港
深

Kong Shum Union Property Management (Holding) Limited
港深聯合物業管理(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8181)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

The board of directors (the "Board") of the Company is pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2017, together with the audited comparative figures for the corresponding year in 2016 are set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	**2017** *HK$*	2016 *HK$*
REVENUE	*5*	**395,513,512**	374,024,102
Cost of services		**(312,205,562)**	(295,755,913)
Gross profit		**83,307,950**	78,268,189
Other revenue	*6*	**338,310**	1,493,796
Administrative expenses		**(51,957,774)**	(53,823,218)
Other operating expenses		**(17,984,352)**	(18,991,473)
Finance costs	*7*	**(195,855)**	(991,742)
PROFIT BEFORE TAX		**13,508,279**	5,955,552
Income tax expense	*9*	**(3,320,101)**	(3,140,684)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*	**10,188,178**	2,814,868
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Items that will not be reclassified to profit or loss:			
Loss on equity investment at fair value through other comprehensive income		**(4,267,000)**	(8,733,000)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**5,921,178**	(5,918,132)
EARNINGS PER SHARE (HK$)			
— Basic	*10*	**0.018**	0.006
— Diluted	*10*	**0.018**	0.006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	2017 HK$	2016 HK$
NON-CURRENT ASSETS			
Property, plant and equipment		**12,654,309**	3,452,658
Investment property		**28,817,301**	–
Intangible assets		**7,886,735**	–
Goodwill		**784,704**	–
Deposits placed for life insurance policies		**8,169,842**	7,955,915
Deposits for acquisition of an associate		**28,350,000**	–
Equity investment at fair value through other comprehensive income		**–**	4,267,000
Deferred tax assets		**2,547,327**	2,306,791
		89,210,218	17,982,364
CURRENT ASSETS			
Trade and other receivables	*11*	**61,914,124**	54,519,563
Pledged bank deposits		**7,105,972**	7,595,971
Cash and cash equivalents		**45,164,990**	64,772,631
		114,185,086	126,888,165
CURRENT LIABILITIES			
Trade and other payables	*12*	**64,006,351**	46,101,883
Bank borrowings — secured		**9,370,264**	8,582,888
Finance lease payables		**219,346**	289,043
Current tax liabilities		**999,259**	1,251,769
		74,595,220	56,225,583
NET CURRENT ASSETS		**39,589,866**	70,662,582
TOTAL ASSETS LESS CURRENT LIABILITIES		**128,800,084**	88,644,946
NON-CURRENT LIABILITIES			
Finance lease payables		**83,805**	303,150
Promissory notes payable		**12,157,882**	–
Deferred tax liabilities		**288,108**	–
		12,529,795	303,150
NET ASSETS		**116,270,289**	88,341,796
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**5,941,515**	4,951,515
Reserves		**110,328,774**	83,390,281
TOTAL EQUITY		**116,270,289**	88,341,796

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to owners of the Company							
	Share capital HK$	Share premium* HK$	Share option reserve* HK$	Merger reserve* HK$	Equity investment revaluation reserve* HK$	Convertible notes reserve* HK$	Retained profits* HK$	Total 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	4,951,515	74,982,817	3,872,000	4,750,108	(8,733,000)	–	8,518,356	88,341,796
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 13)*	**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	**5,941,515**	**96,000,132**	**3,872,000**	**4,750,108**	**(13,000,000)**	**–**	**18,706,534**	**116,270,289**

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

NOTES TO 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 the Group are provision of property management services and properties investment.

These financial statements are presented in Hong Kong dollar ("HK$"), unless otherwise stated.

2. BASIS OF PREPARATION

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 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.

3. ADOPTION OF NEW AND REVISED HKFRSs AND REQUIREMENTS

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:

	31 March 2016 *HK$*	1 April 2015 *HK$*
Decrease in available-for-sale investment	(4,267,000)	–
Increase in equity investment at fair value through other comprehensive income	4,267,000	–

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.

4. 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

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	**Properties investment**	**Total**
	HK$	***HK$***	***HK$***
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	Properties investment	Total
	HK$	*HK$*	*HK$*
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	Properties investment	Total
	HK$	*HK$*	*HK$*
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:

Year ended 31 March	**2017** *HK$*	2016 *HK$*
Revenue		
Reportable segment revenue and consolidated revenue	**395,513,512**	374,024,102
Profit or loss		
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)
Consolidated profit before tax	**13,508,279**	5,955,552

At 31 March	**2017** *HK$*	2016 *HK$*
Assets		
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
Consolidated total assets	**203,395,304**	144,870,529
Liabilities		
Reportable segment liabilities	**85,741,412**	55,247,173
Unallocated corporate liabilities	**1,383,603**	1,281,560
Consolidated total liabilities	**87,125,015**	56,528,733

(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 5 below. No customer accounted for 10 percent or more of the total revenue for the years ended 31 March 2017 and 2016.

5. 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	2016
	HK$	*HK$*
Provision of property management services	**395,513,512**	374,024,102

6. OTHER REVENUE

	2017	2016
	HK$	*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

7. FINANCE COSTS

	2017	2016
	HK$	*HK$*
Interest expenses on:		
— Bank borrowings	**177,962**	328,872
— Imputed interest on convertible notes	**–**	640,000
Finance lease charges	**17,893**	22,870
	195,855	991,742

8. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2017	2016
	HK$	*HK$*
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
	338,589,813	342,648,847
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

9. 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.

	2017	2016
	HK$	*HK$*
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)
	3,611,480	3,390,971
Deferred tax	**(291,379)**	(250,287)
	3,320,101	3,140,684

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

	2017	2016
	HK$	*HK$*
Profit before tax	**13,508,279**	5,955,552
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	**(80,000)**	(56,381)
Income tax expense	**3,320,101**	3,140,684

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 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.

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$	*HK$*
Trade receivables	**47,009,460**	42,267,950
Prepayments, deposits and other receivables	**14,904,664**	12,251,613
	61,914,124	54,519,563

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:

	2017	2016
	HK$	*HK$*
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
	47,009,460	42,267,950

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.

12. TRADE AND OTHER PAYABLES

	2017	2016
	HK$	*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
	64,006,351	46,101,883

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

	2017	2016
	HK$	*HK$*
1 to 30 days	**1,147,980**	1,221,476

13. SHARE CAPITAL

Ordinary shares of HK$0.01 each	Number of shares	*HK$*
Authorised:		
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
Issued and fully paid:		
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).

14. 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)
	1,715,296
Goodwill	784,704
	2,500,000
Satisfied by:	
Cash consideration	2,500,000
Net cash outflow arising on acquisition:	
Cash consideration paid	2,500,000
Cash and cash equivalents acquired	(149)
	2,499,851

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 proforma 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 included legal and professional fee of HK$105,000.

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. RELATED PARTIES TRANSACTIONS AND BALANCES

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

	2017	2016
	HK$	*HK$*
Rental paid to related companies		
— More Rise Investment Limited ("MRIL")	**384,000**	336,000
— Kong Shum Union (China) Limited ("KSU China")	**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 Kong Shum Union Property Management Company Limited ("KSU"), have control over the related companies, KSU China and MRIL.

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.

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

On 8 February 2017, KSU, a wholly-owned subsidiary of the Company, Mr. Ho Ying Choi and Mr. Ho Ying Cheung 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.

17. 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.

18. EVENTS AFTER THE REPORTING PERIOD

Acquisition of a financial service company

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 Holdings Inc. ("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.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is principally engaged in the provision of property management services in Hong Kong primarily targeting residential properties. The Group operates under the brand name of "Kong Shum" and provides a range of management services including security, repair and maintenance, cleaning, finance management, administrative and legal support. Under an established functional structure with various departments, the Group has dedicated teams to carry out the aforementioned management services. The Group also employs a team of security staff to provide security services as part of the services provided under property management contracts or under stand-alone security services contracts. For the year ended 31 March 2017, the Group provided property security services for 17 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

Summary Financial Performance

	2017	2016	
	HK$'000	*HK$'000*	Change
Revenue	**395,514**	374,024	5.7%
Cost of services	**(312,206)**	(295,756)	5.6%
Gross Profit	**83,308**	78,268	6.4%
Gross profit margin	**21.1%**	20.9%	n/a
Other revenue	**338**	1,494	-77.4%
Administrative expenses	**(51,958)**	(53,823)	-3.5%
Other operating expenses	**(17,984)**	(18,991)	-5.3%
Finance costs	**(196)**	(992)	-80.2%
Profit before tax	**13,508**	5,956	126.8%
Income tax expense	**(3,320)**	(3,141)	5.7%
Profit attributable to owners of the Company	**10,188**	2,815	261.9%
Net profit margin	**2.6%**	0.8%	n/a

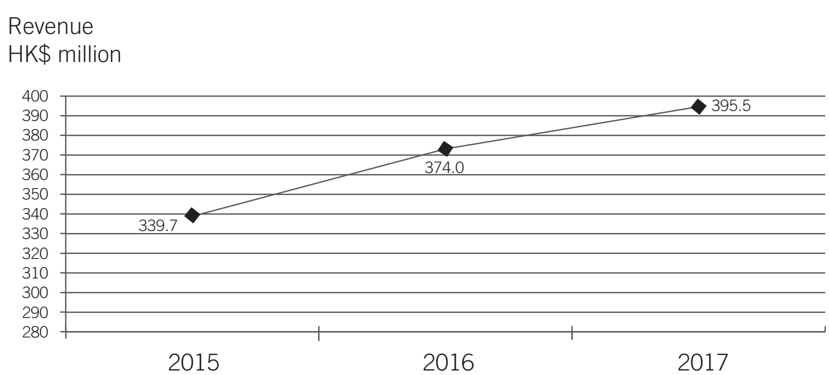
Revenue

For the years ended 31 March 2016 and 2017, all of the Group's revenue was derived from its operation in Hong Kong. The Group derived revenue of approximately HK$20.2 million and HK$30.4 million respectively from stand-alone security services contracts for the years ended 31 March 2016 and 2017 respectively, representing approximately 5.4% and 7.7% of its total revenue. The following table sets out the Group's revenue by contract type for the years ended 31 March 2016 and 2017:

	2017		2016	
	HK$ million	***percentage***	*HK$ million*	*percentage*
Property management services contracts	**365.1**	**92.3%**	353.8	94.6%
Property security services contracts	**30.4**	**7.7%**	20.2	5.4%
	395.5	**100%**	374.0	100%

The Group's revenue improved by approximately 5.7% from approximately HK$374.0 million for the year ended 31 March 2016 to approximately HK$395.5 million for the year ended 31 March 2017. The increase was primarily attributable to the growth of revenue generated from property management services contracts, increasing by approximately 3.2% to approximately HK$365.1 million for the year ended 31 March 2017. During the year, the number of management service contracts obtained by the Group had been increased by 9 from 422 during the year ended 31 March 2016 to 431 for the year ended 31 March 2017. Revenue generated from security services contracts recorded a significant increase of approximately 50.5% to approximately HK$30.4 million for the year ended 31 March 2017.

The following graph sets out the revenue for the years ended 31 March 2015, 2016, 2017.



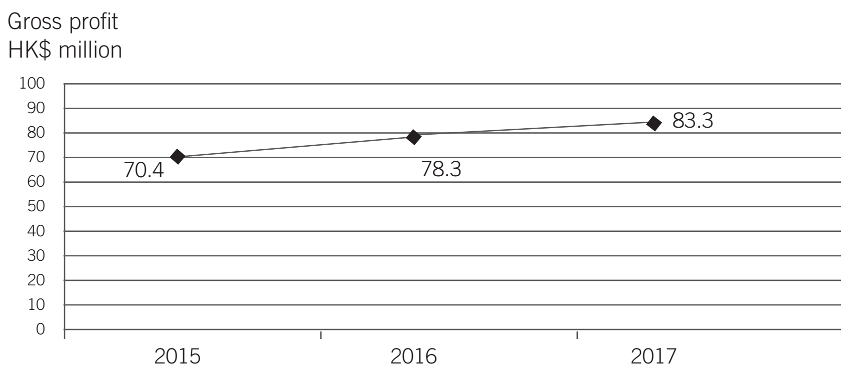
Cost of services

The total cost of services amounted to approximately HK$295.8 million and HK$312.2 million for the years ended 31 March 2016 and 2017 respectively, representing approximately 79.1% and 78.9% respectively of the Group's revenue. The increase of the cost of services during the year of approximately 5.6% was mainly due to the increase on the wages of the Group front line staff.

Gross profit

The gross profit of the Group increased by approximately 6.4% from approximately HK$78.3 million for the year ended 31 March 2016 to approximately HK$83.31 million for the year ended 31 March 2017. The gross profit margin was approximately 20.9% and 21.1% for years ended 31 March 2016 and 2017 respectively. The Group negotiated and adjusted the service fees in order to reflect the increase in costs and to maintain a growth on the gross profit margin.

The following graph sets out the gross profit for the years ended 31 March 2015, 2016 and 2017.



Profit attributable to owners of the Company

The profit attributable to owners of the Company was increased by approximately 261.9% from approximately HK$2.82 million for the year ended 31 March 2016 to approximately HK$10.19 million for the year ended 31 March 2017, and the net profit margin increase by approximately 1.8 percentage point from approximately from 0.8% to 2.6% for the years ended 31 March 2016 and 2017 respectively.

Administrative expenses

The Group's administrative expenses for the year ended 31 March 2017 were approximately HK$52.0 million (2016: approximately HK$53.8 million), representing an slightly decrease of approximately 3.5% compared to the corresponding period in 2016. This was mainly attributable to the decrease in bonus, Directors' emoluments, rentals and administrative service fee incurred during the year.

Other operating expenses

The Group's other operating expenses for the year ended 31 March 2017 were approximately HK$18.0 million (2016: approximately HK$19.0 million), representing a decrease of approximately 5.3% compared to the corresponding period in 2016. The decrease was mainly due to the decrease in share option expenses during the year.

Other comprehensive income for the year

The investment in All Profit Alliance Limited was accounted for as equity investment at fair value through other comprehensive income in the Group's consolidated financial statements. During the year ended 31 March 2017, the carrying amount of such investment was reduced by approximately HK$4.3 million due to changes in fair value.

Liquidity, Financial Resources and Capital Structure

	For the year ended/ as at 31 March	
	2017	2016
	HK$'000	*HK$'000*
Financial position		
Current assets	**114,185**	126,888
Current liabilities	**74,595**	56,226
Net current assets	**39,590**	70,663
Total assets	**203,395**	144,871
Bank borrowings and finance lease payables	**9,673**	9,175
Bank balances and cash	**45,165**	64,773
Total equity	**116,270**	88,342
Key ratios		
Return on equity (1)	**10.0%**	4.4%
Return on assets (2)	**5.9%**	2.3%
Current ratio (3)	**1.53 times**	2.26 times
Gearing ratio (4)	**18.8%**	10.4%
Net Debt to equity ratio (5)	**0%**	0%
Debtors turnover day (6)	**41.2 days**	45.1 days
Creditors turnover day (7)	**25.0 days**	24.7 days

Notes:

1. Return on equity is calculated as the profit for the year divided by average total equity.

2. Return on assets is calculated as the profit for the year divided by average total assets.

3. Current ratio is calculated as the current assets divided by current liabilities.

4. Gearing ratio is calculated as the total debt divided by total equity. For the avoidance of doubt, total debt represents bank borrowings, promissory notes payable and finance lease payables.

5. Net debt to equity ratio is calculated as the total debt net of cash and bank balances and divided by total equity. For the avoidance of doubt, total debt represents bank borrowings, promissory notes payable and finance lease payable.

6. Debtors' turnover day is calculated as average trade receivables divided by revenue times number of days in the period.

7. Creditors' turnover day is calculated as average trade payables divided by cost of services times number of days in the period.

The Group maintained sufficient working capital as at 31 March 2017 with bank balances and cash of approximately HK$45.2 million (2016: approximately HK$64.8 million).

As at 31 March 2017, the Group had bank borrowings and obligations under finance lease of approximately HK$9.7 million (2016: approximately HK$9.2 million).

As at 31 March 2017, the Group's net current assets amounted to approximately HK$39.6 million (2016: approximately HK$70.7 million). The Group's operations are financed principally by revenue generated from its business operations, available cash and bank balances and bank borrowings.

Return on equity

The return on equity increased from approximately 4.4% for the year ended 31 March 2016 to approximately 10.0% for the year ended 31 March 2017, mainly due to the increase on profit for the year.

Return on assets

The return on assets was increased from approximately 2.3% for the year ended 31 March 2016 to approximately 5.9% for the year ended 31 March 2017, mainly due to the increase on profit for the year.

Current ratio

The Group's current ratio decrease from approximately 2.26 times as at 31 March 2016 to approximately 1.53 times as at 31 March 2017 mainly due to the acquisition of companies during the year which reduced the Company's assets and enlarged the Company's liabilities.

Gearing ratio

The Group's gearing ratio, defined as the total debt (i.e. bank borrowings, promissory notes payables and finance lease payables) divided by total equity, as at 31 March 2017 is approximately 18.8% (2016: approximately 10.4%). The total bank borrowings increase from approximately HK$8.6 million as at 31 March 2016 to approximately HK$9.4 million as at 31 March 2017. In addition, the Group issued promissory notes with carrying value of HK$12.2 million as at 31 March 2017. On the other hand, the Group's total equity increased significantly during the year ended 31 March 2016 due to issuance of share upon placing of shares during the year.

Net debt to equity ratio

The Group's net debt to equity ratio was 0% as at 31 March 2016 and 31 March 2017 which indicates that the Group's has sufficient cash and bank balances for debts repayment.

Debtors' turnover day

The debtors' turnover day decreased from approximately 45.1 days for the year ended 31 March 2016 to approximately 41.2 days for the year ended 31 March 2017 under the monitor of the recoverability on trade debtors.

Creditors' turnover day

The creditors' turnover day was slightly increased 0.3 days from approximately 24.7 days for the year ended 31 March 2016 to approximately 25.0 days for the year ended 31 March 2017. The increase was due to the late settlement to some creditors.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: Nil).

OPERATION REVIEW

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 and of financial services in Hong Kong, which may include, but not limited to, (i) carrying out schemes for property consolidation, assembly and redevelopments; (ii) property trading and/or investment; (iii) obtaining a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong); and (iv) securities brokerage and/or asset management (the "Potential New Businesses"). The Board intends to develop the Potential New Businesses through self-development of the subsidiaries, and/or investment(s) in suitable targets/assets, and/or through co-operation by way of joint venture(s) with other parties.

The Board has been actively exploring other business opportunities in order to diversify the existing business of the Group and to explore new markets with significant growth potential. In view of the current economic and capital markets environment, the Board believes that engaging in the Potential New Businesses is an opportunity of the Group to diversify its source of income and will therefore be in the interest of the Company and its shareholders as a whole.

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

Human resources

As at 31 March 2017, the Group had a total of 2,162 employees (as at 31 March 2016: 2,087 employees). The Group's staff costs for the year ended 31 March 2017 amounted to approximately HK$338.6 million (2016: HK$342.6 million). To ensure that the Group is able to attract and retain staff capable of attaining the best performance levels, remuneration packages are reviewed on a regular basis. In addition, discretionary bonus is offered to eligible employees by reference to the Group's results and individual performance.

Services contracts

Due to well-established team and project planning, during the year ended 31 March 2017, 2 facility management service contract for non-domestic property management segment which included 2 shopping complex were awarded to the Group. The success in securing the contract gave the Group confidence to expand the property management portfolio continuously. In addition, 19 property management contracts were awarded to the Group during the year.

As at 31 March 2017, there were in total 431 service contracts (covering around 90,000 households) comprising 399 property management service contracts, 16 stand-alone security service contracts and 16 facility management service contracts.

Contract renewal complying with procedural requirements

A service contract which does not comply with the procedural requirements for contract renewal as stipulated in section 20A of the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong) may be cancelled by the owners' corporation. Included in 431 contracts in force as at 31 March 2017, 95 service contracts are not in strict compliance with the said contract renewal requirements, hence, termination notices were served on clients involving in these contracts. All of the remaining 336 valid contracts as at 31 March 2017 are in compliance with the said procedural requirements or not applicable under the Building Management Ordinance. The senior management adopts a tight control system to monitor the full compliance of the procedural requirements. All newly signed contracts during the year ended 31 March 2017 included the mandatory term requiring the client to follow the said procedural requirements, if applicable.

Client accounts

As at 31 March 2017, the Group held 61 (as at 31 March 2016: 63 clients) client accounts amounting to approximately HK$40.8 million (as at 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 properties. The management fees received from the tenants or owners of the properties were deposited into these client accounts and the expenditure of these customers was paid from these client accounts.

Performance bond

As at 31 March 2017, the banks issued 10 (as at 31 March 2016: 10) bond certificates amounting to approximately HK$20.4 million (as at 31 March 2016: approximately HK$17.5 million) on behalf of the Group to the clients as required in the service contracts.

Capital expenditure

The Group purchased property, plant and equipment amounting to approximately HK$10.4 million for the year ended 31 March 2017 (2016: approximately HK$0.9 million).

Capital commitments

The Group did not have any significant capital commitments as at 31 March 2017 and 31 March 2016.

Contingent liabilities

Details of contingent liabilities of the Group are set out in note 17 to this announcement.

Foreign currency risk

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollar. During the year ended 31 March 2017, 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 year ended 31 March 2017.

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 I") 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 (as purchaser), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement I") with independent third parties (as vendors), pursuant to which the vendors have agreed to sell, and the Group has agreed to purchase, the entire issued share capital of the Target Company I at a total consideration of HK$2.5 million, payable by cash (the "Acquisition").

Details of the memorandum of understanding and the Agreement I 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 I have been fulfilled and Completion took place on 30 June 2016 in accordance with the terms and conditions of the Agreement I. Upon Completion, the Company owns 100% of the issued share capital of the Target Company I and the Target Company I has become an indirect wholly owned subsidiary of the Company I. As such, the financial results of the Target Company I 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.

Acquisition of a financial services company

On 20 January 2017 (after trading hours of the Stock Exchange), the Board announced that the Company, as potential purchaser, entered into a non-legally binding memorandum of understanding (the "MOU") with a potential vendor (the "Potential Vendor"). Pursuant to the MOU, the Company intends to acquire, and the Potential Vendor intends to dispose of, the entire issued share capital in a company incorporated in the British Virgin Islands with limited liability which, together with its subsidiaries (collectively, the "Target Group") is currently licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). The Target Group also holds a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). In addition, the Target Group has recently submitted an application to the Securities and Futures Commission of Hong Kong for approval of the addition of Type 9 (asset management) regulated activity.

On 13 February 2017 (after trading hours of the Stock Exchange) the Board announced that, a wholly-owned subsidiary of the Company (as purchaser) and the Company (as guarantor) entered into an agreement (the "Agreement II") with Mr. Chang Tin Duk, Victor ("Mr. Chang") (as vendor), pursuant to which the aforesaid purchaser has conditionally agreed to acquire, and Mr. Chang has conditionally agreed to sell, 30% of the issued share capital of the target Company contemplated therein (the "Target Company II") at a consideration of HK$31,500,000.

On 28 April 2017, the Board announced that all the conditions precedent set out in the Agreement II have been fulfilled and the aforesaid completion took place on 28 April 2017 in accordance with the terms and conditions of the Agreement.

Following the aforesaid completion, the Company is holding 30% of the equity interest in the Target Company II, and the Target Company II has become an associate of the Company and the investment of the Group in the Target Group will be classified as investment in an associate.

Details of these announcements are disclosed in the Company's announcements dated 20 January 2017, 13 February 2017 and 28 April, 2017.

Discloseable and connected transaction involving the issue of the promissory notes

On 8 February 2017, Kong Shum Union Property Management Company Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and Mr. Ho Ying Choi, an executive Director of the Company and Mr. Ho Ying Cheung, a director of the Purchaser and brother of Mr. Ho Ying Choi (collectively, the "Vendors") entered into an sale and purchase agreement ("SPA"), pursuant to which the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell the entire issued share capital of (i) Fortune Trend Investment Limited; and (ii) More Rise Investment Limited (collectively, the "Target Companies"), at a consideration of HK$40 million, of which HK$26 million will be satisfied in cash and HK$14 million will be satisfied by the issue of promissory notes by the Purchaser to the Vendors (the "Properties Acquisition"). The Target Companies are wholly-owned by the Vendors (as to 50% by Mr. Ho Ying Choi and 50% by Mr. Ho Ying Cheung) and are principally engaged in property investment which owned two factory units in Hong Kong. As one or more of the applicable percentage ratios for the Properties Acquisition under the GEM Listing Rules are more than 5% but less than 25% and the Vendors are connected persons of the Company and the consideration for the Properties Acquisition exceeds HK$10 million, the Properties Acquisition constituted a discloseable and connected transaction on the part of the Company and is subject to announcement, reporting and independent shareholders' approval requirements under the GEM Listing Rules.

On 31 March 2017, the Board announced that all the conditions precedent set out in the Agreement have been fulfilled and completion took place on 31 March 2017 as agreed by the Vendors and the Purchaser in writing. Pursuant to the SPA, two promissory notes in the principal amount of HK$7 million each has been issued by the Purchaser to each of the Vendors (or their respective nominee(s)), respectively.

Following the aforesaid completion, the Target Companies have become wholly-owned subsidiaries of the Company and the financial results of the Target Companies will be consolidated into the consolidated financial statements of the Company.

Details of this transaction are disclosed in the Company's announcement dated 8 February 2017, 6 March 2017, 8 March 2017 and 31 March 2017.

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.

Charges over assets of the Group

As at 31 March 2017, certain bank deposits of approximately HK$7.1 million (as at 31 March 2016: approximately HK$7.6 million) and the deposits placed for life insurance policies of approximately HK$8.2 million (as at 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$0.4 million and HK$0.7 million as at 31 March 2017 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.

Business update

On 15 June 2017, the board announced that a money lenders licence has been granted by the licensing court on 15 June 2017 to a wholly-owned subsidiary of the Company. The Group will commence its money lending business under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong) and has decided to include the money lending business as one of its principal business activities from the date of this announcement.

Reference is made to the announcement of the Company dated 20 December 2016. The Company has been exploring suitable opportunities to commence and develop business of provision of financial services in Hong Kong. In view of the current economic and capital markets environment, the Board anticipates that extending its principal business activities into the money lending business will enable the Group to diversify the Group's business scope and broaden the revenue source of the Group with a view to bring more stable return to the Company and increase Shareholders' value. The Board considers the commencement of this new business segment is in the interest of the Company and its shareholders as a whole. The Company will continue to explore further suitable opportunities to enhance the spectrum of its financial services in Hong Kong.

Details of which are set out in the announcement of the Company dated 15 June 2017.

Update on Directors' information

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

— Mr. Eric Todd, an executive Director of the Company, was appointed as an executive director of Hsin Chong Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, Stock Code: 404) since March 2017.

— 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.

— Mr. Tso Siu Lun, Alan, a non-executive Director of the Company, was appointed as an independent non-executive director of Dragonite International Limited (a company listed on the Main Board of the Stock Exchange of Hong Kong Limited, Stock Code: 329) since May 2017.

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.

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

On 18 August 2016, the Company entered into a placing agreement with Kingston Securities Limited (the "Placing Agent I") pursuant to which 99,000,000 new ordinary shares ("Shares") of par value of HK$0.01 each of the Company would be placed, on a best effort basis at HK$0.23 per share to independent third parties (the "Placing I"). Details of the Placing I are set out in the Company's announcement dated 18 August 2016.

Completion of the Placing I took place on 6 September 2016 and 99,000,000 Shares were successful placed by the Placing Agent I.

On 11 May 2017, The Company entered into a placing agreement with Supreme China Securities Limited (the "Placing Agent II"), pursuant to which 118,800,000 new ordinary shares ("Shares") of par value of HK$0.01 each of the Company would be placed, on a best effort basis at HK$0.24 per share to independent third parties ("the "Placing II"). Details of the Placing II are set out in the Company's announcement dated 11 May 2017.

Completion of the Placing II took place on 26 May 2017 and 118,000,000 Shares were successful placed by the Placing Agent II.

In order to meet the needs of business development, the Group successfully completed a number of equity fund raising activities during the year under review, as detailed below:

Date of initial announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this announcement
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 professional, institutional or other investors (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$17.6 million has been utilised as intended of which approximately HK$7.4 million was utilised for salary expenses, approximately HK$6.6 million was utilised for professional fees, approximately HK$3.6 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 professional, institutional or other investors (closing price of the Share 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)	Intended to be used for investment opportunities of the Group	Entirely use for the acquisition of 30% of the issued shares in Dakin Holdings Inc.
11 May 2017 (completed on 26 May 2017)	Placing of 118,800,000 new ordinary shares of HK$0.01 each under general mandate at the placing price of HK$0.24 per Share to not less than six placees who are independent professional, institutional or other investors (closing price of the Share as quoted on the Stock Exchange on the date of the placing agreement is HK$0.245)	Approximately HK$27.6 million (net proceeds raised per Share was approximately HK$0.23 per Share)	Intended to be used for future investment opportunities of the Company which includes but not limited to capital investment in the provision of financial services in Hong Kong such as money lending business, securities investments, and/or properties investment and/or as general working capital of the Group	Spare for intended use

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.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to upholding high standards of corporate governance. The Board considers that enhanced public accountability and corporate governance are beneficial for the healthy growth of the Group, improving customer and supplier confidence and safeguarding the interests of shareholders of the Company.

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. The principles adopted by the Company emphasize a quality Board, sound internal controls, transparency and accountability to all shareholders. The Company engaged a third-party professional firm to conduct an internal control review for the year ended 31 March 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 March 2017, the Company has complied with all CG Code except for the following deviations:

(a) CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

    The Company did not officially have a chief executive officer since 8 September 2015. Daily operation and management of the Company is monitored by the Executive Directors as well as the senior management. The Board is of the view that although there is no chief executive officer of the Company, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who meet from time to time to discuss issues affecting the operations of the Company. The Board believes that the present arrangement is adequate to ensure an effective management and control of the Company's business operations. The Board will continue to review the effectiveness of the Company's structure as business continues to grow and develop in order to assess whether any changes, including the appointment of a chief executive officer, is necessary.

(b) CG Code provision A.4.2 stipulates that all Directors appointed to fill a casual vacancy should be subject to re-election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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 reelection 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.

(c) CG Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Wong Kui Shing, Danny, a Non-executive Director, was unable to attend the annual general meeting of the Company held on 28 September 2016 due to business engagements.

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 year ended 31 March 2017.

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

As at 31 March 2017, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 year ended 31 March 2017 was the Company, its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangement to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

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

So far is known to the Directors, as at 31 March 2017, 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 Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2017.

CONNECTED TRANSACTIONS

A summary of the related party transactions entered into by the Group during the year ended 31 March 2017 is set out in note 16 to and section headed "Discloseable and connected transaction involving the issue of the promissory notes" in this announcement.

Save as disclosed, the following transactions between certain connected persons (as defined in the GEM Listing Rules) and the Company have been entered into or are ongoing for which relevant announcement, if necessary, had been made by the Company in accordance with Chapter 20 of the GEM Listing Rules.

Continuing connected transactions

On 14 March 2016, More Rise Investment Limited ("More Rise"), as the owner of the Tuen Mun office and storage property in Hong Kong, and KSU entered into a rental agreement (the "Tuen Mun Office Lease Agreement") under which the Tuen Mun office and storage property in Hong Kong is leased to KSU for a term of one year from 1 April 2016 to 31 March 2017 at a monthly rental of HK$32,000. For each of the years ended 31 March 2017 and 2016, the aggregate rent paid by KSU to More Rise in respect of the Tuen Mun office and storage property were HK$384,000 and HK$336,000 respectively. More Rise is jointly owned by 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).

On 1 August 2016, Kong Shum Union (China) Limited ("KSU China"), as the owner of the motor vehicle in Hong Kong, and KSU entered into a rental agreement (the "Motor Vehicle Rental Agreement") under which the motor vehicle in Hong Kong is leased to KSU for a term of one year from 1 August 2016 to 31 July 2017 at a monthly rental of HK$48,000. For each of the years ended 31 March 2017 and 2016, the aggregate rent paid by KSU to KSU China in respect of the motor vehicle were HK$568,000 and HK$368,000 respectively. KSU China is owned by Super Potent Limited, a company owned by both Mr. Ho Ying Choi and his spouse.

Pursuant to Rule 20.74(1) of the GEM Listing Rules, the transactions under the Tuen Mun Office Lease Agreement and the Motor Vehicle Rental Agreement, when considered in aggregate, are exempted from the shareholders' approval, annual review and all disclosure requirements under Chapter 20 of the GEM Listing Rules. The Company has complied with the requirements in Chapter 20 of the GEM Listing Rules in respect of the transactions under the Tuen Mun Office Lease Agreement and the Motor Vehicle Rental Agreement.

As at 31 March 2016 and 2017, Mr. Ho Ying Choi, an Executive Director and Mr. Ho Ying Cheung, who resigned as an Executive Director on 6 February 2015 and remained as a Director of KSU had provided joint and several unlimited personal guarantees in favour of banking facilities granted to certain subsidiaries within the Group for nil consideration. At 31 March 2016, More Rise and Fortune Trend Investment Limited, two companies controlled by Mr. Ho Ying Choi and Mr. Ho Ying Cheung, had provided unlimited guarantees and pledged their properties to secure banking facilities granted to certain subsidiaries within the Group for nil consideration. At 31 March 2017, the properties have been released from charge.

Pursuant to Rule 20.88 of the GEM Listing Rules, these transactions are exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 20 of the GEM Listing Rules. The Company has complied with the requirements in Chapter 20 of the GEM Listing Rules in respect of the above financial assistance received.

Save as disclosed above, none of the related party transactions set out in note 16 to this announcement constitutes connected transactions or continuing connected transactions under Chapter 20 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference, available on the Company's website, in compliance with the GEM Listing Rules. The Audit Committee is currently composed of all the Independent Non-executive Directors, namely Mr. Lam Kai Yeung (chairman), Mr. Tso Siu Lun, Alan and Mr. Lo Chi Ho, Richard.

The Audit Committee held 4 meetings during the year ended 31 March 2017 and reviewed the Company's audited annual results for the year ended 31 March 2016 and the unaudited quarterly and interim results during the year ended 31 March 2017.

The Company's annual results for the year ended 31 March 2017 were reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards, GEM Listing Rules and legal requirements and that adequate disclosures had been made.

COMPLIANCE COMMITTEE

The Compliance Committee is a committee under the Company's Audit Committee and is chaired by Mr. Ho Ying Choi, an Executive Director, and comprises Mr. Lau Ping Kwai, the associate director (note) of the Company, Mr. Fong Shek Hung, the associate director (note) of the Company and Mr. Cheng Kam Hung, the financial controller of the Company. The Group's legal adviser, Y.C. Lee, Pang, Kwok & Ip Solicitors, is procured to provide legal advices and to attend the committee meeting on a needed basis. For the year ended 31 March 2017, 12 meetings were held and the Group's legal adviser had participated in 2 meetings. The minutes of the meetings were distributed to the Group's legal adviser, Y.C. Lee, Pang, Kwok & Ip Solicitors, and the Audit Committee members for scrutiny and comment. The Compliance Committee addresses the matters concerning the compliance of law and regulations, contract terms and litigation cases of the Group.

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

BOARD COMPOSITION AND DIVERSITY POLICY

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

During the year ended 31 March 2017, the Board had reviewed the diversity of the Board and considered the Board composition and diversity policy appropriate.

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 of the Company or the shareholder himself/herself for election as Director in general meeting of the Company should follow the procedures available on the Company's website.

AUDITORS

World Link CPA Limited resigned as the auditor of the Company on 25 April 2017 and ZHONGHUI ANDA CPA Limited, Certified Public Accountants, was appointed as the auditor of the Company on 25 April 2017 to fill the vacancy following the resignation of World Link CPA Limited. A resolution will be submitted at the forthcoming annual general meeting to re-appoint ZHONGHUI ANDA CPA Limited as the auditor of the Company for the ensuing year.

Scope of Work of ZHONGHUI ANDA CPA Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statements of changes in equity and the related notes thereto for the year ended 31 March 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2017. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

COMPETING BUSINESS

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 was 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.

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

Hong Kong, 23 June 2017

As at the date of this announcement, the executive Directors are Mr. Eric Todd (Chairman), Mr. Lee Chin Ching, Cyrix and Mr. Ho Ying Choi; 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 a minimum period of 7 days from the date of its publication and on the Company's website at www.kongshum.com.hk