

# 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 2015**

## **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 2015, together with the unaudited comparative figures for the respective corresponding periods in 2014 as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2015**

	Notes	For three months ended 31 December		For nine months ended 31 December	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
<b>Revenue</b>	4	<b>37,947</b>	34,368	<b>110,973</b>	95,411
Cost of services rendered		<b>(30,444)</b>	(27,607)	<b>(89,981)</b>	(77,085)
<b>Gross profit</b>		<b>7,503</b>	6,761	<b>20,992</b>	18,326
Other income	5	<b>252</b>	98	<b>321</b>	466
Administrative expenses		<b>(7,705)</b>	(4,352)	<b>(20,902)</b>	(11,151)
Other operating expenses		<b>-</b>	-	<b>-</b>	(3,569)
<b>Operating profit</b>		<b>50</b>	2,507	<b>411</b>	4,072
Finance costs	6	<b>-</b>	(44)	<b>-</b>	(231)
Share of result of associate		<b>(2,000)</b>	-	<b>(2,000)</b>	-
<b>(Loss)/profit before income tax</b>	7	<b>(1,950)</b>	2,463	<b>(1,589)</b>	3,841
Income tax expense	8	<b>-</b>	(407)	<b>(310)</b>	(1,197)
<b>(Loss)/profit for the period</b>		<b>(1,950)</b>	2,056	<b>(1,899)</b>	2,644
<b>Other comprehensive (expense)/income for the period</b>		<b>-</b>	-	<b>-</b>	-
<b>Total comprehensive (expense)/income for the period attributable to owners of the Company</b>		<b>(1,950)</b>	2,056	<b>(1,899)</b>	2,644
<b>(Loss)/earnings per share for the profit attributable to owners of the Company – Basic and Diluted (HK cents)</b>	10	<b>(0.030)</b>	0.034 (restated)	<b>(0.029)</b>	0.045 (restated)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED 31 DECEMBER 2015**

	Share capital HK\$'000	Share premium HK\$'000	Merger reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>At 1 April 2014</b>	8	–	2	19,704	19,714
Transactions with owners:					
Issue of shares by the Company pursuant to the reorganisation	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
<b>At 31 December 2014 (unaudited)</b>	6,400	39,008	(5,270)	15,348	55,486
<b>At 1 April 2015</b>	6,400	39,008	(5,270)	15,630	55,768
Profit and total comprehensive expense for the period	–	–	–	(1,899)	(1,899)
<b>At 31 December 2015 (unaudited)</b>	6,400	39,008	(5,270)	13,731	53,869

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

### 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 and mobile game business.

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 2015, 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 of the Group in connection with the listing of the shares of the Company (the "Shares") on the GEM on 20 August 2014 (the "Listing Date").

### BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the nine months ended 31 December 2015 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 of the Company dated 13 August 2014 (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 of 112,000,000 new shares on 20 August 2014 (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 2015 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 2015 are presented in Hong Kong dollars ("HK\$").

These unaudited condensed consolidated financial statements for the nine months ended 31 December 2015 have not been audited and were approved for issue by the Board of the Company on 12 February 2016.

### 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>
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>Leases</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 Instrument</i> <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>3</sup>
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle <sup>2</sup>

<sup>1</sup> Effective for periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning or transactions occurring, on or after 1 July 2014

<sup>3</sup> 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 period, the 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 2014 and 2015.

## 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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Bank interest income	—*	—*	—*	—*
Other interest income	20	10	40	63
Sundry income	232	88	281	403
	<b>252</b>	98	<b>321</b>	466

\* Represents amount less than HK\$1,000

## 6. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest charges on:				
Bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	-*	44	-*	215
Finance leases	-	-	-	16
	-	44	-	231

\* Represents amount less than HK\$1,000.

## 7. (LOSS)/PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Three months ended 31 December		Nine months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Cost of services rendered	<b>30,444</b>	27,607	<b>89,981</b>	77,085
Depreciation and amortisation:				
– Owned assets	<b>727</b>	387	<b>2,254</b>	978
– Leased assets	-	-	-	176
	<b>727</b>	387	<b>2,254</b>	1,154
Loss on disposal of property, plant and equipment	-	-	-	43
Write-off of property, plant and equipment	<b>482</b>	19	<b>482</b>	27
Listing expense <sup>1</sup>	-	-	-	3,569
Operating lease charges in respect of:				
– Rented premises	<b>183</b>	127	<b>469</b>	175
– Office equipment	<b>436</b>	9	<b>1,096</b>	27
	<b>619</b>	136	<b>1,565</b>	202
Employee benefits expenses (including director's remuneration):				
Salaries, allowances and benefits in kind included in				
– Cost of services rendered	<b>28,849</b>	26,351	<b>85,139</b>	73,515
– General and administrative expenses	<b>1,591</b>	1,184	<b>5,150</b>	3,997
Retirement benefits – Defined contribution plans <sup>2</sup> included in				
– Cost of services rendered	<b>1,421</b>	1,253	<b>4,103</b>	3,539
– General and administrative expenses	<b>20</b>	30	<b>71</b>	91
	<b>31,881</b>	28,818	<b>94,463</b>	81,142

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

<sup>2</sup> 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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current tax				
– Hong Kong Profits Tax				
– charged for the period	–	407	310	1,197

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 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

The Board did not recommend a payment of dividend for the nine months ended 31 December 2015 (nine months ended 31 December 2014: nil).

## 10. (LOSS)/EARNING PER SHARE

The calculation of basic loss per share for the nine months ended 31 December 2015 is based on the loss attributable to the owners of the Company amounting to HK\$1,899,000 (profit of nine months ended 31 December 2014: HK\$2,644,000), and on the basis of the weighted average number of shares of 6,400,000,000 in issue (nine months ended 31 December 2014 (restated): 5,822,745,450 shares in issue) throughout the period.

The calculation of basic loss per share for the three months ended 31 December 2015 is based on the loss attributable to the owners of the Company amounting to HK\$1,950,000 (profit of three months ended 31 December 2014: HK\$2,056,000), and on the basis of the weighted average number of shares of 6,400,000,000 in issue (three months ended 31 December 2014 (restated): 6,095,652,170 shares in issue) throughout the period.

In the extraordinary general meeting of the Company convened on 14 August 2015, the shareholders of the Company have passed the ordinary resolution in relation to (i) the subdivision of each (1) of the existing issued and unissued shares of HK\$0.01 each in the share capital of the Company into ten (10) subdivided shares of HK\$0.001 each; and (ii) subject to and upon the share subdivision becoming effective, change of the board lot size from 8,000 shares to 10,000 shares. The aforesaid share subdivision and change of board lot size became effective on 17 August 2015. Before the share subdivision, the authorised share capital of the Company was HK\$20,000,000 divided into 2,000,000,000 Shares of par value of HK\$0.01 each, of which 640,000,000 Shares have been allotted and issued as fully paid or credited as fully paid. Upon the share subdivision becoming effective, the authorised share capital of the Company remains at HK\$20,000,000 but is subdivided into 20,000,000,000 subdivided shares of par value of HK\$0.001 each, of which 6,400,000,000 subdivided shares is in issue.

The calculation of the weighted average number of shares outstanding has been adjusted for the effect of the Placing and the share subdivision.

No diluted earnings per share is calculated for the three months and nine months ended 31 December 2015 and 2014 as there were no dilutive potential ordinary shares in existence.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Overview

In April 2015, the Group entered into a subscription agreement with Magn Investment Limited ("Magn Investment"), wherein the Group conditionally agreed to subscribe 20% of the enlarged issued shares of Magn Investment. Magn Investment is an investment holding company of 深圳市微遊滙信息科技有限公司 (Shenzhen Weiyouhui Information Technology Co., Limited\*), which is principally engaged in (i) the research and development of computer and mobile software, including security software, advertisement sale management software, gaming platform operation software, payment software and office software; and (ii) through the VIE contracts, operations of gaming products. As a condition precedent to completion of the transactions contemplated under the said subscription agreement, the Group agreed to establish a joint venture with Magn Investment for the purpose of research and develop security system software for intelligence building automation system. The aforesaid subscription and establishment of the joint venture were completed on 2 October 2015.

In October 2015, the Company entered into an equity transfer agreement with Magn Group Limited ("Magn Group"), pursuant to which the Company conditionally agreed to acquire and Magn Group conditionally agreed to sell the 80% equity interest in Magn Investment. In November 2015, the Company and Magn Group further entered into a supplemental agreement, pursuant to which the parties agreed to amend the equity interest of Magn Investment to be acquired by the Company from 80% to 25% and adjusted the consideration accordingly. In December 2015, the Group completed the acquisition of 25% equity interest in Magn Investment. After the completion of the acquisition, the Group holds 45% equity interest in Magn Investment, an investment holding company of 深圳市微遊滙信息科技有限公司 (Shenzhen Weiyouhui Information Technology Co., Limited\*), which is principally engaged in (i) the research and development of computer and mobile software, including security software, advertisement sale management software, gaming platform operation software, payment software and office software; and (ii) through the VIE contracts, operation of gaming products. Magn Investment becomes an associate of the Company after the completion of the said acquisition.

To reflect the existing business of the Company after the completion of the acquisition of Magn Investment, i.e. the manned security guarding business and mobile game business, the Board, on 30 December 2015, proposed to change the English name of the Company from "King Force Security Holdings Limited" to "King Force Holdings Limited" and the Chinese name of the Company from "冠輝保安控股有限公司" to "冠輝控股有限公司". Nonetheless, thereafter it has come to the Board's notice that the proposed new English name "King Force Holdings Limited" is not available for registration in the Cayman Islands. Therefore, the Board has determined to change the English name of the Company to "King Force Group Holdings Limited" and adopt the Chinese name "冠輝集團控股有限公司" as the new dual foreign name of the Company. The resolution regarding the proposed change of company name was duly passed at the extraordinary general meeting on 1 February 2016. The proposed change of company name is still subject to the approval of the Registrar of Companies in the Cayman Islands. The proposed change of company name will take effect from the date of entry of the new English name of King Force Group Holdings Limited and dual foreign name in Chinese of the Company on the register of companies maintained by the Registrar of Companies in the Cayman Islands. The Company will carry out all necessary filing procedures with the Registrar of Companies in Hong Kong regarding the proposed change of company name correspondingly.

On 5 January 2016, the Group entered into a non-legally binding memorandum of understanding (the "MOU") with two vendors in relation to a possible acquisition of 60% equity interest in 深圳市琉璃時光企業諮詢管理有限公司 (Shenzhen Spa Moment Corporate Consultancy and Management Company Limited\*), which is principally engaged in spa chain management and spa chain software research and development. Unless otherwise extended by the vendors under the MOU and Loyal Salute Limited, a wholly-owned subsidiary of the Company and the prospective purchaser under the MOU, the MOU shall automatically terminate on the earlier of (i) 40 days from 5 January 2016 (or such longer period as the vendors and the purchaser may agree); or (ii) the date of the execution of the formal agreement. Upon termination of the MOU, the vendors and the purchaser shall have no further obligations under the MOU, except as stated in clauses of termination, confidentiality, notices and governing law and jurisdiction which shall survive. Please refer to the announcement of the Company dated 5 January 2016 for details.

As mentioned in the announcement of the Company dated 2 December 2015, the Company intends to issue and a third party (the "Subscriber") intends to subscribe for convertible bonds (the "Proposed Subscription"). The Company and the Subscriber are still in the process of negotiating the structure and terms of the Proposed Subscription and have not entered into any legally binding definitive agreement for the Proposed Subscription. Further announcement(s) in relation to the Proposed Subscription will be made by the Company as and when appropriate in compliance with the GEM Listing Rules.

### Manned Security Guarding Services

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 over nine years' 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 2015, the Group had 459 customers, including property management companies, schools, warehouse operators, property redevelopers and construction companies.

### Mobile Game Business

Magn Investment, an associated company of the Group, is an investment holding company of 深圳市微遊滙信息科技有限公司 (Shenzhen Weiyouhui Information Technology Co., Limited\*) ,which is principally engaged in (i) the research and development of computer and mobile software, including security software, advertisement sale management software, gaming platform operation software, payment software and office software; and (ii) through the VIE contracts, operation of gaming products. The Group's share of loss of its associated company for the nine months ended 31 December 2015 was primarily due to the upfront cost in research and development of software and mobile games. The revenue generated from the mobile game business was commenced to reflect in the financial statements of the associated company in December 2015.

## FINANCIAL REVIEW

### Revenue

For the nine months ended 31 December 2014 and 2015, 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 2014 and 2015:

	Nine months ended 31 December		2014	
	2015		2014	
	HK\$'000	Percentage	HK\$'000	Percentage
Manned security guarding services				
– Fixed	95,232	85.8%	77,558	81.3%
– Temporary	2,862	2.6%	3,560	3.7%
– Event	12,879	11.6%	14,293	15.0%
<b>Total</b>	<b>110,973</b>	<b>100%</b>	<b>95,411</b>	<b>100%</b>

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

The Group's overall revenue increased by approximately HK\$15.6 million or 16.4% from approximately HK\$95.4 million for the nine months ended 31 December 2014 to approximately HK\$111.0 million for the nine months ended 31 December 2015. The increase in revenue was mainly due to (i) the increase in the number of fixed manned security guarding service contracts of approximately 1.8%; and (ii) the general increase in the service fees charged by the Group as a result of the increase in the guard costs and administrative fees as a result of the general inflation.

### **Cost of services rendered**

For the nine months ended 31 December 2014 and 2015, cost of services rendered, which mainly consists of direct guard cost, was approximately HK\$77.1 million and HK\$90.0 million, respectively, representing approximately 80.8% and 81.0% of the Group's revenue, respectively. Such increase was primarily attributable to the expansion of the Group with more guards as well as the increase in salaries to attract staff 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 2015, the Group had a total of 1,188 employees, of which 1,150 were full-time and part-time staff providing manned security guarding and related services.

### **Gross profit**

The Group's gross profit increased by approximately HK\$2.6 million or 14.2% from approximately HK\$18.3 million for the nine months ended 31 December 2014 to approximately HK\$20.9 million for the nine months ended 31 December 2015 while the Group's gross profit margin decreased from approximately 19.2% for the nine months ended 31 December 2014 to approximately 18.9% for the nine months ended 31 December 2015. The decrease in gross profit margin was mainly due to (i) the presence of a particular manned security services contract with relatively high margin for the nine months ended 31 December 2014; and (ii) the service fees charged in 2015 was relatively stable while the average actual hourly wage of guards kept growing.

### **Administrative expenses**

The Group's administrative expenses increased by approximately HK\$9.7 million or 86.6% from approximately HK\$11.2 million for the nine months ended 31 December 2014 to approximately HK\$20.9 million for the nine months ended 31 December 2015. The increase in the Group's administrative expenses was mainly due to legal and professional fee and consultation expenses in relation to the acquisition of Magn Investment by the Group.

### **Other operating expenses**

Other operating expenses for the nine months ended 31 December 2015 amounted to nil (For the nine months ended 31 December 2014: approximately HK\$3.6 million).

### **Finance costs**

The Group's finance costs decreased by approximately 100% from approximately HK\$0.2 million for the nine months ended 31 December 2014 to approximately nil for the nine months ended 31 December 2015. 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.

### **(Loss)/Profit for the period**

Profit attributable to owners of the Company for the period decreased by approximately HK\$4.5 million or 170% from approximately HK\$2.6 million for the nine months ended 31 December 2014 to loss of approximately HK\$1.9 million for the nine months ended 31 December 2015. The decrease in the Group's profit for the period was mainly due to the increase in administrative expenses while partly offset by the increase in gross profit as discussed above and share of loss of associated company.

## Services Contracts

During the nine months ended 31 December 2015, the Group had entered into 384 new or renewed contracts, of which 282, 38 and 64 are fixed, temporary and event security guarding services contracts respectively. As at 31 December 2015, the Group had a total number of 239 unexpired security guarding services contracts.

## OUTLOOK

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 also intends to 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 in-house training, expanding the sales and marketing department and uplifting marketing effect, and increasing of operational efficiency and enhancing quality of service.

In April 2015, the Group has entered into a software leasing agreement with an independent third party to develop and 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. As at the date of this report, the function of keeping track of security guards has commenced.

After the completion of the acquisition of 25% equity interest in Magn Investment by the Group, the Group holds 45% equity interest in Magn Investment. As a result, the Group can better utilise or be granted with flexibility in managing our relevant man power, such as programmers, and other resources, such as developed intellectual assets, in the course of developing our intelligence building automation system business. In addition, the Board considers that the acquisition can diversify the Group's businesses and broaden its revenue base.

On 5 January 2016, the Group entered into the MOU with two vendors in relation to a possible acquisition of 60% equity interest in 深圳市琉璃時光企業諮詢管理有限公司 (Shenzhen Spa Moment Corporate Consultancy and Management Company Limited\*), which is principally engaged in spa chain management and spa chain software research and development. Unless otherwise extended by the vendors under the MOU and Loyal Salute Limited, a wholly-owned subsidiary of the Company and the prospective purchaser under the MOU, the MOU shall automatically terminate on the earlier of (i) 40 days from 5 January 2016 (or such longer period as the vendors and the purchaser may agree); or (ii) the date of the execution of the formal agreement. Upon termination of the MOU, the vendors and the purchaser shall have no further obligations under the MOU, except as stated in clauses of termination, confidentiality, notices and governing law and jurisdiction which shall survive. Please refer to the announcement of the Company dated 5 January 2016 for details.

The Group will also continue to strengthen its 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 2015, 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	2,280,000,000	35.63%
Ms. Liu Lai Ying ("Ms. Liu") (Note 2)	Interest of spouse	2,280,000,000	35.63%

Notes:

- Optimistic King Limited ("Optimistic King") holds 2,280,000,000 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 one of the directors 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 2015, 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**

<b>Name</b>	<b>Capacity/nature</b>	<b>Number of Shares held /interested</b>	<b>Percentage of shareholding</b>
Optimistic King (Note)	Beneficial owner	2,280,000,000	35.63%
孫振洲	Beneficial owner	1,200,000,000	18.75%

Note: The entire issued share capital of Optimistic King is owned by Mr. Fu. Mr. Fu is one of the directors of Optimistic King.

Save as disclosed above, as at 31 December 2015, 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 during the nine months ended 31 December 2015 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 during the nine months ended 31 December 2015 and up to the date of this report.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

During the nine months ended 31 December 2015 and up to the date of this report, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules.

## **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 and being the financial adviser to the Company in relation to the acquisition of Magn Investment, 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, risk management and internal control procedures of the Group. As at the date of this report, the Audit Committee comprises Ms. Au Man Yi (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 2015. The condensed consolidated financial results for the nine months ended 31 December 2015 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 2015.

### **MATERIAL ACQUISITION AND DISPOSAL**

In December 2015, the Group completed the acquisition of 25% equity interest in Magn Investment. After the completion of the acquisition, the Group holds 45% equity interest in Magn Investment. Magn Investment is an investment holding company of 深圳市微遊滙信息科技有限公司 (Shenzhen Weiyouhui Information Technology Co., Limited\*), which is principally engaged in (i) the research and development of computer and mobile software including security software, advertisement sale management software, gaming platform operation software, payment software and office software; and (ii) through the VIE contracts, operation of gaming products. Magn Investment becomes an associate of the Company after the completion of the said acquisition.

On 5 January 2016, the Group entered into the MOU with two vendors in relation to a possible acquisition of 60% equity interest in 深圳市琉璃時光企業諮詢管理有限公司 (Shenzhen Spa Moment Corporate Consultancy and Management Company Limited\*), which is principally engaged in spa chain management and spa chain software research and development. Please refer to the announcement of the Company dated 5 January 2016 for details.

Save as disclosed in this report, the Group did not have any material acquisition or disposal of subsidiaries or associates during the nine months ended 31 December 2015.

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

Hong Kong, 12 February 2016

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

\* for identification purpose only