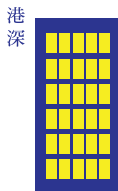


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Kong Shum Union Property Management (Holding) Limited
港深聯合物業管理(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8181)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE
STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of the companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of Kong Shum Union Property Management (Holding) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- Revenue of the Group for the six months ended 30 September 2016 was approximately HK\$196.1 million, representing an increase of approximately 5.4% as compared to the corresponding period in 2015.
- Gross profit of the Group for the six months ended 30 September 2016 was approximately HK\$41.5 million, representing an increase of approximately 6.4% as compared to the corresponding period in 2015.
- Profit and total comprehensive income attributable to the owners of the Company for the six months ended 30 September 2016 was approximately HK\$5.5 million, representing an increase of approximately 596.0% as compared to the corresponding period in 2015. Increase in profit mainly due to no share-based payment expenses have been recognised for the six months ended 30 September 2016 (six months ended 30 September 2015: HK\$3.1 million).
- The earnings per share for the six months ended 30 September 2016 was HK Cents 1.08 (six months ended 30 September 2015: HK Cents 0.20).
- The Directors do not recommend the payment of any dividend for the six months ended 30 September 2016.

UNAUDITED FINANCIAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2016, together with the unaudited comparative figures for the corresponding period in 2015 as follows:

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

	<i>Notes</i>	Three months ended 30 September		Six months ended 30 September	
		2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Revenue	4	101,601	94,105	196,065	186,096
Cost of services		(79,399)	(73,895)	(154,613)	(147,132)
Gross profit		22,202	20,210	41,452	38,964
Other revenue	5	76	1,281	152	1,357
Administrative expenses		(12,319)	(12,609)	(24,804)	(26,798)
Other operating expenses		(4,548)	(3,824)	(9,269)	(9,995)
Finance costs	6	(52)	(397)	(113)	(584)
Profit before tax	7	5,359	4,661	7,418	2,944
Income tax expense	8	(1,176)	(1,214)	(1,906)	(2,152)
Profit and total comprehensive income for the period attributable to owners of the Company		4,183	3,447	5,512	792
Earnings per share		<i>HK Cent</i>	<i>HK Cent</i>	<i>HK Cent</i>	<i>HK Cent</i>
— basic	10	0.80	0.85	1.08	0.20
— diluted	10	0.80	0.85	1.08	0.20

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2016 <i>HK\$'000</i> (unaudited)	As at 31 March 2016 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	11	3,529	3,453
Deposits placed for life insurance policies		8,065	7,955
Available-for-sale financial asset		4,267	4,267
Goodwill		785	—
Intangible assets		1,952	—
Deferred tax assets		2,851	2,307
		21,449	17,982
Current assets			
Trade and other receivables	12	62,182	54,519
Pledged bank deposits		6,346	7,596
Cash and bank balances		88,688	64,773
		157,216	126,888
Current liabilities			
Trade and other payables	13	51,225	46,101
Obligations under finance lease		268	289
Income tax payable		3,722	1,252
Bank borrowings – secured		7,086	8,583
		62,301	56,225
Net current assets		94,915	70,663
Total assets less current liabilities		116,364	88,645

		As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Non-current liabilities			
Obligations under finance lease		181	303
Deferred tax liabilities		322	—
		<u>503</u>	<u>303</u>
Net assets		<u>115,861</u>	<u>88,342</u>
Capital and reserves			
Share capital	<i>14</i>	5,942	4,952
Reserves		109,919	83,390
Total equity		<u>115,861</u>	<u>88,342</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Convertible notes reserve HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	
As at 1 April 2015 (audited)	4,000	24,088	745	—	4,750	5,704	39,287
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	—	792	792
Recognition of share-based payments (unaudited)	—	—	3,127	—	—	—	3,127
Issue of convertible notes (unaudited)	—	—	—	360	—	—	360
Conversion of convertible notes (unaudited) (note 14(a))	152	20,208	—	(360)	—	—	20,000
Changes in equity for the period (unaudited)	152	20,208	3,127	—	—	792	24,279
As at 30 September 2015 (unaudited)	4,152	44,296	3,872	—	4,750	6,496	63,566

Attributable to the owners of the Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2016 (audited)	4,952	74,983	3,872	4,750	(8,733)	8,518	83,390	88,342
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	—	5,512	5,512	5,512
Placing of shares (unaudited) (<i>note 14(b)</i>)	990	21,017	—	—	—	—	21,017	22,007
Changes in equity for the period (unaudited)	990	21,017	—	—	—	5,512	26,529	27,519
As at 30 September 2016 (unaudited)	<u>5,942</u>	<u>96,000</u>	<u>3,872</u>	<u>4,750</u>	<u>(8,733)</u>	<u>14,030</u>	<u>109,919</u>	<u>115,861</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	5,477	(2,232)
Net cash used in investing activities	(1,929)	(15,999)
Net cash from financing activities	20,353	12,717
Net increase/(decrease) in cash and cash equivalents	23,901	(5,514)
Cash and cash equivalents at beginning of the period	63,127	32,540
Cash and cash equivalents at end of the period	87,028	27,026
Analysis of cash and cash equivalents		
Cash and bank balances	88,688	28,664
Bank overdrafts	(1,660)	(1,638)
	87,028	27,026

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 August 2012 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at Unit 906, 9/F., Wings Building, 110–116 Queen’s Road Central, Central, Hong Kong.

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

These unaudited condensed consolidated results are presented in Hong Kong dollars (“HK\$”), which is the functional currency of the Company and its subsidiaries.

2. BASIS OF PRESENTATION

These unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2016 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 2016.

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 2016.

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

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

During the six months ended 30 September 2016 and 2015, all revenue were derived from customers in Hong Kong and the Group’s non-current assets as at 30 September 2016 and 2015 were located in Hong Kong.

4. REVENUE

The Group is principally engaged in the provision of property management services during the six months ended 30 September 2016 and 2015. An analysis of the Group's revenue recognised during the periods is as follows:

	Three months ended 30 September		Six months ended 30 September	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Provision of property management services	<u>101,601</u>	<u>94,105</u>	<u>196,065</u>	<u>186,096</u>

5. OTHER REVENUE

	Three months ended 30 September		Six months ended 30 September	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Interest income	76	76	152	152
Sundry income	—	1,205	—	1,205
	<u>76</u>	<u>1,281</u>	<u>152</u>	<u>1,357</u>

6. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Interest on bank borrowings	47	82	102	216
Interest on convertible notes	—	312	—	360
Finance lease charges	5	3	11	8
	<u>52</u>	<u>397</u>	<u>113</u>	<u>584</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	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Staff costs including directors' remuneration:				
– Salaries, wages and other staff benefits	82,877	77,488	162,230	155,852
– Contributions to retirement benefit scheme	2,419	2,345	4,662	4,689
– Equity-settled share-based payments	—	—	—	920
	<u>85,296</u>	<u>79,833</u>	<u>166,892</u>	<u>161,461</u>
Auditors' remuneration	167	217	305	380
Depreciation of property, plant and equipment	277	346	606	686
Operating lease rentals in respect of premises	758	803	1,659	1,537
Equity-settled consultancy fees	—	—	—	2,207

8. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
The tax charge comprises:				
Hong Kong Profits Tax				
– current period	1,369	1,298	2,467	2,534
Deferred taxation	(193)	(84)	(561)	(382)
	<u>1,176</u>	<u>1,214</u>	<u>1,906</u>	<u>2,152</u>

The Company is tax exempted under the laws of the Cayman Islands. The subsidiaries of the Company operating in Hong Kong are subject to Hong Kong Profits Tax at a tax rate of 16.5% (2015: 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 2016 (2015: 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 2016 attributable to owners of the Company of approximately HK\$4.2 million and HK\$5.5 million respectively (three and six months ended 30 September 2015: profit of approximately HK\$3.4 million and HK\$0.8 million respectively) and the weighted average number of ordinary shares of 522,053,689 and 508,676,105 respectively (three and six months ended 30 September 2015: 403,458,415 and 401,738,657) in issue during the periods.

Diluted earnings per share

The effects of all potential ordinary shares of the Company in respect of share options and convertible notes do not give rise to any dilution effect to the earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group acquired property, plant and equipment at a cash consideration of approximately HK\$0.68 million mainly for office equipment, computer software and equipment (six months ended 30 September 2015: approximately HK\$0.14 million).

12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Trade receivables	56,949	50,297
Deposits, prepayments and other receivables	5,233	4,222
	<u>62,182</u>	<u>54,519</u>

The Group's trade receivables, deposits, prepayments and other receivables are denominated in HK\$.

The Group does not grant credit terms to its customers (2015: Nil). The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

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

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Overdue by:		
1 to 30 days	32,055	11,841
31 to 60 days	15,402	32,093
61 to 90 days	4,490	1,724
Over 90 days	5,002	4,639
	<u>56,949</u>	<u>50,297</u>

13. TRADE AND OTHER PAYABLES

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
Trade payables	1,475	1,221
Other payables and accruals	49,750	44,880
	<u>51,225</u>	<u>46,101</u>

The Group's trade payables, other payables and accruals are denominated in HK\$.

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

	As at 30 September 2016 HK\$'000 (unaudited)	As at 31 March 2016 HK\$'000 (audited)
1 to 30 days	<u>1,475</u>	<u>1,221</u>

14. SHARE CAPITAL

Authorised and issued share capital

	2016 Number of ordinary shares	Nominal Value HK\$	2015 Number of ordinary shares	Nominal Value HK\$
Ordinary shares of HK\$0.01 each				
Authorised:				
As at 1 April and 30 September	<u>5,000,000,000</u>	<u>50,000,000</u>	<u>5,000,000,000</u>	<u>50,000,000</u>
Issued and fully paid:				
As at 1 April	495,151,515	4,951,515	400,000,000	4,000,000
Issue of shares upon:				
Conversion of convertible notes (note (a))	—	—	15,151,515	151,515
Placing of shares (note (b))	<u>99,000,000</u>	<u>990,000</u>	—	—
As at 30 September	<u>594,151,515</u>	<u>5,941,515</u>	<u>415,151,515</u>	<u>4,151,515</u>

Notes:

- (a) On 8 September 2015, convertible notes with value of HK\$20,000,000 was converted into 15,151,515 ordinary shares of the Company.
- (b) On 18 August 2016, the Company and the placing agent entered into a placing agreement in respect of the placement of 99,000,000 ordinary shares of HK\$0.01 each 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, was credited to the Company's share premium account.

15. RELATED PARTY TRANSACTIONS

In addition to the 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 2016 and 2015.

	Three months ended 30 September		Six months ended 30 September	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Related party transactions				
(i) Related company				
— Rental expenses paid to More Rise Investment Limited (“More Rise”) (note a)	96	84	192	168
— Car rental expenses paid to Kong Shum Union (China) Limited (“KSU China”) (note b)	142	—	280	—
	<u>142</u>	<u>—</u>	<u>280</u>	<u>—</u>
(ii) Directors				
— Compensation of key management personnel	1,681	2,433	3,280	6,072
	<u>1,681</u>	<u>2,433</u>	<u>3,280</u>	<u>6,072</u>

Notes:

(a) Mr. Ho Ying Choi, a director of the Company is also a director of More Rise.

(b) Mr. Ho Ying Choi, a director of the Company is also a director of KSU China.

16. 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 2016 <i>HK\$'000</i> (unaudited)	As at 31 March 2016 <i>HK\$'000</i> (audited)
Within one year	2,174	2,822
In the second to fifth years inclusive	2,164	2,863
	<u>4,338</u>	<u>5,685</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.

17. CONTINGENT LIABILITIES

(a) Performance bond and incorporated owners' fund

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

As at 30 September 2016, the amount of outstanding performance bond was approximately HK\$17.8 million (31 March 2016: approximately HK\$17.5 million).

As at 30 September 2016, the aggregate amounts of the bank balances in the client accounts mentioned above were approximately HK\$54.5 million (31 March 2016: approximately 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 30 September 2016.

18. 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.

Maximum number of Shares

- (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. 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 30 September 2016;
- (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 specific categories of share options granted are as follows:

Grantee	Date of grant	Vesting period	Exercise period	Exercise price HK\$	Outstanding at end of period
Consultants	6 February 2015	N/A	6 February 2015 to 5 February 2018	1.09	1,000,000
Consultants	6 February 2015	6 February 2015 to 29 June 2015	30 June 2015 to 5 February 2018	1.09	7,600,000
Consultants	6 February 2015	N/A	30 June 2015 to 5 February 2018	1.09	11,400,000
					20,000,000

Share options granted to consultants were incentives for their services to assist the Group expanding its business network and exploring new business opportunities. The fair values of such benefit could not be measured reliably and as a result, fair values of share options are measured by reference to the fair values at the measurement date.

The estimated fair values of the options granted on 6 February 2015 are determined by Peak Vision Appraisals Limited, an independent professional valuer using the Binomial model. The estimated fair values and significant inputs into the model are as follows:

	Share options grant date			
	6 February 2015 (A)	6 February 2015 (B)	6 February 2015 (C)	6 February 2015 (D)
Option price model	Binomial	Binomial	Binomial	Binomial
Estimated fair value at the measurement date	HK\$77,440	HK\$1,471,360	HK\$116,160	HK\$2,207,040
No. of options granted	400,000	7,600,000	600,000	11,400,000
Weighted average share price at the measurement date	HK\$0.99	HK\$0.99	HK\$0.99	HK\$0.99
Weighted average exercise price	HK\$1.09	HK\$1.09	HK\$1.09	HK\$1.09
Expected volatility ⁽¹⁾	35.98%	35.98%	35.98%	35.98%
Expected life ⁽²⁾	3 years	3 years	3 years	3 years
Risk-free rate ⁽³⁾	0.72%	0.72%	0.72%	0.72%
Expected dividend yield ⁽⁴⁾	4.59%	4.59%	4.59%	4.59%

Notes:

- (1) Expected volatility was determined by reference to the volatilities of companies operating in the same industry as the Company.
- (2) The expected life used in the model is the duration of the option life.
- (3) Risk-free rate adopted in the model was based on the yield of HK\$ Hong Kong Sovereign Curve.
- (4) The historical dividend yield of the Company's stock is used to estimate the future dividend yield of the stock during the option validity period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is a property management services group principally engaged in the provision of property management services in Hong Kong primarily targeting residential properties. The Group operates under the brand name of “Kong Shum” and provides a range of management services including security, repair and maintenance, cleaning, finance management, administrative and legal support. Under an established functional structure with various departments, the Group has dedicated teams to carry out the aforementioned management services. The Group also employs a team of security staff to provide security services as part of the services provided under property management contracts or under stand-alone security services contracts. For the six months ended 30 September 2016, the Group provided property security services for 16 properties under stand-alone security services contracts. The operating arm of the Group’s security services is mainly Q & V Security Company Limited (“Q&V”). The Group hires its own security staff to provide property security services. The Group also employs registered technicians to provide basic repair and maintenance services to its customers if required. In relation to the cleaning services, the Group subcontracts substantially all of its cleaning services to third-party contractors.

Financial review

For the six months ended 30 September 2016 and 2015, all of the Group’s revenue was derived from its operation in Hong Kong. The following table sets out the Group’s revenue by contract type for each of six months ended 30 September 2016 and 2015:

	Six months ended 30 September			
	2016		2015	
	<i>HK\$’million</i>	<i>Percentage</i>	<i>HK\$’million</i>	<i>Percentage</i>
Property management services contracts	180.7	92.1%	176.1	94.6%
Property security services contracts	15.4	7.9%	10.0	5.4%
	196.1	100%	186.1	100%

The Group’s revenue improved by approximately 5.4% from approximately HK\$186.1 million for the six months ended 30 September 2015 to approximately HK\$196.1 million for the six months ended 30 September 2016. The increase was primarily attributable to the growth of revenue generated from property management services contracts, by approximately 2.6% to approximately HK\$180.7 million for the six months ended 30 September 2016. Revenue generated from security services contracts recorded an increase of approximately 54% to approximately HK\$15.4 million for the six months ended 30 September 2016.

The gross profit of the Group increased by approximately 6.4% from approximately HK\$39.0 million for the six months ended 30 September 2015 to approximately HK\$41.5 million for the six months ended 30 September 2016. The gross profit margin was approximately 20.9% and 21.1% for the six months ended 30 September 2015 and 2016 respectively. Total cost of services amounted to approximately HK\$147.1 million and HK\$154.6 million for the six months ended 30 September 2015 and 2016 respectively, representing approximately 79.1% and 78.9% of the Group's revenue for both periods.

The Group has recorded a profit of approximately HK\$5.5 million for the six months ended 30 September 2016 as compared to the profit of approximately HK\$0.8 million for the six months ended 30 September 2015. The increase was mainly attributable to the decrease in administrative expenses and other operating expenses for the six months ended 30 September 2016 as no share-based payments for share options were incurred during such period.

OPERATION REVIEW

Human resources

As at 30 September 2016, the Group had a total of 2,177 employees (31 March 2016: 2,087 employees). The Group's staff costs for the six months ended 30 September 2016 amounted to approximately HK\$166.9 million (six months ended 30 September 2015: HK\$161.5 million). To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees of the Group by reference to the Group's results and individual performance.

Services contracts

Due to the well established team and project planning, during the six month ended 2016, 2 facility management service contracts for non-domestic property management segment which included 2 shopping complexes were awarded to the Group. The success in securing the contract gave the Group confidence to expand the property management portfolio continuously. In addition, 12 property management contracts were awarded to the Group during the period under review.

As at 30 September 2016, there were a total of 432 service contracts comprising 399 property management service contracts, 16 stand alone securities contracts and 17 facility management service contracts (30 September 2015: 422 service contracts).

Contract renewal complying with procedural requirements

A service contract which does not comply with the procedural requirements for contract renewal as stipulated in section 20A of the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong) may be cancelled by the owners' corporation. For those 432 service contracts in force as at 30 September 2016, 95 service contracts are not in strict compliance with the said contract renewal requirements, hence, termination notice were served on clients involving in these contracts. All of the remaining 337 valid contracts as at 30 September 2016 were in compliance with the said procedural requirements or not applicable under the Building Management Ordinance. Senior management adopts a tight control system to monitor the compliance of the procedural requirements. All newly signed contracts during the six months ended 30 September 2016 included the mandatory terms requiring the client to follow the said procedural requirements, if applicable.

Client accounts

As at 30 September 2016, the Group holds 61 (31 March 2016: 63 clients) client accounts amounting to approximately HK\$54.5 million (31 March 2016: approximately HK\$32.4 million) on trust for and on behalf of customers. These client accounts are opened in the names of the Group and the relevant property. Management fees received from the tenants or owners of the properties were deposited into these client accounts and the expenditures of these customers were paid by these client accounts.

Performance bond

As at 30 September 2016, the banks issued 9 (31 March 2016: 10) bond certificates amounting to approximately HK\$17.8 million (31 March 2016: approximately HK\$17.5 million) on behalf of the Group to the clients as required in the service contracts.

Liquidity, financial resources and capital structure

The Group's bank borrowings and obligations under finance lease, as at 30 September 2016 was approximately HK\$7.5 million (31 March 2016: approximately HK\$9.2 million). As at 30 September 2016, the Group had bank balances and cash of approximately HK\$88.7 million (31 March 2016: approximately HK\$64.8 million). As at 30 September 2016, the Group's net current assets amounted to approximately HK\$94.9 million (31 March 2016: approximately HK\$70.7 million). Current ratio as at 30 September 2016 was approximately 2.52 times (31 March 2016: approximately 2.26 times).

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

Capital expenditure

The Group purchased property, plant and equipment amounting to approximately HK\$0.68 million for the six months ended 30 September 2016 (six months ended 30 September 2015: approximately HK\$0.14 million).

Capital commitments

The Group did not have any significant capital commitments as at 30 September 2016 (31 March 2016: Nil).

Contingent liabilities

Details of contingent liabilities of the Group are set out in note 17 to the unaudited consolidated financial statements.

Foreign currency risk

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in HK\$. During the six months ended 30 September 2016, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies.

The Group did not engage in any derivatives arrangement and did not commit to any financial instruments to hedge its foreign exchange exposure during the six months ended 30 September 2016.

Charges over assets of the Group

As at 30 September 2016, certain bank deposits of approximately HK\$6.3 million (31 March 2016: approximately HK\$7.6 million) and the deposits placed for life insurance policies of approximately HK\$8.1 million (31 March 2016: approximately HK\$8.0 million) were pledged to a bank to secure banking facilities granted to the Group. Besides, the Group had certain motor vehicles acquired under finance lease. The carrying value of motor vehicles under finance lease amounted to approximately HK\$0.5 million and HK\$0.7 million as at 30 September 2016 and 31 March 2016 respectively.

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

Gearing ratio

The Group's gearing ratio, being as the total debt (i.e. bank borrowing and finance leases obligation) divided by total equity, as at 30 September 2016, is 6.5% (31 March 2016: 10.4%).

Comparison of business objectives with actual business progress

An analysis comparing the business objectives as set out in the prospectus of the Company dated 30 September 2013 (the “Prospectus”) for the period from 20 September 2013, being the latest practicable date as defined in the Prospectus (“LPD”), to 30 September 2016 (the “Review Period”) with the Group’s actual business progress for the Review Period is set out as follows:

Implementation of the old district property management scheme

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

Since then, the old district property management scheme gradually encountered unfavorable responses and determent in the past years. Many old building owners now wait for their flats to be acquired and redeveloped. It is apparent the market has been changing drastically recently. Though efforts were endeavored to promote the scheme in the targeted old districts, unfortunately, they were in vain. For cost effectiveness, the establishment of one property management team for the period ended 30 September 2016 was restrained and no expenditure related to the scheme for the said period was incurred. During that period of time, the Company continued to assign senior staff and their subordinates to promote the scheme and research the property market. The recent developments and observations are summarized as below:

1. Persistently high real estate prices

In spite of the government’s determination to curb the soaring real estate prices and the levy of Double Stamp Duty, real estate prices remained high in 2016. Prevailing long term planning aiming to solve the problem takes years to increase the housing stocks. The Directors perceive that most of the owners of the old buildings speculate the values of their properties are most favorable from now to a couple of years later or till the tension of land supply is relieved. As such, they incline to dispose of their properties rather than revitalizing them for better and safe living condition.

2. *Scarcity of land supply*

In the six months ended 30 September 2016, a major land resumption plan in the New Territories by the Hong Kong government faced strong opposition and saw a major setback. While the government encounters formidable opposition and obstruction in acquiring land for development, relaxing and promoting the redevelopment of old buildings including factory and other non-residential buildings are advocated. Consequently, it is expected that there will be strong demand for redevelopment of old buildings. The heavy demand on acquisition of these types of buildings further discourages the old building owners to improve their buildings with the hope for early redevelopment.

3. *Community support*

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

In view of the above, the management anticipates that the scheme will continue to face great difficulties. Though much effort such as communicating or connecting with council members, awaring the trend of government policy, promoting the scheme and continuing to research the market for exploring the targeted or other possible buildings, the scheme implementation has been hindered as explained in the aforesaid. The management will continue to closely monitor the market development in this regard and will continue to review and evaluate the scheme.

Principal Risks and Uncertainties in Implementation of the Business Plan

There is no assurance that the Group's future business plans will materialize, or result in the conclusion or execution of any property management agreement within the planned time frame. The Group's future business plans may be hindered by other factors beyond its control.

The Group will also be exposed to profitability risk, liquidity risk and credit risk when implementing the old district property management scheme. Under this scheme, the sub-contracting costs for renovation of properties will first be borne by the Group. There is no assurance that the Group's operation under this scheme will remain as profitable as the Directors currently estimate. Furthermore, as the amounts due from customers are payable by instalments, such amounts will not be recovered within the normal operating cycle, hence, additional financial resources will be needed in maintaining the Group's operation under the scheme. The Group will also be subject to credit risk if the customer defaults on installment payments. In view of the recent developments and observation regarding implementation of the scheme as explained above, the management will continue to closely monitor the market development in this regard and will continue to review and evaluate the scheme.

Fund raising activities

In order to meet the needs of business development, the Group successfully completed a number of equity fund raising activities during the past twelve months immediately preceding 30 September 2016, as detailed below:

Date of initial announcement	Fund raising activities	Net proceeds	Intended use of proceeds	Actual use of proceeds as at 30 September 2016
17 September 2015 (completed on 6 October 2015)	Placing of 80,000,000 new ordinary shares of HK\$0.01 each under general mandate at the placing price of HK\$0.40 per Share to not less than six placees who are independent third parties (closing price of the Share as quoted on the Stock Exchange on the date of the placing agreement is HK\$0.425)	Approximately HK\$31.2 million (net proceeds raised per share was approximately HK\$0.39 per share)	General working capital of the Group	Approximately HK\$9.11 million has been utilised as intended of which approximately HK\$2.22 million was utilised for salary expenses, approximately HK\$4.73 million was utilised for professional fees, approximately HK\$2.16 million was utilised for operating expenses and the remaining net proceeds will be used for the general working capital of the Group, including salary expenses, professional fees, marketing expenses and maintenance of the Group's information technology system. Such remaining net proceeds are expected to be utilised during the year ending 31 March 2017
18 August 2016 (completed on 6 September 2016)	Placing of 99,000,000 new ordinary shares of HK\$0.01 each under general mandate at the placing price of HK\$0.23 per share to not less than six placees who are independent third parties (closing price of the Shares as quoted on the Stock Exchange on the date of the placing agreement is HK\$0.275)	Approximately HK\$22.0 million (net proceeds raised per share was approximately HK\$0.22 per share)	Further investments opportunities of the Group which includes but not limited to securities investment and/or property investment	The net proceeds of HK\$22.0 million is held in a bank account for the intended use in the future

Use of proceeds from the Listing

The actual net proceeds from the issue of new shares of the Company under the Placing as set out in the Prospectus were approximately HK\$17.5 million, which was different from the estimated net proceeds of approximately HK\$24.4 million (estimated on the assumption that the placing price would be the mid-point of the stated range as stated in the Prospectus). For the period from 20 September 2013 until 30 September 2016, the Group has applied the net proceeds as follows:

	Net proceeds (HK\$ million)		
	Available	Utilised	Unutilised
Repayment of bank loans	7.5	7.5	—
Implementation of old district property management scheme	4.3	—	4.3
Expansion of the property management portfolio	5.7	5.7	—
	<u>17.5</u>	<u>13.2</u>	<u>4.3</u>

The unutilised balance of the net proceeds will be applied in the manner consistent with that mentioned in the Prospectus.

RISKS RELATING TO THE GROUP AND ITS BUSINESS

The Group faces intense competition which may adversely affect its market share and profitability. The property management industry in Hong Kong is competitive and the competition may exert some pressure on the service fees of property management companies. The Group may therefore be required to reduce its fees or maintain low service fees in view of the market pressure so as to retain customers or pursue new business opportunities. The Group's revenue stream and profitability may also be adversely affected if the customers terminate the services contracts with the Group, whether by serving written notice or for the reason of breach or material breach of the terms or conditions thereunder, prior to the expiry date.

OUTLOOK

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

We are currently exploring suitable opportunities to commence and develop business of property development in Hong Kong, which may include, but not limited to, (i) carrying out schemes for property consolidation, assembly and redevelopments; and (ii) property trading and/or investment (the “Potential New Business”). The Board intends to develop the Potential New Business through self-development of the subsidiaries, and/or investment(s) in suitable targets/assets, and/or through co-operation by way of joint venture(s) with other parties.

The Board has been actively exploring other business opportunities in order to diversify the existing business of the Group and to explore new markets with significant growth potential.

Notwithstanding the Group’s intention to explore the Potential New Business, the existing principal business of the Group in the provision of property management services in Hong Kong, primarily targeting residential properties, will continue to be the core business of the Group. The Board expects that the Potential New Business will enable the Group to expand its business portfolio, diversify its income source and possibly enhance its financial performance.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSET

Acquisition of Property Management Business

On 3 March 2016, the Company entered into a non-legally binding memorandum of understanding, pursuant to which, the Company intends to acquire the entire issued share capital in a company (the “Target Company”) that is principally engaged in the business of providing property management services in Hong Kong.

On 26 May 2016, Kong Shum Union Property Management Group Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “Agreement”) with independent third parties (the “Vendors”), pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to purchase, the entire issued share capital of the Target Company at a total consideration of HK\$2.5 million, payable by cash (the “Acquisition”).

Details of the memorandum of understanding and the Agreement are disclosed in the Company’s announcements dated 3 March 2016 and 26 May 2016 respectively. On 30 June 2016, the Board announced that all conditions precedent to completion (“Completion”) of the Acquisition under the Agreement have been fulfilled and Completion took place on 30 June 2016 in accordance with the terms and conditions of the Agreement. Upon Completion, the Company owns 100% of the issued share capital of the Target Company and the Target Company has become an indirect wholly owned subsidiary of the Company. As such, the financial results of the Target Company has been consolidated into the accounts of the Group.

Establishment of strategic cooperation

On 13 June 2016, the Company and Crystal Properties Development Limited (an independent third party) (collectively referred to as the “Parties”) entered into a strategic partnership framework agreement pursuant to which the Parties have agreed to establish strategic partnership in investment in and redevelopment of old buildings in Hong Kong. Details of the aforementioned agreement are set out in the Company’s announcement dated 13 June 2016. As at the date of this announcement, the establishment of strategic partnership as contemplated under the aforementioned agreement is still under progress.

Save for those disclosed in this announcement, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the period under review. Apart from those disclosed in this announcement, there was no plan authorised by the Board for other material investments or addition of capital assets at the date of this announcement.

FUND RAISING ACTIVITIES

Termination of proposed open offer and underwriting agreement

On 21 April 2016, the Company announced that the proposed open offer of three shares for every one share of the Company held by the qualifying shareholders at a subscription price of HK\$0.12 per share (the “Proposed Open Offer”), together with the underwriting agreement entered into between the Company and the underwriter in connection with the Proposed Open Offer, were terminated due to the then recent volatile market conditions, details of which are set out in the announcements of the Company dated 3 December 2015, 11 January 2016, 5 February 2016 and 21 April 2016.

Placing of New Shares Under General Mandate

The Company entered into a placing agreement with Kingston Securities Limited on 18 August 2016 in relation to the placing of 99,000,000 new shares, details of which are set out on p.26 of this announcement.

RESIGNATION AND APPOINTMENT OF THE CHAIRMAN OF THE BOARD AND EXECUTIVE DIRECTOR

On 29 July 2016, the Board announced that Mr. Yan Chi Ming (“Mr. Yan”) had resigned as the Chairman of the Board and an executive Director with effect from 29 July 2016 due to his other business commitments.

On the same day, the Board also announced that Mr. Eric Todd has been appointed as the Chairman of the Board and an executive Director with effect from 1 August 2016 (the “Appointment”) to fill the vacancy arising from the resignation of Mr. Yan. Details of the resignation of Mr. Yan and appointment of Mr. Todd as the Chairman of the Board and executive Director are disclosed in the Company’s announcement dated 29 July 2016.

On 19 September 2016, the Board announced that Ms. Wu Yilin had resigned as an executive Director with effect from 19 September 2016 so as to devote more time to her personal career. Details of the resignation of Ms. Wu are disclosed in the Company's announcement dated 19 September 2016.

On 13 October 2016, the Board announced that Ms. Huang He had been appointed as an executive Director with effect from 13 October 2016. Details of the appointment of Ms. Huang are disclosed in the Company's announcement dated 13 October 2016.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, changes in the Directors' information since the disclosure made in the Company's annual report 2015–2016 or the announcement in relation to the appointment of director (as the case may be) are set out as follows:

- Mr. Wong Kui Shing, Danny, a non-executive Director of the Company, was appointed as an executive director of Larry Jewelry International Company Limited (Stock code: 8351) with effect from 3 October 2016.

CHANGE OF ADDRESS OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

As disclosed in the announcement of the Company dated 29 July 2016, the address of head office and principal place of business in Hong Kong of the Company has been changed to Unit 906, 9/F., Wings Building, 110–116 Queen's Road Central, Central, Hong Kong with effect from 1 August 2016.

EVENTS AFTER THE REPORTING PERIOD

No significant event has taken place subsequent to 30 September 2016.

CORPORATE GOVERNANCE PRACTICES

The Company endeavours to maintain high standard of corporate governance for the enhancement of shareholders' value and provide transparency, accountability and independence. The Company has complied with the required code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 15 of the GEM Listing Rules for the six months ended 30 September 2016 except for the following deviations:

Under code provision A.4.2 of the Code, all Directors appointed to fill a casual vacancy should be subject to re-election by shareholders at the first general meeting after appointment. Mr. Yan Chi Ming was appointed by the Board as an executive Director with effect from 17 December 2015 to fill the casual vacancy occasioned as a result of the resignation of Mr. Liu Dan, and Mr. Lam Kai Yeung was appointed by the Board as an independent non-executive Director with effect from 19 October 2015 to fill the casual vacancy occasioned as a result of the resignation of Mr. Chow Siu Lui. Due to an inadvertent oversight, Mr. Yan Chi Ming and Mr. Lam Kai Yeung were not put forward for re-election at the extraordinary general meeting of the Company held on 22 June 2016. Mr. Yan Chi Ming subsequently resigned with effect from 29 July 2016 and Mr. Lam Kai Yeung retired and was re-elected at the annual general meeting of the Company held on 28 September 2016 subsequently.

Under code provision A.6.7 of the Code, independent non-executive directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. However, due to business engagements, Mr. Wong Kui Shing, Danny did not attend the annual general meeting of the Company held on 28 September 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 September 2016.

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

As at 30 September 2016, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2016 was the Company, its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangement to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS AND OTHER PERSONS DISCLOSEABLE UNDER THE SFO

So far is known to the Directors, as at 30 September 2016, there is no shareholder (other than a director or chief executive of the Company) who had interests or short positions in the securities of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly and indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO and the Hong Kong Companies Ordinance, (Cap 622).

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2016.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Any shareholder of the Company who wishes to propose a person other than a retiring Director or the shareholder himself/herself for election as Director in general meeting of the Company should follow the procedures available on the Company's website.

CONTRACT OF SIGNIFICANCE

Save for the respective director service contract with each Director, and save as disclosed under the paragraph headed "Connected Transactions" on p.79–81 of the annual report of the Company for the year ended 31 March 2016, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the period under review.

COMPETING INTERESTS

The Directors confirm that none of the controlling shareholders or Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business.

INTERESTS OF THE COMPLIANCE ADVISER

As confirmed by the former compliance adviser of the Company, Ample Capital Limited whose engagement had been completed on 28 June 2016 in full compliance of the relevant GEM Listing Rules requirements, except for the compliance adviser agreement entered into between the Company and Ample Capital Limited dated 27 September 2013, neither Ample Capital Limited or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in relation to the Group or the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

BOARD COMPOSITION AND DIVERSITY POLICY

The Company has adopted board diversity policy since 11 October 2013. The policy sets out the approach to achieve diversity in the Board that should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business and compliance with policies. The composition and diversity policies of the Board are reviewed annually and regularly. The Board should ensure that changes in its composition will not result in any undue interference. The Board members should possess appropriate professionalism, experience and trustworthiness in performing duties and functions. The Board should diversify its composition according to the Company's situations and needs. While participating in nomination and recommendation of director candidates during the year, each member of the Board should consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience in achieving diversity for the benefit of the Company's various business development and management. The Board should review the policy concerning diversity of Board members, and to disclose the policy or a summary of the policy in the corporate governance report, including any quantitative targets and standards and its progress with policy implementation.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference, which are available on the Company's website and the website of the Stock Exchange, in compliance with the GEM Listing Rules. The Audit Committee currently consists of all the independent non-executive Directors, namely Mr. Lam Kai Yeung (Chairman of the Audit Committee), Mr. Lo Chi Ho, Richard and Mr. Tso Siu Lun, Alan. The Audit Committee has reviewed and approved the Company's unaudited financial statements for the six months ended 30 September 2016 and recommended approval to the Board.

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

Hong Kong, 8 November 2016

As at the date hereof, the executive Directors are Mr. Eric Todd (Chairman), Mr. Ho Ying Choi and Ms. Huang He; the non-executive Director is Mr. Wong Kui Shing, Danny; and the independent non-executive Directors are Mr. Tso Siu Lun, Alan, Mr. Lam Kai Yeung and Mr. Lo Chi Ho, Richard.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the Company's website at www.kongshum.com.hk.