

King Force Security Holdings Limited **冠輝保安控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8315

Third Quarterly Report

2014

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

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

Given the emerging nature of 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.

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This report, for which the directors (the “Directors”) of King Force Security Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 report 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 report misleading.

The board of Directors (the "Board") announces the unaudited condensed consolidated results of the Group for the three months and nine months ended 31 December 2014, together with the unaudited comparative figures for the respective corresponding periods in 2013 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2014

| | Notes | For three months ended 31 December | | For nine months ended 31 December | |
|---|-------|---------------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| | | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 |
| Revenue | 4 | 34,368 | 29,588 | 95,411 | 83,060 |
| Cost of services rendered | | (27,607) | (22,646) | (77,085) | (65,527) |
| Gross profit | | 6,761 | 6,942 | 18,326 | 17,533 |
| Other income | 5 | 98 | 273 | 466 | 504 |
| Administrative expenses | | (4,352) | (1,193) | (11,151) | (6,444) |
| Other operating expenses | | - | - | (3,569) | - |
| Operating profit | | 2,507 | 6,022 | 4,072 | 11,593 |
| Finance costs | 6 | (44) | (287) | (231) | (920) |
| Profit before income tax | 7 | 2,463 | 5,735 | 3,841 | 10,673 |
| Income tax expense | 8 | (407) | (946) | (1,197) | (1,761) |
| Profit for the period | | 2,056 | 4,789 | 2,644 | 8,912 |
| Other comprehensive income for the period | | - | - | - | - |
| Total comprehensive income for the period attributable to owners of the Company | | 2,056 | 4,789 | 2,644 | 8,912 |
| Earnings per share for the profit attributable to owners of the Company – Basic and Diluted (HK cents) | 10 | 0.34 | 0.91 | 0.45 | 1.69 |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 DECEMBER 2014**

| | Share capital HK\$'000 | Share premium HK\$'000 | Merger reserves HK\$'000 | Retained earnings HK\$'000 | Total HK\$'000 |
|---|--------------------------------------|--------------------------------------|--|--|--------------------------|
| At 1 April 2013 | 8 | – | 2 | 11,341 | 11,351 |
| Profit and total comprehensive income for the period | – | – | – | 8,912 | 8,912 |
| At 31 December 2013 (unaudited) | 8 | – | 2 | 20,253 | 20,263 |
| At 1 April 2014 | 8 | – | 2 | 19,704 | 19,714 |
| Transactions with owners: | | | | | |
| Issue of shares by the Company pursuant to the reorganization | 5,272 | – | (5,272) | – | – |
| Issue of shares upon placing | 1,120 | 42,000 | – | – | 43,120 |
| Expenses incurred in connection with the issue of shares during the period | – | (2,992) | – | – | (2,992) |
| Dividend declared and paid during the period | – | – | – | (7,000) | (7,000) |
| | 6,392 | 39,008 | (5,272) | (7,000) | 33,128 |
| Profit and total comprehensive income for the period | – | – | – | 2,644 | 2,644 |
| At 31 December 2014 (unaudited) | 6,400 | 39,008 | (5,270) | 15,348 | 55,486 |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 31 DECEMBER 2014

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

King Force Security Holdings Limited was incorporated in the Cayman Islands on 2 January 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company's principal place of business is located at Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activity of the Company and its subsidiaries is the provision of security guarding services.

Pursuant to the reorganisation of the Group in connection with the listing of the shares of the Company on the GEM (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 29 July 2014. The shares of the Company were listed on the GEM on 20 August 2014. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 13 August 2014 (the "Prospectus").

Since the companies now comprising the Group were under the common control of the controlling shareholder both before and after the Reorganisation, the unaudited condensed consolidated financial information for the nine months ended 31 December 2014 of the Group has been prepared using the principles of merger accounting.

The unaudited condensed consolidated statements of profit or loss and other comprehensive income, unaudited condensed consolidated statements of changes in equity of the Group for the nine months ended 31 December 2014, include the results of all companies now comprising the Group as if the current structure had been in existence throughout the respective periods.

No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the nine months ended 31 December 2014 are prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies applied are consistent with those of the accountant's report included in the Prospectus for the year ended 31 March 2014, which have been prepared in accordance with HKFRS (which also include Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2.1 below.

The Directors, taking into account of the net proceeds from the Placing, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the condensed consolidated financial information.

There are no other amended standards or interpretations that are effective for the first time for this report period that could be expected to have a material impact on the Group.

These unaudited condensed consolidated financial statements for the nine months ended 31 December 2014 have been prepared under historical cost convention, except for certain financial instruments which are measured fair value. These condensed consolidated financial statements for the nine months ended 31 December 2014 are presented in Hong Kong dollars ("HK\$").

These unaudited condensed consolidated financial statements for the nine months ended 31 December 2014 have not been audited and were approved for issue by the Board of the Company on 13 February 2015.

2. NEW AND REVISED HKFRSs ISSUED

2.1 Adoption of new and revised HKFRSs effective in current period

The Group has adopted the following new and revised HKFRSs which are effective during the current accounting period:

| | |
|---------------------------------------|--|
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) | Amendments to HKFRS 10, HKFRS 12 and HKAS 27 – <i>Investment Entities</i> |
| HKAS 32 Amendments | Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> |

2. NEW AND REVISED HKFRSs ISSUED - Continued

2.1 Adoption of new and revised HKFRSs effective in current period- Continued

| | |
|--------------------|--|
| HKAS 39 Amendments | Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> |
| HK(IFRIC)-Int 21 | <i>Levies</i> |

The adoption of the above new and revised HKFRSs has had no significant financial impact on the Group's results and financial position.

2.2 New and revised HKFRSs issued but not yet effective

The following new and revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

| | |
|---------------------|--|
| HKFRS 9 | <i>Financial Instrument¹</i> |
| HKFRS 14 | <i>Regulatory Deferral Accounts⁴</i> |
| HKFRSs (Amendments) | <i>Annual Improvements 2010-2012 Cycle³</i> |
| HKFRSs (Amendments) | <i>Annual Improvements 2011-2013 Cycle²</i> |

¹ Effective for periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 July 2014

³ Effective for annual periods beginning or transactions occurring, on or after 1 July 2014

⁴ Effective for annual periods beginning on or after 1 January 2016

The Group is in the process of assessing the impact of these new and revised HKFRSs on the financial performance and financial position of the Group.

3. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors in order to allocate resources and assess performance of the segment. During the year, Executive Directors regularly review revenue and operating results derived from provision of security guarding services and consider as one single operating segment.

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Hong Kong as its country of domicile. All the Group's non-current assets are principally attributable to Hong Kong, being the single geographical region.

The geographical location of customers is based on the location at which the services are provided. The total revenue from external customers is wholly sourced from Hong Kong.

Information about major customers

There is no single customer contributed to 10% or more revenue to the Group's revenue for the nine months ended 31 December 2013 and 2014.

4. REVENUE

Revenue, which is also the Group's turnover, represents the invoiced value of service rendered, after the allowance for discounts from the principal activity of the Group during the period.

5. OTHER INCOME

| | Three months ended 31 December | | Nine months ended 31 December | |
|--|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 |
| Bank interest income | -* | - | -* | -* |
| Bank loan interest recharged to a director | - | 78 | - | 199 |
| Other interest income | 10 | - | 63 | - |
| Sundry income | 88 | 195 | 403 | 305 |
| | 98 | 273 | 466 | 504 |

* Represents amount less than HK\$1,000

6. FINANCE COSTS

| | Three months ended 31 December | | Nine months ended 31 December | |
|---|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 |
| Interest charges on: | | | | |
| Bank borrowings, which contain a repayment on demand clause, wholly repayable within five years | 44 | 280 | 215 | 897 |
| Finance leases | - | 7 | 16 | 23 |
| | 44 | 287 | 231 | 920 |

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

| | Three months ended 31 December | | Nine months ended 31 December | |
|--|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 |
| Cost of services rendered | 27,607 | 22,646 | 77,085 | 65,527 |
| Depreciation and amortisation: | | | | |
| - Owned assets | 387 | 193 | 978 | 322 |
| - Leased assets | - | 11 | 176 | 271 |
| | 387 | 204 | 1,154 | 593 |
| Loss on disposal of property, plant and equipment | - | - | 43 | 17 |
| Write-off of property, plant and equipment | 19 | - | 27 | - |
| Listing expense ¹ | - | - | 3,569 | - |
| Operating lease charges in respect of: | | | | |
| - Rented premises | 127 | 107 | 175 | 324 |
| - Office equipment | 9 | 14 | 27 | 33 |
| | 136 | 121 | 202 | 357 |
| Employee benefits expenses (including director's remuneration): | | | | |
| Salaries, allowances and benefits in kind included in | | | | |
| - Cost of services rendered | 26,351 | 21,617 | 73,515 | 62,539 |
| - General and administrative expenses | 1,184 | 899 | 3,997 | 1,820 |
| Retirement benefits - Defined contribution plans ² included in | | | | |
| - Cost of services rendered | 1,253 | 1,029 | 3,539 | 2,988 |
| - General and administrative expenses | 30 | 18 | 91 | 51 |
| | 28,818 | 23,563 | 81,142 | 67,398 |

¹ included in "other operating expenses" in the unaudited condensed consolidated statement of profit or loss and other comprehensive income

² no forfeited contributions available for offset against existing contributions during the period

8. INCOME TAX EXPENSE

| | Three months ended 31 December | | Nine months ended 31 December | |
|--------------------------|-----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 | 2014 (Unaudited) HK\$'000 | 2013 (Unaudited) HK\$'000 |
| Current tax | | | | |
| – Hong Kong Profits Tax | 407 | 946 | 1,197 | 1,761 |
| – charged for the period | | | | |

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the Company's estimated assessable profits for the period.

No deferred tax has been provided in the financial statements as there is no material temporary difference as at the reporting dates.

9. DIVIDEND

No dividends has been paid or declared by the Company since its incorporation. On 9 July 2014, Million Joyce Global Limited ("Million Joyce"), a subsidiary of the Company, declared and paid dividends of an aggregate amount of HK\$7,000,000 to the then shareholders, of such partially through set off of amount due from a director.

The Board did not recommend a payment of dividend for the nine months ended 31 December 2014 (nine months ended 31 December 2013: nil).

10. EARNING PER SHARE

The calculation of basic earnings per share for the nine months ended 31 December 2014 is based on the profit attributable to the owners of the Company amounting to HK\$2,644,000 (nine months ended 31 December 2013: HK\$8,912,000), and on the basis of the weighted average number of shares of 582,274,545 in issue (nine months ended 31 December 2013: 528,000,000 shares in issue, being the number of shares in issue immediately after share transfer of shares in Million Joyce on 29 July 2014 as described in the Prospectus as if these shares had been issued) throughout the period.

The calculation of basic earnings per share for the three months ended 31 December 2014 is based on the profit attributable to the owners of the Company amounting to HK\$2,056,000 (three months ended 31 December 2013: HK\$4,789,000), and on the basis of the weighted average number of shares of 609,565,217 in issue (three months ended 31 December 2013: 528,000,000 shares) in issue, being the number of shares in issue immediately after share transfer of shares in Million Joyce on 29 July 2014 as described in the Prospectus as if these shares had been issued) throughout the period.

The calculation of the weighted average number of shares outstanding has been adjusted for the effect of the placing of 112,000,000 new shares on 20 August 2014.

No diluted earnings per share is calculated for the three months and nine months ended 31 December 2014 and 2013 as there were no dilutive potential ordinary shares in existence.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is a manned security guarding services provider and it is licensed to provide security guarding services in Hong Kong under Type I security work in accordance with the Security Company License regime. The Group operates under the name "KING FORCE" and the services it offers aim to protect the safety and assets of its customers, and to prevent crime and offence and maintain order. The security guarding services offered by the Group include patrolling, access control at the lobby entrance, making entrance records of visitors and stopping trespassers, handling and reporting complaints. The Group also provides guarding and personal escorting services and crowd management services in various events, occasions, exhibitions, ceremonies and press conferences. With a decade of experience in manned security guarding services, the Group has established goodwill in its security guarding services. The Group is dedicated to providing quality manned security guarding services and it is accredited with ISO 9001:2008 (quality management system standard) for its design and provision of security guarding services awarded by the Hong Kong Quality Assurance Agency. To ensure its quality of services, the Group provides guidance and trainings to its security guards and conducts supervision on its security guards. With continued effort, the Group has established a broad customer base. For the nine months ended 31 December 2014, the Group had 451 customers, including property management companies, schools, warehouse operators, property redevelopers and construction companies.

FINANCIAL REVIEW

Revenue

For the nine months ended 31 December 2013 and 2014, the Group's revenue was principally generated from the provision of manned security guarding services in Hong Kong. The following table sets forth the breakdown of the Group's revenue by types of contracts for the nine months ended 31 December 2013 and 2014:

| | Nine months ended 31 December 2014 | | 2013 | |
|-----------------------------------|---------------------------------------|------------|----------|------------|
| | HK\$'000 | Percentage | HK\$'000 | Percentage |
| Manned security guarding services | | | | |
| – Fixed | 77,558 | 81.3% | 66,888 | 80.5% |
| – Temporary | 3,560 | 3.7% | 1,691 | 2.1% |
| – Event | 14,293 | 15.0% | 14,481 | 17.4% |
| Total | 95,411 | 100.0% | 83,060 | 100.0% |

Note: Fixed positions refer to contracts for terms equal to over 6 months while for temporary positions refer to contracts for terms less than 6 months.

The Group's overall revenue increased by approximately HK\$12.3 million or 14.9% from HK\$83.1 million for the nine months ended 31 December 2013 to approximately HK\$95.4 million for the nine months ended 31 December 2014. The increase in revenue is mainly due to (i) the increase in the number of fixed manned security guarding service contracts of 4.5%; (ii) the increase in the number of temporary manned security guarding service contracts of 20.0%; and (iii) the general increase in the service fees charged by the Group as a result of the increase in the guard costs and administrative fees.

Cost of services rendered

The Group's cost of services rendered increased by approximately HK\$11.6 million or 17.6% from approximately HK\$65.5 million for the nine months ended 31 December 2013 to approximately HK\$77.1 million for the nine months ended 31 December 2014. Such increase was primarily attributable to the expansion of the Group with more guards as well as the increase in salaries to attract staffs in view of the shortage of guards and high staff turnover rate in the security guarding service industry. Meanwhile, the size of the Group's operation department was also expanded by hiring additional patrol officers and control officers.

As at 31 December 2014, the Group had a total of 1,110 employees, of which 1,066 were full-time and part-time guards providing manned security guarding and related services.

Gross profit

The Group's gross profit increased by approximately HK\$0.8 million or 4.5% from approximately HK\$17.5 million for the nine months ended 31 December 2013 to approximately HK\$18.3 million for the nine months ended 31 December 2014 while the Group's gross margin decreased from approximately 21.1% for the nine months ended 31 December 2013 to approximately 19.2% for the nine months ended 31 December 2014. The decrease in gross margin was mainly due to (i) the presence of a particular event manned security services contract with relatively high margin during the nine months ended 31 December 2013; and (ii) the services fees changed in 2014 was relatively stable while the average actual hourly wage of guards kept growing.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$4.7 million or 73.0% from approximately HK\$6.4 million for the nine months ended 31 December 2013 to HK\$11.2 million for the nine months ended 31 December 2014. The increase in the Group's administrative expenses were mainly due to the increase in the operation scale, depreciation expenses, marketing expenses, advertisement expenses for recruitment of guards and legal and professional fees upon the listing of the shares of the Company (the "Shares") on the GEM (the "Listing").

Other operating expenses

Other operating expenses for the nine months ended 31 December 2014 amounted to approximately HK\$3.6 million (for the nine months ended 31 December 2013: nil). The Group's other operating expenses primarily consist of listing expenses in relation to the Listing, which is non-recurring in nature and mainly comprises professional fees paid to the parties for their services in connection to such regard.

Finance costs

The Group's finance costs decreased by approximately HK\$0.7 million or 74.9% from HK\$0.9 million for the nine months ended 31 December 2013 to HK\$0.2 million for the nine months ended 31 December 2014. The decrease in the finance costs was mainly due to the repayment of the Group's bank borrowing during the nine months ended 31 December 2014.

Profit for the period

Profit attributable to owners of the Company for the period decreased by approximately HK\$6.3 million or 70.3% from approximately HK\$8.9 million for the nine months ended 31 December 2013 to HK\$2.6 million for the nine months ended 31 December 2014. The Group's net profit margin decreased from approximately 10.7% for the nine months ended 31 December 2013 to approximately 2.8% for the same period of 2014. The decrease in the Group's profit for the period was mainly due to the increase in the listing expenses and administrative expenses while partly offset by the increase in gross profit as discussed above. If the one-off listing expenses are not taken into account, the Group would record a net profit for the nine months ended 31 December 2014 of approximately HK\$6.2 million, representing a decrease of 30.3% to that of the corresponding period in 2013.

Services Contracts

During the nine months ended 31 December 2014, the Group had entered into 161 new or renewed contracts, of which 64, 14 and 83 are fixed, temporary and event security guarding services contracts respectively. As at 31 December 2014, the Group had a total number of 245 unexpired security guarding services contracts.

OUTLOOK

Looking forward, the Directors consider that ongoing development and hosting of exhibitions, trade fairs and events and the increase in supply of residential properties and hotel properties in Hong Kong will drive the development of security guarding services which allow the Group to achieve sustainable growth in revenue.

The Group intends to achieve expansion in business, in particular the fixed manned security contracts which provide stable and regular income streams, with a strategy by ensuring a quality pool of guards are available at their expense, broadening its customer base with improved branding and image of the Group, and increasing its profitability of all types of services provided by way of better pricing due to higher service quality.

The Group intends to achieve expansion in business and maintain its competitiveness in the security guarding services industry in Hong Kong by recruiting and expanding the security guarding and patrol team, strengthening staff recruitment and training, expanding the sales and marketing department and uplifting marketing effect, and increasing of operational efficiency and enhancing quality of service.

To cope with the business objective and expansion of the Group, the Group has expanded its operation team by having additional patrol officers and control officers and recruited a trainer in September 2014, who is mainly responsible for the training of its guards. In December, the Group appointed a new general manager with extensive experience in the Hong Kong Police Force. The Directors consider this can further enhance the Group's reputation by improving its quality of manned security guarding services. Meanwhile, the Group plans to recruit additional operation managers to supervise its guards and to strengthen and expand its business in the security services industry.

In October 2014, the Group entered into a tenancy agreement with a third party independent to the Company in accordance to the GEM Listing Rules to lease a commercial premise in Wanchai for a term of 2 years. The Group uses such commercial premise for the establishment of the new recruitment centre. The Directors consider that the establishment of the recruitment centre in Wanchai facilitates the recruitment of guards for the guarding post located on the Hong Kong Island in view of the low mobility of guards according to the Group's experience. The recruitment centre has commenced operation in December 2014. Further, the Group also plans to invest more resources in job advertisements, participation in employment fairs, recruitment websites and referrals from outside training centres to facilitate the recruitment of staff.

In January 2015, the Group has entered into a software leasing agreement with an independent third party to the Company in accordance to the GEM Listing Rules to lease the using right of a mobile app system with global positioning system and radio-frequency identification technology that can be used for the purpose of keeping track of security guards, reporting complaints and incidents, and allowing employees to check their own rosters and salary payment records. The Directors consider the system will allow the Group to keep track of and manage the sizeable work force more efficiently and reduce the manpower for administrative purpose.

The Group will also continue to strengthen its marketing efforts in promoting its reputation and corporate image and use its best endeavours in identifying new business opportunities and achieving satisfactory returns for the shareholders of the Company.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and 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")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the Shares

| Name | Capacity/nature | Number of Shares held/interested | Percentage of shareholding |
|---------------------------------------|------------------------------------|----------------------------------|----------------------------|
| Mr. Fu Yik Lung ("Mr. Fu") (Note 1) | Interest of controlled corporation | 348,000,000 | 54.375% |
| Ms. Liu Lai Ying ("Ms. Liu") (Note 2) | Interest of spouse | 348,000,000 | 54.375% |

Notes:

- Optimistic King Limited ("Optimistic King") holds 348,000,000 Shares. Mr. Fu beneficially owns the entire issued share capital of Optimistic King. Therefore, Mr. Fu is deemed, or taken to be, interested in all the Shares held by Optimistic King for the purpose of the SFO. Mr. Fu is the sole director of Optimistic King.
- Ms. Liu is the spouse of Mr. Fu. Accordingly, Ms. Liu is deemed or taken to be interested in all the Shares in which Mr. Fu is interested in for the purpose of the SFO.

Long position in the share of associated corporations

| Name of Director | Name of associated corporation | Capacity/nature | Number of Shares held/interested | Percentage of shareholding |
|------------------|--------------------------------|--------------------|----------------------------------|----------------------------|
| Mr. Fu | Optimistic King | Beneficial owner | 1 | 100% |
| Ms. Liu (Note) | Optimistic King | Interest of spouse | 1 | 100% |

Note: Ms. Liu is the spouse of Mr. Fu. Accordingly, Ms. Liu is deemed or taken to be interested in such share in Optimistic King in which Mr. Fu is interested in for the purpose of the SFO.

Save as disclosed above, none of the Directors and chief executive of the Company has any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.47 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2014, the interest and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long position in the Shares

| Name | Capacity/nature | Number of Shares held /interested | Percentage of shareholding |
|--|------------------------|--|-----------------------------------|
| Optimistic King (<i>Note 1</i>) | Beneficial owner | 348,000,000 | 54.375% |
| Gloria Power Limited ("Gloria Power") | Beneficial owner | 132,000,000 | 20.625% |
| Mr. Chiu Chun Keung ("Mr. Chiu") (<i>Note 2</i>) | Interest of | | |
| | controlled corporation | 132,000,000 | 20.625% |
| Ms. Yung Wing Tao ("Ms. Yung") (<i>Note 3</i>) | Interest of spouse | 132,000,000 | 20.625% |

Notes:

1. The entire issued share capital of Optimistic King is owned by Mr. Fu. Mr. Fu is also the sole director of Optimistic King.
2. Mr. Chiu beneficially owns the entire issued share capital of Gloria Power. Therefore, Mr. Chiu is deemed, or taken to be, interested in all the Shares held by Gloria Power for the purpose of the SFO. Mr. Chiu is the sole director of Gloria Power.
3. Ms. Yung is the spouse of Mr. Chiu. Accordingly, Ms. Yung is deemed, or taken to be, interested in all the Shares in which Mr. Chiu is interested in for the purpose of the SFO.

Save as disclosed above, as at 31 December 2014, the Company had not been notified of any interests or short positions of substantial shareholders or other persons in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from 20 August 2014 (the "Listing Date") and up to the date of this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted written guidelines regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard of dealings and the said guidelines regarding Directors' securities transactions from the Listing Date up to the date of this report.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

As the Company was listed on 20 August 2014, the Company was not required to comply with the requirements under the code provisions set out in Appendix 15 – Corporate Governance Code (the "Code") to the GEM Listing Rules or the continuing obligations requirements of a listed issuer pursuant to the GEM Listing Rules prior to the Listing Date.

The Directors consider that since the Listing Date and up to the date of this report, the Company has applied the principles and complied with all the applicable code provisions set out in the Code.

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, TC Capital Asia Limited (the "Compliance Adviser"), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 11 August 2014, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in 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.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established an audit committee (the "Audit Committee") with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this report, the Audit Committee comprises Mr. Law Yiu Sing (chairman of the Audit Committee), Professor Lam Sing Kwong Simon and Mr. Ong Chi King, all of which are independent non-executive Directors.

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, this report and the third quarterly results announcement of the Group for the nine months ended 31 December 2014. The condensed consolidated financial results for the nine months ended 31 December 2014 are unaudited, but have been reviewed by the Audit Committee.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float since the Listing Date as required under the GEM Listing Rules.

DIRECTORS' AND MANAGEMENT SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Each of the Directors or the controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the nine months ended 31 December 2014.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries or associates during the nine months ended 31 December 2014.

By order of the Board
KING FORCE SECURITY HOLDINGS LIMITED
Fu Yik Lung
Chairman and Executive Director

Hong Kong, 13 February 2015

As at the date of this report, the executive Directors are Mr. Fu Yik Lung, Ms. Liu Lai Ying and Ms. Chung Pui Yee Shirley; and the independent non-executive Directors are Mr. Law Yiu Sing, Professor Lam Sing Kwong Simon and Mr. Ong Chi King.