**

Reference is made to the Joint Announcement. On 29 December 2017, the Offeror has purchased an aggregate of 15,000,000 Shares on the market at prices ranging between HK\$0.370 and HK\$0.380 per Share being the highest purchase price over last six months prior to the date of the Joint Announcement. As a result, immediately following the Share Purchases (including the Additional Share Purchases), the Offeror and parties acting in concert with it hold 257,504,000 Shares, representing approximately 30.11% of the entire issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date.

Immediately prior to the Share Purchases, the Offeror and parties acting in concert with it were not interested in any Shares. Immediately prior to the Additional Share Purchases, the Offeror and parties acting in concert with it were interested in 242,504,000 Shares, representing approximately 28.35% of the entire issued share capital of the Company as at the date of the Joint Announcement. Immediately following the Share Purchases (including the Additional Share Purchases), the Offeror and parties acting in concert with it own an aggregate of 257,504,000 Shares, representing approximately 30.11% of the entire issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date.

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror was required to make the Share Offer and, pursuant to Rule 13 of the Takeovers Code, to make the Option Offer.

This letter forms part of this Composite Document and sets out, amongst other things, the details of the Offers, certain information on the Offeror and the intention of the Offeror regarding the Group. The terms of the Offers and the procedures for acceptances are set out in this letter, Appendix I to this Composite Document and the Forms of Acceptance.

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## LETTER FROM KINGSTON SECURITIES

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The Independent Shareholders and the Optionholders are strongly advised to carefully consider the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from Euto Capital” as set out in this Composite Document before reaching a decision as to whether or not to accept the Offers.

### THE OFFERS

Kingston Securities, is making the Offers for and on behalf of the Offeror to all the Independent Shareholders for all issued Shares (other than those Shares already owned or to be acquired by the Offeror and parties acting in concert with it) and to the Optionholders for the cancellation of all outstanding Share Options on the terms set out in this Composite Document in accordance with Rules 26.1 and 13 of the Takeovers Code respectively, on the following basis:

#### Principal terms of the Offers

##### *The Share Offer*

For each Offer Share ..... HK\$0.38 in cash

The Offer Shares to be acquired under the Share Offer shall be fully paid and shall be acquired free from all Encumbrances and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document.

As at the Latest Practicable Date, there were 855,351,515 Shares in issue, and the Offeror and parties acting in concert with it were interested in 257,504,000 Shares, representing approximately 30.11% of the entire issued share capital of the Company. Further details of the terms of the Share Offer and the procedures for acceptance are set out in Appendix I to this Composite Document and the accompanying Form of Share Offer Acceptance.

##### *The Option Offer*

The Offeror is making the Option Offer to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all outstanding Share Options in exchange for cash.

For cancellation of each Share Option ..... HK\$0.01 in cash

As at the Latest Practicable Date, there were 20,000,000 Share Options entitling the grantees to subscribe for an aggregate of 20,000,000 Shares at an exercise price of HK\$1.09 per Share granted under the Share Option Scheme. As at the Latest Practicable Date, the Offeror and parties acting in concert with it did not hold any Share Option.

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## LETTER FROM KINGSTON SECURITIES

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Pursuant to Rule 13.5 of the Takeovers Code and Practice Note 6 of the Takeovers Code, the Option Offer Price would normally represent the difference between the exercise price of the Share Options and the Share Offer Price. Under the Option Offer, given that the exercise prices of the outstanding Share Options are above the Share Offer Price, the outstanding Share Options are out-of-money and the Option Offer Price for the cancellation of each outstanding Share Option is set at a nominal value of HK\$0.01.

Further terms of the Option Offer and the procedures for acceptance are set out in Appendix I to this Composite Document and the accompanying Form of Option Offer Acceptance.

### **Conditions of the Offers**

The Share Offer will be conditional upon the Offeror having received valid acceptances of the Offer Shares which, together with the Shares acquired or to be acquired by the Offeror and the parties acting in concert with it before or during the Offer Period, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company. The Option Offer will be conditional upon the Share Offer becoming or being declared unconditional in all respects.

### **Comparisons of value**

The Share Offer Price of HK\$0.38 per Offer Share represents:

- (a) the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 4.40% over the average of closing price of HK\$0.364 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 4.11% over the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (d) a premium of approximately 84.47% over the unaudited consolidated net asset value of the Group of approximately HK\$0.206 per Share as at 30 September 2017, based on a total of 855,351,515 Shares in issue as at the Latest Practicable Date and the unaudited consolidated net asset value of the Group of approximately HK\$176,330,000 as at 30 September 2017.

### **Value of the Offers**

As at the Latest Practicable Date, the Company had a total of 855,351,515 Shares in issue and there were 20,000,000 Share Options entitling the grantees to subscribe for an aggregate of 20,000,000 Shares at an exercise price of HK\$1.09 per Share granted under the Share Option Scheme.

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## LETTER FROM KINGSTON SECURITIES

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Assuming there is no change in the total number of issued Shares from the Latest Practicable Date up to the Closing Date and on the basis of the Share Offer Price of HK\$0.38 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$325 million. Each of 597,847,515 Shares and 20,000,000 outstanding Share Options will be subject to the Offers and the Offers are valued at approximately HK\$227 million and HK\$0.2 million, respectively.

### **Highest and lowest Share prices**

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.380 per Share on 29 December 2017 and HK\$0.143 per Share on 16 October 2017, respectively.

### **Financial resources available to the Offeror**

Kingston Corporate Finance, being the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are available to the Offeror to satisfy the consideration payable in case of full acceptances of the Offers. The Offers will be financed by the Loan Facility provided by Kingston Securities.

The Offeror has entered into the Loan Facility Agreement under which the Offeror is required to pledge the Shares held by it and the Shares to be acquired by it as collateral (the “**Pledged Shares**”), of which the voting rights of the Shares subject to the Pledged Shares would not be transferred to Kingston Securities. The Offeror confirms the payment of interest on, repayment of or security for any existing liability (contingent or otherwise) in relation to the Loan Facility will not depend on the business of the Company in any significant extent.

### **Effect of accepting the Offers**

By accepting the Share Offer, subject to the Share Offer becoming unconditional, the Independent Shareholders will sell their tendered Shares to the Offeror free from all Encumbrances and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document.

By accepting the Option Offer, subject to the Share Offer becoming unconditional, Optionholders will agree to the cancellation of their tendered Share Options and all rights attached thereto with effect from the date on which the Option Offer is made, being the date of despatch of this Composite Document.

Acceptance of the Offers will be irrevocable and not capable of being withdrawn, subject to the provisions of the Takeovers Code.



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## LETTER FROM KINGSTON SECURITIES

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### **Hong Kong stamp duty**

Seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by each accepting Independent Shareholder at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptance of the Share Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to such accepting Independent Shareholder (where the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar).

The Offeror bears its own portion of buyer's ad valorem stamp duty at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptance of the Share Offer, whichever is higher, and will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant accepting Independent Shareholder and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfer of the Offer Shares.

No stamp duty is payable in connection with the acceptances of the Option Offer.

### **Payment**

Payment (after deducting the accepting Shareholders' Shares of ad valorem stamp duty in connection with the Share Offer) in cash in respect of acceptances of the Offers will be made as soon as possible but in any event within seven (7) Business Days following later of the date on which the Offers become or are declared unconditional and the date on which duly completed and signed Form(s) of Acceptance and the relevant documents of title of the Shares or the Share Options (as the case may be) are received by the Offeror to render each such acceptance complete and valid in accordance with the Takeovers Code.

### **INFORMATION ON THE GROUP**

Details of the information on the Group are set out in the paragraph headed "Information on the Group" in the "Letter from the Board" in this Composite Document.

### **INFORMATION ON THE OFFEROR**

The Offeror is an investment holding company incorporated in the British Virgin Islands on 4 August 2011 with limited liability. The Offeror is beneficially wholly-owned by Mr. Huang. Mr. Huang is the sole director of the Offeror. As at the Latest Practicable Date, save for the Share Purchases and its shareholding interest in the Company, the Offeror has not engaged in any business activities.

Mr. Huang, aged 42, is an entrepreneur with 16 years of experience in property development and property management business in the PRC. He is currently the chairman of 恒生地產有限公司 (Heng Sheng Real Estate Co., Ltd), a company that is principally engaged in

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## LETTER FROM KINGSTON SECURITIES

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property development and residential property management business in the city of Zibo (淄博市), the city of Jinan (濟南市) and the city of Qingdao (青島市) in Shandong Province (山東省) of the PRC. Save for the shareholding interest in the Company, Mr. Huang is not a substantial shareholder (as defined under the GEM Listing Rules) of any other listed companies in Hong Kong as at the Latest Practicable Date.

### INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

The Offeror believes that if the Offers become unconditional, it would allow the Offeror to consolidate its control in the Company and the Group would be able to leverage on the extensive commercial network of Mr. Huang to support the Group's business.

As at the Latest Practicable Date, the Offeror intends to continue the principal business of the Group, and has no plans to inject any assets or businesses into the Group or to procure the Group to acquire or dispose of any assets. The Offeror will, following the close of the Offers, conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. As at the Latest Practicable Date, the Offeror has not identified such investments or business opportunities.

The Offeror is inclined to work together with the senior management of the Company and to leverage on their expertise and experience to further promote the growth of the Group. The Offeror will, depending on the business operations and development of the Group in the future, constantly review the staff structure of the Group so as to meet the needs of the Group from time to time. As at the Latest Practicable Date, the Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment nor to dispose of or re-allocate any fixed assets of the Group (other than in the ordinary and usual course of business of the Group).

### COMPULSORY ACQUISITION

The Offeror does not intend to exercise any power of compulsory acquisition on any of the outstanding Offer Shares not acquired under the Share Offer after the close of the Offers.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares are held by the public, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares; or that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

The Offeror intends that the Company will remain listed on the GEM. The sole director of the Offeror has undertaken and the new directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists in the Shares.

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## LETTER FROM KINGSTON SECURITIES

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In this connection, in the event that the public float falls below 25% upon close of the Offers, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the GEM Listing Rules can be met. Appropriate announcement(s) will be made in this regard as and when appropriate in compliance with the GEM Listing Rules.

### **IMPORTANT NOTE TO OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS**

The Share Offer and the Option Offer are made available to all Independent Shareholders and Optionholders respectively, including those who are not resident in Hong Kong. The availability of the Offers to persons who are not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws or regulations of the relevant jurisdictions. Such Overseas Shareholders and Overseas Optionholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of the individual Overseas Shareholders and Overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any regulatory or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Whether or not this Composite Document is sent to the Overseas Shareholders and Overseas Optionholders, this Composite Document will be published on the websites of the Company and the Stock Exchange, and will be available for collection at the office of the Registrar. It is the responsibility of the individual Independent Shareholders or Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offers (including the obtaining of any regulatory or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions). Any acceptance by any Independent Shareholder or Optionholder who is not resident in Hong Kong will be deemed to constitute a representation and warranty from such Independent Shareholder or Optionholder to the Offeror that the local laws and requirements have been complied with. All such Independent Shareholders and Optionholders should consult their professional advisers if in doubt.

### **TAX IMPLICATIONS**

The Independent Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the tax implications that may arise from accepting or rejecting the Offers. It is emphasised that none of the Offeror, its beneficial owners and parties acting in concert with any of them, the Company, Kingston Securities, Kingston Corporate Finance, Euto Capital, the Registrar or any of their respective directors or professional advisers or the company secretary of the Company or any other parties involved in the Offers or any of their respective agents accept any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

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## LETTER FROM KINGSTON SECURITIES

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### ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

### GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owner of the Offer Shares whose investments are registered in the name of a nominee to provide instructions to their nominee of their intentions with regards to the Share Offer.

All documents and remittances will be sent to the Independent Shareholders and the Optionholders by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as specified on the relevant Form of Share Offer Acceptance or if no name and address is specified, to the Independent Shareholder or the first named Independent Shareholder (in the case of joint registered holders) at their respective addresses as shown in the register of members of the Company, and in the case of the Optionholders, to the address specified on the relevant Form of Option Offer Acceptance. None of the Offeror, its beneficial owners and parties acting in concert with any of them, the Company, Kingston Securities, Kingston Corporate Finance, Euto Capital, the Registrar or any of their respective directors or professional advisers or the company secretary of the Company or any other parties involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

### ADDITIONAL INFORMATION

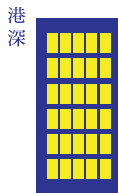
Your attention is drawn to the additional information set out in the appendices to this Composite Document and the accompanying Form(s) of Acceptance, which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the recommendation of the “Letter from the Independent Board Committee”, the advice of the “Letter from Euto Capital” and other information about the Group, which are set out in this Composite Document before deciding whether or not to accept the Offers.

Yours faithfully,  
For and on behalf of  
**Kingston Securities Limited**  
**Chu, Nicholas Yuk-yui**  
*Director*

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Eric Todd (*Chairman*)  
Mr. Ho Ying Choi  
Mr. Lee Chin Ching, Cyrix

*Independent Non-executive Directors:*

Mr. Tso Siu Lun, Alan  
Mr. Lam Kai Yeung  
Mr. Lo Chi Ho, Richard

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

*Head Office and Principal Place of  
Business:*

Unit 1001, 10 Floor,  
Chung Nam House,  
59 Des Voeux Road Central,  
Hong Kong

24 January 2018

*To the Independent Shareholders and Optionholders*

Dear Sir or Madam,

**CONDITIONAL MANDATORY CASH OFFERS BY KINGSTON SECURITIES  
FOR AND ON BEHALF OF HENG SHENG CAPITAL LIMITED  
FOR ALL THE ISSUED SHARES IN  
KONG SHUM UNION PROPERTY MANAGEMENT (HOLDING) LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR  
TO BE ACQUIRED BY HENG SHENG CAPITAL LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT) AND FOR THE  
CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF  
KONG SHUM UNION PROPERTY MANAGEMENT (HOLDING) LIMITED**

**INTRODUCTION**

Reference is made to the Joint Announcement that on 29 December 2017 (after trading hours), the Company was informed by the Offeror that as a result of the Share Purchases

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## LETTER FROM THE BOARD

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(including the Additional Share Purchases which took place on 29 December 2017), the Offeror and parties acting in concert with it have purchased up to 257,504,000 Shares, representing approximately 30.11% of the issued share capital of the Company. Immediately prior to the Share Purchases, the Offeror and parties acting in concert with it were not interested in any Shares. Immediately prior to the Additional Share Purchases, the Offeror and parties acting in concert with it were interested in 242,504,000 Shares, representing approximately 28.35% of the then entire issued share capital of the Company.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it owned an aggregate of 257,504,000 Shares, representing approximately 30.11% of the entire issued share capital of the Company. As disclosed in the “Letter from Kingston Securities”, the Offeror believes that if the Offers become unconditional it would allow the Offeror to consolidate its control in the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror was required to make the Share Offer and, pursuant to Rule 13 of the Takeovers Code, to make the Option Offer.

Pursuant to Rule 2.1 of the Takeovers Code, an Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tso Siu Lun, Alan, Mr. Lam Kai Yeung and Mr. Lo Chi Ho, Richard, has been established to advise the Independent Shareholders and the Optionholders in respect of the terms of the Offers. The Board has appointed Euto Capital as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers and, in particular, as to whether the terms of the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned and as to the acceptance of the Offers and such appointment has been approved by the Independent Board Committee.

The purpose of this Composite Document is to provide you with, among other matters, information relating to the Group, the Offeror and the Offers as well as to set out the “Letter from the Independent Board Committee” containing its recommendation to the Independent Shareholders and the Optionholders in respect of the Offers and the “Letter from Euto Capital” containing its advice to the Independent Board Committee in respect of the Offers.

### THE OFFERS

Kingston Securities, is making the Offers for and on behalf of the Offeror to all the Independent Shareholders for all issued Shares (other than those Shares already owned or to be acquired by the Offeror and parties acting in concert with it) and all the Optionholders to cancel all the outstanding Share Options on the terms set out in this Composite Document in compliance with Rule 26.1 and Rule 13.5 of the Takeovers Code respectively, on the following basis:

#### **Principal terms of the Offers**

##### ***Share Offer***

For each Offer Share ..... HK\$0.38 in cash

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## LETTER FROM THE BOARD

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The Share Offer Price of HK\$0.38 per Offer Share under the Offers equals to the highest purchase price per Share paid by the Offeror under the Share Purchases. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of this Composite Document.

As at the Latest Practicable Date, the Company has a total of 855,351,515 Shares in issue. Further details of the Share Offer including, among others, the terms and conditions and the procedures for acceptance and settlement are set out in the “Letter from Kingston Securities”, Appendix I to this Composite Document and the accompanying Form of Share Offer Acceptance.

### *Option Offer*

For cancellation of each Share Option . . . . . HK\$0.01 in cash

Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 of the Takeovers Code, the Option Offer Price would normally represent the difference between the exercise price of the Share Options and the Share Offer Price. Under the Option Offer, given that the exercise prices of the outstanding Share Options are above the Share Offer Price, the outstanding Share Options are out-of-money and the Option Offer Price for the cancellation of each outstanding Share Option is set at a nominal value of HK\$0.01.

As at the Latest Practicable Date, there are 20,000,000 Share Options entitling the grantees to subscribe for an aggregate of 20,000,000 Shares at an exercise price of HK\$1.09 per Share which were granted under the Share Option Scheme.

Further details of the Option Offer including, among others, the terms and conditions and the procedures for acceptance and settlement are set out in the “Letter from Kingston Securities”, Appendix I to this Composite Document and the accompanying Form of Option Offer Acceptance.

### **Comparisons of value**

The Share Offer Price of HK\$0.38 per Offer Share represents:

- (i) the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 4.40% over the average of closing price of HK\$0.364 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 4.11% over the closing price of HK\$0.365 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

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## LETTER FROM THE BOARD

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- (iv) a premium of approximately 84.47% over the unaudited consolidated net asset value of the Group of approximately HK\$0.206 per Share as at 30 September 2017, based on a total of 855,351,515 Shares in issue as at 30 September 2017 and the Latest Practicable Date and the unaudited consolidated net asset value of the Group of approximately HK\$176,330,000 as at 30 September 2017.

### **Highest and lowest Share prices**

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.38 per Share (on 29 December 2017) and HK\$0.143 per Share (on 16 October 2017), respectively.

### **Conditions of the Offer**

The Share Offer will be conditional upon the Offeror having received valid acceptances of the Offer Shares which, together with the Shares acquired or to be acquired by the Offeror and the parties acting in concert with it before or during the Offer Period, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company.

The Option Offer will be conditional upon the Share Offer becoming or being declared unconditional in all respects. Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled.

### **Further information on the Offers**

Please refer to the “Letter from Kingston Securities” and Appendix I contained in this Composite Document for further information in relation to the Offers, including the value of the Offers, confirmation of financial resources available to the Offeror, Hong Kong stamp duty, payment in respect of acceptance of the Offers, procedures for acceptance of the Offers and settlement of the Offers.



## LETTER FROM THE BOARD

### INFORMATION ON THE GROUP

The Group is principally engaged in the provision of property management services in Hong Kong primarily targeting residential properties, properties investment and money lending business under the MLO. The Company is also interested in 30% issued share capital of an associate which, via its subsidiaries, carries out (i) Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO; and (ii) money lending business under the MLO.

### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately prior to the Share Purchases; (ii) immediately prior to the Additional Share Purchases; and (iii) immediately following the Share Purchases (including the Additional Share Purchases) and as at the Latest Practicable Date:

Shareholdings	Immediately prior to the Share Purchases		Immediately prior to the Additional Share Purchases		Immediately following the Share Purchases (including the Additional Share Purchases) and as at the Latest Practicable Date	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>Number of Shares</i>	<i>% of issued Shares</i>	<i>Number of Shares</i>	<i>% of issued Shares</i>	<i>Number of Shares</i>	<i>% of issued Shares</i>
The Offeror and parties acting in concert with it	–	–	242,504,000	28.35	257,504,000	30.11
Public Shareholders	855,351,515	100.00	612,847,515	71.65	597,847,515	69.89
<b>Total</b>	<b>855,351,515</b>	<b>100.00</b>	<b>855,351,515</b>	<b>100.00</b>	<b>855,351,515</b>	<b>100.00</b>

### INFORMATION ON THE OFFEROR AND INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the sections headed “Information on the Offeror” and “Intention of the Offeror in relation to the Group” in the “Letter from Kingston Securities” on pages 7 to 14 of this Composite Document for detailed information on the Offeror and the Offeror’s intention on the Group.

The Board is aware of the intention of the Offeror in respect of the Group. In particular, the Board is pleased that the Offeror intends to continue the principal businesses of the Group, and has no plans to inject any assets or businesses into the Group or to procure the Group to

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## LETTER FROM THE BOARD

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acquire or dispose of any assets. The Offeror will, following the close of the Offers, conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. The Offeror is inclined to work together with the senior management of the Company and to leverage on their expertise and experience to further promote the growth of the Group. The Directors are willing to render reasonable co-operation with the Offeror and will continue to act in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment nor to dispose of or re-allocate any fixed assets of the Group (other than in the ordinary and usual course of business of the Group).

### MAINTAINING THE LISTING STATUS OF THE COMPANY

As stated in the “Letter from Kingston Securities”, the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the Closing Date and the sole director of the Offeror has undertaken and the new directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the Shares. The Company and the Offeror will issue a separate announcement as and when necessary regarding the decision of any such placing down if the circumstances warrant.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained.

As stated in the “Letter from Kingston Securities”, in the event that the public float falls below 25% upon close of the Offers, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the GEM Listing Rules can be met. Appropriate announcement(s) will be made in this regard as and when appropriate in compliance with the GEM Listing Rules.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.1 of the Takeovers Code, an Independent Board Committee, comprising all independent non-executive Directors, namely, Mr. Tso Siu Lun, Alan, Mr. Lam Kai Yeung and Mr. Lo Chi Ho, Richard, has been formed to advise the Independent Shareholders and Optionholders in respect of the Offers as to whether the terms of the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned and as to the acceptance of the Offers.

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## LETTER FROM THE BOARD

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The Independent Board Committee has approved the appointment of Euto Capital as the Independent Financial Adviser which advises the Independent Board Committee in respect of the Offers.

### RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 22 to 23 of this Composite Document, which contains its recommendation to the Independent Shareholders and Optionholders in respect of the Offers; and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee set out on pages 24 to 49 of this Composite Document, which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the Offers and the principal factors considered by it in arriving at its opinions and recommendations.

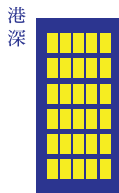
### ADDITIONAL INFORMATION

You are strongly advised to read this Composite Document together with the accompanying Form(s) of Acceptance for information relating to the Offers, taxation and procedures for acceptance and settlement of the Offers.

Your attention is also drawn to the “Letter from Kingston Securities” and the additional information contained in the appendices to this Composite Document.

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

**WARNING: Shareholders, Optionholders and/or potential investors in the Company should note that (i) the Share Offer is subject to the satisfaction of the conditions that the Offeror having received valid acceptances of the Offer Shares which, together with the Shares acquired or to be acquired by the Offeror and the parties acting in concert with it before or during the Offer Period, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company; and (ii) the Option Offer is subject to, and conditional upon, the Share Offer becoming or being declared unconditional in all respects. The Offers may or may not become unconditional. Shareholders, Optionholders and/or potential investors in the Company should therefore exercise caution when dealing in the securities of the Company (including the Shares and any options or rights in respect of them). Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.**



**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)**

24 January 2018

*To the Independent Shareholders and Optionholders*

Dear Sir or Madam,

**CONDITIONAL MANDATORY CASH OFFERS BY KINGSTON SECURITIES  
FOR AND ON BEHALF OF HENG SHENG CAPITAL LIMITED  
FOR ALL THE ISSUED SHARES IN  
KONG SHUM UNION PROPERTY MANAGEMENT (HOLDING) LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR  
TO BE ACQUIRED BY HENG SHENG CAPITAL LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT) AND FOR THE  
CANCELLATION OF ALL THE OUTSTANDING SHARE OPTIONS OF  
KONG SHUM UNION PROPERTY MANAGEMENT (HOLDING) LIMITED**

We refer to the composite offer and response document dated 24 January 2018 issued jointly by the Company and the Offeror to the Shareholders and Optionholders (the “**Composite Document**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined elsewhere in this Composite Document unless the context requires.

We have been appointed to form the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned and acceptances to the Offers.

Euto Capital has been appointed as the Independent Financial Adviser to advise us in respect of the Offers. Your attention is drawn to the “Letter from Euto Capital” set out in this Composite Document containing its advice to us and the principal factors and reasons taken into account by it in arriving at such advice.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the Offers and the letter of advice and recommendation from Euto Capital, we consider that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned. Accordingly, we recommend the Independent Shareholders and Optionholders to accept the Offers.

Yours faithfully,

For and on behalf of

the Independent Board Committee

**Kong Shum Union Property Management (Holding) Limited**

**Tso Siu Lun, Alan**

**Lam Kai Yeung**

**Lo Chi Ho, Richard**

*Independent Non-executive Directors*

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## LETTER FROM EUTO CAPITAL

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*The following is the full text of a letter of advice from Euto Capital to the Independent Board Committee in relation to the Offers, which has been prepared for the purpose of inclusion in this Composite Document.*



Euto Capital Partners Limited  
Room 2418, Wing On Centre,  
111 Connaught Road Central,  
Hong Kong

T +852 3106 2393  
F +852 3582 4722  
www.eutocapital.com

24 January 2018

*To the Independent Board Committee,  
the Independent Shareholders and the Optionholders of  
Kong Shum Union Property Management (Holding) Limited*

Dear Sirs and Madams,

**CONDITIONAL MANDATORY CASH OFFERS BY  
KINGSTON SECURITIES  
FOR AND ON BEHALF OF  
HENG SHENG CAPITAL LIMITED  
FOR ALL THE ISSUED SHARES IN  
KONG SHUM UNION PROPERTY MANAGEMENT (HOLDING) LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED OR  
TO BE ACQUIRED BY HENG SHENG CAPITAL LIMITED AND  
PARTIES ACTING IN CONCERT WITH IT) AND  
TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF  
KONG SHUM UNION PROPERTY MANAGEMENT (HOLDING) LIMITED**

### INTRODUCTION

We, Euto Capital Partners Limited (“**Euto Capital**”), refer to our appointment as the independent financial adviser to advise the Independent Board Committee, the Independent Shareholders and the Optionholders in respect of the terms of the Offers, particulars of which are set out in the composite offer and response document dated 24 January 2018 jointly despatched by the Offeror and the Company (the “**Composite Document**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as those defined in the Composite Document.

### The Share Purchases

Reference is made to the Joint Announcement. On 29 December 2017, the Offeror has purchased an aggregate of 15,000,000 Shares on the market at prices ranging between HK\$0.370 and HK\$0.380 per Share being the highest purchase price over last six months prior to the date of the Joint Announcement. As a result, immediately following the Share Purchases (including

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## LETTER FROM EUTO CAPITAL

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the Additional Share Purchases), the Offeror and parties acting in concert with it hold 257,504,000 Shares, representing approximately 30.11% of the entire issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date.

### **The conditional mandatory cash Offers**

Immediately prior to the Share Purchases, the Offeror and parties acting in concert with it were not interested in any Shares. Immediately prior to the Additional Share Purchases, the Offeror and parties acting in concert with it were interested in 242,504,000 Shares, representing approximately 28.35% of the entire issued share capital of the Company as at the date of the Joint Announcement. Immediately following the Share Purchases (including the Additional Share Purchases), the Offeror and parties acting in concert with it own an aggregate of 257,504,000 Shares, representing approximately 30.11% of the entire issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date.

The Offeror is required to make the conditional mandatory cash Offers for all the issued Shares (other than those already owned or to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code and to cancel all the outstanding Share Options pursuant to Rule 13.5 of the Takeovers Code.

As at the date of the Latest Practicable Date, the Company has a total of 855,351,515 Shares in issue. Assuming there is no change in the total number of issued Shares from the date of the Joint Announcement up to the Closing Date, there will be 597,847,515 Shares subject to the Share Offer, representing approximately 69.89% of the existing issued share capital of the Company.

As at the Latest Practicable Date, there are 20,000,000 Share Options outstanding entitling the grantees to subscribe for an aggregate of 20,000,000 Shares at an exercise price of HK\$1.09 per Share granted under the Share Option Scheme.

Save as disclosed above, the Company does not have any other securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

### **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising three independent non-executive Directors, namely Mr. Tso Siu Lun, Alan, Mr. Lam Kai Yeung and Mr. Lo Chi Ho, Richard, has been formed to advise the Independent Shareholders and Optionholders in respect of the Offers. We, Euto Capital, have been appointed as the independent financial adviser by the Company to advise the Independent Board Committee, the Independent Shareholders and the Optionholders in this regard. The appointment of us has been approved by the Independent Board Committee.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we were not associated with any member of the Group, or the Offeror, or any of their respective substantial shareholders or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them.

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## LETTER FROM EUTO CAPITAL

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Accordingly, we are considered eligible to give independent advice to the Independent Board Committee, the Independent Shareholders and the Optionholders regarding the Offers. Apart from our present appointment, we have not acted as the financial adviser nor the independent financial adviser in respect of any transaction of the Company in the past two years. In addition, apart from normal professional fees payable to us in connection with this arrangement, no arrangement exists whereby we will receive any fees or benefits from any members of the Group, or the Offeror, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them.

### **BASIS OF OUR OPINION AND RECOMMENDATION**

In formulating our opinion and recommendation to the Independent Board Committee, the Independent Shareholders and the Optionholders, we have relied on (i) the statements, information, opinions and representations contained or referred to in the Composite Document; (ii) the information and representations provided to us by the Directors and/or the management of the Company and its subsidiaries (the “**Management**”); and (iii) our review of the relevant public information.

We have assumed that all information and representations provided by the Management, for which they are solely and wholly responsible for are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be true up to the Latest Practicable Date. Shareholders will be notified for any subsequent material changes to such statements, information, opinions and/or representations as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Composite Document were reasonably made after due enquiries and careful consideration by the Directors and there are no other facts not contained in the Composite Document the omission of which would make any such statement contained in the Composite Document misleading. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Management nor have we conducted any independent investigation into the business, financial conditions, affairs or future prospects of the Group, the Offeror, and parties acting concert with them.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Offeror and parties acting in concert with it), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.



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## LETTER FROM EUTO CAPITAL

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The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Group) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We have not considered the tax and regulatory implications on the Independent Shareholders of their acceptance or non-acceptance of the Offers since these are particular to their own individual circumstances. In particular, the Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Offers and, if in any doubt, should consult their own professional advisers.

This letter was issued to the Independent Board Committee, the Independent Shareholders and the Optionholders solely in connection with their consideration in respect of the Offers.

### **PRINCIPAL FACTORS AND REASON CONSIDERED**

In arriving at our opinion to the Independent Board Committee, the Independent Shareholders and the Optionholders, we have taken into consideration of the following principal factors and reasons. Our conclusions are based on the results of our analysis taken as whole.

#### **1. Background of the Offers**

On 29 December 2017, the Offeror has purchased an aggregate of 15,000,000 Shares on the market at prices ranging between HK\$0.370 and HK\$0.380 per Share being the highest purchase price over last six months prior to the date of the Joint Announcement. As a result, immediately following the Share Purchases (including the Additional Share Purchases), the Offeror and parties acting in concert with it hold 257,504,000 Shares, representing approximately 30.11% of the entire issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date.

#### **2. Principal terms of the Offers**

Immediately following the Share Purchases (including the Additional Share Purchases) and as at the Latest Practicable Date, the Offeror and parties acting in concert with it own an aggregate of 257,504,000 Shares, representing approximately 30.11% of the entire issued share capital of the Company. Accordingly, the Offeror and parties acting in concert with it are required to make the conditional mandatory cash Offers to acquire all issued Shares (other than those already owned or to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code. Pursuant to Rule 13.5 of the Takeovers Code, the Option Offer will be made to cancel all the outstanding Share Options.

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## LETTER FROM EUTO CAPITAL

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Kingston Securities, for and on behalf of the Offeror, is making the Offers in compliance with the Takeovers Code on the following basis:

### *The Share Offer*

For each Offer Share ..... HK\$0.38 in cash

The Share Offer Price of HK\$0.38 for each Share under the Share Offer is the highest purchase price per Share of HK\$0.38 at which the Shares had been acquired by the Offeror under the Share Purchases. The Share Offer will be extended to all Shareholders other than the Offeror and parties acting in concert with it in accordance with the Takeovers Code.

As at the Latest Practicable Date, there were 855,351,515 Shares in issue, and the Offeror and parties acting in concert with it were interested in 257,504,000 Shares, representing approximately 30.11% of the entire issued share capital of the Company.

Further details of the terms of the Share Offer and the procedures for acceptance are set out in Appendix I to this Composite Document and the accompanying Form of Share Offer Acceptance.

### *The Option Offer*

For cancellation of each Share Option ..... HK\$0.01 in cash

Pursuant to Rule 13.5 of the Takeovers Code and Practice Note 6 of the Takeovers Code, the Option Offer Price would normally represent the difference between the exercise price of the Share Options and the Share Offer Price. Under the Option Offer, given that the exercise prices of the outstanding Share Options are above the Share Offer Price, the outstanding Share Options are out-of-money and the Option Offer Price for the cancellation of each outstanding Share Option is set at a nominal value of HK\$0.01.

As at the Latest Practicable Date, there were 20,000,000 Share Options entitling the grantees to subscribe for an aggregate of 20,000,000 Shares at an exercise price of HK\$1.09 per Share granted under the Share Option Scheme. As at the Latest Practicable Date, the Offeror and parties acting in concert with it did not hold any Share Option.

Further details of the terms of the Option Offer and the procedures for acceptance are set out in Appendix I to this Composite Document and the accompanying Form of Option Offer Acceptance.

### **3. Information on the Company and the Group**

The Company is a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM, is an investment holding company.

## LETTER FROM EUTO CAPITAL

### *(a) Principal business of the Group*

As set out in the letter from the Board in the Composite Document, the Group is principally engaged in the provision of property management services in Hong Kong primarily targeting residential properties, properties investment and money lending business under the Money Lending Ordinance. The Company is also interested in 30% issued share capital of an associate which, via its subsidiaries, carries out (i) Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO; and (ii) money lending business under the MLO.

### *(b) Historical financial performance of the Group*

Set out below is an extract of (i) the audited consolidated statement of profit or loss and other comprehensive income of the Group for each of the two financial years ended 31 March 2016 and 2017 as extracted from the annual report of the Company for the year ended 31 March 2017 (“**2017 Annual Report**”) and (ii) the unaudited condensed consolidated statement of profit or loss and other comprehensive income of the Group for the six months ended 30 September 2016 and 30 September 2017 as extracted from the interim report of the Company for the six months ended 30 September 2017 (“**2017 Interim Report**”). Further details of the financial information of the Group are set out in Appendix II to the Composite Document.

**Table 1: Extract of the consolidated statement of profit or loss and other comprehensive income of the Group**

	<b>Financial year ended 31 March</b>		<b>Six months ended 30 September</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
<b>Revenue</b>				
– Provision of property management services	374,024	395,513	196,056	199,585
– Properties investment	–	–	–	571
– Money lending business	–	–	–	747
<b>Total revenue</b>	<u>374,024</u>	<u>395,513</u>	<u>196,056</u>	<u>200,903</u>
<b>Segment profit</b>				
– Provision of property management services	19,577	21,300	11,684	10,958
– Properties investment	–	–	–	457
– Money lending business	–	–	–	663
<b>Total segment profit</b>	<u>19,577</u>	<u>21,300</u>	<u>11,684</u>	<u>12,078</u>

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## LETTER FROM EUTO CAPITAL

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	Financial year ended		Six months ended	
	31 March		30 September	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
<b>Profit for the year/period attributable to the owners of the Company</b>	<u>2,814</u>	<u>10,188</u>	<u>5,512</u>	<u>12,392</u>

*(I) For the year ended 31 March 2017*

As set out in the table 1 above, the revenue of the Group for the financial year ended 31 March 2017 (“FY2017”), attributable to the provision of property management services, being the only reportable segment of the Group for FY2017, increased by approximately HK\$21.4 million or 5.74% from approximately HK\$374.1 million for the financial year ended 31 March 2016 (“FY2016”) to approximately HK\$395.5 million for FY2017.

As advised by the Management, the revenue generated from the provision of property management services for FY2017 of approximately HK\$395.5 million was a combination of revenue derived from property management services contract of approximately HK\$365.1 million and Stand-alone security services contracts of approximately HK\$30.4 million, representing approximately 92.3% and 7.7% of its total revenue respectively. We further note that such increase in revenue was mainly attributable to (i) the increase in the number of management service contracts obtained by the Group by 9 from 422 for FY2016 to 431 for FY2017, resulting to an increase in revenue generated from property management services contract of approximately 3.19% from approximately HK\$353.8 million for FY2016 to approximately HK\$365.1 million for FY2017; and (ii) a significant increase in the revenue generated from security services contracts of approximately 50.5% from HK\$20.2 million for FY2016 to approximately HK\$30.4 million for FY2017.

Further set out in the above table, the profit for the year attributable to the owners of the Company was approximately HK\$10.1 million for FY2017, representing an increase of approximately HK\$7.3 million or 262.05% as compared to FY2016. As disclosed in the 2017 Annual Report, such increase in profit was mainly due to (i) the increase in gross profit generated from property management services, the only reportable segment of the Group for FY2017, and (ii) the decrease in the Group’s administrative expenses and other operating expenses for FY2017.

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## LETTER FROM EUTO CAPITAL

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*(II) For the six months period ended 30 September 2017*

As set out in the table 1 above, the revenue of the Group for the six months ended 30 September 2017 (“2Q2017”) was increased by approximately HK\$4.8 million or 2.47% from HK\$196.06 million for the six months ended 30 September 2016 (“2Q2016”) to approximately HK\$200.9 million for the 2Q2017. As disclosed in the 2017 Interim Report and according to the Management, such increase was primarily attributable to (i) the increase in revenue generated from property management services contracts by approximately HK\$2.5 million or 1.4% from HK\$180.7 million for 2Q2016 to HK\$183.2 million for 2Q2017 and (ii) the increase in revenue generated from security services contracts by approximately HK\$1 million or 6.5% from approximately HK\$15.4 million for 2Q2016 to HK\$16.4 million for 2Q2017. In addition, the Group has been exploring and evaluating new business and investment opportunities which could be of good potential and/or long-term benefits to the Group and the Shareholders. Since then, the Group commenced its property investment business and money lending business in March 2017 and July 2017 respectively.

As disclosed in the 2017 Interim Report, the Company commenced the provision of properties investment business after completion of the discloseable and connected transaction relating to the acquisition of entire issued share capital of Fortune Trend Investment Limited and More Rise Investment Limited dated 31 March 2017. During the six months ended 30 September 2017, the Group recorded rental income from investment property of approximately HK\$0.6 million for the six months ended 30 September 2017 (30 September 2016: Nil). In relation to the provision of money lending business commenced during the six months ended 30 September 2017, the Group recorded loan interest income of approximately HK\$0.7 million (six months ended 30 September 2016: Nil). As at 30 September 2017, the Group has loan receivables with carrying amount of approximately HK\$30.7 million (31 March 2017: Nil).

Further disclosed in the 2017 Interim Report, the Group has recorded the profit of approximately HK\$12.4 million for the 2Q2017 as compared to the profit of approximately HK\$5.5 million for the 2Q2016. The increase in the said profit was mainly attributable to:

- (i) the share of profits of an associate, contributed by the acquisition of 30% of the issued shares of Dakin Holdings Inc.;
- (ii) new revenue sources from the money lending and properties investment businesses;
- (iii) the increase in revenue from the effect of increase in statutory minimum wage to HK\$34.5 per hour effective from 1 May 2017 which led to the increase in the property service contract sum; and

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## LETTER FROM EUTO CAPITAL

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- (iv) the net effect of decrease in legal and professional fee, increase in interest on promissory notes and amortisation of intangible assets during the period.

**(c) Historical financial position of the Group**

Set out below is an extract of (i) the audited consolidated statement of financial position of the Group as at 31 March 2016 and 31 March 2017 as extracted from the 2017 Annual Report and (ii) the unaudited consolidated statement of financial position of the Group as at 30 September 2017 as extracted from the 2017 Interim Report. Further details of the financial information of the Group are set out in Appendix II to the Composite Document.

**Table 2: Extract of the consolidated statement of financial position of the Group**

	<b>As at 31 March 2016 HK\$'000 (Audited)</b>	<b>2017 HK\$'000 (Audited)</b>	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>
Non-current assets	17,982	89,210	100,441
Current assets	126,888	114,185	149,669
<b>Total assets</b>	<b>144,870</b>	<b>203,395</b>	<b>250,110</b>
Current liabilities	56,225	74,595	66,215
Non-current liabilities	303	12,529	7,565
<b>Total liabilities</b>	<b>56,528</b>	<b>87,124</b>	<b>73,780</b>
<b>Net current assets</b>	<b>70,663</b>	<b>39,590</b>	<b>83,454</b>
<b>Equity attributable to owners of the Company</b>	<b>88,341</b>	<b>116,270</b>	<b>176,330</b>

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## LETTER FROM EUTO CAPITAL

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*(I) As at 30 September 2017*

According to the 2017 Annual Report, as at 30 September 2017, the total assets of the Group was approximately HK\$250.1 million, principally comprised (i) non-current assets of approximately HK\$100.4 million and (ii) current assets of approximately HK\$149.7 million. Details of the breakdown of the non-current assets and the current assets are listed as below:

	<b>As at 31 March 2017 HK\$'000 (Audited)</b>	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>
Property, plant and equipment	12,654	12,072
Investment property	28,817	28,817
Intangible assets	7,887	6,863
Goodwill	785	785
Deposits placed for life insurance policies	8,170	8,274
Deposits for acquisition of an associate	28,350	–
Deferred tax assets	2,547	3,123
Deposits for acquisition of convertible notes	–	3,600
Investment in an associate	–	36,907
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>89,210</b>	<b>100,441</b>
	<hr/> <hr/>	<hr/> <hr/>

	<b>As at 31 March 2017 HK\$'000 (Audited)</b>	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>
Trade and other receivables	61,914	98,784
Pledged bank deposits	7,106	5,414
Cash and cash equivalents	45,165	45,471
	<hr/>	<hr/>
<b>Total current assets</b>	<b>114,185</b>	<b>149,669</b>
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## LETTER FROM EUTO CAPITAL

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We note that the amount of non-current assets as at 30 September 2017 was increased by approximately HK\$11.2 million from approximately HK\$89.2 million as at 31 March 2017 to approximately HK\$100.4 million as at 30 September 2017, as advised by the Management, such increase was mainly due to the investment in and share of profits contributed from an associate, being the 30% investment in Dakin Holdings Inc. by the Group completed on 28 April 2017. Further, as regard to the amount of current asset of the Group, we note that the amount of trade and other receivables in the current assets as at 30 September 2017 was increased by approximately HK\$36.9 million or 59.6% from approximately HK\$61.9 million as at 31 March 2017 to HK\$98.8 million as at 30 September 2017, as advised by the Management, such increase was mainly due to the increase in loan receivables arise from the money lending business of approximately HK\$30.7 million as at 30 September 2017.

As regard to the total liabilities of the Group, the Group has recorded an amount of approximately HK\$66.2 million and HK\$7.5 million for the current liabilities and non-current liabilities as at 30 September 2017 respectively. Details of the breakdown for the current and non-current liabilities as at 30 September 2017 are listed as below:

	<b>As at 31 March 2017 HK\$'000 (Audited)</b>	<b>As at 30 September 2017 HK\$'000 (Unaudited)</b>
Trade and other payables	64,007	52,460
Bank borrowings – secured	9,370	10,876
Finance lease payables	219	172
Current tax liabilities	999	2,707
<b>Total current liabilities</b>	<b>74,595</b>	<b>66,215</b>
Finance lease payables	84	9
Promissory notes payable	12,158	7,302
Deferred tax liabilities	288	254
<b>Total non-current liabilities</b>	<b>12,530</b>	<b>7,565</b>

We note that the amount of non-current liabilities as at 30 September 2017 was decreased by approximately HK\$4.9 million or 39.9% from approximately HK\$12.5 million as at 31 March 2017 to HK\$7.6 million as at 30 September 2017, as advised by the Management, such decrease was mainly due to the settlement of the principal and interest of the promissory notes payable by the Group during the 2Q2017. The



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## LETTER FROM EUTO CAPITAL

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gearing ratio of the Group, as calculated by the total debt (being approximately HK\$18.4 million) (i.e. bank borrowing, promissory notes payable and finance leases obligation) divided by the total equity (being approximately HK\$176.3 million), as at 30 September 2017, is approximately 10.4% (31 March 2017: approximately 18.8%). The decrease in the aforesaid gearing ratio was mainly due to the combined effect of a decrease in promissory notes payable and increase in the total assets.

### *(d) Future prospect*

In order to understand the industry of the Group's existing business, we studied the market outlook of (i) the property management services industry; and (ii) the money lending industry.

#### *(i) Property management services industry*

To study the outlook of the property management services industry in Hong Kong, we have conducted research on the total revenue of the property management services in Hong Kong. Based on an industry overview relating to the total revenue of property management services as extracted from the prospectus of an initial public offerings company which is principally engaged in property management services, of which the relevant research was conducted by Frost & Sullivan Institute and published in its website (i.e. [www.frostchina.com/?p=5375](http://www.frostchina.com/?p=5375)) in December 2017, we noted that the total revenue of property management services in Hong Kong experienced a growth from approximately HK\$48.9 billion in 2012 to approximately HK\$59.2 billion in 2016, representing a compound annual growth rate ("CAGR") of approximately 4.6% and is forecasted to reach HK\$76.9 billion in 2021 with a CAGR of approximately 5.3% from 2016 to 2021.

The property management services for residential properties constitute the largest part of the property management service market in Hong Kong. Additionally, it shows the most rapid growth rate among all sectors in both the historical and forecast periods due to relatively strong demand for residential space. As disclosed in the 2017 Interim Report, the Group is a property management services group principally engaged in the provision of property management services in Hong Kong primarily targeting residential properties. The Directors considered that the property market in Hong Kong is expanding and together with the public opinion voices concern over the housing stock production and the speeding up of the completion of construction of properties in the near future, it is envisaged that the property management business will expand simultaneously. Based on the above statistics and the Group's outlook on the property market, we consider that the future prospect of the property management services business of the Group is certain with growth potentials in the future.

#### *(ii) Money lending industry*

Regarding the money lending market in Hong Kong, we intended to study the increase of the dollar amount of newly approved loan and advance in Hong Kong.

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## LETTER FROM EUTO CAPITAL

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However, according to the information from the website of the Hong Kong Monetary Authority and Census and Statistics Department of Hong Kong, we cannot identify any information in relation to the dollar amount of the newly approved loan and advance. Instead, we find out the information regarding the total loans and advances which is stated in Table 3 below.

We are of the view that, although the information as stated in Table 3 below cannot directly show the information in relation to the dollar amount of the newly approved loan and advance in Hong Kong, it can demonstrate (i) the total outstanding loans and advances at particular point of time; (ii) the difference of the total outstanding loans and advances at end of October in different years; and (iii) the relevant rate of difference. Since the information set out below can demonstrate the market size of the total loans and advances in Hong Kong at particular point of time and the growth rate of the aforesaid when compare with previous year of the corresponding point of time, we are of the view that the statistics can provide meaningful information for Shareholders and Optionholders to understand the market of money lending industry in Hong Kong.

Set out below is the summary of total loans and advances denominated in Hong Kong dollar granted by authorised institutions in Hong Kong (i.e. the dollar amount of existing loan and advances denominated in Hong Kong dollars granted by authorised institutions in Hong Kong as at the end of October) as stated in the “Monthly Statistical Bulletin (January 2018 – Issue No. 281)” published by Hong Kong Monetary Authority.

**Table 3: Total loans and advances denominated in Hong Kong dollar**

As at the end of October	2013	2014	2015	2016	2017
Total loans and advances denominated in Hong Kong dollar (in billion HK\$) ( <i>Note</i> )	3,560.4	3,969.3	4,152.6	4,355.6	5,559.4
Annual growth rate		11.48%	4.62%	4.89%	27.64%

*Source: Hong Kong Monetary Authority*

*Note:* The latest available data for the total outstanding loans and advances in Hong Kong is up to October 2017. Amounts as at the end of October are compared with the same point of time of previous year in order to account for any potential seasonal effect.

As shown in the above Table 3, we noted that the total loans and advances denominated in Hong Kong dollars granted by authorised institutions in Hong Kong was growing from approximately 4.62% as at 31 October 2015 to approximately 27.64% as at 31 October 2017. The annual growth rate was as high as approximately 11.48% when compared the figure as at 31 October 2014 to that as at 31 October 2013 and further dropped to 4.62% when compared to the figure as at 31 October 2015 to

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## LETTER FROM EUTO CAPITAL

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that as at 31 October 2014. After rebounding with an annual growth rate of approximately 4.89% when compared the figure as at 31 October 2016 to that as at 31 October 2015, it further increased significantly to approximately 27.64% when compared the figure as at 31 October 2017 to that as at 31 October 2016. Since the Group intends to develop the money lending business through self-development of the subsidiaries and in view of the current economic and capital markets environment, we consider that the increasing trend of the growth rate of total outstanding loans and advances in recent year represent a positive outlook of the money lending market in Hong Kong.

#### **4. Information on the Offeror**

As set out in the Letter from Kingston Securities in the Composite Document, the Offeror is an investment holding company incorporated in the British Virgin Islands on 4 August 2011 with limited liability. The Offeror is beneficially wholly-owned by Mr. Huang. Mr. Huang is the sole director of the Offeror. As at the Latest Practicable Date, save for the Share Purchases and its shareholding interest in the Company, the Offeror has not engaged in any business activities.

Mr. Huang, aged 42, is an entrepreneur with 16 years of experience in property development and property management business in the PRC. He is currently the chairman of 恒生地產有限公司\* (Heng Sheng Real Estate Co., Ltd), a company that is principally engaged in property development and residential property management business in the city of Zibo (淄博市), the city of Jinan (濟南市) and the city of Qingdao (青島市) in Shandong Province (山東省) of the PRC. Save for the shareholding interest in the Company, Mr. Huang is not a substantial shareholder (as defined under the GEM Listing Rules) of any other listed companies in Hong Kong as at the Latest Practicable Date.

#### **5. The intentions of the Offeror in relation to the Group**

As set out in the Letter from Kingston Securities in the Composite Document, the Offeror believes that if the Offers become unconditional, it would allow the Offeror to consolidate its control in the Company and the Group would be able to leverage on the extensive commercial network of Mr. Huang to support the Group's business.

##### ***(a) Business of the Group***

As at the Latest Practicable Date, the Offeror intends to continue the principal business of the Group, and has no plans to inject any assets or businesses into the Group or to procure the Group to acquire or dispose of any assets. The Offeror will, following the close of the Offers, conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. As at the Latest Practicable Date, the Offeror has not identified such investments or business opportunities.

\* For identification purpose only

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## LETTER FROM EUTO CAPITAL

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The Offeror is inclined to work together with the senior management of the Company and to leverage on their expertise and experience to further promote the growth of the Group. The Offeror will, depending on the business operations and development of the Group in the future, constantly review the staff structure of the Group so as to meet the needs of the Group from time to time. As at the Latest Practicable Date, the Offeror has no intention to terminate the employment of any employees of the Group or to make significant changes to any employment nor to dispose of or re-allocate any fixed assets of the Group (other than in the ordinary and usual course of business of the Group).

***(b) Board composition of the Company***

The Board is currently made up of six Directors, comprising three executive Directors and three independent non-executive Directors. As advised by the Offeror, the Offeror intends to nominate new Directors to the Board and such appointments will not take effect earlier than the date of posting of the Composite Document in relation to the Offers or such other date as permitted under the Takeovers Code. As at the Latest Practicable Date, the Offeror had not reached any final decision as to who will be nominated as new Directors. Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and a separate announcement will be made in this regard as and when appropriate.

***(c) Maintaining the listing status of the Company***

As set out in the Letter from Kingston Securities in the Composite Document, the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the Closing Date and the sole director of the Offeror has undertaken and the new directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the Shares.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained.

**Our view**

We noted that Mr. Huang, being the sole director and shareholder of the Offeror, has 16 years of experience in property development and property management business in the PRC. Taking into account the intention of the Offeror to continue the existing principal business of the Group including the property management business and property investment

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## LETTER FROM EUTO CAPITAL

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business, we consider that Mr. Huang's relevant experience in the property development and property management business might be beneficial to the future business development of the Group.

### 6. Evaluation of the Share Offer Price

#### *(a) Comparison of the market price of the Shares*

As disclosed in the Letter from Kingston Securities in the Composite Document, the Share Offer Price of HK\$0.38 per Share under the Share Offer represents:

- (i) the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 4.40% over the average of closing price of HK\$0.364 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 4.11% over the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a premium of approximately 84.47% over the unaudited consolidated net asset value of the Group of approximately HK\$0.206 per Share as at 30 September 2017, based on a total of 855,351,515 Shares in issue as at 30 September 2017 and the date of the Joint Announcement and the audited consolidated net asset value of the Group of approximately HK\$176,330,000 as at 30 September 2017.

As disclosed above, the Share Offer Price represents (i) premiums over the closing prices of the Share for the last five consecutive trading days up to and including the Last Trading Day; (ii) a substantial premium over the net asset value per Share as at 30 September 2017; and (iii) a premium over the closing price of the Shares as at the Latest Practicable Date.

#### *(b) Historical closing prices of the Shares*

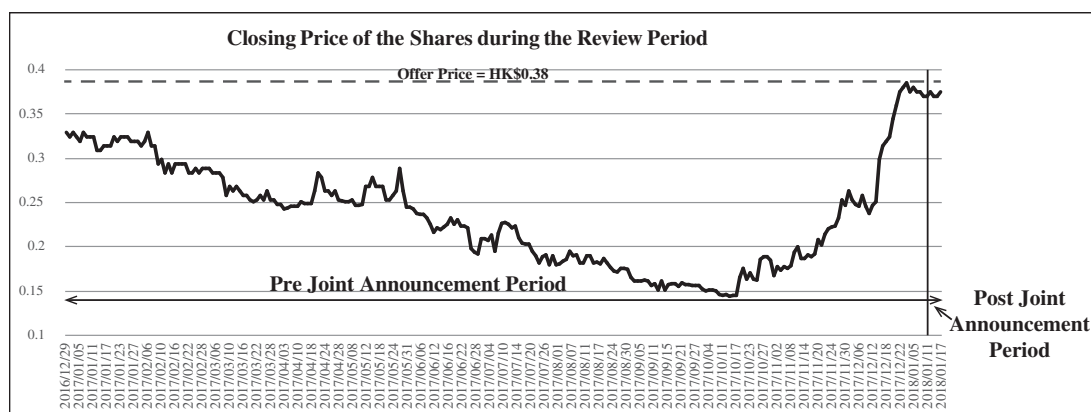
The chart below depicts the closing prices of the Shares as quoted on the Stock Exchange during the period (i) from 29 December 2016 to 29 December 2017 (i.e. the Last Trading Day), being a period of 12 months, up to and including the Last Trading Day (the “**Pre Joint Announcement Period**”), and (ii) from 4 January 2018 to 19 January 2018, being the date of the Joint Announcement up to and including the Latest Practicable Date (the “**Post Joint Announcement Period**”, together with the Pre Joint Announcement Period, collectively known as the “**Review Period**”).

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**Figure: Comparison of the Share Offer Price to the closing price of the Shares**



Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

*Note:* During the Review Period, trading in the Shares was suspended from 30 December 2017 to 4 January 2018 pending the release of the Joint Announcement.

*(i) Pre Joint Announcement Period*

As illustrated by the chart above, during the period from the beginning of the Pre Joint Announcement Period (i.e. 30 December 2016) to October 2017, the closing prices of the Shares moved with a decreasing trend with a trough of HK\$0.143 on 16 October 2017. After publication of the announcement dated 27 October 2017 in relation to the positive profit alert, the closing prices of the Shares then went up and showed an increasing trend from a closing price of HK\$0.184 on 27 October 2017 to the highest closing price of HK\$0.380 on the Last Trading Day.

During the Pre Joint Announcement Period, the Company has announced, including but not limited to (i) discloseable and connected transaction involving the issue of the promissory notes on 8 February 2017; (ii) the acquisition of 30% of the issued shares in Dakin Holdings Inc. on 13 February 2017; (iii) the placing of Shares under general mandate on 11 May 2017; (iv) acquisition of convertible notes on 14 July 2017; (v) the provision of finance assistance on 18 July 2017 and 15 August 2017; and (vi) the placing of Shares under general mandate on 29 August 2017. Apart from the above, we are not aware of any public information relating to the price movement during the Pre Joint Announcement Period and we enquired with the Management regarding the possible reasons for the fluctuations in the Share price during the Pre Joint Announcement Period and were advised that the Company was not aware of any particular matters which might have impact on the Share price during such period.

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During the Pre Joint Announcement Period, the highest and lowest closing price of the Shares during the Pre Joint Announcement Period were HK\$0.143 per Share recorded on 16 October 2017 and HK\$0.38 per Share recorded on 29 December 2017 respectively, with an average closing price during the Pre Joint Announcement Period of approximately HK\$0.231. The Share Offer Price of HK\$0.38 per Share represents (i) the highest closing price of the Shares during the Pre Joint Announcement Period; (ii) a premium of approximately 165.7% over the lowest closing price during the Pre Joint Announcement Period; and (iii) a premium of approximately 64.5% over the average closing price during the Pre Joint Announcement Period.

*(ii) Post Joint Announcement Period*

During the Post Joint Announcement Period, the Share price closed at a level lower than the Share Offer Price and recorded the lowest and highest closing price of the Shares as quoted on the Stock Exchange of HK\$0.365 per Share on 11 January 2018, 12 January 2018, 16 January 2018 and 17 January 2018 and HK\$0.375 per Share on 8 January 2018, respectively, with an average closing price during the Post Joint Announcement Period of approximately HK\$0.369. The Share Offer Price of HK\$0.38 per Share represents (i) a premium of approximately 1.33% over the highest closing price during the Post Joint Announcement Period; (ii) a premium of approximately 4.11% over the lowest closing price during the Post Joint Announcement Period; and (iii) a premium of approximately 2.98% over the average closing price during the Post Joint Announcement Period.

After taking into account the historical Share price performance, we note that the Share Offer Price represents (i) the highest closing price of the Shares during the Pre Joint Announcement Period; (ii) a premium of approximately 64.5% over the average closing price during the Pre Joint Announcement Period; (iii) a premium of approximately 1.33% over the highest closing price during the Post Joint Announcement Period; and (iv) a premium of approximately 2.98% over the average closing price during the Post Joint Announcement Period. We are of the view that the Share Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Shares, and that the price of the Shares may increase or decrease from its closing price as at the Last Practicable Date.

## LETTER FROM EUTO CAPITAL

### *(c) Historical trading liquidity of the Shares*

Set out below in the table are figures during the Review Period regarding (i) the number of trading days of the Shares in each month; (ii) the total trading volume of the Share for each month; (iii) the average daily trading volume of the Shares; (iv) the percentages of the average daily trading volume to the Shares to the total issued Shares:

Month	Monthly total trading volume of the Shares (A)	No. of trading days (B)	Average daily trading volume of the Shares (C) = (A)/(B)	Total issued Shares at the end of each month (D)  (Note 2)	Percentage of the average daily trading volume of the Shares to the total issued Shares (C)/(D)  Approx (%) (Note 1)
<b>2016</b>					
29 December to 30 December	25,928,000	2	12,964,000	594,151,515	2.18
<b>2017</b>					
January	47,232,000	19	2,485,895	594,151,515	0.42
February	12,880,500	20	644,025	594,151,515	0.11
March	63,760,300	23	2,772,187	594,151,515	0.47
April	11,032,000	17	648,941	594,151,515	0.11
May (Note 3)	237,160,000	20	11,858,000	606,031,515	1.96
June	355,720,000	22	16,169,091	712,951,515	2.27
July	122,816,000	21	5,848,381	712,951,515	0.82
August	167,864,000	22	7,630,182	712,951,515	1.07
September (Note 4)	62,024,000	21	2,953,524	753,637,229	0.39
October	96,240,000	20	4,812,000	855,351,515	0.56
November	191,117,000	22	8,687,136	855,351,515	1.02
December	309,348,000	19	16,281,474	855,351,515	1.90
<b>2018</b>					
January (up to and including Latest Practicable Date)	76,008,000	10	7,600,800	855,351,515	0.89

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

1. The calculation is based on the average daily trading volume of the Shares divided by the total issued Shares at the end of each month or at the Latest Practicable Date as applicable.



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2. The total issued Shares at the end of May 2017, and September 2017 are calculated by the weighted average of total issued Shares at the end of the respective month.
3. As stated in the announcements of the Company dated 11 May 2017 and 26 May 2017, the Company entered into the placing agreement with a placing agent for the placing of 118,800,000 new ordinary shares of the Company at a price of HK\$0.24 per share. The placing was completed on 26 May 2017.
4. As stated in the announcements of the Company dated 29 August 2017 and 21 September 2017, the Company entered into the placing agreement with a placing agent for the placing of 142,400,000 new ordinary shares of the Company at a price of HK\$0.145 per share. The placing was completed on 21 September 2017.

Based on the above table, the trading volume of the Shares during the Review Period has not been consistent, ranging between approximately 0.11% and 2.27% of the total issued Shares. As advised by the Management, the more active average trading volume of the last 2 trading days of December 2016, being approximately 2.18% of the total issued Shares may be attributable to, among other things, the Group's business update on exploring suitable opportunities to commence and develop business of provision of financial services in Hong Kong, which may include, but not limited to, (i) obtaining a money lender licence under the Money Lenders Ordinance; and (ii) securities brokerage and/or asset management. In addition, the average daily trading volume of the Shares in May 2017 and June 2017 reached approximately 1.96% and 2.27% of the total issued Shares, respectively. As further advised by the Management, the higher trading volume in May 2017 and June 2017 is likely to be due to the market reaction after publication of the announcement relating to (i) completion of the placing of new shares under general mandate dated 26 May 2017; and (ii) further business updates in relation to the money lenders licence granted by the licensing court to the Group dated 15 June 2017.

Apart from the above, we further note that the average daily trading volume of the Shares in December 2017 and the period during 1 January 2018 to 19 January 2018, being the Latest Practicable Date, represented approximately 1.9% and 0.89% of the total issued Shares respectively. A relatively higher trading volume during the aforesaid periods were recorded which we believe was primarily due to (i) the Share Purchases (including the Additional Share Purchases) executed by the Offeror during December 2017; and (ii) the market reaction to the publication of the Joint Announcement dated 29 December 2017, however, the sustainability of the recent growth in the trading volume could be uncertain.

Further illustrated in the table above, the average daily trading volume of the Shares during the Review Period recorded the lowest of approximately 644,025 Shares in February 2017 and highest of approximately 16,281,474 Shares in December 2017, representing approximately 0.11% and 1.90% of the total issued Shares as at the end of the relevant month. The average daily trading volume of the Shares for the Review Period was 6,974,071 Shares, representing approximately 0.82% of the total number of issued Shares as at the Latest Practicable Date.

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Given the thin historical trading volume of the Shares as stated above, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market. The Share Offer, therefore, represents an assured opportunity for the Independent Shareholders, particular for those who hold a large number of the Shares, to dispose of some or all of them at the Share Offer Price if they so wish, without creating a significant downside pressure on the trading price of the Shares.

*(d) Comparison with comparable companies*

In assessing the fairness and reasonableness of the Share Offer, we have attempted to compare the price-to-earnings ratio (the “**P/E Ratio**”) and the price-to-book ratio (the “**P/B Ratio**”) of other listed companies in Hong Kong which are comparable to the Company in terms of size and business with the implied P/E Ratio (the “**Implied P/E Ratio**”) and implied P/B Ratio (the “**Implied P/B Ratio**”) of the Share Offer, being the assessment methodology that commonly adopted for evaluating the value of a company. According to the 2017 Annual Report, the profit for the year attributable to the owners of the Company was approximately HK\$10.1 million for FY2017. In addition, according to the 2017 Interim Report, the net assets of the Company was approximately HK\$176.3 million at 30 September 2017, comprised (i) non-current assets of the Company of approximately HK\$100.1 million; (ii) current assets of the Company of approximately HK\$149.6 million; (iii) current liabilities of the Company of approximately HK\$66.2 million; and (iv) non-current liabilities of the Company of approximately HK\$7.5 million.

We note that the principal businesses of the Group are the provision of property management services, properties investment and money lending business. However, as per the 2017 Annual Report, the revenue of the Group generated from the provision of property management services, being the only reportable segment of the Group. Therefore, we have selected those companies which are engaged in the businesses similar to the property management business.

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We have identified a total of five comparable companies (“**Comparable Companies**”) which form an exhaustive list based on the criteria that (i) the shares of that company are listed on the Stock Exchange; (ii) at least 70% of their revenue were generated from the property management services business; and (iii) are profit making for the latest financial year. Set out below is the table of the Comparable Companies and the relevant P/E Ratio and P/B Ratio based on their respective market capitalization as at the Latest Practicable Date and the latest published financial information of the Comparable Companies as extract from their annual report, interim report or prospectus:

<b>Stock Code</b>	<b>Company Name</b>	<b>Company Business</b>	<b>Market Capitalisation HK\$'000 (Note 1)</b>	<b>P/E Ratio (Note 2)</b>	<b>P/B Ratio (Note 3)</b>
1417	Riverine China Holdings Limited	Engaged in property management business	716,850	19.46	6.80
1778	Colour Life Services Group Co., Limited	Engaged in the provision of property management services	5,664,002	21.74	3.00
2669	China Overseas Property Holdings Limited	Engaged in the provision of property management services	8,184,283	36.17	9.25
2869	Greentown Service Group Co Limited	Engaged in residential property management service	16,999,989	47.81	7.74
8426	Modern Living Investments Holdings Limited	Engaged in the provision of property management services	164,000	12.33	2.55
			<b>Average</b>	<b>27.50</b>	<b>5.87</b>
			<b>Maximum</b>	<b>47.81</b>	<b>9.25</b>
			<b>Minimum</b>	<b>12.33</b>	<b>2.55</b>
The Company			325,033 (Note 4)	30.64 (Note 5)	1.77 (Note 6)

Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

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*Notes:*

1. The market capitalization of the Comparable Companies are calculated based on the share price and number of issued shares of the respective companies as at the Latest Practicable Date.
2. The P/E ratios of the Comparable Companies are calculated based on their respective market capitalization divided by the audited consolidated profit attributable to equity shareholders as disclosed in their respective latest published annual reports or prospectus.
3. The P/B ratios of the Comparable Companies are calculated based on their respective market capitalization divided by the latest net assets attributable to equity shareholders as disclosed in their respective latest published financial reports.
4. The market capitalization of the Company are calculated based on the Share Offer Price of HK\$0.38 and number of issued shares of the Company of 855,351,515 as at Latest Practicable Date (“**Market Capitalization**”).
5. The Implied P/E Ratio was calculated based on the Market Capitalization divided by the audited consolidated profit attributable to equity shareholders as disclosed in the latest published annual report.
6. The Implied P/B Ratio was calculated based on the Market Capitalization divided by the unaudited net assets attributable to equity shareholders as disclosed in the latest published interim report.

Based on the above table, the P/E ratio ranged from the lowest P/E ratio of approximately 12.33 times to the highest P/E ratio of approximately 47.81 times, with an average P/E ratio of approximately 27.50 times. Accordingly, the Implied P/E Ratio of the Share Offer of approximately 30.64 times falls within the range and is above the average of the P/E Ratio.

In addition, the P/B Ratio of the Comparable Companies ranged from approximately 2.55 times to approximately 9.25 times, with average of approximately 5.87 times. Accordingly, the Implied P/B Ratio of the Share Offer of approximately 1.77 times is out of the range and lower than the average of the P/B Ratio of the Comparable Companies.

We noted that Implied P/B Ratio of the Company is out of the range of the P/B Ratio and the average of the Comparable Companies. However, having considered that the Group is principally engaged in the provision of property management services and its business model is of service-based and asset-light. P/B Ratio is usually useful for evaluating the value of companies engaging in capital-intensive businesses with plenty of assets on books and is not meaningful for service-based companies with few tangible assets. Therefore, we consider the comparison of the Implied P/B Ratio with the P/B Ratio of the Comparable Companies that are also engaging in the property management service business may not be indicative.

### RECOMMENDATION

#### In respect of the Share Offer

When we come up with our recommendation, we have reviewed different factors of the Company and the Offers, and we would like to summarize those principal factors discussed as below,

- (i) the financial condition of the Group and the prospects of the Group remains certain with growth potential in the foreseeable future, which poses certainties to the future development of the Group;
- (ii) the Offeror intends to continue the principal business of the Group, and has no plans to inject any assets or businesses into the Group or to procure the Group to acquire or dispose of any assets;
- (iii) the Share Offer Price equals the highest closing price of HK\$0.38 and a premium of approximately 64.3% to the average daily closing price during the Pre Joint Announcement Period;
- (iv) the Share Offer Price represents a premium of approximately 84.47% over the unaudited consolidated net asset value of the Group of approximately HK\$0.206 as at 30 September 2017, based on a total of 855,351,515 Shares in issue as at 30 September 2017 and the date of the Joint announcement and the audited consolidated net asset value of the Group of approximately HK\$176,330,000 as at 30 September 2017;
- (v) Given the thin trading volume of the Shares during the Review Period, the average daily trading volume of the Shares ranged from the lowest of 644,025 Shares in February 2017 to highest of 16,281,474 Shares in December 2017, representing approximately 0.11% and 1.90% of the total issued Shares. It is uncertain as to whether there would be sufficient liquidity in the Shares for the disposal of large block of Shares held by the Independent Shareholders within a short time frame in the open market. The Share Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Share at the Share Offer Price; and
- (vi) the Implied P/E Ratio of the Share Offer falls within the range and is above average of the P/E Ratio of the Comparable Companies. However, the Implied P/B Ratio of the Share Offer falls below the range of the P/B Ratio of the Comparable Companies.

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## LETTER FROM EUTO CAPITAL

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When we review the terms of the Share Offer and formulate our recommendation, we are of the view that the Share price has already reflected the Group's growth potential in both property management services and money lending business as stated in the sub-section under "Future prospects" in this letter which has taken into account its operating and financial conditions as mentioned in points (i) and (ii) above. The Share Offer Price represents (i) the highest closing price of HK\$0.38 per Share during the Pre Joint Announcement Period; (ii) a premium of approximately 64.5% over the average daily closing price of the Shares for the Pre Joint Announcement Period; and (iii) a premium of approximately 4.11% over the closing price of HK\$0.365 per Share as at the Latest Practicable Date.

Despite the fact that the Implied P/B Ratio of the Company is out of the range of the P/B Ratio of the Comparable Companies, having considered (i) the P/B ratio may not be indicative for comparison of a service-based companies with few tangible assets; (ii) the Implied P/E Ratio of the Share Offer falls within the range and is above average of the P/E Ratio of the Comparable Companies; (iii) the Share price already reflected the Group's operating and financial conditions; and (iv) the Share Offer Price offered a substantial premium with the market trading price as demonstrated above. We consider that the terms of the Share Offer are attractive to the Independent Shareholders and thus in this respect is fair and reasonable so far as the Independent Shares are concerned. We advise the Independent Board Committee to recommend the Independent Shareholders to accept the Share Offer.

Independent Shareholders who wish to realise all or part of their investments in the Shares are reminded that they should carefully and closely monitor the Shares price performance and liquidity of the Share during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Share Offer in case that the market price of the Shares exceed the Share Offer Price and the net proceeds from the sale of the Shares in the open market after deducting all related costs exceed the amount receivable from the Share Offer. In any event, Independent Shareholders should note that there is no certainty that the current trading volume and/or current price of the Shares will be sustainable during or after the Offer Period.

### **In respect of the Option Offer**

Under the Option Offer, given that the exercise prices of the outstanding Share Options are above the Share Offer Price, the outstanding Share Options are out-of-money, we consider the Option Offer Price of a nominal value of HK\$0.01 for the cancellation of each outstanding Share Option is fair and reasonable so far as the Optionholders are concerned. Accordingly, we also recommend the Independent Board Committee to recommend the Optionholders to accept the Option Offer.

Independent Shareholders and Optionholders should also read carefully the procedures for accepting the Share Offer and the Option Offer set out in the letter from Kingston Securities and in Appendix I to the Composite Document, the accompanying Form of Share Offer Acceptance and the accompanying Form of Option Offer Acceptance and are strongly advised that the

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## LETTER FROM EUTO CAPITAL

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decision to realise or to hold their investment is subject to individual circumstances and investment objectives, and they should consult their own professional advisers for professional advice in case of any doubts.

Yours faithfully,  
For and on behalf of  
**Euto Capital Partners Limited**  
**Manfred Shiu**  
*Director*

*Mr. Manfred Shiu (“**Mr. Shiu**”) is a licensed person registered with the Securities and Futures Commission of Hong Kong and regarded as a responsible officer of Type 6 (advising on corporate finance) of Euto Capital Partners Limited. Mr. Shiu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under SFO since 2009 and has participated in and completed various independent financial advisory transactions in Hong Kong.*

To accept the Offers, you should complete and sign the accompanying Form(s) of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offers. The instructions set out in this Composite Document should be read together with the instructions printed on the Form(s) of Acceptance which form part of the terms of the Offers.

## 1. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

### 1.1 The Share Offer

- (a) To accept the Share Offer, you should complete and sign the Form of Share Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must send the duly completed and signed Form of Share Offer Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand, to the Registrar, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, in an envelope marked **“Kong Shum Union Property Management (Holding) Limited – Share Offer”**, as soon as possible, and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer (whether in full or in part), you must either:
  - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver in an envelope marked **“Kong Shum Union Property Management (Holding) Limited – Share Offer”** the duly completed and signed Form of Share Offer Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or



- (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked “**Kong Shum Union Property Management (Holding) Limited – Share Offer**” the duly completed and signed Form of Share Offer Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (iv) if your Shares have been lodged with your investor participant’s account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (d) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer in respect of your Shares, the Form of Share Offer Acceptance should nevertheless be duly completed and signed and delivered in an envelope marked “**Kong Shum Union Property Management (Holding) Limited – Share Offer**” to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the Form of Share Offer Acceptance and deliver it in an envelope marked “**Kong**

**Shum Union Property Management (Holding) Limited – Share Offer”** to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to each of Kingston Securities and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it/they were delivered to the Registrar with the Form of Share Offer Acceptance.

- (f) Acceptance of the Share Offer will be treated as valid only if the duly completed and signed Form of Share Offer Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (subject to the Offers becoming unconditional) or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code and the Registrar has recorded that the Form of Share Offer Acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other subparagraph of this paragraph (f)); or
  - (iii) certified by the Registrar or the Stock Exchange. If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.
- (g) In Hong Kong, seller's *ad valorem* stamp duty arising in connection with acceptances of the Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholder accepting the Share Offer (where

the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar). The Offeror will arrange for payment of the seller's *ad valorem* stamp duty on behalf of relevant Independent Shareholders accepting the Share Offer and will pay the buyer's *ad valorem* stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares.

- (h) No acknowledgement of receipt of any Form of Share Offer Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (i) If the Share Offer does not become, or is not declared, unconditional as to acceptances on the Closing Date, the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar will be returned to the Independent Shareholders who have accepted the Share Offer by ordinary post at the Independent Shareholders' own risk as soon as possible but in any event within ten (10) days after the Share Offer has lapsed.

## 1.2 The Option Offer

- (a) To accept the Option Offer, you should complete and sign the Form of Option Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Option Offer.
- (b) If you are an Optionholder and you wish to accept the Option Offer in respect of your Share Options (whether in full or in part), you must send duly completed and signed Form of Option Offer Acceptance, together with the relevant certificate(s) of the Share Options (if applicable) and/or other document(s) of title or entitlement (and/or satisfactory indemnity or indemnities required in respect thereof) for the aggregate principal amount of Share Options which you hold that you wish to tender to the Option Offer, by post or by hand, in an envelope marked "**Kong Shum Union Property Management (Holding) Limited – Option Offer**", to the company secretary of the Company, at Unit 1001, 10 Floor, Chung Nam House, 59 Des Voeux Road Central, Hong Kong as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code.
- (c) No stamp duty is payable in connection with the acceptances of the Option Offer.

- (d) No acknowledgement of receipt of any Form of Option Offer Acceptance, certificate(s) of the Share Options (if applicable) and/or any other documents of title (and/or any satisfactory indemnity/indemnities required in respect thereof) will be given.

### **1.3 Return of documents**

If the Offers do not become, or is not declared, unconditional within the time permitted by the Takeovers Code, the share certificate(s) and/or certificate(s) of Share Options and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar (in the case of the Share Offer) and the company secretary of the Company (in the case of the Option Offer) will be returned to the Independent Shareholders and Optionholders who have accepted the Offers by ordinary post at the Independent Shareholders' and Optionholders' own risk as soon as possible but in any event within ten (10) days after the Offers have lapsed.

## **2. SETTLEMENT UNDER THE OFFERS**

### **2.1 The Share Offer**

Provided that a valid Form of Share Offer Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order and in all respects and have been received by the Registrar by 4:00 p.m. on the Closing Date, a cheque or a banker's cashier order for the amount due to each of the Independent Shareholders, who accept the Share Offer less seller's *ad valorem* stamp duty in respect of the Offer Shares tendered by him/her/it under the Share Offer, will be despatched to such Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days following the later of the date on which the duly completed acceptances of the Share Offer and the relevant documents of title in respect of such acceptances are received by the Registrar to render each such acceptance complete and valid and the date the Offers become, or are declared, unconditional.

### **2.2 The Option Offer**

Provided that a valid Form of Option Offer Acceptance and the relevant certificate(s) of Share Option or other documents (if any) evidencing the grant of the Share Options and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Share Options are complete and in good order and in all respects and have been received by the company secretary of the Company by 4:00 p.m. on the Closing Date, a cheque or a banker's cashier order for the

amount due to each of the Optionholders who accept the Option Offer in respect of the Share Options tendered by him/her under the Option Offer will be despatched to such Optionholder by ordinary post at his/her own risk as soon as possible but in any event within seven (7) Business Days following the later of the date on which the duly completed acceptances of the Option Offer and the relevant documents of title in respect of such acceptances are received by the company secretary of the Company to render each such acceptance complete and valid and the date the Offers become, or are declared, unconditional in all respects.

Settlement of the consideration to which any Independent Shareholder or Optionholder is entitled under the Share Offer or the Option Offer, as the case may be, will implemented in full in accordance with its terms (save in respect of the payment of the seller's *ad valorem* stamp duty in respect of the Share Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder or Optionholder.

No fraction of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder or Optionholder who accepts the Share Offer or the Option Offer will be rounded up to the nearest cent.

### **3. ACCEPTANCE PERIOD AND REVISIONS**

- (a) In order for the Offers to be valid, the Form of Share Offer Acceptance and Form of Option Offer Acceptance must be received by the Registrar and the company secretary of the Company respectively (as the case may be), by 4:00 p.m. on the Closing Date in accordance with the instructions printed thereon or have been extended or revised with the consent of the Executive and in accordance with the Takeovers Code. The Offers are conditional upon the Offeror having received acceptances in respect of the Offer Shares which, together with the Shares acquired or to be acquired by the Offeror and the parties acting in concert with it before or during the Offer Period, will result in the Offeror and parties acting in concert with it holding more than 50% of the total issued shares capital of the Company by 4:00 p.m. on the Closing Date.
- (b) The Offeror reserves the right to revise the terms of the Offers after the despatch of this Composite Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offers, all the Independent Shareholders and the Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.
- (c) If the Offers are extended or revised, announcement of such extension or revision will state the next closing date or, if the Offers have become unconditional, the announcement may contain a statement that the Offers will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing will be given before the Offers are closed to the Independent Shareholders and the Optionholders

who have not accepted the Offers, and an announcement will be released. The revised Offers will be kept open for at least fourteen (14) days thereafter.

- (d) Any acceptance of the relevant revised Offers shall be irrevocable unless and until the Independent Shareholders and the Optionholders who accept the Offers become entitled to withdraw their acceptance under the paragraphs headed “7. Right of Withdrawal” of this Appendix below and duly do so.

#### **4. EXERCISE OF OPTIONS**

Optionholders who wish to accept the Share Offer may (i) exercise his/her/its Share Options (to the extent exercisable) by completing, signing and delivering a notice for exercising the Share Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Share Options to the company secretary of the Company before the Offers close; and (ii) at the same time, or in any event no later than 4:00 p.m. on the Closing Date, complete and sign the Form of Share Offer Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to the Company for exercising the Share Options. Exercise of the Share Options is subject to the respective terms and conditions of the Share Option Scheme and the terms attaching to the grant of the relevant Share Options. Delivery of the completed and signed Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the Share Options but will only be deemed to be an irrevocable authority to the Offeror and/or Kingston Securities and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Registrar on his/her/its behalf the relevant share certificate(s) when issued on exercise of the Share Options as if it/they were delivered to the Registrar with the Form of Share Offer Acceptance. If the Optionholder fails to exercise his/her/ its Share Options as aforesaid and in accordance with the respective terms and conditions of the Share Option Scheme, there is no guarantee that the Company may issue the relevant share certificate in respect of the Shares allotted pursuant to his/her/its exercise of the Share Option(s) to such Optionholder in time for it to accept the Share Offer as a Shareholder of such Shares under the terms of the Share Offer.

#### **5. NOMINEE REGISTRATION**

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owner of the Shares whose investments are registered in the names of a nominee to provide instructions to their nominee of their intentions with regards to the Share Offer.

**6. ANNOUNCEMENTS**

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the expiry, revision or extension of the Offers. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offers and whether, amongst other information required under Rule 19.1 of the Takeovers Code, the Offers have been revised, extended, or have expired or have become or been declared unconditional.

The announcement must state the following:

- (i) the total number of Offer Shares for which acceptances for the Share Offer have been received;
- (ii) the total number of Share Options for which acceptances of the Option Offer have been received;
- (iii) the number of Shares and Share Options held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
- (iv) the total number of Shares acquired or to be acquired, or the number of Share Options cancelled as the case may be in connection during the Offer Period by the Offeror and persons acting in concert with it.

The announcement must also include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent (save for any borrowed Shares which have been either on-lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number or principal amount of Shares and Share Options represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in section 1 of this Appendix, and which have been received by the Registrar (in respect of the Share Offer) or the company secretary of the Company (in respect of the Option Offer) respectively no later than 4:00 p.m. on the Closing Date shall be included.
- (c) As required under the Takeovers Code, all announcements in relation to the Offers which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.



**7. RIGHT OF WITHDRAWAL**

- (a) The Offers are conditional upon fulfillment of the conditions set out in the letter from Kingston Securities. Acceptance of the Offers tendered by any Independent Shareholders and the Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out below in sub-paragraph (b) below or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offers shall be entitled to withdraw its/his/her acceptance after twenty one (21) days from the first Closing Date if the Share Offer has not by then become unconditional as to acceptances. An acceptor of the Offers may withdraw its/his/her acceptance by lodging a notice in writing signed by the acceptor (or its/his/her agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar or the company secretary of the Company, as the case may be.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraphs headed “6. Announcements” of this Appendix above, as set out in Rule 19.2 of the Takeovers Code, the Executive may require the Independent Shareholders and Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that rule are met.
- (c) In such case, when any Independent Shareholder(s) and Optionholder(s) withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the share certificate(s), and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares and the Share Options lodged with the Form(s) of Acceptance to the relevant Independent Shareholder(s) and to the company secretary of the Company for collection of such Optionholder(s).

**8. STAMP DUTY**

The seller’s Hong Kong *ad valorem* stamp duty arising in connection with the acceptance of the Share Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, will be deducted from the amount payable to the Independent Shareholders who accept the Share Offer. The Offeror will arrange for payment of the seller’s *ad valorem* stamp duty on behalf of the relevant Independent Shareholders accepting the Share Offer and will pay its respective portion of the buyer’s *ad valorem* stamp duty (being 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares) in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptance of the Option Offer.



**9. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS**

As the Offers to persons not residing in Hong Kong might be affected by the laws of the relevant jurisdictions in which they are resident, Overseas Shareholders and Overseas Optionholders should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offers. It is the responsibility of the Overseas Shareholders and Overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance by any Overseas Shareholders and Overseas Optionholders will be deemed to constitute a representation and warranty from such Overseas Shareholders and Overseas Optionholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders and Overseas Optionholders should consult their professional advisers if in doubt.

**10. TAXATION ADVICE**

Independent Shareholders and Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. None of the Offeror and/or parties acting in concert with it, the Company, Kingston Securities, Kingston Corporate Finance, nor their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offers accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

**11. GENERAL**

- (a) All communications, notices, Form(s) of Acceptance, share certificate(s), transfer receipts(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and/or Optionholders will be delivered by or sent to or from them, or their designated agents by post at their own risk, and the Offeror, its beneficial owners, the Company, Kingston Securities, Kingston Corporate Finance, the Independent Financial Adviser, the Registrar or any of their respective directors and professional advisers or the company secretary of the Company, and any other parties involved in the Offers and any of their respective agents do not accept any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.

- (b) The provisions set out in the Form of Share Offer Acceptance and Form of Option Offer Acceptance form part of the terms and conditions of the Share Offer and Option Offer, respectively.
- (c) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate either the Share Offer or the Option Offer in any way.
- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an irrevocable authority to the Offeror, Kingston Securities, Kingston Corporate Finance or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares or the Share Options in respect of which such person or persons has/have accepted the Offers.
- (f) Acceptance of the Offers by any Independent Shareholders or Optionholders will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that their Shares or Share Options under the Offers (as the case may be) are free from all third party rights and Encumbrances whatsoever and together with all rights accruing or attaching thereto including in the case of the Shares, the right to receive in full all dividends and distributions recommended, declared, made or paid on or after the date of this Composite Document.
- (g) References to the Offers in this Composite Document and the Form(s) of Acceptance shall include any revision and/or extension thereof.
- (h) The making of the Offers to the Overseas Shareholders and Overseas Optionholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders and Overseas Optionholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder and Overseas Optionholders who wishes to accept the Offers to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders and Overseas Optionholders shall be fully responsible for the payment of any transfer or cancellation or other taxes and duties due by such Overseas Shareholders and Overseas Optionholders in respect of the relevant jurisdictions. The Overseas

Shareholders and Overseas Optionholders are recommended to seek professional advice on deciding whether or not to accept the Offers.

- (i) Acceptances of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Company that the number of the Shares or Share Options in respect of which as indicated in the Form(s) of Acceptance is the aggregate number of Shares or Share Options held by such nominee for such beneficial owner who is accepting the Offers.
- (j) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offers) to all or any Independent Shareholders and the Optionholders and with registered address(es) outside Hong Kong or whom the Offeror, Kingston Securities or Kingston Corporate Finance knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.
- (k) In making their decision, the Independent Shareholders and Optionholders must rely on their own examination of the Offeror, the Group and the terms of the Share Offer and the Option Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form(s) of Acceptance shall not be construed as any legal or business advice on the part of the Offeror, its beneficial owners, the Company, Kingston Securities, Kingston Corporate Finance or the Independent Financial Adviser or their respective professional advisers. The Independent Shareholders and Optionholders should consult their own professional advisers for professional advice.
- (l) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders and Optionholders in the Form(s) of Acceptance shall be irrevocable except as permitted under the Takeovers Code.

## 1. SUMMARY OF FINANCIAL INFORMATION

The following is the summary of (i) the audited consolidated financial results of the Company for each of the three financial years ended 31 March 2015, 2016 and 2017 as extracted from the published financial statements of the Group for the relevant periods; and (ii) the unaudited condensed consolidated financial result of the Company for the six months ended 30 September 2017 as extracted from the interim report of the Company for the six months ended 30 September 2017.

	For the six months ended		For the year ended 31 March		
	30 September		2017	2016	2015
	2017	2016	2017	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	200,903	196,065	395,514	374,024	339,722
Profit before taxation	14,423	7,418	13,508	5,956	7,294
Income tax expense	(2,031)	(1,906)	(3,320)	(3,141)	(2,320)
Profit for the year/period attributable to owners of the Company	12,392	5,512	10,188	2,815	4,974
Other comprehensive income, net of tax					
– Loss on equity investment at fair value through other comprehensive income	–	–	(4,267)	(8,733)	–
Total comprehensive income/(loss) for the year/period attributable to owners of the Company	12,392	5,512	5,921	(5,918)	(4,974)
Earnings per Share					
– Basic and diluted (HK cent)	1.81	1.08	1.8	0.6	1.2
Dividends per Share (HK cent)	Nil	Nil	Nil	Nil	Nil

The consolidated financial statements of the Company for the year ended 31 March 2017 were audited by ZHONGHUI ANDA CPA Limited and the consolidated financial statements of the Company for the years ended 31 March 2015 and 2016 were audited by World Link CPA Limited. The auditors of the Company did not issue any qualified opinion, modified opinion, emphasis of matter or material uncertainty relating to going concern on the Group's financial statements for each of the three years ended 31 March 2015, 2016 and 2017.

There was no other exceptional item because of size, nature or incidence in the audited consolidated financial statements of the Group for each of the three financial years ended 31 March 2017 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2017.

## 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

Set out below is the full text of the audited consolidated financial statements of the Group for the two years ended 31 March 2016 and 2017 as extracted from the annual report of the Company for the year ended 31 March 2017. Capitalised terms used in the section shall have the same meanings as those defined in such annual report.

**Consolidated statement of profit or loss and other comprehensive income**

*For the year ended 31 March 2017*

	<i>Notes</i>	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
<b>REVENUE</b>	7	395,513,512	374,024,102
Cost of services		<u>(312,205,562)</u>	<u>(295,755,913)</u>
<b>Gross profit</b>		83,307,950	78,268,189
Other revenue	8	338,310	1,493,796
Administrative expenses		(51,957,774)	(53,823,218)
Other operating expenses		(17,984,352)	(18,991,473)
Finance costs	10	<u>(195,855)</u>	<u>(991,742)</u>
<b>PROFIT BEFORE TAX</b>		13,508,279	5,955,552
Income tax expense	13	<u>(3,320,101)</u>	<u>(3,140,684)</u>
<b>PROFIT FOR THE YEAR</b>			
ATTRIBUTABLE TO OWNERS OF THE COMPANY	11	<u>10,188,178</u>	<u>2,814,868</u>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Loss on equity investment at fair value through other comprehensive income	24	<u>(4,267,000)</u>	<u>(8,733,000)</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u>5,921,178</u>	<u>(5,918,132)</u>
<b>EARNINGS PER SHARE (HK\$)</b>	14		
– Basic		<u>0.018</u>	<u>0.006</u>
– Diluted		<u>0.018</u>	<u>0.006</u>

**Consolidated statement of financial position***As at 31 March 2017*

	<i>Notes</i>	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17	12,654,309	3,452,658
Investment property	18	28,817,301	–
Intangible assets	19	7,886,735	–
Goodwill	21	784,704	–
Deposits placed for life insurance policies	22	8,169,842	7,955,915
Deposits for acquisition of an associate	23	28,350,000	–
Equity investment at fair value through other comprehensive income	24	–	4,267,000
Deferred tax assets	25	2,547,327	2,306,791
		<u>89,210,218</u>	<u>17,982,364</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	26	61,914,124	54,519,563
Pledged bank deposits	27	7,105,972	7,595,971
Cash and cash equivalents	28	45,164,990	64,772,631
		<u>114,185,086</u>	<u>126,888,165</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	29	64,006,351	46,101,883
Bank borrowings – secured	30	9,370,264	8,582,888
Finance lease payables	31	219,346	289,043
Current tax liabilities		999,259	1,251,769
		<u>74,595,220</u>	<u>56,225,583</u>
<b>NET CURRENT ASSETS</b>		<u>39,589,866</u>	<u>70,662,582</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>128,800,084</u>	<u>88,644,946</u>

	<i>Notes</i>	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
<b>NON-CURRENT LIABILITIES</b>			
Finance lease payables	31	83,805	303,150
Promissory notes payable	32	12,157,882	—
Deferred tax liabilities	25	<u>288,108</u>	<u>—</u>
		<u>12,529,795</u>	<u>303,150</u>
<b>NET ASSETS</b>		<u><u>116,270,289</u></u>	<u><u>88,341,796</u></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	33	5,941,515	4,951,515
Reserves	34	<u>110,328,774</u>	<u>83,390,281</u>
<b>TOTAL EQUITY</b>		<u><u>116,270,289</u></u>	<u><u>88,341,796</u></u>

**Consolidated statement of changes in equity***For the year ended 31 March 2017*

	Attributable to owners of the Company							
	Equity							
	Share capital	Share premium*	Share option reserve*	Merger reserve*	investment revaluation reserve*	Convertible notes reserve*	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2015	4,000,000	24,087,947	745,360	4,750,108	–	–	5,703,488	39,286,903
Recognition of share-based payments	–	–	3,126,640	–	–	–	–	3,126,640
Issue of convertible notes	–	–	–	–	–	640,000	–	640,000
Issue of shares upon conversion of convertible notes	151,515	20,488,485	–	–	–	(640,000)	–	20,000,000
Placing of shares	800,000	30,406,385	–	–	–	–	–	31,206,385
Total comprehensive income/(loss) for the year	–	–	–	–	(8,733,000)	–	2,814,868	(5,918,132)
At 31 March 2016	<u>4,951,515</u>	<u>74,982,817</u>	<u>3,872,000</u>	<u>4,750,108</u>	<u>(8,733,000)</u>	<u>–</u>	<u>8,518,356</u>	<u>88,341,796</u>
At 1 April 2016	4,951,515	74,982,817	3,872,000	4,750,108	(8,733,000)	–	8,518,356	88,341,796
Placing of shares (note 33)	990,000	21,017,315	–	–	–	–	–	22,007,315
Total comprehensive income/(loss) for the year	–	–	–	–	(4,267,000)	–	10,188,178	5,921,178
At 31 March 2017	<u>5,941,515</u>	<u>96,000,132</u>	<u>3,872,000</u>	<u>4,750,108</u>	<u>(13,000,000)</u>	<u>–</u>	<u>18,706,534</u>	<u>116,270,289</u>

\* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.



**Consolidated statements of cash flows***For the year ended 31 March 2017*

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
<b>CASH FLOWS FROM</b>		
<b>OPERATING ACTIVITIES</b>		
Profit before tax	13,508,279	5,955,552
Adjustments for:		
Finance costs	195,855	991,742
Interest income	(303,310)	(288,731)
Depreciation of property, plant and equipment	1,163,297	1,445,965
Premium charged on life insurance policies	80,414	75,073
Gain on waiver of amount due to ultimate holding company	–	(1,205,065)
Equity-settled share-based payments	–	3,126,640
Gain on disposal of property, plant and equipment	(5,000)	–
Amortisation of intangible assets	717,512	–
	15,357,047	10,101,176
Change in trade and other receivables	(6,347,003)	(8,015,216)
Change in trade and other payables	5,598,148	3,628,229
Change in amount due to ultimate holding company	–	(452,086)
	14,608,192	5,262,103
Cash generated from operations	14,608,192	5,262,103
Interest paid	(177,962)	(328,872)
Finance lease charges paid	(17,893)	(22,870)
Income tax paid	(3,777,303)	(1,447,030)
<b>Net cash flows generated from operating activities</b>	<b>10,635,034</b>	<b>3,463,331</b>

	2017 HK\$	2016 HK\$
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(4,575,069)	(314,614)
Purchase of investment property	(11,277,372)	–
Proceeds from disposal of property, plant and equipment	5,000	–
Purchase of intangible assets	(6,550,000)	–
Net cash outflow arising from business combination	(2,499,851)	–
Deposit for acquisition of an associate	(28,350,000)	–
Payment for equity investment at fair value through other comprehensive income	–	(13,000,000)
Decrease/(increase) in pledged bank deposits	489,999	(2,633,700)
Interest received	8,970	4,227
<b>Net cash flows used in investing activities</b>	<u>(52,748,323)</u>	<u>(15,944,087)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of bank loans	(1,697,054)	(7,738,029)
Proceeds from placing of shares	22,770,000	32,000,000
Share issue expenses paid	(762,685)	(793,615)
Proceeds from issue of convertible notes	–	20,000,000
Repayment of finance lease payables	(289,042)	(400,505)
<b>Net cash flows generated from financing activities</b>	<u>20,021,219</u>	<u>43,067,851</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(22,092,070)</u>	<u>30,587,095</u>
Cash and cash equivalents at beginning of year	<u>63,127,197</u>	<u>32,540,102</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>41,035,127</u></u>	<u><u>63,127,197</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	45,164,990	64,772,631
Bank overdrafts	(4,129,863)	(1,645,434)
	<u><u>41,035,127</u></u>	<u><u>63,127,197</u></u>

**Notes to the consolidated financial statements***For the year ended 31 March 2017***1. GENERAL INFORMATION**

Kong Shum Union Property Management (Holding) Limited (the “**Company**”) was incorporated in the Cayman Islands with limited liability. Its shares were listed on the Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 October 2013. The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit 906, 9/F., Wings Building, 110–116 Queen’s Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 20 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), unless otherwise stated.

**2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) that are relevant to its operations and effective for its accounting year beginning on 1 April 2016 and early adopted HKFRS 9 (2014) “Financial Instruments”. HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations.

**HKFRS 9 (2014) “Financial Instruments”**

The Group has early adopted HKFRS 9 (2014). Available-for-sale investment is now classified as equity investment at fair value through other comprehensive income.

HKFRS 9 (2014) have been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	<b>31 March 2016</b>	<b>1 April 2015</b>
	<i>HK\$</i>	<i>HK\$</i>
Decrease in available-for-sale investment	(4,267,000)	–
Increase in equity investment at fair value through other comprehensive income	4,267,000	–
	<u>4,267,000</u>	<u>–</u>

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property which is carried at its fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of

applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

**(a) Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(b) Business combination and goodwill**

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

**(c) Foreign currency translation**

**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Hong Kong Dollars, which is the Company's functional and presentation currency.

**(ii) Transactions and balances in each entity's financial statements**

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

**(iii) Translation on consolidation**

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**(d) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

Leasehold land and building	Over the lease term
Leasehold improvement	20%
Furniture and fixture	10%
Motor vehicles	30%
Office equipment	25%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

**(e) Investment properties**

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

**(f) Leases**

***The Group as lessee***

***(i) Operating leases***

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

***(ii) Finance leases***

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

*The Group as lessor**(i) Operating leases*

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**(g) Intangible assets***Customer contracts*

Customer contracts with finite useful lives that are acquired through business combination are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives of 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

*Computer software*

Computer software are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 4 years.

**(h) Recognition and derecognition of financial instruments**

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

**(i) Financial assets**

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost;
- Equity investments at fair value through other comprehensive income; and
- Investments at fair value through profit or loss.

**(i) Financial assets at amortised cost**

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

**(ii) Equity investments at fair value through other comprehensive income**

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

**(iii) Investments at fair value through profit or loss**

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. Interest income and dividend income are recognised in profit or loss.

**(j) Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

**(k) Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.



**(l) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**(m) Trade and other payables**

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(n) Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**(o) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

- (i) Revenue from property management services are recognised when services are rendered in accordance with the terms of the agreements. Revenue from the provision of other supporting services for the management of the property is recognised when the services are rendered.
- (ii) Interest income is recognised on a time-proportion basis using the effective interest method.

**(p) Employee benefits****(i) Employee leave entitlements**

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**(ii) Pension obligations**

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

**(iii) Termination benefits**

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(iv) *Bonus plan*

The expected bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(v) *Share-based payments*

The Group issues equity-settled share-based payments to certain directors and employees.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(q) **Taxation**

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is

depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**(r) Related parties**

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group (reporting entity) if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

**(s) Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business in different geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute

the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

**(t) Impairment of assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investment property, deferred tax assets and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(u) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

**(v) Events after the reporting period**

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

**4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY****(a) Critical judgements in applying accounting policies**

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

***Deferred tax for investment properties***

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

**(b) Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

***(i) Fair values of investment property***

The Group appointed an independent professional valuer to assess the fair value of the investment property. In determining the fair value, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

***(ii) Property, plant and equipment and depreciation***

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

***(iii) Impairment of property, plant and equipment***

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

***(iv) Recoverability of intangible assets***

During the year, the Group reconsidered the recoverability of its intangible assets arising from the Group's development, which is included in its consolidated statement of financial position at 31 March 2017 at HK\$7,886,735. Detailed sensitivity analysis has been carried out and the Group is confident that the carrying amount of the assets will be recovered in full, even if returns are reduced. This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

(v) *Impairment of trade and other receivables*

The directors periodically review the Group's receivables to assess whether impairment exists. In determining whether impairment should be provided, the directors evaluated individually each account for impairment after taking into account the value of each account's underlying collateral and the latest financial position of those clients in default of settlement.

**5. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

During the reporting period, the capital structure of the Group consist of debt which includes interest-bearing loans and equity attributable to owners of the Company, comprising issued share capital and reserves. The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The Group's overall strategy remains unchanged from prior periods.

**6. FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**(a) Foreign currency risk**

The Group has certain exposure to foreign currency risk as the Group's deposits placed for life insurance policies are denominated in United States dollar ("US\$").

The Group considers the risk exposure to foreign currency fluctuation is limited as long as the HK\$ remains pegged to the US\$. This analysis is performed on the same basis for 2016.

**(b) Interest rate risk**

The Group's finance lease payables bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its pledged bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

The Group does not consider that it has any significant exposure to the risk of changes in market interest rates from its bank deposits and bank borrowings as a reasonably possible change of 50 basis points in the interest rates would have no material impact on the Group's consolidated profit or loss for the years ended 31 March 2017 and 2016.

**(c) Credit risk**

The carrying amount of the cash and bank balances, pledged bank deposits and trade and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to director's approval. Receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is not significant.

At the end of the reporting period, the Group had a certain concentration of credit risk as 15.8% (2016: 32.2%) of the total trade receivables was due from the Group's five largest customers. Details of the credit quality of the trade receivables that are neither past due nor impaired were set out in note 26 to the consolidated financial statements.

The credit risk on cash and bank balances and pledged bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

**(d) Liquidity risk**

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity profile of the Company's financial liabilities as at the end of reporting period, based on the contracted undiscounted payments, was as follows:

**2017**

	On demand	Less than 1 year	More than 1 year but less than 5 years	Total contractual undiscounted cash flow	Carrying amounts
	HK\$	HK\$	HK\$	HK\$	HK\$
Trade and other payables	–	64,006,351	–	64,006,351	64,006,351
Finance lease payables	–	226,611	84,695	311,306	303,151
Promissory notes payable	–	–	14,000,000	14,000,000	12,157,882
Bank borrowings – secured	9,370,264	–	–	9,370,264	9,370,264
	<u>9,370,264</u>	<u>64,232,962</u>	<u>14,084,695</u>	<u>87,687,921</u>	<u>85,837,648</u>

**2016**

	On demand	Less than 1 year	More than 1 year but less than 5 years	Total contractual undiscounted cash flow	Carrying amounts
	HK\$	HK\$	HK\$	HK\$	HK\$
Trade and other payables	–	46,101,883	–	46,101,883	46,101,883
Finance lease payables	–	306,936	311,306	618,242	592,193
Bank borrowings – secured	8,582,888	–	–	8,582,888	8,582,888
	<u>8,582,888</u>	<u>46,408,819</u>	<u>311,306</u>	<u>55,303,013</u>	<u>55,276,964</u>

## (e) Categories of financial instruments

	At 31 March	
	2017	2016
	HK\$	HK\$
<b>Financial assets:</b>		
Equity investment at fair value through other comprehensive income	–	4,267,000
Loans and receivables (including cash and cash equivalents)		
– Deposits placed for life insurance policies	8,169,842	7,955,915
– Trade and other receivables	60,836,884	52,864,288
– Pledged bank deposits	7,105,972	7,595,971
– Cash and cash equivalents	45,164,990	64,772,631
	<u>121,277,688</u>	<u>137,455,805</u>
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost		
– Trade and other payables	64,006,351	46,101,883
– Promissory notes payable	12,157,882	–
– Bank borrowings – secured	9,370,264	8,582,888
	<u>85,534,497</u>	<u>54,684,771</u>

## (f) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs:	quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2 inputs:	inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 inputs:	unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.



(i) *Disclosures of level in fair value hierarchy at 31 March 2017:*

Description	Fair value measurements using		Total
	Level 2	Level 3	2017
	HK\$	HK\$	HK\$
<b>Recurring fair value measurements:</b>			
Equity investment at fair value through other comprehensive income – Private equity investment	–	–	–
Investment property Commercial – Hong Kong	28,817,301	–	28,817,301
Total recurring fair value measurements	<u>28,817,301</u>	<u>–</u>	<u>28,817,301</u>

*Disclosures of level in fair value hierarchy at 31 March 2016:*

Description	Fair value measurements using		Total
	Level 2	Level 3	2016
	HK\$	HK\$	HK\$
<b>Recurring fair value measurements:</b>			
Equity investment at fair value through other comprehensive income – Private equity investment	–	4,267,000	4,267,000
Total recurring fair value measurements	<u>–</u>	<u>4,267,000</u>	<u>4,267,000</u>

During the year, there was no asset transferred from level 3 to other two levels of fair value hierarchy.

(ii) *Reconciliation of assets measured at fair value based on level 3:*

Description	Equity investment at fair value through other comprehensive income	
	2017	2016
	HK\$	HK\$
At 1 April	4,267,000	–
Addition during the year	–	13,000,000
Total gains/(losses) recognised in other comprehensive income	<u>(4,267,000)</u>	<u>(8,733,000)</u>
At 31 March	<u>–</u>	<u>4,267,000</u>

The total gains or losses recognised in other comprehensive income are presented in loss on equity investment at fair value through other comprehensive income in the consolidated statement of profit or loss and other comprehensive income.

(iii) *Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March:*

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The

financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least four times a year.

The Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

*Level 2 fair value measurements*

Description	Valuation technique	Inputs	Fair value 2017 HK\$	Fair value 2016 HK\$
Commercial investment property – Hong Kong	Market comparable approach	Price per square metre	28,817,301	–

*Level 3 fair value measurements*

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2017 HK\$	Fair value 2016 HK\$
Private equity investment	Asset approach	Discount rate for cash flow	14.1%	Decrease	–	4,267,000

## 7. REVENUE

The Group is principally engaged in the provision of property management services during the year. An analysis of the Group's revenue recognised during the years is as follows:

	2017 HK\$	2016 HK\$
Provision of property management services	395,513,512	374,024,102

## 8. OTHER REVENUE

	2017 HK\$	2016 HK\$
Bank interest income	8,969	4,227
Interest income from deposits placed for life insurance policies	294,341	284,504
Gain on disposal of property, plant and equipment	5,000	–
Consultancy income	30,000	–
Gain on waiver of amount due to former ultimate holding company	–	1,205,065
	338,310	1,493,796

## 9. SEGMENT INFORMATION

## (a) Reportable segments

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

- (i) Provision of property management services
- (ii) Properties investment

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include dividend income and gains or losses from investments. Segment assets do not include investments. Segment non-current assets do not include financial instruments and deferred tax assets.

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

## (i) Business segments

	For the year ended 31 March 2017		
	Provision of property management services HK\$	Properties investment HK\$	Total HK\$
Reportable segment revenue:			
Revenue from external customers	395,513,512	–	395,513,512
Reportable segment profit/(loss)	21,299,712	–	21,299,712
Depreciation of property, plant and equipment	1,156,573	–	1,156,573
Amortisation of intangible assets	717,512	–	717,512
Income tax expense	3,320,101	–	3,320,101
Interest revenue	303,310	–	303,310
Interest expense	195,847	–	195,847
Additions to property, plant and equipment	806,686	9,512,507	10,319,193

	At 31 March 2017		
	Provision of property management services <i>HK\$</i>	Properties investment <i>HK\$</i>	Total <i>HK\$</i>
Reportable segment assets	114,236,708	29,074,278	143,310,986
Reportable segment liabilities	85,324,191	417,221	85,741,412

	For the year ended 31 March 2016		
	Provision of property management services <i>HK\$</i>	Properties investment <i>HK\$</i>	Total <i>HK\$</i>
Reportable segment revenue:			
Revenue from external customers	374,024,102	–	374,024,102
Reportable segment profit	19,576,595	–	19,576,595
Depreciation of property, plant and equipment	1,445,965	–	1,445,965
Amortisation of intangible assets	–	–	–
Income tax expense	3,140,684	–	3,140,684
Interest revenue	288,731	–	288,731
Interest expense	991,742	–	991,742
Additions to property, plant and equipment	874,164	–	874,164

	At 31 March 2016		
	Provision of property management services <i>HK\$</i>	Properties investment <i>HK\$</i>	Total <i>HK\$</i>
Reportable segment assets	110,327,273	–	110,327,273
Reportable segment liabilities	55,247,173	–	55,247,173

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

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
<b>Year ended 31 March</b>		
<b>Revenue</b>		
Reportable segment revenue and consolidated revenue	395,513,512	374,024,102
<b>Profit or loss</b>		
Reportable segment profits	21,299,712	19,576,595
Inter-segment profits	409,375	–
Unallocated other income	–	1,205,065
Unallocated corporate expenses	(8,200,800)	(14,186,108)
Unallocated finance costs	(8)	(640,000)
<b>Consolidated profit before tax</b>	<b>13,508,279</b>	<b>5,955,552</b>
	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
<b>At 31 March</b>		
<b>Assets</b>		
Reportable segment assets	143,310,986	110,327,273
Unallocated cash and cash equivalents	13,033,990	26,939,470
Other unallocated corporate assets	47,050,328	7,603,786
<b>Consolidated total assets</b>	<b>203,395,304</b>	<b>144,870,529</b>
<b>Liabilities</b>		
Reportable segment liabilities	85,741,412	55,247,173
Unallocated corporate liabilities	1,383,603	1,281,560
<b>Consolidated total liabilities</b>	<b>87,125,015</b>	<b>56,528,733</b>

(b) **Geographical information**

During the two years ended 31 March 2017 and 2016, all revenue is derived from customers in Hong Kong and the Group's non-current assets as at 31 March 2017 and 2016 are all located in Hong Kong.

(c) **Information about major customers**

An analysis of the Group's revenue from major services is set out in note 7 above. No customer accounted for 10 percent or more of the total revenue for the years ended 31 March 2017 and 2016.

**10. FINANCE COSTS**

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Interest expenses on:		
– Bank borrowings	177,962	328,872
– Imputed interest on convertible notes	–	640,000
Finance lease charges	17,893	22,870
	<u>195,855</u>	<u>991,742</u>

**11. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY**

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

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Staff costs (including directors' remuneration):		
– Salaries, wages and allowances	329,102,653	332,337,435
– Equity-settled share-based payments	–	919,600
– Retirement benefits scheme contributions	9,487,160	9,391,812
	<u>338,589,813</u>	<u>342,648,847</u>
Auditors' remuneration	540,000	550,000
Depreciation of property, plant and equipment	1,163,297	1,445,965
Amortisation of intangible assets	717,512	–
Operating lease charges in respect of		
– Premises	3,413,400	3,147,400
– Motor vehicles	568,000	–
Equity-settled consultancy fees	–	2,207,040
	<u>–</u>	<u>2,207,040</u>

## 12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL EMOLUMENTS

## (a) Directors' and senior management's emoluments

For the year ended 31 March 2017

		Fees	Salaries, allowances and other benefits	Share-based payments	Contributions to retirement scheme	Total
	Notes	HK\$	HK\$	HK\$	HK\$	HK\$
Executive directors:						
Yan Chi Ming	(i)	196,774	–	–	–	196,774
Ho Ying Choi		–	3,903,318	–	18,000	3,921,318
Wu Yilin	(ii)	–	281,667	–	9,000	290,667
Lee Chin Ching, Cyrix	(iii)	–	152,419	–	5,371	157,790
Eric Todd ( <i>Chairman</i> )	(iv)	–	400,000	–	14,750	414,750
Huang He	(v)	–	94,087	–	4,121	98,208
Non-executive director:						
Wong Kui Shing, Danny	(vi)	95,484	–	–	–	95,484
Independent non-executive director:						
Tso Siu Lun, Alan		120,000	–	–	–	120,000
Lam Kai Yeung		120,000	–	–	–	120,000
Lo Chi Ho, Richard		120,000	–	–	–	120,000
		<u>652,258</u>	<u>4,831,491</u>	<u>–</u>	<u>51,242</u>	<u>5,534,991</u>

For the year ended 31 March 2016

	Fees HK\$	Salaries, allowances and other benefits HK\$	Share-based payments HK\$	Contributions to retirement scheme HK\$	Total HK\$
Executive directors:					
Yan Chi Ming	174,194	–	–	–	174,194
Ho Ying Choi	–	4,294,829	–	18,000	4,312,829
Wu Yilin	135,484	–	–	–	135,484
Liu Dan	–	1,053,333	–	–	1,053,333
Shen Ka Yip, Timothy	–	1,451,613	459,800	15,000	1,926,413
Lai Sze Yau, Vivien	–	774,194	459,800	15,000	1,248,994
Non-executive directors:					
Wong Kui Shing, Danny	54,194	–	–	–	54,194
Shum Lok To	101,032	–	–	–	101,032
Independent non-executive directors:					
Tso Siu Lun, Alan	120,000	–	–	–	120,000
Lam Kai Yeung	54,193	–	–	–	54,193
Chow Siu Lui	65,806	–	–	–	65,806
Lo Chi Ho, Richard	34,839	–	–	–	34,839
Bai Jin Rong	112,258	–	–	–	112,258
	<u>852,000</u>	<u>7,573,969</u>	<u>919,600</u>	<u>48,000</u>	<u>9,393,569</u>

Notes:

- (i) Resigned on 29 July 2016
- (ii) Resigned on 19 September 2016
- (iii) Appointed on 20 December 2016
- (iv) Appointed as chairman of the board and executive director on 1 August 2016
- (v) Appointed on 13 October 2016 and resigned on 20 December 2016
- (vi) Resigned on 18 January 2017



**(b) Five highest paid individual emoluments**

One (2016: three) of the five highest paid individuals of the Group was the director whose emolument is set out in the above. For the year ended 31 March 2017, the remaining four (2016: two) employees' emoluments of the Group were as follows:

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Basic salaries and allowances	5,325,371	3,994,389
Discretionary bonus	873,428	1,227,293
Retirement benefit scheme contributions	54,000	34,500
	<u>6,252,799</u>	<u>5,256,182</u>

The emoluments fell within the following bands:

	<b>Number of individuals</b> <b>2017</b>	<b>2016</b>
Emolument band:		
Nil–HK\$1,000,000	2	–
HK\$1,000,001–HK\$1,500,000	1	1
HK\$3,500,001–HK\$4,000,000	1	–
HK\$4,000,001–HK\$4,500,000	–	1
	<u>4</u>	<u>2</u>

- (c) During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived any emoluments during the reporting period (2016: Nil).

**13. INCOME TAX EXPENSE**

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) based on the estimated assessable profit for the year.

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Current tax – Hong Kong Profits Tax		
– Provision for the year	3,691,480	3,447,352
– Over-provision in prior years	(80,000)	(56,381)
	<u>3,611,480</u>	<u>3,390,971</u>
Deferred tax ( <i>note 25</i> )	(291,379)	(250,287)
	<u>3,320,101</u>	<u>3,140,684</u>

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Profit before tax	<u>13,508,279</u>	<u>5,955,552</u>
Tax calculated at the domestic tax rate of 16.5% (2016: 16.5%)	2,228,866	982,666
Tax effect of income that is not taxable	(122,764)	(47,641)
Tax effect of expenses that are not deductible	1,293,999	2,262,040
Over-provision in prior years	<u>(80,000)</u>	<u>(56,381)</u>
Income tax expense	<u>3,320,101</u>	<u>3,140,684</u>

#### 14. EARNINGS PER SHARE

##### Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of HK\$10,188,178 (2016: HK\$2,814,868) and the weighted average number of ordinary shares of 551,296,720 (2016: 446,719,656) in issue during the year.

##### Diluted earnings per share

The effect of the Company's outstanding share options for the year ended 31 March 2017 did not give rise to any dilution effect to the earnings per share.

As the exercise of the Group's outstanding convertible bonds for the year ended 31 March 2016 would be anti-dilutive and there was no dilutive potential ordinary shares for the Company's outstanding share options, no diluted earnings per share was presented for the year ended 31 March 2016.

#### 15. DIVIDEND

No dividend was paid or proposed for the year ended 31 March 2017, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

#### 16. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK\$1,500 per employee and vest fully with employees when contributed into the MPF Scheme.

## 17. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings HK\$	Leasehold improvement HK\$	Furniture and fixture HK\$	Office equipment HK\$	Motor vehicle HK\$	Total HK\$
<b>COST</b>						
At 1 April 2015	–	3,909,557	1,701,254	2,614,112	2,886,368	11,111,291
Additions	–	16,210	21,370	277,034	559,550	874,164
At 31 March 2016 and 1 April 2016	–	3,925,767	1,722,624	2,891,146	3,445,918	11,985,455
Additions	9,512,507	138,350	109,237	604,854	–	10,364,948
Disposal	–	–	–	–	(181,724)	(181,724)
At 31 March 2017	9,512,507	4,064,117	1,831,861	3,496,000	3,264,194	22,168,679
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>						
At 1 April 2015	–	2,437,479	467,946	2,065,630	2,115,777	7,086,832
Provided during the year	–	420,052	155,382	283,981	586,550	1,445,965
At 31 March 2016 and 1 April 2016	–	2,857,531	623,328	2,349,611	2,702,327	8,532,797
Provided during the year	–	339,483	163,367	328,748	331,699	1,163,297
Disposal	–	–	–	–	(181,724)	(181,724)
At 31 March 2017	–	3,197,014	786,695	2,678,359	2,852,302	9,514,370
<b>CARRYING AMOUNT</b>						
At 31 March 2017	9,512,507	867,103	1,045,166	817,641	411,892	12,654,309
At 31 March 2016	–	1,068,236	1,099,296	541,535	743,591	3,452,658

At 31 March 2017 the carrying amount of motor vehicle held by the Group under finance leases amounted to HK\$411,892 (2016: HK\$670,057).

**18. INVESTMENT PROPERTY**

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
At 1 April	–	–
Additions	28,817,301	–
	<u>28,817,301</u>	<u>–</u>
At 31 March	<u>28,817,301</u>	<u>–</u>

Investment property was revalued at 31 March 2017 on the open market value basis by reference to market evidence of recent transactions for similar properties by Grant Sherman Appraisal Limited, an independent professional valuer.

**19. INTANGIBLE ASSETS**

	<b>Customer contracts</b> <i>HK\$</i>	<b>Computer software</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
<b>COST</b>			
At 1 April 2016	–	–	–
Addition	–	6,550,000	6,550,000
Acquired through business combination	2,054,247	–	2,054,247
	<u>2,054,247</u>	<u>6,550,000</u>	<u>8,604,247</u>
At 31 March 2017	<u>2,054,247</u>	<u>6,550,000</u>	<u>8,604,247</u>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES</b>			
At 1 April 2016	–	–	–
Amortisation for the year and at 31 March 2017	308,137	409,375	717,512
	<u>308,137</u>	<u>409,375</u>	<u>717,512</u>
<b>CARRYING AMOUNT:</b>			
At 31 March 2017	<u>1,746,110</u>	<u>6,140,625</u>	<u>7,886,735</u>

The customer contracts are the property management business's critical value driver. They represents the value of rights that arise from contractual arrangement. The average remaining amortisation period of the customer contracts is 4 years.

The computer software is an internal management system which functions address book management for office usage, office communication and office bulletin for property management business. The average remaining amortisation period of the computer software is 4 years.

**20. SUBSIDIARIES**

Particulars of the Company's major subsidiaries are set out below:

<b>Name</b>	<b>Place of incorporation/ registration</b>	<b>Issued and paid-up capital</b>	<b>Percentage of ownership interest attributable to the Company</b>	<b>Principal activities</b>
Kong Shum Union Property Management Group Limited (“ <b>KSG</b> ”)	British Virgin Islands	11 shares of US\$1.00 each	100% direct	Investment holding
Kong Shum Union Property Management Company Limited (“ <b>KSU</b> ”)	Hong Kong	HK\$22,000,000	100% indirect	Provision of property management services
K-King Cleaning Services Limited (“ <b>K-King</b> ”)	Hong Kong	HK\$100	100% indirect	Provision of cleaning services
Q&V Security Company Limited (“ <b>Q&amp;V</b> ”)	Hong Kong	HK\$2,100,000	100% indirect	Provision of security services
Yorkshire Property Management Limited (“ <b>YSL</b> ”)	Hong Kong	HK\$1,000,000	100% indirect	Provision of property management services
More Rise Investment Limited (“ <b>MRIL</b> ”)	Hong Kong	HK\$2.00	100% indirect	Properties investment
Fortune Trend Investment Limited (“ <b>FTIL</b> ”)	Hong Kong	HK\$2.00	100% indirect	Properties investment
Lucky Stone Investments Limited (“ <b>LSI</b> ”)	British Virgin Islands	1 share of US\$1.00 each	100% direct	Investment holding
Lucky Stone Property Investment Limited	Hong Kong	HK\$100	100% indirect	Dormant
Lucky Stone Finance Limited	Hong Kong	HK\$100	100% indirect	Dormant

**21. GOODWILL**

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
<b>COST</b>		
Arising from business combination ( <i>note 36</i> )	784,704	–
Impairment loss recognised in the current year	–	–
	<hr/>	<hr/>
At 31 March	784,704	–
	<hr/>	<hr/>
<b>CARRYING AMOUNTS</b>		
At 31 March	784,704	–
	<hr/> <hr/>	<hr/> <hr/>

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (“CGUs”) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	<b>Total</b> <b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Provision of property management services		
Yorshire Property Management Limited (“YSL”)	784,704	–
	<hr/> <hr/>	<hr/> <hr/>

**Impairment testing of goodwill*****Provision of property management services***

The recoverable amounts of the CGUs are determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years. The recoverable amount of the relevant assets has been determined based on a value in use calculation using cash flow projections based on the financial budgets approved by the management covering a 5 year period. Key assumptions used by the management in the value in use calculations of the cash-generating unit include budgeted gross profit margin. The pre-tax discount rate used for estimating the value in use is 19.97%.

The assumptions have been determined based on past performance and management’s expectations in respect of the property management market in the Hong Kong.

The management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

**22. DEPOSITS PLACED FOR LIFE INSURANCE POLICIES**

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Deposits placed for life insurance policies	8,169,842	7,955,915
	<hr/> <hr/>	<hr/> <hr/>

The Group can terminate the policy at any time and receive cash refund based on the cash value of the policies at the date of withdrawal, which is determined by the upfront payment plus accumulated interest earned and minus the expense charged at inception, the accumulated insurance charge and policy expense charge.

### 23. DEPOSITS FOR ACQUISITION OF AN ASSOCIATE

	2017 HK\$	2016 HK\$
Deposits for acquisition of equity interest of an associate	28,350,000	–

On 13 February 2017, LSI, a wholly-owned subsidiary of the Company, entered into the sales and purchase agreement with Mr. Chang Tin Duk, Victor (“**Mr. Chang**”) to purchase 30% of the equity interest of Dakin Holdings Inc. (“**Dakin**”), a company incorporated in the British Virgin Islands with limited liability, at a total consideration of HK\$31,500,000. As at 31 March 2017, the Group had paid deposits in the sum of HK\$28,350,000 in cash. Upon completion, the Group shall pay to Mr. Chang HK\$3,150,000, being the remaining balance of the consideration in cash. Further details are set out in the Company’s announcements dated 20 January 2017 and 13 February 2017.

The transaction was completed on 28 April 2017. Upon completion, the Group is holding 30% of the equity interest of Dakin which has become an associate of the Group.

### 24. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2017 HK\$	2016 HK\$
Unlisted equity investment, at fair value	4,267,000	13,000,000
Change in fair value	(4,267,000)	(8,733,000)
	–	4,267,000

The unlisted equity investment as at 31 March 2016 and 31 March 2017 represents 10% equity interest in All Profit Alliance Limited (“**All Profit**”) held by the Group, in connection with business corporation by jointly (i) developing a mobile application, namely “Yes Master!”, aims to provide one-stop household support to the users of “Yes Master!” to gain access to a number of value-added services surrounding their households, in the areas of market place, social networking, resident bulletin and community services; and (ii) setting up a two-way communication internet platform among the property management companies, incorporated owners, service providers and its users in any building or property estates in Hong Kong.

The fair value of investment in All Profit as at 31 March 2016 was calculated based on asset approach by Peak Vision Appraisals Limited, an independent valuer appointed by the Company.

The fair value of investment in All Profit as at 31 March 2017 was calculated based on asset approach by the directors. The carrying amount of the Group’s equity investment at fair value through other comprehensive income is denominated in HK\$.

**25. DEFERRED TAX ASSETS/LIABILITIES**

The following are the major deferred tax liabilities and assets recognised by the Group.

	Accelerated tax depreciation HK\$	Decelerated tax depreciation HK\$	Provisions (Note) HK\$	Fair value adjustment arising from business combination HK\$	Total HK\$
At 1 April 2015	(312,575)	255,744	2,113,335	–	2,056,504
Credit to profit or loss for the year					
– Origination and reversal of temporary differences	282,813	(255,724)	223,198	–	250,287
At 31 March 2016 and 1 April 2016	(29,762)	20	2,336,533	–	2,306,791
<b>Arising from business combination</b>					
<b>Charge/(credit) to profit or loss for the year</b>	–	–	–	(338,951)	(338,951)
<b>– Origination and reversal of temporary differences</b>	(18,428)	4,807	254,157	50,843	291,379
<b>At 31 March 2017</b>	<b>(48,190)</b>	<b>4,827</b>	<b>2,590,690</b>	<b>(288,108)</b>	<b>2,259,219</b>

*Note:* Provisions represent the temporary differences of provision for certain expenses (including provisions for long service payments, unrealised annual leaves and bonuses) made in the consolidated financial statements of the Group which would only be allowed for tax deduction when these expenses were actually paid.

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2017 HK\$	2016 HK\$
Deferred tax liabilities	(288,108)	(29,762)
Deferred tax assets	2,547,327	2,336,553
	<u>2,259,219</u>	<u>2,306,791</u>



**26. TRADE AND OTHER RECEIVABLES**

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Trade receivables	47,009,460	42,267,950
Prepayments, deposits and other receivables	14,904,664	12,251,613
	<u>61,914,124</u>	<u>54,519,563</u>

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

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

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
1 to 30 days	10,193,862	9,646,212
31 to 60 days	28,261,606	26,908,043
61 to 90 days	3,924,994	1,603,052
Over 90 days	4,628,998	4,110,643
	<u>47,009,460</u>	<u>42,267,950</u>

As of 31 March 2017, trade receivables of HK\$47,009,460 (2016: HK\$42,267,950) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have good settlement records with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Details of the prepayments, deposits and other receivables are as follows:

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Prepayments	1,077,240	1,655,275
Deposits	3,631,991	2,195,584
Other receivables ( <i>note</i> )	10,195,433	8,400,754
	<u>14,904,664</u>	<u>12,251,613</u>

*Note:* Other receivables mainly included amounts paid on behalf of incorporated owners for property management.

**27. PLEDGED BANK DEPOSITS**

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Pledged bank deposits	7,105,972	7,595,971

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group as set out in note 30 to the consolidated financial statements. The pledged bank deposits are denominated in HK\$ and are made for varying periods of between one day and one year depending on the immediate cash requirement of the Group and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The annual interest rate of 0.01% to 0.3% (2016: 0.01% to 0.1%) as at 31 March 2017.

## 28. CASH AND CASH EQUIVALENTS

	2017 HK\$	2016 HK\$
Cash on hand	304,006	188,005
Bank balances	44,860,984	64,584,626
	<u>45,164,990</u>	<u>64,772,631</u>

The cash and bank balances are denominated in HK\$.

## 29. TRADE AND OTHER PAYABLES

	2017 HK\$	2016 HK\$
Trade payables	1,147,980	1,221,476
Building management deposits received	4,297,586	4,062,887
Accruals and other payables	50,494,669	33,316,454
Provision for long service payment	8,066,116	7,501,066
	<u>64,006,351</u>	<u>46,101,883</u>

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

	2017 HK\$	2016 HK\$
1 to 30 days	<u>1,147,980</u>	<u>1,221,476</u>

Details of the accruals and other payables are as follows:

	2017 HK\$	2016 HK\$
Accrued staff cost and staff benefit	20,148,888	19,623,032
Accrued staff bonus and annual leave	7,635,048	6,659,742
Accrued expenses	1,268,952	1,614,404
Amount due to a director	5,500,000	–
Amount due to a related party	5,500,000	–
Other payables	10,441,781	5,419,276
	<u>50,494,669</u>	<u>33,316,454</u>

Movement of provision for long services payment is stated as follows:

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
At 1 April	7,501,066	5,198,013
Provision made during the year	2,195,177	3,029,773
Paid during the year	(1,630,127)	(726,720)
	<u>8,066,116</u>	<u>7,501,066</u>
At 31 March	<u>8,066,116</u>	<u>7,501,066</u>

### 30. BANK BORROWINGS – SECURED

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Bank loans, secured	5,240,401	6,937,454
Bank overdrafts, secured	4,129,863	1,645,434
	<u>9,370,264</u>	<u>8,582,888</u>

The borrowings are repayable as follows:

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
On demand or within one year	9,370,264	8,582,888
Less: Amount due for settlement within 12 months (shown under current liabilities)	(9,370,264)	(8,582,888)
	<u>–</u>	<u>–</u>
Amount due for settlement after 12 months	<u>–</u>	<u>–</u>

The average interest rates at 31 March were as follows:

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Bank loans, secured	2.61%	2.51%
Bank overdrafts, secured	6.25%	6.25%

As at 31 March 2017, borrowings of the Group denominated in HK\$.

The Group's banking facilities were secured by:

- (a) Pledge of deposits placed for life insurance (*note 22*);
- (b) Pledge of the Group's fixed bank deposits (*note 27*);
- (c) Pledge of unlimited guarantee by related companies (*note 41*);
- (d) Joint and several unlimited personal guarantees of directors (*note 41*); and
- (e) Various Counter Indemnities for issuance of performance bonds.

As at 31 March 2017, banking facilities granted to the Group are approximately HK\$58.5 million (2016: approximately HK\$40.7 million)

As at 31 March 2017, approximately HK\$29.8 million (2016: HK\$17.5 million) of the banking facilities have been utilised by the Group.

### 31. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2017 HK\$	2016 HK\$	2017 HK\$	2016 HK\$
Within one year	226,611	306,936	219,346	289,043
In the second to fifth years, inclusive	84,695	311,306	83,805	303,150
	311,306	618,242	303,151	592,193
Less: Future finance charge	(8,155)	(26,049)	–	–
Present value of lease obligations	<u>303,151</u>	<u>592,193</u>		
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(219,346)</u>	<u>(289,043)</u>
Amount due for settlement after 12 months			<u>83,805</u>	<u>303,150</u>

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 3 years. At 31 March 2017, the average effective borrowing rate was at the rate per annum of 3.8% to 4.27% (2016: 2.18% to 5%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the motor vehicles at nominal prices.

All finance lease payables are denominated in Hong Kong dollars.

### 32. PROMISSORY NOTES PAYABLES

On 31 March 2017, the Company issued two promissory notes of HK\$7,000,000 each to settle part of the consideration in the acquisition of the 100% equity interest in MRIL and FTIL.

The amount is unsecured and interest free. The sum of HK\$14,000,000 is to be repaid on the date following 18 months after the date of issuance. The fair value of the promissory notes were HK\$12,157,882 on initial recognition which was measured by computing the present value of estimated future cash flows at the effective interest rate of 10%. Further details are set out in the Company's announcements dated 8 February 2017 and 31 March 2017.

During the year, imputed interest of HK\$ nil was charged to the consolidated profit or loss.

**33. SHARE CAPITAL**

Ordinary shares of HK\$0.01 each	Number of shares	HK\$
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each At 1 April 2015, 31 March 2016 and 31 March 2017	5,000,000,000	50,000,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
At 1 April 2015	400,000,000	4,000,000
Issue of shares on placement	80,000,000	800,000
Issue of shares on conversion of the convertible loans	15,151,515	151,515
At 31 March 2016	495,151,515	4,951,515
Issue of shares on placement	99,000,000	990,000
At 31 March 2017	594,151,515	5,941,515

On 18 August 2016, the Company and a placing agent entered into a placing agreement in respect of the placement of 99,000,000 ordinary shares of HK\$0.01 each to independent investors at a price of HK\$0.23 per share. The placement was completed on 6 September 2016 and the premium on the issue of shares, amounting to approximately HK\$21.0 million, net of share issue expenses of approximately HK\$0.8 million, was credited to the Company's share premium account.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, retained profits and other reserves).

**34. RESERVES****(a) Group**

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

**(b) Company**

The amounts of the Company's reserves and the movements therein for the year ended 31 March 2017 are as follows:

	Share premium HK\$	Share option reserve HK\$	Contributed surplus HK\$	Equity investment revaluation reserve HK\$	Convertible notes reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 April 2015	24,087,947	745,360	4,750,108	-	-	(6,920,382)	22,663,033
Equity-settled share-based payments	-	3,126,640	-	-	-	-	3,126,640
Issue of convertible note	-	-	-	-	640,000	-	640,000
Issue of shares on conversion of convertible note	20,488,485	-	-	-	(640,000)	-	19,848,485
Issue of shares on placement	30,406,385	-	-	-	-	-	30,406,385
Total comprehensive loss for the year	-	-	-	(8,733,000)	-	(13,613,143)	(22,346,143)
At 31 December 2015 and 1 January 2016	74,982,817	3,872,000	4,750,108	(8,733,000)	-	(20,533,525)	54,338,400
Issue of shares on placement	21,017,315	-	-	-	-	-	21,017,315
Total comprehensive loss for the year	-	-	-	(4,267,000)	-	(7,760,613)	(12,027,613)
At 31 March 2017	96,000,132	3,872,000	4,750,108	(13,000,000)	-	(28,294,138)	63,328,102

**(c) Nature and purpose of reserves****(i) Share premium account**

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

**(ii) Merger reserve**

The merger reserve represents the aggregated amounts of issued capital of KSG, KSU, K-King and Q&V as at 31 March 2013, the date on which the aggregated issued capital was reallocated to merger reserve after the Group's reorganisation for the purpose of the listing of the Company's shares on the GEM of the Stock Exchange.

**(iii) Contributed surplus**

The contributed surplus of the Company arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares on GEM of the Stock Exchange and represented the excess of the then consolidated net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefore.

**(iv) Share option reserve**

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors and consultants of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(q) to the financial statements.

(v) *Equity investment revaluation reserve*

The equity investment revaluation reserve comprises the cumulative net change in the fair value of equity investment through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 3(i)(ii) to the consolidated financial statements.

(vi) *Convertible notes reserve*

The convertible notes reserve represents the equity component of the convertible notes at initial recognition, representing the value of the embedded option for the holder to convert the note into equity of the Company.

### 35. SHARE-BASED PAYMENTS

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

- (i) Subject to (ii) below, the maximum number of shares of the Company (“**Shares**”) in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of the Group shall not exceed such number of Shares as equals 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme. On 14 August 2015, the Company successfully sought approval by its shareholders in general meeting to refresh the 10% limit (the “**Refreshment**”). Upon the Refreshment approved by the shareholders of the Company at the annual general meeting on 14 August 2015, the Company may grant Options entitling holders thereof to subscribe for up to a maximum number of 40,000,000 Shares. A Options previously granted under the Share Option Scheme and any other share option schemes of the Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes and exercised options) will not be counted for the purpose of calculating the limit as refreshed. No further share option was granted after 14 August 2015, Options entitling holders thereof to subscribe for up to a maximum number of 40,000,000 Shares may be granted by the Company under the Share Option Scheme, representing 6.7% of the issued shares as at 31 March 2017;
- (ii) The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other share option schemes of the Group must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Group if this will result in the limit being exceeded; and
- (iii) Unless approved by the shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the shareholders of the Company in general meeting with such Eligible Participant and his associates abstaining from voting. The Company must send a circular to the shareholders of the Company and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and

such information as may be required under the GEM Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before approval of the shareholders of the Company and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price. The exercise of any option shall be subject to the shareholders of the Company in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto, the Directors shall make available sufficient of the then authorised but unissued share capital of the Company to allot the Shares on the exercise of any option.

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

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

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

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

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

Details of the specific categories of options are as follows:

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



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

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

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

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

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

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

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

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

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

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

### 36. BUSINESS COMBINATION

On 30 June 2016, the Group acquired 100% of the issued share capital of Yorkshire Property Management Company Limited ("YSL") for a cash consideration of HK\$2,500,000. YSL was engaged in provision of property management services during the year. The acquisition is for the purpose of expanding the Group's existing property management business.

The fair value of the identifiable assets and liabilities of YSL acquired as at their date of acquisition is as follows:

#### Net assets acquired:

	HK\$
Intangible asset	2,054,247
Trade receivables	993,001
Prepayments, deposits and other receivables	10,752
Bank and cash balances	149
Trade and other payables	(950,173)
Current tax liabilities	(2,815)
Provision of unrealised annual leave payment and long service payment	(50,914)
Deferred tax liabilities	(338,951)
	<hr/>
	1,715,296
Goodwill	784,704
	<hr/>
	2,500,000
	<hr/>
Satisfied by:	
Cash consideration	2,500,000
	<hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid	2,500,000
Cash and cash equivalents acquired	(149)
	<hr/>
	2,499,851
	<hr/>

The fair value of the trade and other receivables of YSL acquired is HK\$1,003,753. The gross amount due under the contracts of YSL is HK\$1,003,753. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill arising on the acquisition of YSL is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

YSL contributed approximately HK\$8,163,160 and HK\$994,102 to the Group's revenue and profit for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2016, total Group revenue for the year would have been HK\$398,303,750, and profit of the Group for the year would have been HK\$9,296,783. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2016, nor is intended to be a projection of future results.

Acquisition related costs recognised as expenses include legal and professional fee of HK\$105,000.

### **37. MAJOR NON-CASH TRANSACTION**

During the year, the Group acquired leasehold land and buildings of HK\$9,512,507 and investment property of HK\$28,817,301 from a director and a related party, at a cash consideration of HK\$26,000,000 and promissory notes of sum of HK\$12,157,882, among which cash consideration of HK\$11,000,000 was include in other payables as amounts due to a director and a related party.

### **38. CONTINGENT LIABILITIES**

#### **(a) Performance bond and incorporated owners' fund**

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

As at 31 March 2017, the amount of outstanding performance bond was approximately HK\$20.4 million (2016: HK\$17.5 million).

As at 31 March 2017, the aggregate amount of the bank balances in the client accounts not dealt with in the consolidated financial statements of the Group is approximately HK\$40.8 million (2016: HK\$32.4 million).

#### **(b) Legal cases**

In carrying out the ordinary course of business, the Group is subject to the risk of being named as defendant in legal actions, claims and disputes in connection with its business activities. The nature of the legal proceedings initiated against the Group generally include (i) claims for employees' compensation by the Group's employees; (ii) claims for personal injury caused by the negligence of the Group and owners' corporations of the properties by 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; and (iv) claims for property damage caused by the negligence of individual flat owners by other residents or users of the respective properties. The Group maintains insurance cover and, in the opinion of the directors of the Company, based on current evidence, any such existing claims have no material financial impact to the Group as at 31 March 2017.

**39. CAPITAL COMMITMENTS**

The Group's capital commitments at the end of the reporting period are as follows:

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Investment in an associate Contracted but not provided for in the financial statements in respect of unpaid balance of capital contributions	3,150,000	–

**40. LEASE COMMITMENTS****Commitments under operating leases***As lessee*

At 31 March 2017 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Within one year	2,998,800	2,822,300
In the second to fifth years, inclusive	2,202,200	2,863,200
	5,201,000	5,685,500

Operating lease payments represent rentals payable by the Group for certain of its offices, a carpark space and a motor vehicle. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

*As lessor*

The Group leases out its investment property. At the end of reporting period, the future minimum lease payments under non-cancellable leases are receivables as follows:

	<b>2017</b> <i>HK\$</i>	<b>2016</b> <i>HK\$</i>
Within one year	812,600	–
In the second to fifth years, inclusive	388,700	–
	1,201,300	–

Operating lease income represent rentals receivables by the Group for its investment property. Leases are negotiated for terms of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

**41. RELATED PARTY TRANSACTIONS**

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	<b>2017</b>	<b>2016</b>
	<i>HK\$</i>	<i>HK\$</i>
Rental paid to related companies		
– MRIL	384,000	336,000
– Kong Shum Union (China) Limited (“ <b>KSU China</b> ”)	568,000	368,000
Compensation paid to directors	5,534,991	9,393,569

Mr. Ho Ying Choi and Mr. Ho Ying Cheung, directors of the Company (Mr. Ho Ying Cheung resigned as an executive director of the Company on 6 February 2015 and remain as a director of KSU, have control over the related companies, KSU China, MRIL and FTIL.

At 31 March 2017 and 2016, Mr. Ho Ying Choi and Mr. Ho Ying Cheung had provided joint and several unlimited personal guarantees in favour of banking facilities granted to certain subsidiaries within the Group (note 30).

At 31 March 2016, MRIL and FTIL had provided unlimited guarantees and pledged of their properties to secure banking facilities granted to certain subsidiaries within the Group (note 30). At 31 March 2017, the properties have been released from charge.

On 8 February 2017, KSU, a wholly-owned subsidiary of the Company and Mr. Ho Ying Choi, an executive Director of the Company and Mr. Ho Ying Cheung, a director of KSU and brother of Mr. Ho Ying Choi entered into sale and purchase agreement to acquire assets and liabilities by way of acquisition of the entire equity interest in MRIL and FTIL at a cash consideration of HK\$26,000,000 and promissory notes of sum of HK\$12,157,882 (face value: HK\$14,000,000). MRIL and FTIL owned properties located in Hong Kong and were engaged properties investment business during the year. The acquisition is for the purpose of expanding the Group’s business diversity and was completed on 31 March 2017.

**42. EVENTS AFTER THE END OF THE REPORTING PERIOD****Acquisition of a financial service company**

As detailed in note 23 to the consolidated financial statements, On 13 February 2017, the Group entered into a sale and purchase agreement with an independent third party to purchase the 30% of the issue share capital of Dakin at a total consideration of HK\$31,500,000 to be satisfied by cash (the “**Acquisition**”). On 28 April 2017, the Acquisition has been completed. Following the completion, the Company is holding 30% of the equity interest in Dakin, and Dakin has become an associate of the Company and the investment of the Group will be classified as investment in an associate. Details of above are set out in the Company’s announcements dated 20 January 2017, 13 February 2017 and 28 April 2017.

**Placing of new shares**

On 11 May 2017, the Company entered into placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place through the placing agent up to 118,800,000 placing shares at the placing price of HK\$0.24 per placing share. The net proceeds from the placing is expected to be approximately HK\$27,656,640. The placing was completed on 26 May 2017. Details of above are set out in the Company’s announcements dated 11 May 2017 and 26 May 2017.

**Granting of Money Lender’s Licence**

On 15 June 2017, a money lender’s licence has been granted by the licensing court to a wholly-owned subsidiary of the Company. The Group has decided to and will commence its money lending business under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong) as one of its principal business activities from 15 June 2017. Details of which are set out in the announcement of the Company dated 15 June 2017.

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK\$	2016 HK\$
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	32,264	–
Investments in subsidiaries	4,750,116	4,750,108
Loan to a subsidiary	15,000,000	15,000,000
Deposits for acquisition of an associate	28,350,000	–
Equity investment at fair value through other comprehensive income	–	4,267,000
	<u>48,132,380</u>	<u>24,017,108</u>
<b>CURRENT ASSETS</b>		
Prepayments, deposits and other receivables	456,804	1,029,996
Amounts due from subsidiaries	12,864,201	12,805,321
Cash and cash equivalents	12,988,230	26,881,771
	<u>26,309,235</u>	<u>40,717,088</u>
<b>CURRENT LIABILITIES</b>		
Accruals and other payables	1,073,012	1,281,561
Amounts due to subsidiaries	4,098,986	4,162,720
	<u>5,171,998</u>	<u>5,444,281</u>
<b>NET CURRENT ASSETS</b>	<u>21,137,237</u>	<u>35,272,807</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>69,269,617</u>	<u>59,289,915</u>
<b>NET ASSETS</b>	<u>69,269,617</u>	<u>59,289,915</u>
<b>EQUITY</b>		
Share capital	5,941,515	4,951,515
Reserves	63,328,102	54,338,400
<b>TOTAL EQUITY</b>	<u><u>69,269,617</u></u>	<u><u>59,289,915</u></u>

## 44. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 June 2017.

### 3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

The following is the full text of the unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2017 extracted from the Company's interim report for the six months ended 30 September 2017. Capitalised terms used in this section shall have the same meanings as those defined in such interim report.

#### Unaudited condensed consolidated statement of profit or loss and other comprehensive income

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

## Unaudited consolidated statement of financial position

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



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

## Unaudited condensed consolidated statement of changes in equity

	Attributable to the owners of the Company						
	Share capital	Share premium	Share options reserve	Merger reserve	Equity investment revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2016 (audited)	4,952	74,983	3,872	4,750	(8,733)	8,518	88,342
Profit and total comprehensive income for the period (unaudited)	–	–	–	–	–	5,512	5,512
Placing of shares (unaudited)	990	21,017	–	–	–	–	22,007
Changes in equity for the period (unaudited)	990	21,017	–	–	–	5,512	27,519
As at 30 September 2016 (unaudited)	5,942	96,000	3,872	4,750	(8,733)	14,030	115,861
As at 1 April 2017 (audited)	5,942	96,000	3,872	4,750	(13,000)	18,706	116,270
Profit and total comprehensive income for the period (unaudited)	–	–	–	–	–	12,392	12,392
Placing of shares (unaudited) (notes 16(a), (b))	2,612	45,056	–	–	–	–	47,668
Changes in equity for the period (unaudited)	2,612	45,056	–	–	–	12,392	60,060
As at 30 September 2017 (unaudited)	8,554	141,056	3,872	4,750	(13,000)	31,098	176,330

## Unaudited condensed consolidated statements of cash flows

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

**Notes to the unaudited condensed consolidated financial information****1. GENERAL INFORMATION**

Kong Shum Union Property Management (Holding) Limited (the “**Company**”) was incorporated in the Cayman Islands with limited liability. Its shares were listed on the Growth Enterprise Market (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 October 2013. The address of its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit 1001, 10 Floor, Chung Nam House, 59 Des Voeux Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are provision of property management services, properties investment and money lending business.

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

**2. BASIS OF PRESENTATION**

These unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules.

These unaudited condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2017.

In the current period, the Group has adopted all the new/revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 April 2017.

The Group has not yet applied new/revised HKFRSs that have been issued but not yet effective. The Group is in the process of assessing, where applicable, the potential impact of these new/revised HKFRSs but is not yet in a position to state whether these new/revised HKFRSs would have a material impact on its results of operations.

**3. SEGMENT INFORMATION****(a) Reportable segments**

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

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

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

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

(i) *Business segments:*

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

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

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

Six months ended 30 September	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
<b>Revenue</b>		
Reportable segment revenue and consolidated revenue	200,903	196,065
<b>Profit or loss</b>		
Reportable segment profits	12,078	11,684
Unallocated corporate expenses	(3,062)	(4,266)
Unallocated share of profits of an associate	5,407	–
Consolidated profit before tax	14,423	7,418

	At 30 September 2017 HK\$'000 (unaudited)	At 31 March 2017 HK\$'000 (audited)
<b>Assets</b>		
Reportable segment assets	186,051	143,311
Unallocated cash and cash equivalents	20,068	13,034
Other unallocated corporate assets	43,991	47,050
	<u>250,110</u>	<u>203,395</u>
Consolidated total assets	<u>250,110</u>	<u>203,395</u>
<b>Liabilities</b>		
Reportable segment liabilities	73,084	85,741
Unallocated corporate liabilities	696	1,384
	<u>73,780</u>	<u>87,125</u>
Consolidated total liabilities	<u>73,780</u>	<u>87,125</u>

**(b) Geographical information**

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

**4. REVENUE**

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

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

## 5. OTHER REVENUE

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

## 6. FINANCE COSTS

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

## 7. PROFIT BEFORE TAX

Profit before tax is arrived at after charging the following:

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



**8. INCOME TAX EXPENSE**

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

The Company is tax exempted under the laws of the Cayman Islands. The Company's subsidiaries operating in Hong Kong are subject to Hong Kong Profits Tax which is calculated at 16.5% (2016: 16.5%) on the assessable profits earned in Hong Kong.

**9. DIVIDEND**

The Directors do not recommend the payment of any dividend for the three and six months ended 30 September 2017 (2016: Nil).

**10. EARNINGS PER SHARE****Basic earnings per share**

The calculation of basic earnings per share attributable to owners of the Company is based on the consolidated profit for the three and six months ended 30 September 2017 attributable to owners of the Company of approximately HK\$8.4 million and HK\$12.4 million respectively (three and six months ended 30 September 2016: profit of approximately HK\$4.2 million and HK\$5.5 million respectively) and the weighted average number of ordinary shares of 728,429,776 and 685,028,017 respectively (three and six months ended 30 September 2016: 522,053,689 and 508,676,105) in issue during the periods.

**Diluted earnings per share**

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

**11. PROPERTY, PLANT AND EQUIPMENT**

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

**12. DEPOSITS FOR ACQUISITION OF CONVERTIBLE NOTES**

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

On 14 July 2017, Oceanic Alliance Investments Limited (the “**Seller**”), and Lucky Stone Investments Limited, a wholly-owned subsidiary of the Company (the “**Buyer**”), entered into an agreement in relation to the acquisition of convertible notes of HK\$36,000,000 (the “**CN**”) (for the agreement, the “**CN Agreement**”).

Subject to the satisfaction (or waiver) of the conditions precedent as set out in the CN Agreement, the Buyer conditionally agrees to acquire the CN from the Seller at a total consideration of HK\$36,000,000 (equivalent to AUD6,000,000, using an agreed exchange rate of AUD1=HK\$6 and being the face value of the aggregate principal amount of the CN) (the “**CN Acquisition**”). The CN for the principal amount of AUD6,000,000 with a maturity date on 1 March 2019 are issued by ASF Group Limited, a public company limited by shares, incorporated and domiciled in Australia, with its issued shares being listed on the Australian Stock Exchange Limited (CAN 008 624 691) (the “**Issuer**”) and are unsecured and not listed on any stock exchange. Further, the Buyer agrees to pay to the Seller an accrued interest of the CN from 1 April 2017 and up to the completion date specified under the CN Agreement (both date inclusive) to be calculated at an interest rate of 10% per annum in accordance with terms of a deed of CN entered into between the Seller and the Issuer.

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

### 13. INVESTMENT IN AN ASSOCIATE

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

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

Name	Principal place of business/country of incorporation	Principal activities	% of ownership interests/ voting rights held by the Company	
			As at 30 September 2017 (unaudited)	As at 31 March 2017 (audited)
Dakin Holdings Inc.	Hong Kong/BVI	Provision of financial services in Hong Kong	30%	–

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

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

#### 14. TRADE AND OTHER RECEIVABLES

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

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

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

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

#### 15. TRADE AND OTHER PAYABLES

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

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

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

## 16. SHARE CAPITAL

## Authorised and issued share capital

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

*Notes:*

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

## 17. RELATED PARTY TRANSACTIONS

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

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

## Notes:

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

## 18. LEASE COMMITMENTS

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

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

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

**19. CONTINGENT LIABILITIES****(a) Performance bond and incorporated owners' fund**

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

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

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

**(b) Legal cases**

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

**20. SHARE-BASED PAYMENTS****Equity-settled share option scheme**

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

- (i) Subject to (ii) below, the maximum number of shares of the Company ("**Shares**") in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of the Group shall not exceed such number of Shares as equals 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme. On 14 August 2015, the Company successfully sought approval by its shareholders in general meeting to refresh the 10% limit (the "**Refreshment**"). Upon the Refreshment approved by the shareholders of the Company at the annual general meeting on 14 August 2015, the Company may grant Options entitling holders thereof to subscribe for up to a maximum number of 40,000,000 Shares. An option previously granted under the Share Option Scheme and any other share option schemes of the Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes and exercised options) will not be counted for the purpose of calculating the limit as refreshed. No further share option was granted after 14 August 2015, Options entitling holders thereof to subscribe for up to a maximum number

of 40,000,000 Shares may be granted by the Company under the Share Option Scheme, representing approximately 4.7% of the issued shares as at 30 September 2017;

- (ii) The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other share option schemes of the Group must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Group if this will result in the limit being exceeded; and
- (iii) Unless approved by the shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the shareholders of the Company in general meeting with such Eligible Participant and his associates abstaining from voting. The Company must send a circular to the shareholders of the Company and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and such information as may be required under the GEM Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before approval of the shareholders of the Company and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price. The exercise of any option shall be subject to the shareholders of the Company in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto, the Directors shall make available sufficient of the then authorised but unissued share capital of the Company to allot the Shares on the exercise of any option.

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

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

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

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



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

Details of the specific categories of options are as follows:

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

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

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

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

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

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

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

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

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

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

#### 4. INDEBTEDNESS

At the close of business on 31 December 2017, being the latest practicable date for this statement of indebtedness prior to printing of this Composite Document, the Group had the following outstanding indebtedness:

##### **Borrowings**

As at the close of business on 31 December 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had secured bank borrowings, promissory notes payable and finance lease liabilities of approximately HK\$10.79 million, HK\$7.49 million and HK\$0.29 million respectively.

##### **Mortgages and charges**

As at the close of business on 31 December 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had pledged deposits of approximately HK\$5.51 million. These deposits were pledged to banks to secure banking facilities of the Group as at 31 December 2017.

##### **Contingent liabilities**

###### ***(a) Performance bond and incorporated owners' fund***

Performance bonds have 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. As at 31 December 2017, the amount of outstanding performance bonds was approximately HK\$15.46 million.

###### ***(b) Legal cases***

As at 31 December 2017, the Group has no material contingent liabilities in respect of various litigation.

## 5. MATERIAL CHANGE

As at the Latest Practicable Date, save as disclosed below, the Directors confirmed that there is no material change in the financial or trading position or outlook of the Group since 31 March 2017, the date to which the latest published audited financial statements of the Company were made up and up to and including the Latest Practicable Date:

1. a discloseable transaction regarding the acquisition of 30% of the issued shares in Dakin Holdings Inc. (“**Dakin**”) at the consideration of HK\$31,500,000. Dakin is a company incorporated in the British Virgin Islands with limited liability, which Dakin and its subsidiaries are licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO; and (ii) hold a money lender’s licence under the MLO, as disclosed in the announcements of the Company dated 13 February 2017 and 28 April 2017;
2. a placing of up to 118,800,000 new Shares under general mandate at a placing price of HK\$0.24 per placing share. The gross proceeds and the net proceeds from the placing were approximately HK\$28.5 million and HK\$27.6 million respectively, as disclosed in the announcements of the Company dated 11 May 2017 and 26 May 2017;
3. a discloseable transaction regarding the acquisition of a total principal amount of AUD6,000,000 subscribed by Oceanic Alliance Investments Limited (“**OAIL**”) (as vendor) and issued by ASF Group Limited pursuant to a deed of convertible note entered into between OAIL and ASF Group Limited, as disclosed in the announcements of the Company dated 14 July 2017 and 13 October 2017;
4. a money lenders licence has been granted by the licensing court on 15 June 2017 to a subsidiary of the Company. Accordingly, the Group commenced its money lending business as one of its principal business activities, as disclosed in the announcement of the Company dated 15 June 2017;
5. a discloseable transaction regarding the provision of financial assistance, which the subsidiary of the Company granted a loan in the principal amount of HK\$16,000,000 to a borrower under the loan agreement dated 17 July 2017. The borrower is a company incorporated in Hong Kong with limited liability. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the borrower and its ultimate beneficial owner is an independent third party and not connected to the Group, as disclosed in the announcement of the Company dated 17 July 2017;

6. a placing of up to 142,400,000 new Shares under general mandate at a placing price of HK\$0.145 per placing share. The gross proceeds and the net proceeds from the placing were approximately HK\$20.65 million and HK\$19.97 million respectively, as disclosed in the announcements of the Company dated 29 August 2017 and 21 September 2017;
7. a discloseable transaction regarding the provision of financial assistance, which the subsidiary of the Company granted two loans in the aggregate principal amount of HK\$14,000,000 to an individual borrower under two loan agreements dated 18 July 2017 and 15 August 2017 respectively. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the borrower is an independent third party and not connected to the Group, as disclosed in the announcement of the Company dated 15 August 2017; and
8. a positive profit alert announced by the Company on 27 October 2017 relating to its preliminary review on the unaudited financial information of the Group for the six months ended 30 September 2017, as disclosed in the announcement of the Company dated 27 October 2017 and the unaudited interim results of the Group for the six months ended 30 September 2017 was announced by the Company on 13 November 2017.

**1. RESPONSIBILITY STATEMENT**

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than those in relation to the Group and parties acting in concert with it), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

**2. MARKET PRICES**

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last trading day in each of the calendar months during the Relevant Period; (ii) the immediate business day before the date of commencement of the Offer Period; (iii) the Last Trading Day; and (iv) the Latest Practicable Date.

<b>Date</b>	<b>Closing price per Share HK\$</b>
31 July 2017	0.188
31 August 2017	0.173
29 September 2017	0.155
31 October 2017	0.187
30 November 2017	0.250
29 December 2017 (being the Last Trading Day)	0.380
19 January 2018 (being the Latest Practicable Date)	0.365

During the Relevant Period, the highest closing price of the Shares was HK\$0.380 per Share as quoted on the Stock Exchange on 29 December 2017 and the lowest closing price of the Shares was HK\$0.143 per Share as quoted on the Stock Exchange on 16 October 2017.

### 3. DISCLOSURE OF INTERESTS BY THE OFFEROR

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and parties acting in concert with it are as follows:

Shareholder	Capacity	Number of Shares held	Approximate % of total issued Shares
The Offeror	Beneficial owner	257,504,000	30.11
Mr. Huang	Interest of controlled corporation	257,504,000	30.11

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror and parties acting in concert with it owned or controlled any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

Save for the dealings as disclosed in section 4 of this appendix, none of the sole director of the Offeror, the Offeror nor parties acting in concert with it had dealt for value in any Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into the Shares during the Relevant Period.

### 4. ADDITIONAL DISCLOSURE ON INTERESTS AND DEALINGS

- (a) During the Relevant Period, the Offeror and parties acting in concert with it had dealt for value in Shares, the particulars of which are as follows:

Date of transactions	Name	No. of Shares purchased	Purchase price per Share (HK\$)	Approx. %	On exchange/ off exchange
2017					
15 November	The Offeror	24,000	0.181	0.00	On exchange
	The Offeror	2,944,000	0.182	0.34	On exchange
	The Offeror	4,320,000	0.183	0.51	On exchange
16 November	The Offeror	2,000,000	0.182	0.23	On exchange
	The Offeror	3,192,000	0.184	0.37	On exchange

Date of transactions	Name	No. of Shares purchased	Purchase price per Share (HK\$)	Approx. %	On exchange/ off exchange
17 November	The Offeror	2,064,000	0.185	0.24	On exchange
	The Offeror	120,000	0.184	0.01	On exchange
	The Offeror	200,000	0.185	0.02	On exchange
20 November	The Offeror	6,680,000	0.187	0.78	On exchange
	The Offeror	944,000	0.186	0.11	On exchange
	The Offeror	1,000,000	0.189	0.12	On exchange
	The Offeror	2,160,000	0.190	0.25	On exchange
	The Offeror	2,400,000	0.191	0.28	On exchange
21 November	The Offeror	208,000	0.192	0.02	On exchange
	The Offeror	1,800,000	0.187	0.21	On exchange
	The Offeror	2,280,000	0.189	0.27	On exchange
	The Offeror	1,032,000	0.190	0.12	On exchange
	The Offeror	2,280,000	0.191	0.27	On exchange
22 November	The Offeror	360,000	0.193	0.04	On exchange
	The Offeror	2,000,000	0.197	0.23	On exchange
	The Offeror	600,000	0.200	0.07	On exchange
	The Offeror	224,000	0.202	0.03	On exchange
	The Offeror	2,384,000	0.203	0.28	On exchange
	The Offeror	184,000	0.205	0.02	On exchange
	The Offeror	552,000	0.206	0.06	On exchange

**APPENDIX III****GENERAL INFORMATION OF THE OFFEROR**

<b>Date of transactions</b>	<b>Name</b>	<b>No. of Shares purchased</b>	<b>Purchase price per Share (HK\$)</b>	<b>Approx. %</b>	<b>On exchange/ off exchange</b>
23 November	The Offeror	1,000,000	0.207	0.12	On exchange
	The Offeror	2,264,000	0.209	0.26	On exchange
	The Offeror	2,496,000	0.210	0.29	On exchange
	The Offeror	80,000	0.211	0.01	On exchange
	The Offeror	808,000	0.212	0.09	On exchange
	The Offeror	2,920,000	0.213	0.34	On exchange
	The Offeror	232,000	0.214	0.03	On exchange
24 November	The Offeror	1,000,000	0.211	0.12	On exchange
	The Offeror	1,000,000	0.214	0.12	On exchange
	The Offeror	864,000	0.215	0.10	On exchange
	The Offeror	752,000	0.216	0.09	On exchange
	The Offeror	1,000,000	0.217	0.12	On exchange
27 November	The Offeror	1,000,000	0.212	0.12	On exchange
	The Offeror	2,976,000	0.213	0.35	On exchange
	The Offeror	1,600,000	0.214	0.19	On exchange
	The Offeror	1,368,000	0.215	0.16	On exchange
	The Offeror	296,000	0.216	0.03	On exchange
	The Offeror	2,200,000	0.217	0.26	On exchange
28 November	The Offeror	1,712,000	0.210	0.20	On exchange
	The Offeror	2,000,000	0.214	0.23	On exchange



**APPENDIX III****GENERAL INFORMATION OF THE OFFEROR**

Date of transactions	Name	No. of Shares purchased	Purchase price per Share (HK\$)	Approx. %	On exchange/ off exchange
29 November	The Offeror	1,000,000	0.215	0.12	On exchange
	The Offeror	1,000,000	0.216	0.12	On exchange
	The Offeror	2,000,000	0.217	0.23	On exchange
	The Offeror	1,000,000	0.218	0.12	On exchange
	The Offeror	1,000,000	0.211	0.12	On exchange
	The Offeror	400,000	0.216	0.05	On exchange
	The Offeror	552,000	0.225	0.06	On exchange
	The Offeror	3,432,000	0.226	0.40	On exchange
	The Offeror	2,144,000	0.227	0.25	On exchange
	The Offeror	1,272,000	0.231	0.15	On exchange
30 November	The Offeror	1,000,000	0.238	0.12	On exchange
	The Offeror	240,000	0.240	0.03	On exchange
	The Offeror	760,000	0.241	0.09	On exchange
	The Offeror	208,000	0.245	0.02	On exchange
	The Offeror	208,000	0.246	0.02	On exchange
1 December	The Offeror	320,000	0.247	0.04	On exchange
	The Offeror	1,424,000	0.242	0.17	On exchange
	The Offeror	1,000,000	0.247	0.12	On exchange
4 December	The Offeror	1,000,000	0.228	0.12	On exchange
	The Offeror	64,000	0.229	0.01	On exchange

Date of transactions	Name	No. of Shares purchased	Purchase price per Share (HK\$)	Approx. %	On exchange/ off exchange
	The Offeror	312,000	0.230	0.04	On exchange
	The Offeror	72,000	0.232	0.01	On exchange
	The Offeror	192,000	0.233	0.02	On exchange
	The Offeror	160,000	0.234	0.02	On exchange
	The Offeror	1,000,000	0.235	0.12	On exchange
	The Offeror	256,000	0.238	0.03	On exchange
	The Offeror	106,200,000	0.250	12.42	On exchange
	The Offeror	2,720,000	0.260	0.32	On exchange
5 December	The Offeror	1,560,000	0.250	0.18	On exchange
6 December	The Offeror	1,000,000	0.240	0.12	On exchange
	The Offeror	1,000,000	0.245	0.12	On exchange
7 December	The Offeror	128,000	0.238	0.01	On exchange
	The Offeror	952,000	0.242	0.11	On exchange
8 December	The Offeror	56,000	0.249	0.01	On exchange
	The Offeror	512,000	0.250	0.06	On exchange
12 December	The Offeror	1,000,000	0.237	0.12	On exchange
13 December	The Offeror	48,000	0.243	0.01	On exchange
	The Offeror	152,000	0.244	0.02	On exchange
15 December	The Offeror	488,000	0.270	0.06	On exchange
21 December	The Offeror	120,000	0.315	0.01	On exchange

Date of transactions	Name	No. of Shares purchased	Purchase price per Share (HK\$)	Approx. %	On exchange/ off exchange
	The Offeror	944,000	0.32	0.11	On exchange
	The Offeror	1,048,000	0.325	0.12	On exchange
	The Offeror	1,088,000	0.33	0.13	On exchange
	The Offeror	1,000,000	0.335	0.12	On exchange
	The Offeror	2,960,000	0.34	0.35	On exchange
	The Offeror	1,920,000	0.345	0.22	On exchange
	The Offeror	264,000	0.35	0.03	On exchange
22 December	The Offeror	2,480,000	0.35	0.29	On exchange
	The Offeror	120,000	0.355	0.01	On exchange
27 December	The Offeror	800,000	0.35	0.09	On exchange
	The Offeror	416,000	0.355	0.05	On exchange
	The Offeror	1,760,000	0.36	0.21	On exchange
	The Offeror	1,680,000	0.365	0.20	On exchange
	The Offeror	3,184,000	0.37	0.37	On exchange
	The Offeror	2,208,000	0.375	0.26	On exchange
	The Offeror	80,000	0.38	0.01	On exchange
	The Offeror	1,080,000	0.345	0.13	On exchange
28 December	The Offeror	1,856,000	0.365	0.22	On exchange
	The Offeror	7,856,000	0.37	0.92	On exchange
	The Offeror	2,128,000	0.375	0.25	On exchange

Date of transactions	Name	No. of Shares purchased	Purchase price per Share (HK\$)	Approx. %	On exchange/ off exchange
	The Offeror	160,000	0.38	0.02	On exchange
29 December	The Offeror	5,072,000	0.370	0.59	On exchange
	The Offeror	7,376,000	0.375	0.86	On exchange
	The Offeror	2,552,000	0.380	0.30	On exchange

As at the Latest Practicable Date, save for the Loan Facility, the Pledged Shares and as disclosed above:

- (a) none of the Offeror and its concert parties has received any irrevocable commitment to accept or reject the Offers;
- (b) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or its concert parties during the Relevant Period;
- (c) none of the Offeror or its concert parties has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code in the Company during the Relevant Period;
- (d) there was no agreement, arrangement, or understanding which may result in the Shares or securities of the Company to be acquired under the Offers being transferred, charged or pledged to any other persons during the Relevant Period;
- (e) there was no benefit given or to be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (f) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or its concert parties and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependent upon the Offers;
- (g) there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to the Offers;
- (h) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exists between the Offeror or its associates or any parties acting in concert with the Offeror and any other person;

- (i) there is no special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and parties acting in concert with it on one hand and the Shareholders on the other hand; and
- (j) save for the payment under the Share Purchases, there are no other considerations in any form paid or payable by the Offeror or parties acting in concert with it to the ex-Shareholders of the Share Purchases.

## **5. CONSENTS AND QUALIFICATIONS OF PROFESSIONAL ADVISERS**

The followings are the qualifications of the experts whose letter or opinion are contained in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
Kingston Securities	a licensed corporation permitted to carry on Type 1 (dealing in securities) regulated activity under the SFO
Kingston Corporate Finance	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

Each of Kingston Securities and Kingston Corporate Finance has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter or report and/or references to its name in the form and context in which they are respectively included.

## **6. GENERAL**

As at the Latest Practicable Date:

- (a) the Offeror is wholly and beneficially owned by Mr. Huang.
- (b) the principal member of the Offeror's concert parties are the Offeror and Mr. Huang.
- (c) The registered address of the Offeror is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands. The address of Mr. Huang is 山東省淄博市張店區聯通路恒生城市花園19號樓3單元701號 (transliterated as No. 701, Unit 3, Building No. 19, Heng Sheng Cheng Shi Hua Yuan, Liantong Road, Zhangdian District, Zibo, Shandong Province).
- (d) The registered address of Kingston Corporate Finance is Suite 2801, 28/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (e) The registered address of Kingston Securities is Suite 2801, 28/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection (i) at the principal office of the Company at Unit 1001, 10 Floor, Chung Nam House, 59 Des Voeux Road Central, Hong Kong; (ii) on the website of the Company (<http://www.kongshum.com.hk>); and (iii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)), during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from Kingston Securities, the text of which is set out on pages 7 to 14 of this Composite Document; and
- (c) the written consents referred to under the paragraph headed “5. Consents and Qualifications of Professional Advisers” in this Appendix.

## 1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders and Optionholders with regard to the Group, the Offeror and the Offers.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

## 2. SHARE CAPITAL

### (a) Share Capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

<i>Authorised:</i>	<i>HK\$</i>
5,000,000,000 Shares	50,000,000.00
<i>Issued and fully paid:</i>	<i>HK\$</i>
855,351,515 Shares	8,553,515.15

All of the issued Shares rank *pari passu* in all respects with each other, including all rights as to dividends, voting and capital. Save for (i) the placing of 118,800,000 new Shares under the general mandate granted to the Board which was completed on 26 May 2017; and (ii) the placing of 142,400,000 new Shares under another general mandate granted to the Board which was completed on 21 September 2017, no new Shares were issued since 31 March 2017 (being the date on which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date.

The Shares are listed and traded on the Stock Exchange. No Shares are listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in the Shares being, or proposed to be sought, on any other stock exchange.

### (b) Options, warrants and conversion rights

As at the date of the Latest Practicable Date, there are 20,000,000 Share Options entitling the grantees to subscribe for an aggregate of 20,000,000 Shares at an exercise

price of HK\$1.09 per Share under the Share Option Scheme. Save as disclosed above, the Company does not have any other outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

### **3. DISCLOSURE OF INTERESTS**

#### **(a) Interests in the Offeror**

As at the Latest Practicable Date, none of the Company nor any of its Directors had any interest in the equity share capital or any convertible securities, warrants, options or derivatives of the Offeror, and no such person (including the Company) had dealt in the equity share capital or any convertible securities, warrants, options or derivatives of the Offeror during the Relevant Period.

#### **(b) Interest in the Company**

##### ***(i) Interests of Directors and chief executive of the Company***

As at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.



*(ii) Interests of substantial shareholders of the Company*

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name	Nature of interest (Long position in the Shares)	Number of Shares	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date (%)
Mr. Huang Liming (Note)	Interest in controlled corporation	257,504,000	30.11
Heng Sheng Capital Limited (Note)	Beneficial interest	257,504,000	30.11
Ms. Li Mengya (Note)	Spouse interests	257,504,000	30.11

*Note:* Heng Sheng Capital Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is owned by Mr. Huang Liming, and under the SFO, Mr. Huang is deemed to be interested in the Shares held by Heng Sheng Capital Limited; and Ms. Li Mengya is the spouse of Mr. Huang Liming and, under the SFO, she is deemed to be interested in the same number of Shares in which Mr. Huang Liming is interested; and their interests in the Shares duplicate each other.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors, whose interests are set out in the section headed “Interests of Directors and chief executive of the Company” above, had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

#### 4. DEALINGS IN SECURITIES OF THE COMPANY

- (i) During the Relevant Period, the Directors did not have any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;

- (ii) During the Offer Period and up to the Latest Practicable Date, no subsidiaries of the Company, pension funds of any member of the Group or any advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;
- (iii) During the Offer Period and up to the Latest Practicable Date, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares; and
- (iv) During the Offer Period and up to the Latest Practicable Date, no fund managers connected with the Company had any dealings in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

## **5. DEALINGS IN SECURITIES OF THE OFFEROR**

During the Relevant Period, none of the Company nor the Directors had any dealings in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

## **6. OTHER DISCLOSURE OF INTERESTS**

As at the Latest Practicable Date:

- (i) no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers);
- (ii) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (iii) no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives of Company were managed on a discretionary basis by fund managers connected with the Company;

- (iv) no benefit (other than statutory compensation) had been given or would be given to any Directors as compensation for loss of office or otherwise in connection with the Offers;
- (v) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers;
- (vi) no material contracts had been entered into by the Offeror or any party acting in concert with it in which any Directors had any a material personal interest; and
- (vii) there were no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company which the Company and any Directors had borrowed or lent.

## 7. DIRECTORS' SERVICE CONTRACTS

Mr. Eric Todd ("**Mr. Todd**"), has been appointed as an executive Director since 1 August 2016. Mr. Todd has entered into a letter of appointment with the Company for a term of three years commencing from 1 August 2016 and renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the letter of appointment, unless terminated by either party giving not less than two months' notice in writing to the other party. The appointment is also subject to rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company. Mr. Todd was entitled to receive a monthly director's fee of HK\$50,000 which remained unchanged as at the Latest Practicable Date. Mr. Todd may be entitled to a management bonus in respect of each financial year of the Company in an amount to be determined by the Board in its absolute discretion.

Mr. Lee Chin Ching, Cyris ("**Mr. Lee**") has been appointed as an executive Director with effect from 20 December 2016 for a term of one year which is renewable automatically for successive terms of one year each commencing from the day after the expiry of the term of the appointment, unless terminated by either party giving not less than one month's notice in writing to the other party. The appointment is also subject to rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company. The remuneration of Mr. Lee was HK\$45,000 per month during the initial term of his service agreement. Mr. Lee may be entitled to a management bonus in respect of each financial year of the Company in an amount to be determined by the Board in its absolute discretion. At the annual general meeting of the Company held on 31 July 2017, the resolution relating to the re-election of Mr. Lee as an executive Director was approved by the then Shareholders and the remuneration of Mr. Lee remained unchanged as at the Latest Practicable Date.

Mr. Ho Ying Choi ("**Mr. Ho**") has been appointed as an executive Director since 15 August 2012. Mr. Ho has entered into a letter of appointment with the Company for a term of three years commencing from 1 September 2013 and renewable automatically for successive terms of

one year each commencing from the day after the expiry of the then current term of the letter of appointment, unless terminated by either party giving not less than three months' notice in writing to the other party. The appointment is also subject to rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company. Mr. Ho was entitled to receive a monthly director's fee of HK\$184,000 since 1 April 2015. Mr. Ho may be entitled to a management bonus in respect of each financial year of the Company in an amount to be determined by the Board in its absolute discretion. At the annual general meeting of the Company held on 31 July 2017, the resolution relating to the re-election of Mr. Ho as an executive Director was approved by the then Shareholders and Mr. Ho's remuneration remained unchanged.

Mr. Tso Siu Lun, Alan ("**Mr. Tso**") has been appointed as an independent non-executive Director since 6 February 2015. Mr. Tso has entered into a letter of appointment with the Company for a term of three years commencing from 6 February 2015 unless terminated by either party giving not less than two months' notice in writing to the other party. The appointment is also subject to rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company. Mr. Tso is entitled to receive a monthly director's fee of HK\$10,000 which has not been changed since appointment. Pursuant to a letter of extension dated 17 January 2018, the appointment of Mr. Tso has been extended for another one year following the expiry of the initial term, i.e. from 6 February 2018 to 5 February 2019. Save for the extension of the term of office, all other terms as set out in the aforesaid letter of appointment shall remain unchanged and continue to apply.

Mr. Lam Kai Yeung ("**Mr. Lam**") has been appointed as an independent non-executive Director since 19 October 2015. Mr. Lam has entered into a letter of appointment with the Company for a term of three years commencing from 19 October 2015 unless terminated by either party giving not less than two months' notice in writing to the other party. The appointment is also subject to rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company. Mr. Lam is entitled to receive a monthly director's fee of HK\$10,000 which has not been changed since appointment.

Mr. Lo Chi Ho, Richard ("**Mr. Lo**") has been appointed as an independent non-executive Director since 17 December 2015. Mr. Lo has entered into a letter of appointment with the Company for a term of three years commencing from 17 December 2015 unless terminated by either party giving not less than two months' notice in writing to the other party. The appointment is also subject to rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company. Mr. Lo is entitled to receive a monthly director's fee of HK\$10,000 which has not been changed since appointment.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with the Company or any of its subsidiaries or associated companies in force which:

- (i) (including both continuous and fixed term contracts) have been entered into or amended within the Relevant Period;

- (ii) were continuous contracts with a notice period of 12 months or more; and
- (iii) were fixed term contracts with more than 12 months to run irrespective of the notice period.

## 8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any material litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## 9. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group after the date the two years immediately preceding the date of the commencement of the Offer Period and are, or may be, material:

- (i) a promissory note in the amount of HK\$20.00 million issued by Lucky Stone Investments Limited (“**Lucky Stone**”), a wholly-owned subsidiary of the Company on 12 October 2017 to settle the consideration payable to Oceanic Alliance Investments Limited (“**OAIL**”), an independent third party of the Company, for the acquisition of the Convertible Notes (as defined below). For details, please refer to the announcements to the Company dated 14 July 2017 and 13 October 2017;
- (ii) a conditional placing agreement entered into between the Company and Kingston Securities dated 29 August 2017 in relation to the placing of up to 142,400,000 new Shares for a gross proceeds of approximately HK\$20.65 million. For details, please refer to the announcements to the Company dated 29 August 2017 and 21 September 2017;
- (iii) an agreement entered into between OAIL (as vendor) and Lucky Stone (as purchaser) dated 14 July 2017 in relation to the acquisition of a principal amount of AUD6,000,000 subscribed by OAIL and issued by ASF Group Limited pursuant to a deed of convertible note entered into between OAIL and ASF Group Limited (the “**Convertible Notes**”). The consideration of the acquisition is HK\$36.00 million (equivalent to AUD6,000,000, being the face value of the aggregate principal amount of the Convertible Notes. For details, please refer to the announcements to the Company dated 14 July 2017 and 13 October 2017;
- (iv) a conditional placing agreement entered into between the Company and Supreme China Securities Limited dated 11 May 2017 in relation to the placing of up to 118,800,000 new Shares for a gross proceeds of approximately HK\$28.51 million. For details, please refer to the announcements to the Company dated 11 May 2017 and 26 May 2017;

- (v) the two promissory notes in the principal amount of HK\$7 million each issued by Kong Shum Union Property Management Company Limited, a wholly-owned subsidiary of the Company, to Mr. Ho Ying Choi and Mr. Ho Ying Cheung (or their respective nominee(s)) respectively on 31 March 2017 to settle the part of the total consideration in the amount of HK\$40.00 million of the acquisition of the entire issued share capital of the Property Investment Companies (as defined below). For details, please refer to the announcements to the Company dated 8 February 2017, 6 March 2017 and 31 March 2017 and the circular of the Company dated 8 March 2017;
- (vi) a sale and purchase agreement dated 13 February 2017 and entered into among Lucky Stone (as purchaser), Mr. Chang Tin Duk, Victor (as vendor), an independent third party of the Company, and the Company in relation to the acquisition of 30% of the issued share capital of Dakin Holdings Inc. at a consideration in the amount of HK\$31.50 million. For details, please refer to the announcements to the Company dated 13 February 2017 and 28 April 2017;
- (vii) an agreement dated 8 February 2017 and entered into among (i) Kong Shum Union Property Management Company Limited (as purchaser); (ii) Mr. Ho Ying Choi and Mr. Ho Ying Cheung (as vendors), both being the then director of the Company; and (iii) Fortune Trend Investment Limited and More Rise Investment Limited (collectively “**Property Investment Companies**”, both were equally owned by Mr. Ho Ying Choi, Mr. Ho Ying Cheung), in relation to the acquisition of the entire issued share capital of the Property Investment Companies at a total consideration in the amount of HK\$40.00 million. For details, please refer to the announcements to the Company dated 8 February 2017, 6 March 2017 and 31 March 2017 and the circular of the Company dated 8 March 2017;
- (viii) a non-legally binding memorandum of understanding entered into between the Company and Mr. Chang Tin Duk, Victor on 20 January 2017 in relation to the proposed acquisition of Dakin Holdings Inc.. For details, please refer to the announcement to the Company dated 20 January 2017;
- (ix) a conditional placing agreement entered into between the Company and Kingston Securities dated 18 August 2016 in relation to the placing of up to 99,000,000 new Shares for a gross proceeds of approximately HK\$22.77 million. For details, please refer to the announcements to the Company dated 18 August 2016 and 6 September 2016;
- (x) a strategic partnership framework agreement entered into between the Company and Crystal Properties Development Limited, an independent third party, on 13 June 2016 pursuant to which the parties have agreed to establish strategic partnership in investment in and redevelopment of old buildings in Hong Kong. For details, please refer to the announcement to the Company dated 13 June 2016;

- (xi) a sale and purchase agreement entered into between Kong Shum Union Property Management Group Limited (as purchaser) and independent third parties (as vendors) dated 26 May 2016 in relation to the acquisition of the entire issued share capital of Yorkshire Property Management Company Limited at a cash consideration of HK\$2.5 million. For details, please refer to the announcements to the Company dated 26 May 2016 and 30 June 2016;
- (xii) an agreement entered into among the Company and Kingston Securities on 21 April 2016 to terminate an underwriting agreement in respect of the proposed open offer by the Company. For details, please refer to the announcement to the Company dated 21 April 2016;
- (xiii) a non-legally binding memorandum of understanding entered into between the Company (as potential purchaser) and independent third parties (as potential vendors) on 3 March 2016 in relation to the proposed acquisition of the entire issued share capital of Yorkshire Property Management Company Limited. For details, please refer to the announcement to the Company dated 3 March 2016; and
- (xiv) a non-legally binding memorandum of understanding entered into between the Company (as potential purchaser) and independent third parties (as potential vendors) on 5 February 2016 in relation to the proposed acquisition of the entire issued share capital of a company that is principally engaged in the business of providing property cleaning services. For details, please refer to the announcement to the Company dated 5 February 2016.

Save as disclosed above, there are no other contracts, not being contracts entered into in the ordinary course of business of the Group, having been entered into by the Group after the date two years before the commencement of the Offer Period and up to the Latest Practicable Date.

## **10. EXPERT'S QUALIFICATION AND CONSENT**

The following is the qualification of the expert who had given its opinion or advice contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Euto Capital	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO.

Euto Capital has given and has undertaken not to withdraw its written consent to the issue of this Composite Document with the inclusion of its advice, report and the references to its name in the form and context in which they appear in this Composite Document.



**11. MISCELLANEOUS**

- (i) the registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands;
- (ii) the head office and principal place of business of the Company in Hong Kong is located at Unit 1001, 10 Floor, Chung Nam House, 59 Des Voeux Road Central, Hong Kong;
- (iii) the company secretary of the Company is Mr. Sheung Kwong Cho;
- (iv) the principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands;
- (v) the branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited located at Suite 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong; and
- (vi) the registered office of Euto Capital, the Independent Financial Adviser is at Room 2418, 24/F, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Unit 1001, 10 Floor, Chung Nam House, 59 Des Voeux Road Central, Hong Kong; (ii) on the website of the SFC at [www.sfc.hk](http://www.sfc.hk); and (iii) on the Company's website at <http://www.kongshum.com.hk> during the period from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual reports of the Company for the years ended 31 March 2015, 2016 and 2017;
- (c) the interim report of the Company for the six months ended 30 September 2017;
- (d) the letter from the Board as set out on pages 15 to 21 of this Composite Document;
- (e) the letter of recommendation from the Independent Board Committee to the Independent Shareholders and Optionholders, the text of which is set out in this Composite Document;



- (f) the letter of advice from Euto Capital to the Independent Board Committee, the text of which is set out in this Composite Document;
- (g) the material contracts referred to in the paragraph headed “9. Material Contracts” in this Appendix;
- (h) the service contracts referred in the section headed “7. Directors’ Service Contracts” in this Appendix; and
- (i) the written consents referred to in the paragraph headed “10. Expert’s Qualification and Consent” in this Appendix.