ANNUAL REPORT 2016

King Force Group Holdings Limited
冠輝集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8315

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.

This report, for which the directors (the "Directors") of King Force Group 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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:
Mr. Fu Yik Lung *(Chairman)*
Ms. Liu Lai Ying *(Chief Executive Officer)*
Ms. Chung Pui Yee Shirley
Mr. Zhang Chengzhou *(resigned on 27 November 2015)*
Ms. Chen Xiaoting *(appointed on 22 October 2015 and resigned on 18 January 2016)*
Mr. Li Mingming *(appointed on 24 September 2015)*
Mr. Chen Yunchuo *(appointed on 2 February 2016)*

Independent Non-executive Directors:
Mr. Law Yiu Sing *(resigned on 1 July 2015)*
Professor Lam Sing Kwong Simon
Mr. Ong Chi King
Ms. Au Man Yi *(appointed on 1 July 2015)*

AUDIT COMMITTEE

Ms. Au Man Yi *(Chairman)*
Professor Lam Sing Kwong Simon
Mr. Ong Chi King

REMUNERATION COMMITTEE

Mr. Ong Chi King *(Chairman)*
Mr. Fu Yik Lung
Professor Lam Sing Kwong Simon
Ms. Au Man Yi

NOMINATION COMMITTEE

Mr. Fu Yik Lung *(Chairman)*
Professor Lam Sing Kwong Simon
Mr. Ong Chi King
Ms. Au Man Yi

JOINT COMPANY SECRETARIES

Ms. So Hau Kit
Mr. Wong Ka Shing

AUTHORISED REPRESENTATIVES

Mr. Fu Yik Lung
Ms. Liu Lai Ying

INDEPENDENT AUDITOR

BDO Limited

COMPLIANCE ADVISER

TC Capital International Limited

LEGAL ADVISER

As to Hong Kong Law
Loong & Yeung

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTER

18th Floor
So Tao Centre
Nos. 11-15 Kwai Sau Road
Kwai Chung
New Territories
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

Room 1603, 16/F
China Building
29 Queen's Road Cental
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Kwai Chung Branch

Standard Chartered Bank
Kwai Chung Branch

COMPANY WEBSITE

www.kingforce.com.hk

STOCK CODE

08315

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 March 2016 (the "Reporting Period") amounted to approximately HK$146.2 million (2015: approximately HK$130.3 million).

- Loss attributable to the owners of the Company for the year ended 31 March 2016 amounted to approximately HK$55 thousand (2015: profit of approximately HK$2.9 million).

- Basic and diluted loss per share for the year ended 31 March 2016 amounted to approximately HK0.001 cents (basic and diluted earnings per share for the year ended 31 March 2015: approximately HK0.05 cents (restated)).

- The board of directors (the "Board") does not recommend payment of any dividend for the year ended 31 March 2016 (2015: nil).

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present to our valued shareholders and investors of the annual report of the Group for the financial year ended 31 March 2016.

The Group commenced to use mobile APP system since April 2015 which enables the Company to trace the security guards efficiently by using the APP system. After further development of such system, we expect that such system will be widely used by the Group. If complaints and incidents occur, our staff can check the duty lists and wages payment records and customers can immediately enquire the working situation of security guards who are on duty by using such system. Since the significant salary increase for security guards and more competitors in the market in the previous year, the Company has started to establish an intelligent security control center so as to reduce the number of the security guards and enhance the competitiveness and operating capacity of the Company by utilizing the intelligent security system.

In addition to our manned security guarding services, the year ended of 2016 was a milestone year for the Group and the success of acquired 45% of Magn Investment Limited would diversify the Group's business and broaden its profit base.

The global mobile games industry continued growing strongly in 2015, with more than 1.6 million users generating approximately US$30 billion in revenue (mainly from smartphones and tablets). This was an increase of 23% over 2014, surpassing console and video games with a 33% market share. By 2018, mobile games are expected to overtake browser games to become the most popular platform of the games industry.

Currently, a few additional regulations on online games have been promulgated in China in 2016:

– "Administrative Rules on Internet Publication Services" (《網路出版服務管理規定》) were promulgated by the State administration of Press, Publication, Radio, Film and Television as well as the Ministry of Industry and Information Technology and was effective from 10 March 2016.

– On 2 June 2016, "Circular on the Administration of Mobile Game Publication Services" ("關於移動遊戲出版服務管理的通知") was promulgated by the State administration of Press, Publication, Radio, Film and Television and will be effective from 1 July 2016.

– "Rules for Mobile Games Content (2016)" (移動遊戲內容規範(2016年版)) were established by the Game Publishers Association Publications Committee and would be an important reference to the research and development of mobile games and verification of the publication and operation.

In view of the above regulations, starting from 1 July 2016, any online game in the PRC shall meet the following requirements:

– Requirements on online game companies:
  - online cultural business license(網路文化經營許可證)
  - ICP license(增值電信業務經營許可證)

– Before playing online:
  - Copyright of the software is required
  - A version number is required (application to the copyright authority is needed)
    Institutions with publication license may assist in the application of game version number. Online cultural business license, ICP license, copyright certification of the software and copyright source (special IP) are needed.
  - State online game record – record in cultural department
    Recording enterprise shall be an enterprise with online cultural business license. All the publishers which include all channels, toll platform and channel of such game shall be listed as operating units on the site of cultural department for record.

In conclusion, as for Magn Investment Limited, an associate company engaging in conventional best-selling mobile game business, pre-examination and approval can prevent pirate, infringement and objectionable contents of video games, which will improve the overall quality of the mobile game industry and will be favorable for quality game contents and quality mobile game companies. Mobile game industry is going on a formalizing trend. Gamers will be more prudent in choosing games. Small mobile game companies tend to suffer as the requirements for online cultural license and ICP license will ban the access of them. In other words, there will be a higher entry barrier, which, however, is favorable for a formalized company. Given the restriction on version number, poor quality and vulgar mobile games will be washed out in market competition while top-grade games highlighted with outstanding graphic quality and innovative gameplay will overwhelm and support the healthful development of video game industry.

Currently, Magn Media Group has been negotiating with various game development teams for a number of high quality games. It is expected to launch more prime games soon. In future, Magn Media Group may introduce certain excellent foreign games to domestic market as well as export outstanding games to overseas markets. It is our plan to act as a game importer and exporter to achieve our globalization objective and maximize shareholders' interests.

In conclusion, on behalf of the Board, I would like to express my sincere gratitude to our shareholders, business partners and others who have extended their invaluable support to the Group and my fellow directors and all staff for their considerable contributions to the Group.

Fu Yik Lung
Chairman

Hong Kong, 23 June 2016

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 新動傳媒中國有限公司 (Magn Media (China) Holdings Limited*) ("Magn Media (China)"), 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 a series of variable interest entities contracts (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. In September 2015, the Group and Magn Investment entered into the joint venture agreement in relation to the formation of the joint venture. In October 2015, Magn Investment becomes an associate of the Company after the completion of the said subscription.

In October 2015, the Group 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 Group 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.

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 proposed change of company name was effective on 12 February 2016.

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.

On 30 March 2016, the associates of the Group, 深圳市題名廣告有限公司 (Shenzhen Timing Advertisement Co., Limited*) ("Timing Advertisement") and 深圳市新動文化傳播有限公司 (Shenzhen MAGN Cultural Media Co., Limited*) ("MAGN Cultural") entered into the agreement with 陳運逴 (Chen Yunchuo) ("Mr. Chen") and 深圳市前海成長一號投資基金企業(有限合夥)(Shenzhen Qianhai Growth No. 1 Investment Fund (Limited Partnership)) (the "Growth Fund"), pursuant to which the Growth Fund agreed to invest RMB80 million in the mobile game 鬼吹燈3D (Ghost blows 3D*) (the "Project") operated by MAGN Cultural in return for the profit to be generated by the Project. Pursuant to the agreement, the Growth Fund agreed to invest a total amount of RMB80 million in the Project operated by MAGN Cultural by way of several installments of loan (the "Loan"). The number of installments, interest rate, and time of withdrawal and repayment of the Loan shall be subject to further agreement among the parties. The purpose of the Loan is limited for the marketing, publication and operation of the Project. Please refer to the announcement of the Company dated 30 March 2016 for details.

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 ten 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 year ended 31 March 2016, the Group had 506 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 Magn Media (China), 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 profit of its associated company for the year ended 31 March 2016 was approximately HK$1.1 million. The associate of the Group commenced the mobile game business in 2015 while the first mobile game of such business was launched in April 2015. In December 2015, the associate of the Group commenced to generate profit from its mobile game business along with more mobile games were launched in December 2015.

As disclosed in the announcement of the Company dated 24 November 2015, the mobile game business of Magn Investment is operated through controlling Timing Advertisement and its subsidiaries in the PRC (the "VIE Group") through the VIE Contracts.

During the 6 months period from 2 October 2015 to 31 March 2016, the VIE Group recorded a loss of approximately HK$1.2 million and the total assets of the VIE Group as at 31 March 2016 amounted to approximately HK$45.3 million.

The PRC Equity Owners

The registered equity owners of Timing Advertisement (the "PRC Equity Owners") and their respective shareholdings in Timing Advertisement are as follows:

	Approximate % of interest held
Chen Yunchuo（陳運逴）	73.8674%
Chen Ming（陳銘）	17.4217%
Ru Yi（汝毅）	3.4843%
He Huren（何虎仁）	2.6133%
Guo Changhe（郭長河）	2.6133%
Total	100%

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the above equity owners is a resident in the PRC and an Independent Third Party.

Reasons for use of the VIE Contracts

The VIE Group is principally engaged in the operation of mobile games and is considered to be engaged in the provision of value-added telecommunications services as a result of the operations of our website. In addition, the VIE Group holds certain licenses and permits that are essential to the operation of the mobile game business, such as ICP Licenses and the Network Cultural Business Permit.

Investment activities in the PRC by foreign investors are primarily regulated by the Guidance Catalogue of Industries for Foreign Investment (the "**Catalogue**"), which was promulgated and is amended from time to time jointly by the Ministry of Commerce of the PRC and the National Development and Reform Commission of the PRC. The Catalogue divides industries into four categories in terms of foreign investment, including "encourage", "restricted" and "prohibited", and all industries not listed under any of these categories are deemed to be "permitted". Pursuant to the Guidance Catalogue of Industries for Foreign Investment (2015 Revision)(《外商投資產業指導目錄(2015年修訂)》), the mobile game business that the VIE Group currently operates falls into the value-added telecommunications services and the internet cultural business, which are considered "restricted" and "prohibited", respectively. Therefore, foreign investors are prohibited from holding equity interest in an entity conducting mobile game business and are restricted to conduct value-added telecommunications services. In light of the above, as MAGN Classic Technology Co., Limited*（深圳市新動經典科技有限公司）("MAGN Classic Technology"), and indirect wholly-owned subsidiary of Magn Investment, is a foreign-owned company, it is not allowed to hold any equity interests of the VIE Group under the PRC laws.

Therefore, MAGN Classic Technology, Timing Advertisement and the PRC Equity Owners have entered into the VIE Contracts on 4 August 2015 to enable the financial results, the entire economic benefits and the risks of the businesses of the VIE Group to flow into MAGN Classic Technology and to enable MAGN Classic Technology to gain control over the VIE Group.

VIE Contracts

Principal terms of each of the VIE Contracts are set out as follows:

(i) *Exclusive Consulting Service Agreement*

Parties: MAGN Classic Technology; and Timing Advertisement

Term: the Exclusive Consulting Service Agreement shall take effect from the date of its execution until any of the following circumstances occur:

(i) the shareholder(s) of Timing Advertisement transferred all the equity interests or assets of Timing Advertisement to MAGN Classic Technology or its nominee;

(ii) MAGN Classic Technology requests for termination unilaterally (Timing Advertisement has no right to request for termination unilaterally); and

(iii) termination is required under applicable PRC laws and regulations.

Services:	the services includes but not limited to:

(i) allow Timing Advertisement to use its software;

(ii) provide corporate management and consultation services, and information technology consultation services;

(iii) provide training to the staff of Timing Advertisement;

(iv) assist Timing Advertisement in the collection and research of media information, and the development and application of media management software; and

(v) provide other technical and consultation services to Timing Advertisement upon its request from time to time (as permissible under the PRC laws).

Exclusiveness: MAGN Classic Technology is appointed as the exclusive service provider of Timing Advertisement. Timing Advertisement shall not appoint any other third party providing similar services

Fees: The amount and calculation method of the fee payable shall be determined by MAGN Classic Technology under the principle of profit maximization and after having considered the business condition of Timing Advertisement. Such fees will be payable annually within 3 months from the end of each calendar year by way of bank transfer. MAGN Classic Technology has the rights to adjust the payment period, payment proportion and/or actual amount of fees without restriction.

According to the Exclusive Consulting Service Agreement, Timing Advertisement shall pay service fees to MAGN Classic Technology, and the amount and calculation method of the fee payable shall be determined by MAGN Classic Technology under the principle of profit maximization and after having considered the business condition of Timing Advertisement. The principle of profit maximization shall mean that Timing Advertisement shall pay to MAGN Classic Technology a service fee that equals to the profit before taxation of Timing Advertisement, after offsetting the prior-year loss (if any), working capital requirements, expenses and tax of Timing Advertisement in any given year, and MAGN Classic Technology shall have the right to adjust the level of the service fee based on the actual service scope and with reference to the operating conditions and expansion needs of Timing Advertisement.

The exact amount of service fee payable by Timing Advertisement to MAGN Classic Technology in a given period will be determined by MAGN Classic Technology according to the operation and financial results of Timing Advertisement, which generally equals to the profit before taxation of Timing Advertisement, after offsetting the prior-year loss (if any), working capital requirements, expenses and tax of Timing Advertisement in any given year. The profit retained in the Timing Advertisement will be determined according to the necessary operating costs, expenses and taxes required for the continuation of the operation of the Timing Advertisement and hence, the VIE Group as a whole.

The VIE Contracts shall ensure that all the profits generated from Timing Advertisement and hence VIE Group as a whole will be transferred to MAGN Classic Technology, after offsetting the prior-year loss (if any), working capital requirements, expenses and tax of Timing Advertisement in any given year. Therefore, no profits will be retained in Timing Advertisement and the VIE Group, except for those amounts required for offsetting the prior-year loss (if any), working capital requirements, expenses and tax of Timing Advertisement and the VIE Group.

In line with the method generally used in the VIE structure, the business condition needs to be considered in determining the service fee payable by Timing Advertisement to MAGN Classic Technology in a given period may include without limitation to: (i) the profits generated from the VIE Group; (ii) the prior-year loss (if any), working capital requirements, expenses and tax of the VIE Group; (iii) the scope of the service provided by the MAGN Classic Technology to the VIE Group; (iv) the staff members employed by MAGN Classic Technology to provide management, market promotion, technical support, research and development and other relevant services as required to be provided to the VIE Group and the costs for providing such service; and (v) other costs and expenses incurred by MAGN Classic Technology in performing the obligations under the Exclusive Consulting Service Agreement.

According to the Exclusive Consulting Service Agreement, MAGN Classic Technology, rather than Timing Advertisement, has the rights to adjust the payment period, payment proportion and/or actual amount of fees without restriction, and determine how much of all profits generated from the VIE Group are transferred to MAGN Classic Technology, therefore the Board believes that the MAGN Classic Technology can gain control over the financing and business operation of Timing Advertisement.

(ii) *Exclusive Call Option Agreement*

Parties: MAGN Classic Technology; Timing Advertisement; and PRC Equity Owners

Term: the Exclusive Call Option Agreement shall take effect from the date of its execution until any of the following circumstances occur:

(i) the shareholder(s) of Timing Advertisement transferred all the equity interests or assets of Timing Advertisement to MAGN Classic Technology or its nominee;

(ii) MAGN Classic Technology requests for termination unilaterally (Timing Advertisement and the PRC Equity Owners have no right to request for termination unilaterally); and

(iii) termination is required under applicable PRC laws and regulations.

Subject: *Call Option of Equity Interest*

The PRC Equity Owners irrevocably and unconditionally agreed to grant an exclusive call option to MAGN Classic Technology, pursuant to which MAGN Classic Technology may require the PRC Equity Owners to transfer their equity interests in Timing Advertisement to MAGN Classic Technology or its nominee insofar as permitted under applicable PRC laws and regulations.

MAGN Classic Technology may exercise the call option at any time, any manner, any number of times it wishes and at the lowest price insofar as permitted under applicable PRC laws and regulations.

Call Option of Assets

Timing Advertisement irrevocably and unconditionally agreed to grant an exclusive call option to MAGN Classic Technology, pursuant to which MAGN Classic Technology may require the Timing Advertisement to transfer its assets to MAGN Classic Technology or its nominee insofar as permitted under applicable PRC laws and regulations.

MAGN Classic Technology or its nominee may exercise the call option at any time for all or part of Timing Advertisement's asset as it wishes at the lowest price insofar as permitted under applicable PRC laws and regulations.

Undertakings: *PRC Equity Owners*

Each of the PRC Equity Owners agreed to undertake, amongst others:

(i) he will not transfer or in any way dispose or create any security or third party's right on the equity interest of Timing Advertisement;

(ii) he will not alter the registered capital of Timing Advertisement, or authorize any merger, acquisition or investment by Timing Advertisement;

(iii) he will not dispose or procure the disposal of any substantial assets of Timing Advertisement;

(iv) he will not sign or terminate or procure the signing or termination of any agreement in conflict with the Exclusive Call Option Agreement (except for the other VIE Contracts);

(v) he will not procure the declaration or actual distribution of any profits, bonus or dividend by Timing Advertisement; and

(vi) he will not procure Timing Advertisement to engage in any transactions or activities which will impact the assets, rights, obligations or operation of Timing Advertisement.

Timing Advertisement

Timing Advertisement agreed to undertake, amongst others:

(i) without prior written consent of MAGN Classic Technology, it will not assist or allow the PRC Equity Owner to transfer or in any way dispose or create any security or third party's right on its equity interest; and

(ii) without prior written consent of MAGN Classic Technology, it will not transfer or in any way dispose or create any security or third party's right on its assets in a substantial aspect, or engage in any transaction or activity which will impact its assets, rights, obligations or operation.

Pursuant to the Exclusive Call Option Agreement, the PRC Equity Owners agreed to repay Magn Classic Technology the full amount of consideration for exercising the call option within 10 business days from the exercise day.

The Company undertakes that as soon as the relevant PRC laws allows the business of the VIE Group to be operated without the VIE Contracts, the Company will arrange Magn Classic Technology to unwind the VIE Contracts.

(iii) Shareholders' Voting Right Entrustment Agreement

Parties: MAGN Classic Technology; Timing Advertisement; and PRC Equity Owners

Term: the Shareholders' Voting Right Entrustment Agreement shall take effect from the date of its execution until any of the following circumstances occur:

(i) the shareholder(s) of Timing Advertisement transferred all the equity interests or assets of Timing Advertisement to MAGN Classic Technology or its nominee;

(ii) MAGN Classic Technology requests for termination unilaterally (Timing Advertisement and the PRC Equity Owners have no right to request for termination unilaterally); and

(iii) termination is required under applicable PRC laws and regulations.

Subject: The PRC Equity Owners irrevocably and unconditionally agreed to entrust to the director(s), successor(s) or receiver(s) of MAGN Classic Technology all their voting rights in Timing Advertisement, which include but not limited to the followings:

(i) as the agent of the PRC Equity Owners, to convene and attend the shareholders' meetings of Timing Advertisement;

(ii) to represent the PRC Equity Owners and discuss, approve and exercise the voting rights at the shareholders' meetings of Timing Advertisement;

(iii) any other voting rights as authorized under the articles of association of Timing Advertisement (as amended from time to time); and

(iv) to receive any general meeting notice, execute any meeting minutes or resolutions, and submit or file the relevant documents with the relevant PRC authorities on behalf of the PRC Equity Owners.

The PRC Equity Owners confirmed that no prior consent from them is required for exercising the aforesaid voting rights.

(iv) Equity Pledge Agreement

Parties: MAGN Classic Technology; Timing Advertisement; and PRC Equity Owners

Term: the Equity Pledge Agreement shall take effect from the date of its execution until any of the following circumstances occur:

(i) the shareholder(s) of Timing Advertisement transferred all the equity interests or assets of Timing Advertisement to MAGN Classic Technology or its nominee;

(ii) MAGN Classic Technology requests for termination unilaterally (Timing Advertisement and the PRC Equity Owners have no right to request for termination unilaterally); and

(iii) termination is required under applicable PRC laws and regulations.

Subject: The PRC Equity Owner agreed to pledge their equity interest in Timing Advertisement to MAGN Classic Technology as security. MAGN Classic Technology shall have the rights to dispose the pledged equity interest upon occurrence of any event of default, which includes: (i) any breach of terms or conditions, or any substantial incorrectness or misrepresentation in the representations and warranties of the Exclusive Call Option Agreement, the Shareholders' Voting Right Entrustment Agreement or the Equity Pledge Agreement by the PRC Equity Owners; and (ii) any breach of terms or conditions, or any substantial incorrectness or misrepresentation in the representations and warranties of the Exclusive Consulting Service Agreement, the Exclusive Call Option Agreement, the Shareholders' Voting Right Entrustment Agreement or the Equity Pledge Agreement by Timing Advertisement.

The PRC Equity Owners shall register the equity pledge within 10 business days from the date of Equity Pledge Agreement, and provide the documentary proof of successful registration to MAGN Classic Technology within 60 business days from the date of the Equity Pledge Agreement.

During the Reporting Period, save as disclosed in this report, there was no material change in the VIE Contracts and/or the circumstances under which they were adopted.

RISK FACTORS IN RELATION TO THE VIE CONTRACTS

The PRC government may determine that the VIE Contracts do not comply with the applicable laws and regulations

There can be no assurance that the VIE Contracts will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the VIE Contracts will be deemed to be in compliance of the PRC laws and regulations.

The VIE Contracts may not be as effective as direct ownership in providing control over Timing Advertisement

The Group relies on contractual arrangements under the VIE Contracts with Timing Advertisement to operate the mobile game business in the PRC. These contractual arrangements may not be as effective in providing the Group with control over Timing Advertisement as direct ownership.

The PRC Equity Owners may potentially have a conflict of interests with the Group

The Group's control over Timing Advertisement is based on the contractual arrangement under the VIE Contracts. Therefore, conflict of interests of the PRC Equity Owners will adversely affect the interests of the Company. Pursuant to the Shareholders' Voting Right Entrustment Agreement, the PRC Equity Owners will irrevocably authorize MAGN Classic Technology (or its director or successor or receiver) as their representative to exercise the voting rights of the shareholders of Timing Advertisement. Therefore, it is unlikely that there will be potential conflict of interests between the Company and the PRC Equity Owners. However, in the unlikely event that conflict of interests arises and cannot be resolved, the Company will consider removing and replacing the PRC Equity Owners.

The contractual arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed

The Group could face material adverse tax consequences if the PRC tax authorities determine that the arrangements under the VIE Contracts was not entered into based on arm's length negotiations. If the PRC tax authorities determine that these agreements were not entered into on an arm's length basis, they may adjust our income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect the Group's financial position by increasing the relevant tax liability without reducing the tax liabilities of Timing Advertisement, and this could further result in late payment fees and other penalties to Timing Advertisement for under-paid taxes. As a result, any transfer pricing adjustment could have a material adverse effect on the Group's financial position and results of operations.

Certain terms of the VIE Contracts may not be enforceable under PRC laws

The VIE Contracts provides for dispute resolution by way of arbitration in accordance with the arbitration rules of the Arbitration Commission. The VIE Contracts contain provisions to the effect that the arbitrators may award remedies over the shares and/or assets of Timing Advertisement or provide mandatory remedies to MAGN Classic Technology (such as mandatory transfer of asset). In addition, the parties to the VIE Contracts may also by itself/himself or through the Arbitration Commission to apply for interim remedies in the place of incorporation of MAGN Classic Technology in appropriate cases. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in the VIE Group in case of disputes. Therefore, such remedies may not be available, notwithstanding the relevant contractual provisions contained in the VIE Contracts.

A substantial amount of costs and time may be involved in transferring the ownership of the VIE Group to the Group under the Exclusive Call Option Agreement

The Exclusive Call Option Agreement grants MAGN Classic Technology a right to acquire part or all of the equity interest in the registered capital or part or all of the assets of the Timing Advertisement at the lowest price permitted by PRC law, under which MAGN Classic Technology or its designee is entitled to acquire all or part of the equity interest of Timing Advertisement from the PRC Equity Owners and the assets of Timing Advertisement from of Timing Advertisement. Nevertheless, such rights can only be exercised by MAGN Classic Technology as and when permitted by the relevant PRC laws and regulations, in particular, when there are no limitations on foreign ownership in PRC companies that provide value-added telecommunications, Internet cultural business. In addition, a substantial amount of costs and time may be involved in transferring the ownership or assets of the VIE Group to MAGN Classic Technology if it chooses to exercise the exclusive right to acquire all or part of the equity interest and assets in the VIE Group under the Exclusive Call Option Agreement, which may have a material adverse impact on our Group's business, prospects and results of operation.

The Company does not have any insurance which covers the risks relating to the VIE Contracts and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the VIE Contracts and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the VIE Contracts in the future, such as those affecting the enforceability of the VIE Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of Timing Advertisement, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, the Group will implement relevant internal control measures to reduce the operational risk.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2015 and 2016, 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 the types of contracts for the year ended 31 March 2015 and 2016:

	Year ended 31 March			
	2016		2015	
	HK$'000	**Percentage**	HK$'000	Percentage
Manned security guarding services				
– Fixed	**126,398**	**86.4**	107,241	82.3
– Temporary	**3,571**	**2.4**	4,237	3.3
– Event	**16,255**	**11.2**	18,824	14.4
Total	**146,224**	**100.0**	130,302	100.0

Note: Fixed positions refer to contracts for term with a term more than 6 months while for temporary positions, they refer to contracts with a term less than 6 months.

The Group's overall revenue increased by approximately HK$15.9 million or 12.2% from HK$130.3 million for the year ended 31 March 2015 to approximately HK$146.2 million for the year ended 31 March 2016. The increase in revenue is mainly due to the general increase in the service fees of fixed manned security guarding services charged by the Group as a result of the increase in the guard cost due to the amendment of the Minimum Wage Ordinance effective in May 2015 and the increase in the administrative fees due to the general inflation.

Cost of services rendered

For the year ended 31 March 2015 and 2016, cost of services rendered, which mainly consists of direct guard cost, was approximately HK$105.5 million and HK$118.7 million, respectively, representing approximately 81.0% and 81.1% 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.

At 31 March 2016, the Group had a total of 1,209 employees, of which 1,173 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$2.8 million or 11.2% from approximately HK$24.8 million for the year ended 31 March 2015 to approximately HK$27.6 million for the year ended 31 March 2016 while the Group's gross profit margin is remain stable as compared to last year from approximately 19.0% for the year ended 31 March 2015 to approximately 18.9% for the year ended 31 March 2016. The increase in gross profit was mainly due to the increase in revenue with no significant change in the gross profit margin.

Administrative expenses

The Group's administrative expenses increased by approximately HK$10.8 million or 63.5% from approximately HK$17.0 million for the year ended 31 March 2015 to HK$27.8 million for the year ended 31 March 2016. The increase in the Group's administrative expenses was mainly due to the legal and professional fees in relation to the acquisition of Magn Investment by the Group.

Other operating expenses

Other operating expenses for the year ended 31 March 2016 amounted to nil (2015: approximately HK$3.6 million). In 2015, the Group's other operating expenses primarily consist of listing expenses in relation to the placing on the GEM of the Stock Exchange, 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$0.3 million or 100% from HK$0.3 million for the year ended 31 March 2015 to nil for the year ended 31 March 2016. The decrease in the finance costs was mainly due to the Group's bank borrowing, have been fully repaid during the year ended 31 March 2015.

Share of result of an associate

The Group's share of profit of its associated company for the year ended 31 March 2016 was approximately HK$1.1 million. Due to more mobile games were launched in December 2015, the mobile game business commenced to generate the profit in December 2015.

Loss for the year

Loss attributable to owners of the Company for the year ended 31 March 2016 amounted to approximately HK$55 thousand as compared to a profit of approximately HK$2.9 million for the year ended 31 March 2015. The Group's net profit/(loss) margin decreased from approximately 2.2% for the year ended 31 March 2015 to approximately (0.03)% for the year ended 31 March of 2016. The decrease in the Group's profit for the year was mainly due to the increase in the administrative expenses while partly offset by the increase in gross profit as discussed above.

Services contracts

During the year ended 31 March 2016, the Group had entered into 424 new or renewed contracts, of which 290, 45 and 89 are fixed, temporary and event security guarding services contracts respectively. At 31 March 2016, the Group had a total number of 215 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 profit base.

On 30 March 2016, the associates of the Company, Timing Advertisement and MAGN Cultural entered into the Agreement with Mr. Chen and the Growth Fund, pursuant to which the Growth Fund agreed to invest RMB80 million in the mobile game 鬼吹燈3D (Ghost blows 3D*) operated by MAGN Cultural in return for the profit to be generated by the Project. Pursuant to the agreement, the Growth Fund agreed to invest a total amount of RMB80 million in the Project operated by MAGN Cultural by way of several installments of loan. The number of installments, interest rate, and time of withdrawal and repayment of the Loan shall be subject to further agreement among the parties. The purpose of the Loan is limited for the marketing, publication and operation of the Project. Please refer to the announcement of the Company dated 30 March 2016 for details.

On 6 May 2016, the Company issued HK$19,500,000 unsecured redeemable promissory note (the "Promissory Note") to Mr. Fu Yik Lung ("Mr Fu"), the chairman of the Company, an executive director and a substantial shareholder (as defined under the GEM Listing Rules). The Promissory Note bears an interest rate of 5% per annum for a term of 2 years. The principal amount of the Promissory Note was arrived at after arm's length negotiations between the Company and Mr. Fu. The Board is of the view that the Promissory Note as a financial support from Mr. Fu would enhance the cash flows of the Group and increase the base of working capital for the Group's daily operation and the development of its existing businesses and any other future development opportunities.

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.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 31 March 2016, the share capital and equity attributable to owners of the Company amounted to approximately HK$6.4 million and HK$59.8 million respectively (as at 31 March 2015: approximately HK$6.4 million and HK$55.8 million respectively).

Cash position

As at 31 March 2016, the cash at banks and in hand of the Group amounted to approximately HK$36.5 million (2015: approximately HK$33.8 million), representing an increase of approximately HK$2.7 million as compared to that as at 31 March 2015.

Bank borrowings

As at 31 March 2015 and 2016, the Group did not have any bank borrowings.

Charges over assets of the Group

As at 31 March 2015 and 2016, none of the Group's leasehold land and buildings under property, plant and equipment was pledged.

Gearing ratio

As at 31 March 2016, the gearing ratio of the Group was nil (2015: nil). The gearing ratio is calculated based on the total debt at the end of the Reporting Period divided by the total equity at the end of the respective period. Total debt includes bank borrowings, bank overdrafts and obligations under finance leases. As at 31 March 2015 and 2016, the Group did not have any bank borrowings, bank overdrafts and obligation under finance leases.

Capital expenditure

The Group purchased property, plant and equipment amounting to approximately HK$0.5 million for the year ended 31 March 2016 which mainly comprises of acquisition of motor vehicles (2015: HK$5.0 million).

Capital commitments

As at 31 March 2016, the Group did not have any capital commitments. (2015: nil).

Foreign exchange risk

The Group's business operations are 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 2016, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 March 2016.

Significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies, and plans for material investments or capital assets

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 新動傳媒中國有限公司 (Magn Media (China) Holdings Limited*) ("Magn Media (China)"), 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 a series of variable interest entities contracts (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. In September 2015, the Group and Magn Investment entered into the joint venture agreement in relation to the formation of the joint venture. Magn Investment becomes an associate of the Company after the completion of the said subscription.

In October 2015, the Group 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 Group 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.

Save as disclosed in this report, the Group did not have any material acquisition or disposal of subsidiaries or associates during the Reporting Period.

Contingent liabilities

As at 31 March 2015 and 2016, the Group had no material contingent liabilities.

Employees and remuneration policy

The Group had 1,209 employees (including Directors) as at 31 March 2016 (as at 31 March 2015: 1,141 employees). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages were subject to review on a regular basis. The emoluments of the Directors and senior management were reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "Scheme") on 31 July 2014 which will remain in force for a period of 10 years from the effective date of the Scheme. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The principal terms of the Scheme are summarised in the section headed "Share Option Scheme" in Appendix V to the Prospectus.

For the year ended 31 March 2016, no share options were granted, exercised, expired or lapsed and there was no outstanding share options under the Scheme.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 March 2016 (for the year ended 31 March 2015: Nil).

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the listing of the Shares by way of placing on the GEM of the Stock Exchange (the "Placing") were approximately HK$33.0 million, which was based on the final placing price of HK$0.385 per share and the actual expenses related to the Listing. Accordingly, the Group adjusts the use of proceeds in the same manner and proportion as shown in the Prospectus.

The Company has been applying the net proceeds from the Placing in the following allocation for the following purposes:

(i) Approximately 6.4% is expected to be used for repayment of bank borrowings;

(ii) Approximately 31.9% is expected to be used for recruiting and expanding the security guarding and patrol team;

(iii) Approximately 37.8% is expected to be used for strengthening staff recruitment and training;

(iv) Approximately 7.6% is expected to be used for expanding the sales and marketing department and uplifting marketing effort;

(v) Approximately 6.7% is expected to be used for continuing to increase operational efficiency and enhance quality of service; and

(vi) Approximately 9.7% is expected to be used for general working capital.

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress from the Listing Date to 31 March 2016.

Business plan as set out in the Prospectus	**Progress up to 31 March 2016**
Recruiting and expanding the security guarding and patrol team	
Recruitment of new security guards	The Group has employed 792 new security guards
Recruitment of new patrol officers	The Group has employed 10 patrol officers
Strengthening staff recruitment and training	
Enhancement of the recruitment and training centre	In December 2014, the Group has commenced the operation of its new recruitment centre in Wanchai
Recruitment of trainers	The Group has employed 10 in-house trainers
Recruitment of operation managers	The Group has employed 1 operation manager
Investment in job advertisements, participation in employment fairs, recruitment websites and referrals from outside training centre	The Group has increased its efforts in job advertisement for recruiting of guards
Expanding the sales and marketing department and uplifting marketing effort	
Recruitment of two new sales and marketing staff	The Group has employed 2 new sales and marketing staff
Strengthen marketing efforts such as to place printed and online advertisements, promote brands and services via different channels	The Group has increased its marketing efforts such as promoting its brands in online advertisements
Continuous increasing of operational efficiency and enhancing quality of service	
Acquisition of patrol vehicles	The Group has acquired 4 additional patrol vehicles
Maintenance of I.T. system	The Group is continuously upgrading its I.T. system

The net proceeds from the Placing for the year ended 31 March 2016 had been applied as follows:

	Use of proceeds as shown in the Prospectus from the Listing Date to 31 March 2016 HK$'000	**Actual use of proceeds from the Listing Date to 31 March 2016 HK$'000**
Repayment of bank borrowings	**2,102**	2,102
Recruiting and expanding the security guarding and patrol team	**6,306**	5,145
Strengthening staff recruitment and training	**11,009**	2,105
Expanding the sales and marketing department and uplifting marketing effort	**1,494**	779
Continuous increasing of operational efficiency and enhancing quality of service	**1,328**	1,303
General working capital	**3,209**	3,179
Total	**25,448**	14,613

The Directors will constantly evaluate the Group's business objective and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

All the unutilised balances have been placed in licensed banks in Hong Kong.

BIOGRAPHICAL INFORMATION OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Fu Yik Lung ("Mr. Fu")

Mr. Fu Yik Lung, aged 40, is the chairman of the Board, the founder of the Group. He was first appointed as a Director on 2 January 2014, and was redesignated to an executive Director on 12 May 2014. Mr. Fu is responsible for the overall strategic management and development of the Group's business operations.

Mr. Fu completed his secondary education (up to the Hong Kong Certificate of Education Examination level) in Hong Kong in 1995. Mr. Fu has over 15 years of extensive experience in the security guarding services industry. Before setting up his own business by acquiring interests in King Force Security and founded the Group in 2005, Mr. Fu worked as an assistant operations manager at Underwriter Security Limited from August 2000 to July 2004 and was responsible for planning and overseeing of daily operations of security guards, handling customers complaints and disciplinary actions, and the establishment and implementation of corrective measures. Mr. Fu is currently a holder of SPP for category A and category B security work. Mr. Fu is the spouse of Ms. Liu.

Ms. Liu Lai Ying ("Ms. Liu")

Ms. Liu Lai Ying, aged 34, is the chief executive officer of the Group. She was appointed as an executive Director on 12 May 2014. Ms. Liu is responsible for overseeing the Group's operation, business development, customer support, quality assurance, public affairs, finance and administration.

Ms. Liu completed her secondary education in Hong Kong in 2000. Ms. Liu has nearly 13 years of experience in marketing, accounting and administrative management. From September 2002 to April 2004, Ms. Liu had worked as a marketing assistant at Underwriter Security Limited and a senior account executive at Guangdong United Progress Wooltex Hong Kong Office Limited from May 2004 to February 2010. In previous jobs, she was responsible for identifying potential clients and the preparation of tenders and quotations for the provision of security guarding services and customer handling. Ms. Liu is the spouse of Mr. Fu.

Ms. Chung Pui Yee Shirley ("Ms. Chung")

Ms. Chung Pui Yee Shirley, aged 42, was appointed as an executive Director on 12 May 2014. She completed her secondary education in Hong Kong in 1991.

Ms. Chung has over 16 years of experience in operational and administrative management. Prior to joining our Group in 2010, she has worked as an administrative assistant in various companies, including Right Point (Hong Kong) Limited, GSI Genius International Limited, Phoenix Satellite Television Company Limited and Ego Finance Limited.

Mr. Li Mingming ("Mr. Li")

Mr. Li Mingming, aged 28, was appointed as an executive Director on 24 September 2015. Mr Li was graduated from Hubei University of Technology Engineering and Technology College（湖北工業大學工程技術學院）with a bachelor degree in communications engineering in June 2012.

Mr. Li served as a product manager in China Mobile Group Hubei Company Limited（中國移動通信集團湖北有限公司）in 2012 and an executive general manager in Jingmen City Tianlu Hotel Management Co., Ltd.（荊門市天祿酒店管理有限公司）from 2013 to 2014. He has experience in management.

Mr. Chen Yunchuo ("Mr. Chen")

Mr. Chen Yunchuo, aged 48, was appointed as an executive Director on 1 February 2016. Mr. Chen was graduated from Hunan University, the People's Republic of China (the "PRC"), with a bachelor degree in industrial management engineering in December 1997 and completed an advanced research course in financial investment and capital operation from the Graduate School at Shenzhen, Tsinghua University, the PRC, in November 2014.

Mr. Chen founded Shenzhen MAGN Advertisement Co., Limited*（深圳市新動廣告有限公司）in 2007. He served as a business director at the Shenzhen branch of Shanghai Qianjin Advertisement Co. Ltd.*（上海前錦廣告有限公司）from May 2001 to September 2003. During the period between October 2003 and June 2004, he was the senior vice president of Shenzhen Xunlei Networking Technologies, Co., Ltd.*（深圳市迅雷網絡技術有限公司）. Mr. Chen was the executive general manager of the Shenzhen branch of Shanghai Fenzhong Adversity Communications Co. Ltd.*（上海分眾廣告傳播有限公司）from July 2004 to October 2005. He also held the positions of executive president and chief executive officer at Bus Online Holdings Co. Ltd.*（巴士在綫控股有限公司）from November 2005 to June 2007. He has experience in the media and mobile internet industry, particularly innovative ideas and outstanding number of success stories in the traditional industries and the internet industry as a combination of business models.

Mr. Chen is currently a director of Magn Investment Limited, an associated company (in which the Company currently holds 45% of the issued share capital).

As disclosed in the announcements (the "Announcements") of the Company dated 19 October 2015 and 24 November 2015, pursuant to the sale and purchase agreement dated 19 October 2015 and the supplemental agreement thereto dated 24 November 2015 entered into between the Company and Magn Group Limited, the Company acquired 25% of the issued share capital of Magn Investment Limited for a maximum consideration of HK$28,750,000 (subject to downward adjustment) which shall be settled by the Company by way of allotment and issue of a maximum of 109,730,000 consideration shares to Magn Group Limited subject to the satisfaction of the guaranteed profit of Magn Investment Limited for the six months ending 31 March 2016 and the financial year ending 31 March 2017. For details, please refer to the Announcements. As at the date of this annual report, Mr. Chen holds approximately 96.19% interest in MAGN Media (China) Holdings Limited, which in turn holds approximately 55.22% interest in Magn Group Limited, thus Mr. Chen has a corporate interest in 109,730,000 shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Lam Sing Kwong Simon ("Professor Lam")

Professor Lam Sing Kwong Simon, aged 57, was appointed as an independent non-executive Director on 31 July 2014. Professor Lam obtained a doctorate degree in commerce from the Faculty of Economics and Commerce at The Australian National University in Australia in April 1996. Professor Lam joined The University of Hong Kong as a full-time teaching staff in September 1989 and is now the professor of management at the Faculty of Business and Economics of The University of Hong Kong. He has published a number of academic papers and case analysis in the topics of corporate strategy, organisation development and operations management.

Before joining The University of Hong Kong, Professor Lam had worked as a regional support manager for the Canadian Imperial Bank of Commerce from 1987 to 1989.

Professor Lam is currently an independent non-executive director of Overseas Chinese Town (Asia) Holdings Limited (stock code: 3366), Beijing Enterprises Clean Energy Group Limited (stock code: 1250) and Sinomax Group Limited (stock code: 1418), the shares of all of which are listed on the Main Board. Professor Lam is also an independent non-executive director of Kwan On Holdings Limited (stock code: 8305), the share is listed on GEM. Professor Lam was an independent non-executive director of Chun Sing Engineering Holdings Limited (stock code: 2277), which shares are listed on the Main Board from 8 December 2014 to 22 April 2016 and Glory Flame Holdings Limited (stock code: 8059), which shares are listed on GEM from 2 August 2014 to 22 March 2016, respectively.

Mr. Ong Chi King ("Mr. Ong")

Mr. Ong Chi King, aged 42, was appointed as an independent non-executive Director on 31 July 2014. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Ong received a bachelor degree in business administration from The Hong Kong University of Science and Technology in Hong Kong and a master degree in corporate finance from The Hong Kong Polytechnic University in Hong Kong. Mr. Ong has over 20 years of experience in accounting, finance and company secretarial fields and held senior positions in finance and company secretarial departments in various companies listed on the Main Board.

Mr. Ong is currently an independent non-executive director of Capital VC Limited (stock code: 2324), China Environmental Resources Group Limited (stock code: 1130), Hong Kong Education (Int'l) Investments Limited (stock code: 1082) and Wan Kei Group Holdings Limited (stock code 1718), the shares of all of which are listed on the Main Board. He is currently also an independent non-executive director of Larry Jewelry International Company Limited (stock code: 8351) and WLS Holdings Limited (stock code: 8021) and an executive director of Deson Construction International Holdings Limited (stock code: 8268), the shares of all of which are listed on GEM. Mr. Ong was an independent non-executive director of KSL Holding Limited (stock code: 8170), a company listed on GEM, from 19 November 2014 to 2 June 2016.

Ms. Au Man Yi ("Ms. Au")

Ms. Au Man Yi, aged 32, was appointed as an independent non-executive Director on 1 July 2015. Ms. Au has over 11 years of experience in auditing, financial reporting and financial management.

Ms. Au, holds a bachelor's degree in accountancy and a master's degree in corporate governance from The Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and also an associate member of The Institute of Chartered Secretaries And Administrators.

From September 2013 to September 2015, Ms. Au was the chief financial officer of Long Success International (Holdings) Ltd (stock code: 8017), the shares of which are listed on GEM. Ms. Au is currently the company secretary of Glory Flame Holdings Ltd (stock code: 8059) and an executive director and company secretary of KSL Holdings Limited (stock code: 8170), the issued shares of which are both listed on GEM. Ms. Au is an independent non-executive director of Tonking New Energy Group Holdings Limited (stock code: 8326), the shares of which are listed on GEM.

DIRECTORS' REPORT

The Board is pleased to present the first annual report together with the audited consolidated financial statements for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of the Company and its subsidiaries is the provision of security guarding services in Hong Kong and mobile game business.

There were no significant changes in the nature of the Group's activities during the year ended 31 March 2016.

Further discussion and analysis of the business activities of the Group, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the business of the Group, can be found in the sections headed "Chairman's Statement" and "Business Review" as set out on pages 5 to 15 of this annual report. These discussions form part of this directors' report.

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to maintaining sustainable working practices and pays close attention to ensure all resources are efficiency utilized. The Group strives to become an environmental friendly corporation by saving electricity and encouraging recycling of office supplies and other materials.

The Group and its activities are subject to requirements under various laws. The laws and regulations which have a significant impact on the Group include, among others, the Security and Guarding Services Ordinance (Chapter 460 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), and Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group has put in place in-house rules containing measures and work procedures to ensure that the Group's operation is in compliance with applicable laws and regulations. During the year ended 31 March 2016 and up to the date of this report, as far as the Company is concerned, there was no material breach of non-compliance with applicable laws and regulations by the Group that has a significant impact on business and operations of the Group.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Directors recognise that employees, customers and business partners are the keys to the sustainable development of the Group. The Group is committed to building a close and caring relationship with its employees and business partners and improving the quality of services to the customers.

Employees are regarded as the most important and valuable assets of the Group. The Group ensures all staff is reasonably remunerated, strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

RESULT AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45.

The Board did not recommend payment of final dividend to shareholders of the Company for the year ended 31 March 2016.

CLOSURE OF REGISTER OF MEMBERS

As the forthcoming annual general meeting of the Company (the "AGM") will be held on 24 August 2016 (Wednesday), the register of members of the Company will be closed from 22 August 2016 (Monday) to 24 August 2016 (Wednesday) (both days inclusive) for the said AGM or any adjournment thereof. All transfer of the Company's Shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office no later than 4:30 p.m. on 19 August 2016 (Friday) in order to qualify for the right to attend and vote at the meeting (or any adjournment thereof). The share registrar and transfer office is at:

Address: Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past four financial years are set out on page 84.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the Reporting Period are set out in note 14 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries during the Reporting Period are set out in note 25 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 31 March 2016 was 6,400,000,000 ordinary Shares of HK$0.001 each.

Details of movements of the share capital and the share premium of the Company during the Reporting Period are set out in notes 21 and 22 to the consolidated financial statements, respectively.

EMOLUMENT POLICY FOR DIRECTORS

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

RESERVES

Details of movements of reserves of the Group are set out in the consolidated statement of changes in equity on page 47.

As of 31 March 2016, the reserves of the Company available for distribution, as calculated under the provisions of Cayman Islands' legislation, was approximately HK$32.0 million (2015: approximately HK$43.0 million).

SHARE OPTION SCHEME

The Company has conditionally adopted the Scheme on 31 July 2014. The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. Particulars of the Scheme which was adopted on 31 July 2014 are set out in note 23 to the consolidated financial statements.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 March 2016.

DIRECTORS

The Directors during the period from 1 April 2015 to 31 March 2016 and up to the date of this report were:

Executive Directors

Mr. Fu Yik Lung *(Chairman)*
Ms. Liu Lai Ying *(Chief Executive Officer)*
Ms. Chung Pui Yee Shirley
Ms. Chen Xiaoting *(appointed on 22 October 2015 and resigned on 18 January 2016)*
Mr. Li Mingming *(appointed on 24 September 2015)*
Mr. Chen Yunchuo *(appointed on 2 February 2016)*
Mr. Zhang Chengzhou *(resigned on 27 November 2015)*

Independent non-executive Directors

Professor Lam Sing Kwong Simon
Mr. Ong Chi King
Ms. Au Man Yi *(appointed on 1 July 2015)*
Mr. Law Yiu Sing *(resigned on 1 July 2015)*

The Directors' biographical details are set out in the section headed "Biographical Information of Directors" in this report.

Information regarding directors' emoluments is set out in note 26 to the consolidated financial statements.

An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules has been received from each of the independent non-executive Directors.

DIRECTORS' SERVICE CONTRACT

Mr. Fu Yik Lung, Ms. Liu Lai Ying and Ms. Chung Pui Yee Shirley have entered into service agreements with the Company for a term of three years commencing from the Listing Date, which may be terminated earlier by no less than three months written notice served by either party on the other.

Professor Lam Sing Kwong Simon and Mr. Ong Chi King have entered into a service agreement with the Company for a term of three years commencing from the Listing Date, which may be terminated earlier by no less than three months written notice served by either party on the other.

Ms. Au Man Yi has entered into a service agreement with the Company for a term of three years commencing from 1 July 2015, which may be terminated earlier by no less than three months written notice served by either party on the other.

Mr. Li Mingming has entered into a service agreement with the Company for a term of three years commencing from 24 September 2015, which may be terminated earlier by no less than three months written notice served by either party or the other.

Mr. Chen Yunchuo has entered into a service agreement with the Company for a term of three years commencing from 1 February 2016, which may be terminated earlier by no less than three months written notice served by either party or the other.

No director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. The non-executive Director of the Company was appointed for a fixed period but subject to retirement from office and re-election at the AGM of the Company in accordance with the articles of association of the Company (the "Articles").

In accordance with Article 112 of the Articles, any director appointed by the Board either to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to Article 108 of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Pursuant to Article 112 of the Articles, Mr. Li Mingming and Mr. Chen Yunchuo, and pursuant to Article 108, Mr. Fu Yik Lung and Mr. Ong Chi King, will retire from office as Directors at the forthcoming AGM, and being eligible, offer themselves for re-election.

Each of the executive Directors shall also be entitled to discretionary bonus to be determined by the Board based on, among other things, the performance of the individual directors and the overall financial position of the Group, and is subject to the recommendation of the remuneration committee of the Company.

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporation

As at 31 March 2016, interests or short positions of the Directors, chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) Long Position in the Shares

Name of Directors	Capacity/Nature	Number of Shares held/interested in	Approximate percentage of shareholding
Mr. Fu Yik Lung ("Mr. Fu") *(Note 1)*	Interest in 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:

1. 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 also one of the directors of Optimistic King.

2. 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.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/interested in	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.

(iii) Short positions

As at 31 March 2016, none of the Directors or the chief executive nor their associates had any short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

Save as disclosed below, as at 31 March 2016 and so far as is known to the Directors, no person other than certain Directors or chief executive of the Company had any interests or short positions in the Shares and underlying Shares of the Company which were required to be recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/interested in	Long/short position	Approximate percentage of shareholdings
Optimistic King *(Note 1)*	Beneficial Owner	2,280,000,000	Long	35.63%

Note:

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

MAJOR CUSTOMERS

During the Reporting Period, the Group's five largest customers accounted for approximately 25.8% (2015: 25.2%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 8.7% (2015: 9.9%) of the total revenue.

None of the Directors or any of their close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

Save for the related party transactions disclosed in note 28 to the consolidated financial statements, no contract of significance to which the Company, its holding Company or any of its subsidiaries was a party and in which a Director had a material interests directly or indirectly subsisted at the end of the Reporting Period or at any time during the Reporting Period. No contract of significance has been entered into during the Reporting Period between the Company or any of its subsidiaries and the controlling Shareholders or any its subsidiaries.

No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into during the Reporting Period and as at the date of this report.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the section headed "Share Option Scheme" disclosed above, at no time during the year ended 31 March 2016 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONTINUING CONNECTED TRANSACTION

King Force Service Limited, a wholly-owned subsidiary of the Company, as tenant, and Ms. Liu who is the executive director of the Company, as landlord, entered into a tenancy agreement (the "HK Office Tenancy Agreement") on 1 March 2016 in relation to the lease of an office located at 19/F., So Tao Centre, 11-15 Kwai Sau Road, Kwai Chung, N.T. The agreement has a term of not more than two years commencing from 1 March 2016 and expiring on 28 February 2018 at an annual rental of HK$600,000 (exclusive of management fees, government rates and utility charges).

The Directors (including the independent non-executive Directors) have confirmed that the HK Office Tenancy Agreement has been entered into and the transactions contemplated thereunder will be carried out in the ordinary and usual course of business of our Group on normal commercial terms, and that the terms of the continuing connected transaction (including the rental) are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

As the aggregate annual amount payable under the HK Office Tenancy Agreement does not exceed HK$3 million and none of the applicable percentage ratios set out in Rule 20.74 of the GEM Listing Rules in respect thereof exceeds 5% and the transactions are conducted on normal commercial terms, the transactions contemplated under the HK Office Tenancy Agreement will constitute continuing connected transactions exempt from shareholders' approval, annual review and all disclosure requirements under Rule 20.72 of the GEM Listing Rules.

Save for the aforementioned transaction, the Company had not entered into any connected transaction during the Reporting Period which is required to be disclosed under the GEM Listing Rules. Related party transactions entered into by the Group during the Reporting Period are disclosed in Note 28 to the consolidated financial statements. The related party transactions set out in Note 28 to the consolidated financial statements were either discontinued before listing in August 2014, or fully exempted from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

INTERESTS IN COMPETING BUSINESS

Having made specific enquiry of all Directors, the controlling shareholders and substantial shareholders, all of them have confirmed that neither themselves nor their respective associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the Reporting Period.

NON-COMPETITION UNDERTAKINGS

All the independent non-executive Directors are delegated with the authority to review the non-competition undertakings (the "Non-competition Undertakings") dated 6 August 2014 given by Mr. Fu Yik Lung and Optimistic King. The independent non-executive Directors were not aware of any non-compliance of the Non-competition Undertakings given by Mr. Fu Yik Lung and Optimistic King during the Reporting Period.

Each of Mr. Fu Yik Lung and Optimistic King has confirmed that he/it had complied with the Non-competition Undertakings given by them during the Reporting Period.

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the Reporting Period, 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 (the "Code").

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares of the Company (the "Code of Conduct"). Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the Reporting Period.

INTEREST OF COMPLIANCE ADVISOR

As at 31 March 2016, as notified by the Company's compliance advisor, TC Capital International Limited (the "Compliance Advisor"), except for the compliance advisor agreement entered into between the Company and the Compliance Advisor dated 11 August 2014, neither the Compliance Advisor nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this annual report.

PERMITTED INDEMNITY CLAUSE

For the year ended 31 March 2016, pursuant to the Articles of Association of the Company ("Articles of Association"), all legal costs, expenses, fees, losses, damages and expenditures incurred during the performance of duties by executive Directors of the Company may be indemnified by the assets and profits of the Company.

AUDITOR

BDO Limited ("BDO") shall retire in the forthcoming AGM and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of BDO as auditor of the Company will be proposed at the forthcoming AGM. The Company has not changed its external auditor during the year ended 31 March 2016 and up to the date of this annual report.

AUDIT COMMITTEE

The Company has established an Audit Committee on 31 July 2014 with its written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, namely Ms. Au Man Yi (Chairman), Professor Lam Sing Kwong Simon and Mr. Ong Chi King.

EVENT AFTER THE REPORTING PERIOD

On 6 May 2016, the Company as an issuer and Mr. Fu, the chairman of the Company, an executive director of the Company, as noteholder, entered into a promissory note with an aggregate principal amount of HK$19,500,000 (the "Promissory Note"). The Promissory Note bears an interest rate of 5% per annum for a term of 2 years. Further details of the Promissory Note are disclosed in the announcement dated 6 May 2016 issued by the Company.

On 27 May 2016, the Group, as a purchaser, entered into the sale and purchase agreement with a Hong Kong resident and a PRC resident, pursuant to which the Group conditionally agreed to acquire and the Hong Kong resident and the PRC resident conditionally agreed to sell 60% of the issued share capital in the General Venture Enterprises Limited for a maximum consideration of HK$80,000,000, subject to adjustment on guaranteed profit. The consideration shall be settled by way of issue of the consideration shares at the issue price of HK$0.50 each. Further details of the acquisition are disclosed in the announcement dated 27 May 2016 issued by the Company. Up to the date of this report, the acquisition has not been completed yet.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2016 and up to the date of this annual report.

On behalf of the Board
Fu Yik Lung
Chairman

Hong Kong, 23 June 2016

CORPORATE GOVERNANCE REPORT

The Board is pleased to present hereby the corporate governance report of the Company for the year ended 31 March 2016.

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term and continuing success of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures for the best interest of the Company's shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Code sets out the principles of good corporate governance, code provisions and recommended best practices. Issuers are expected to comply with the code provisions or devise their own code on corporate governance on the terms they consider appropriate provided that considered reasons are given. During the Reporting Period, the Company had adopted, applied and complied with the applicable code provisions of the Code as set out in Appendix 15 to the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. To ensure a balance of power and authority, the Company fully supports the division of responsibility between the chairman and the chief executive officer. The roles of the chairman and the chief executive officer are segregated and performed by Mr. Fu Yik Lung and Ms. Liu Lai Ying, respectively.

Code provision A.2.7 of the Code requires the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. The Chairman convented a meeting with the non-executive Directors during the Reporting Period.

BOARD OF DIRECTORS

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "Board Committees"). Further details of the Board Committees are set out in this annual report. Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

5. to review the Company's compliance with the Code as set out in Appendix 15 to the GEM Listing Rules and disclosure in the corporate governance report of the Company.

COMPOSITION OF THE BOARD

In compliance with rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board consisted of three independent non-executive Directors during the Reporting Period. The number of independent non-executive Directors represents approximately 38% of the Board as of the date of this annual report which exceeds the minimum requirement under the GEM Listing Rules. In particular, as at the date of this report, the composition of the Board is set out as follow:

Executive Directors

Mr. Fu Yik Lung *(Chairman)*
Ms. Liu Lai Ying *(Chief Executive Officer)*
Ms. Chung Pui Yee Shirley
Mr. Li Mingming (appointed on 24 September 2015)
Mr. Chen Yunchuo (appointed on 2 February 2016)

Independent Non-executive Directors

Professor Lam Sing Kwong Simon
Mr. Ong Chi King
Ms. Au Man Yi (appointed on 1 July 2015)

Mr. Fu Yik Lung, Ms. Liu Lai Ying and Ms. Chung Pui Yee Shirley have entered into service agreements with the Company for a term of three years commencing from the Listing Date, which may be terminated earlier by no less than three months written notice served by either party on the other.

Mr. Li Mingming has entered into a service agreement with the Company for a term of three years commencing from 24 September 2015, which may be terminated earlier by no less than three months written notice served by either party or the other.

Mr. Chen Yunchuo has entered into a service agreement with the Company for a term of three years commencing from 1 February 2016, which may be terminated earlier by no less than three months written notice served by either party or the other.

Prof. Lam Sing Kwong Simon and Mr. Ong Chi King have entered into a service agreement with the Company for a term of three years commencing from the Listing Date, which may be terminated earlier by no less than three months written notice served by either party on the other.

Ms. Au Man Yi has entered into a service agreement with the Company to act as an independent non-executive Director for a terms of three years commencing from 1 July 2015, which may be terminated earlier by no less than three months written notice served by either party on the other.

Pursuant to Article 108 of the Articles, one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement by rotation at least once every 3 years. However, a retiring Director shall be eligible for re-election.

Specific enquiry has been made by the Company to each of the independent non-executive Directors to confirm their independence. In this connection, the Company has received positive confirmations from all of the three independent non-executive Directors. Based on the confirmations received, the Company is of the view that all independent non-executive Directors are independent under the GEM Listing Rules.

Saved as disclosed in the section “Biographical Information of the Directors” in this annual report, there is no financial, business, family or other material or relevant relationship among members of the Board and senior management.

BOARD AND GENERAL MEETINGS

Twelve meetings were held between 1 April 2015 and 31 March 2016. The forthcoming AGM which will be held on 24 August 2016.

The attendance of the respective Directors at the Board meetings are set out below:

	Attendance/Number of meetings
Executive Directors	
Mr. Fu Yik Lung *(Chairman)*	12/12
Ms. Liu Lai Ying *(Chief Executive Officer)*	11/12
Ms. Chung Pui Yee Shirley	12/12
Mr. Zhang Chengzhou *(Note 1)*	7/8
Mr. Li Mingming *(Note 4)*	8/8
Ms. Chen Xiaoting *(Note 5)*	5/5
Mr. Chen Yunchuo *(Note 6)*	1/1
Independent non-executive Directors	
Mr. Law Yiu Sing *(Note 2)*	3/3
Prof. Lam Sing Kwong Simon	12/12
Mr. Ong Chi King	12/12
Ms. Au Man Yi *(Note 3)*	9/9

Notes:

1. Mr. Zhang Chengzhou was appointed on 12 March 2015 as a non-executive Director and was redesignated to an executive Director on 21 April 2015. Mr. Zhang Chengzhou resigned on 27 November 2015.

2. Mr. Law Yiu Sing resigned as independent non-executive Director on 1 July 2015.

3. Ms. Au Man Yi was appointed as independent non-executive Director on 1 July 2015.

4. Mr. Li Mingming was appointed as executive Director on 24 September 2015.

5. Ms. Chen Xiaoting was appointed as executive Director on 22 October 2015 and resigned on 18 January 2016.

6. Mr. Chen Yunchuo was appointed as executive Director on 1 February 2016.

CODE OF CONDUCTS FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the Shares of the Company (the "Code of Conduct"). After specific enquiries by the Company, all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the Reporting Period.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

The Company has provided and all Directors have attended at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules. The Group has also adopted a policy to reimburse the Directors for any relevant training costs and expenses incurred concerning corporate governance and internal control.

BOARD COMMITTEES

The Board has established a number of functional committees in compliance with the relevant GEM Listing Rules and to assist the Board to discharge its duties. Currently, three committees have been established, i.e. the Audit Committee, the Nomination Committee and the Remuneration Committee. The functions and responsibilities of these committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the Code. The relevant terms of reference of each of the three committees can be found on the Group's websites (www.kingforce.com.hk). All committees have been provided with sufficient resources and support from the Group to discharge their duties.

AUDIT COMMITTEE

The Company has established the Audit Committee on 31 July 2014 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the Code. The members of the Audit Committee shall comprise non-executive Directors and shall be appointed or removed by the Board. If any member of the Audit Committee ceases to be a Director, he/she will cease to be a member of the Audit Committee automatically.

The Audit Committee must comprise a minimum of three members, at least one of whom is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. In addition, the majority of the Audit Committee shall be independent non-executive Directors. The Audit Committee currently comprises three members, namely Ms. Au Man Yi (Chairman of the Audit Committee), Professor Lam Sing Kwong Simon and Mr. Ong Chi King, all of whom are independent non-executive Directors. In particular, Ms. Au is a certified public accountant of the HKICPA, and Mr. Ong is a member of the HKICPA and a fellow member of the Association of Chartered Certified Accountants.

With reference to the terms of reference, the primary responsibilities of the Audit Committee are, among others (for the complete terms of reference please refer to the Group's website www.kingforce.com.hk):

1. to make recommendations to the Board on the appointment and re-appointment of the Company's external auditors, and approve the remuneration and terms of engagement of the Company's external auditors;

2. to review and monitor the Company's external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

3. to develop and implement policy on engaging the Company's external auditors to supply non-audit services, if any;

4. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and review significant financial reporting judgments contained in them;

5. to discuss with the Company's external auditors questions and doubts arising in audit of annual accounts;

6. to review the letter of the Company's management from the Company's external auditors and the management's response;

7. to review the statement about the Company's internal control system as included in the Company's annual report prior to submission for the Board's approval;

8. to review the Company's financial reporting, financial controls, internal control and risk management system;

9. to discuss the internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system;

10. to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

11. to review the financial and accounting policies and practices of the Group;

12. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters; and

13. to report to the Board on that matters pursuant to the terms of reference of the Audit Committee and consider other topics as defined by the Board.

During the Reporting Period, the Audit Committee had reviewed the Group's interim results for the six months ended 30 September 2015 and the third quarterly results for the nine months ended 31 December 2015, and discussed about the internal controls and financial reporting matters of the Group. The Audit Committee had also reviewed audited annual results for the financial year ended 31 March 2016 and this report, and confirmed that this annual report complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

The Board is of the view that the Audit Committee had properly discharged its duties and responsibilities during the Reporting Period and up to the date of this annual report.

The Audit Committee had held four meetings between 1 April 2015 and 31 March 2016, both of which with full attendance by all the members of the Audit Committee. The attendance records of the members of the Audit Committee are summarised below:

	Attendance/Number of meetings
Ms. Au Man Yi *(Chairman)* (appointed on 1 July 2015)	3/3
Professor Lam Sing Kwong Simon	4/4
Mr. Ong Chi King	4/4
Mr. Law Yiu Sing (resigned on 1 July 2015)	1/1

REMUNERATION COMMITTEE

The Remuneration Committee was established on 31 July 2014 with terms of reference in compliance with paragraph B.1.2 of the Code. The Remuneration Committee comprises four members, namely Mr. Ong Chi King (Chairman of the Remuneration Committee), Mr. Fu Yik Lung, Professor Lam Sing Kwong Simon and Ms. Au Man Yi. Mr. Ong, Professor Lam Sing Kwong Simon and Ms. Au are independent non-executive Directors of the Company.

With reference to the terms of reference of the Remuneration Committee, the primary responsibilities of the Remuneration Committee include (for the complete terms of reference please refer to the Group's website (www.kingforce.com.hk):

1. consulting the chairman of the Board and/of chief executive about their remuneration proposals for other executive Directors;

2. making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

3. reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

5. making recommendations to the Board on the remuneration of non-executive Directors;

6. considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;

7. reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and

8. reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

The attendance records of the members of the Remuneration Committee are summarised below:

	Attendance/Number of meetings
Mr. Ong Chi King *(Chairman)*	3/3
Mr. Fu Yik Lung	3/3
Professor Lam Sing Kwong Simon	3/3
Ms. Au Man Yi (appointed on 1 July 2015)	1/1
Mr. Law Yiu Sing (resigned on 1 July 2015)	2/2

The Board is of the view that the Remuneration Committee had properly discharged its duties and responsibilities during the Reporting Period and up to the date of this annual report.

NOMINATION COMMITTEE

The Nomination Committee was established on 31 July 2014 with terms of reference in compliance with paragraph A.5.2 of the Code. The Nomination Committee comprises four members, namely Mr. Fu Yik Lung (Chairman of the Nomination Committee), Professor Lam Sing Kwong Simon, Mr. Ong Chi King and Ms. Au Man Yi. Professor Lam, Mr. Ong and Ms. Au are independent non-executive Directors and Mr. Fu is an executive Director.

With reference to the terms of reference the Nomination Committee, the primary responsibilities of the Nomination Committee include (for the complete terms of reference please refer to the Group's website www.kingforce.com.hk):

1. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on proposed changes, if any, to the Board to complement the Company's corporate strategy;

2. reviewing the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;

3. identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

4. assessing the independence of independent non-executive Directors; and

5. making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

The Board is of the view that the Nomination Committee had properly discharged its duties and responsibilities during the Reporting Period and up to the date of this annual report.

The attendance records of the members of the Nomination committee are summarised below:

	Attendance/Number of meetings
Mr. Fu Yik Lung *(Chairman)*	3/3
Professor Lam Sing Kwong Simon	3/3
Mr. Ong Chi King	3/3
Ms. Au Man Yi (appointed on 1 July 2015)	1/1
Mr. Law Yiu Sing (resigned on 1 July 2015)	2/2

DIVERSITY OF THE BOARD

The Group has adopted policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

1. selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and

2. the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy.

AUDITOR'S REMUNERATION

For the year ended 31 March 2016, the Company engaged BDO as external auditor. The remunerations paid or payable to BDO in respect of its audit services and non-audit services provided to the Group were HK$1,090,000 and HK$53,000, respectively. The non-audit services consist of taxation and other services.

JOINT COMPANY SECRETARIES

The Company engaged an external professional company secretarial services provider, Wonder World Corporate Services Limited ("Wonder World"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment.

Ms. So Hau Kit ("Ms. So"), the representative of Wonder World, was appointed as the named Company Secretary of the Company.

Mr. Wong Ka Shing ("Mr. Wong") was appointed as the joint Company Secretaries of the Company on 1 July 2015. Mr. Wong is a member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Liu Lai Ying, the chief executive officer of the Company, is the primary corporate contact person at the Company for the company secretary.

Ms. So and Mr. Wong had taken no less than 15 hours of relevant professional training during the year.

COMPLIANCE OFFICER

Mr. Fu Yik Lung, an executive Director, is the compliance officer of the Group.

INTERNAL CONTROLS

The Board and the senior management are responsible for improving and monitoring the internal control of the Group. In this connection, during the Reporting Period, the Board had constantly and actively seeked to strengthen the internal control system of the Group by way of, among other things, regular review of the effectiveness of the internal control measures and mechanism adopted by the Group in respect of financial, operational and compliance controls, etc. The Board is satisfied with the overall effectiveness of the Group's internal control systems.

SENIOR MANAGEMENT'S REMUNERATION

The senior management's remuneration payment of the Group in the year ended 31 March 2016 falls within the following band:

	Number of individuals
Nil to HK$1,000,000	1

REMUNERATION OF THE DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of the Directors and the five individuals with the highest paid are set out in notes 26 to the consolidated financial statements in this annual report.

RETIREMENT BENEFITS PLAN

The Group has participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group has not participated in any other pension schemes.

Accounting policy of retirement benefits plans of the Group as at 31 March 2016 are set out in note 4 to the consolidated financial statements.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the financial statements and to ensure that the financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. The Directors are of the view that the financial statements of the Group for each financial year have been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Statement of the Company's external auditor's responsibilities in respect of the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

GENERAL MEETINGS WITH SHAREHOLDERS

The annual general meeting is a forum in which the Board and the shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc. At the AGM, the Directors (including independent non-executive Directors) are available to attend to questions raised by the shareholders. The external auditors of the Company is also invited to be present at the AGM to address to queries of the shareholders concerning the audit procedures and the auditor's report.

The forthcoming AGM of the Company will be held on 24 August 2016, the notice of which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

SHAREHOLDERS RIGHTS

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("EGM"). EGMs shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, all reasonable expenses incurred by the acquisition(s) as a result of the failure of the Board shall be reimbursed to the requisition(s) by the Company.

Procedures for Shareholders' Nomination of Directors

Pursuant to article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under the Article will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Procedures for putting forward proposals at general meetings

Shareholders can also send enquiries and proposals to be put forward at general meetings for shareholders' consideration to the Board or senior management by email at info@kingforce.com.hk or by mail to the head quarter of the Company at 18th Floor, So Tao Centre, Nos. 11-15 Kwai Sau Road, Kwai Chung, New Territories, Hong Kong.

Procedures for directing shareholders' enquiries to the Board

Shareholders may direct their enquiries concerning their shareholdings to the Company's share registrars. Shareholders may also make a request for the Company's information to the extent that such information has been made publicly available by the Company. All written enquiries or requests may be forwarded to the Company's head office or by fax to (852) 2922 9099, or by email to info@kingforce.com.hk.

The addresses of the Company's head office and the Company's share registrars can be found in the section "Corporate Information" of this annual report.

Investors Relationships

To ensure transparent and comprehensive disclosures to investors, the Group delivers information of the Group to the public through various channels, including general meeting, public announcement and financial reports. The investors are also able to access the latest news and information of the Group via our website (www.kingforce.com.hk).

In order to maintain good and effective communication, the Company together with the Board extend their invitation to all shareholders and encourage them to attend the forthcoming AGM and all future general meetings.

The shareholders may also forward their enquiries and suggestions in writing to the Company by way of post or email as follows:–

Address: 18th Floor
So Tao Centre
Nos. 11-15 Kwai Sau Road
Kwai Chung
New Territories
Hong Kong

Email: info@kingforce.com.hk

Significant Changes in Constitutional Documents

During the Reporting Period, there had been no significant changes in the constitutional documents of the Company.

BDO

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Fax: +852 2818 2239
www.bdo.com.hk

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Hong Kong

電話：+852 2218 8288
傳真：+852 2818 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF KING FORCE GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of King Force Group Holdings Limited (formerly known as King Force Security Holdings Limited) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 45 to 83, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the agreed terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Tsui Ka Che, Norman
Practising certificate number P05057

Hong Kong, 23 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	7	**146,224**	130,302
Cost of services rendered		**(118,650)**	(105,510)
Gross profit		**27,574**	24,792
Other income	8	**474**	484
Administrative expenses		**(27,804)**	(17,003)
Other operating expenses		**–**	(3,569)
Share of result of an associate	16	**1,058**	–
Profit from operation		**1,302**	4,704
Finance costs	9	**–**	(310)
Profit before income tax	10	**1,302**	4,394
Income tax expense	11	**(1,357)**	(1,468)
(Loss)/Profit for the year attributable to owners of the Company		**(55)**	2,926
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Share of exchange difference on translation of foreign associate		**11**	–
Total comprehensive income for the year attributable to owners of the Company		**(44)**	2,926
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company			(Restated)
– Basic and diluted (HK cents)	13	**(0.001)**	0.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 March 2016

	Notes	**2016 HK$'000**	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**9,513**	11,656
Intangible asset	15	**1,006**	1,900
Interest in an associate	16	**20,464**	–
Investment in a life insurance policy	17	**1,126**	1,104
		32,109	14,660
Current assets			
Trade receivables	18	**17,750**	17,563
Prepayments and deposits	18	**2,498**	1,575
Tax recoverable		**–**	1,250
Cash at banks and in hand		**36,457**	33,822
		56,705	54,210
Current liabilities			
Accrued expenses and other payables	19	**27,887**	12,217
Tax payables		**671**	–
		28,558	12,217
Net current assets		**28,147**	41,993
Total assets less current liabilities		**60,256**	56,653
Non-current liability			
Deferred tax liabilities	20	**478**	885
Net assets		**59,778**	55,768
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	**6,400**	6,400
Reserves	22	**53,378**	49,368
Total equity		**59,778**	55,768

On behalf of the directors

Fu Yik Lung
Director

Li Mingming
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 March 2016

	Share capital HK$'000	Share premium* HK$'000	Merger reserve* HK$'000	Foreign exchange reserve* HK$'000	Capital reserve* HK$'000	Retained earnings* HK$'000	Total HK$'000
At 1 April 2014	8	–	2	–	–	19,704	19,714
Issue of shares pursuant to the reorganisation (note 21)	5,272	–	(5,272)	–	–	–	–
Issue of shares upon placing (note 21)	1,120	42,000	–	–	–	–	43,120
Expenses incurred in connection with the issue of shares during the year	–	(2,992)	–	–	–	–	(2,992)
Dividend declared and paid during the year (note 12)	–	–	–	–	–	(7,000)	(7,000)
	6,392	39,008	(5,272)	–	–	(7,000)	33,128
Profit and total comprehensive income for the year	–	–	–	–	–	2,926	2,926
At 31 March 2015 and 1 April 2015	6,400	39,008	(5,270)	–	–	15,630	55,768
Loss for the year	–	–	–	–	–	(55)	(55)
Other comprehensive income: Share of exchange difference on translation of foreign associate	–	–	–	11	–	–	11
Total comprehensive income for the year	–	–	–	11	–	(55)	(44)
Share of an associate's capital reserve	–	–	–	–	4,054	–	4,054
At 31 March 2016	6,400	39,008	(5,270)	11	4,054	15,575	59,778

* The total of these accounts represents “Reserves” in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 March 2016

	2016 **HK$'000**	2015 HK$'000
Cash flows from operating activities		
Profit before income tax	**1,302**	4,394
Adjustments for:		
Amortisation of intangible asset	**894**	783
Allowance for impairment loss on trade receivables	**–**	541
Bad debts written-off	**2**	634
Depreciation of property, plant and equipment	**2,054**	1,282
Interest charges on obligations under finance leases	**–**	16
Bank interest income	**(1)**	–
Interest expenses	**–**	294
Interest income of a life insurance policy	**(40)**	(73)
(Gain)/Loss on disposal of property, plant and equipment	**(6)**	43
Premium charged on a life insurance policy	**17**	45
Share of result of an associate	**(1,058)**	–
Write-off of property, plant and equipment	**588**	28
Operating profit before working capital changes	**3,752**	7,987
Increase in trade receivables	**(189)**	(4,045)
Increase in prepayments and deposits	**(923)**	(431)
Increase/(Decrease) in accrued expenses and other payables	**2,329**	(29)
Cash generated from operations	**4,969**	3,482
Net income tax refunded/(paid)	**158**	(3,411)
Interest received	**1**	–
Net cash generated from operating activities	**5,128**	71
Cash flows from investing activities		
Payments for acquisition of intangible asset	**–**	(1,083)
Proceeds from disposal of property, plant and equipment	**6**	27
Purchase of property, plant and equipment	**(499)**	(5,013)
Payment for acquisition of an associate	**(2,000)**	–
Net cash used in investing activities	**(2,493)**	(6,069)
Cash flows from financing activities		
Repayment of bank loans	**–**	(6,286)
Decrease in amount due from a director	**–**	4,430
Interest paid	**–**	(294)
Payment of listing expenses in respect of new shares to be issued	**–**	(2,298)
Capital element of finance lease liabilities	**–**	(501)
Interest element of finance lease payments	**–**	(16)
Dividend paid	**–**	(1,750)
Proceeds from issue of ordinary shares	**–**	43,120
Net cash generated from financing activities	**–**	36,405
Net increase in cash and cash equivalents	**2,635**	30,407
Cash and cash equivalents at beginning of year	**33,822**	3,415
Cash and cash equivalents at end of year	**36,457**	33,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 2 January 2014 as an exempted company with limited liability. The Company's registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. It's principal place of business is located at Room 1603, 16/F., China Building, 29 Queen's Road Central, Hong Kong.

The Company's shares were listed on the GEM of the Stock Exchange on 20 August 2014.

By a special resolution passed on 1 February 2016, the name of the Company was changed from King Force Security Holdings Limited to King Force Group Holdings Limited effective on 12 February 2016.

The principle activity of the Company is investment holding and the principle activities of the subsidiaries (together with the Company hereinafter referred to as the "Group") are set out in note 25 to the consolidated financial statements.

The Company acts as the holding company of the Group. As at 31 March 2015, the Company's immediate and ultimate holding company is Optimistic King Limited ("Optimistic King"), incorporated in the British Virgin Islands (the "BVI").

The consolidated financial statements for the year ended 31 March 2016 were approved by the directors on 23 June 2016.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or amended HKFRSs – effective 1 April 2015

In the current year, the Group has applied for the first time the following new or amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are relevant to and effective for the Group's financial statements for the annual year beginning on 1 April 2015:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended 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.

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKAFRS 9 (2014)	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operation[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after a date to be determined

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

(b) New or amended HKFRSs that have been issued but are not yet effective – Continued

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

(b) New or amended HKFRSs that have been issued but are not yet effective – Continued

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a subsidiary of an investment entity (including investment entities that account for their subsidiaries at fair value rather than consolidating them). An investment entity parent will consolidate a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities. A non-investment entity applying the equity method to an associate or joint venture that is an investment entity may retain the fair value measurements that associate or joint venture used for its subsidiaries. An investment entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss should provide the disclosures related to investment entities as required by HKFRS 12.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18-Revenue, HKAS 11-Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 16 – Leases

HKFRS 16 supersedes HKAS 17 – Leases, HK(IFRIC) Int 4 – Determining whether an Arrangement contain a Lease, HK(SIC) Int 15 – Operating Lease – Incentives and HK(SIC) Int 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 – Leases. Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

The Group is in the process of making an assessment of the impact of these new or amended HKFRSs upon initial application but is not yet in a position to state whether these new or amended HKFRSs would have a significant impact on the Group's results of operations and financial position.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

(c) Amended GEM Listing Rules (as below mentioned) relating to the presentation and disclosures in financial statements

The amended Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") in relation to the presentation and disclosures in financial statements, including the amendments with reference to the Hong Kong Companies Ordinance, Cap. 622, apply to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however, the amended GEM Listing Rules impacts on certain presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The consolidated financial statements have been prepared under historical cost convention, except for available-for-sale financial assets and consideration share payable which are stated at fair value.

It should be noted that accounting estimates and judgements are used in the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.4 Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as joint ventures where the Group has rights to only the net assets of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method – see note 4.3).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4.5 Foreign currencies translation

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Company (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of the reporting period. Exchange differences arisen, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Property, plant and equipment are depreciated so as to write off their cost over their estimated useful lives on a straight-line basis. The estimated useful lives are, at the following rates per annum:

Leasehold land and buildings	4%
Leasehold improvements	4% or over the lease term, whichever is shorter
Furniture and equipment	20%-33%
Motor vehicles	25%

The assets' depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at the end of reporting date.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.7 Intangible asset

Intangible asset acquired separately are initially recognised at cost. Subsequently, intangible asset with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses (see the accounting policy in respect of impairment losses for non-financial assets above). The cost of an intangible asset under development is not subject to amortisation until it is completed and available for use.

Intangible asset not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Amortisation on intangible asset with finite useful life is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Computerised operating system	33%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.8 Financial instruments

(i) Financial assets

The Group's financial assets mainly comprise available-for-sale financial assets including investment in a life insurance policy and loans and receivables including trade receivables, deposits and cash at banks and in hand.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequently to initial recognition, these assets (including investment in a life insurance policy) are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial asset includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– granting concession to a debtor because of the debtor's financial difficulty; and

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.8 Financial assets – Continued

(ii) Impairment of financial assets – Continued

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Financial assets other than trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of receivables is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities measured at amortised cost

Financial liabilities at amortised cost including accrued expenses and other payables are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.8 Financial instruments – Continued

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

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

4.9 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair values of the leased assets, or, if lower, the present value of the minimum lease payments (the “initial value”), of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance lease charges, are recorded as finance lease liabilities.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

Finance lease charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the finance lease liabilities for each accounting period.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the period in which they are incurred.

4.10 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand as well as short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.11 Revenue and other income recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services and the use by others of the Group's assets yielding interest, net of discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue from provision of security guard services are recognised in the accounting period in which the services are rendered.

Interest income from bank deposits is accrued on a time apportionment basis using the effective interest method.

Interest income from investment in a life insurance policy is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

4.12 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

4.13 Impairment of non-financial assets

Property, plant and equipment and intangible assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the assets.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.14 Employee benefits

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Defined contribution retirement plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. Contributions are made based on a percentage of the employees' basic salaries to the maximum mandatory contributions as required by the MPF Scheme. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets, respectively, as they are normally of a short-term nature. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

4.15 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.16 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

4.17 Related parties

A party is considered to be related to the Group if:

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.17 Related parties – Continued

(b) An entity is related to the Group if any of the following conditions apply:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4.18 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of receivables

The policy for the impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

Depreciation and amortisation

The Group depreciated the property, plant and equipment and amortised the intangible asset on a straight-line basis over the estimated useful lives of three to twenty-five years, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and intangible asset.

Impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash generation units ("CGUs") to which the intangible assets have been allocated. Value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing the intangible assets using suitable discount rates. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise.

Estimate of current tax and deferred tax

The Group is subject to income taxes in Hong Kong. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such final tax liabilities determination is made.

Contingent considerations

The consideration of the acquisition of Magn Investment Limited ("Magn Investment") as set out in note 16 is measured at fair value at the acquisition date with the best estimates of the outcome of future events, such as earn-outs arrangement. Where the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at the end of the reporting period. The determination of the fair value is based on the expected adjustment on consideration shares to be issued. The key assumption than has been taken into consideration is the profitability of Magn Investment for the six months ended 31 March 2016 and the year ending 31 March 2017.

6. 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. 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 years ended 31 March 2016 and 2015.

7. REVENUE

Revenue represents the net invoiced value of service rendered from the principal activities of the Group during the year.

8. OTHER INCOME

	2016 **HK$'000**	2015 HK$'000
Bank interest income	**1**	–
Interest income of a life insurance policy	**40**	73
Sundry income	**433**	411
	474	484

Bank interest income was less than HK$500 for the year ended 31 March 2015.

9. FINANCE COSTS

	2016 **HK$'000**	2015 HK$'000
Interest charges on:		
Bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	**–**	294
Finance leases	**–**	16
	–	310

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2016 HK$'000	2015 HK$'000
Auditor's remuneration	**1,090**	356
Amortisation of intangible asset[1]	**894**	783
Allowance for impairment loss on trade receivables	**–**	541
Bad debts written-off (note 18)	**2**	634
Cost of services rendered	**118,650**	105,510
Depreciation of property, plant and equipment	**2,054**	1,282
Employee benefits expenses (including directors' emoluments in note 26):		
Salaries, allowances and benefits in kind included in:		
– Cost of services rendered	**113,188**	100,610
– Administrative expenses	**3,524**	2,889
Retirement benefits – Defined contribution plans[2] included in:		
– Cost of services rendered	**5,462**	4,868
– Administrative expenses	**116**	136
	122,290	108,503
Legal and professional fees	**5,501**	999
Listing expenses[3]	**–**	3,569
(Gain)/Loss on disposal of property, plant and equipment	**(6)**	43
Operating lease charges in respect of:		
– Rented premises	**973**	319
– Office equipment	**1,324**	43
	2,297	362
Write-off of property, plant and equipment	**588**	28

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

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

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

11. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2016 **HK$'000**	2015 HK$'000
Current tax		
– Hong Kong Profits Tax		
– Tax for the year	**1,694**	932
– Under/(Over) provision in prior years	**70**	(349)
	1,764	583
Deferred tax		
– (Credited)/Charged to profit or loss for the year (note 20)	**(407)**	885
	1,357	1,468

The Company was incorporated in the Cayman Islands that is tax-exempted as no business is carried out in the Cayman Islands under the laws of the Cayman Islands.

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits of subsidiaries operating in Hong Kong for the year.

The income tax expense for the year can be reconciled to the profit before income tax expense per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 **HK$'000**	2015 HK$'000
Profit before income tax	**1,302**	4,394
Income tax at Hong King Profits Tax rate of 16.5% (2015: 16.5%)	**215**	725
Tax effect on non-deductible expenses	**1,213**	684
Tax effect on non-taxable income	**(175)**	(12)
Tax effect of temporary difference not recognised	**34**	420
Under/(Over) provision in prior years	**70**	(349)
Income tax expense	**1,357**	1,468

12. DIVIDEND

No dividend has been paid or declared by the Company during the year.

On 9 July 2014, Million Joyce Global limited ("Million Joyce"), a subsidiary of the Company, declared and paid dividend of an aggregate amount of HK$7,000,000 to the then shareholders, of which an amount of HK$5,250,000 was offset against the amount due from a director.

13. (LOSS)/EARNINGS PER SHARE

	2016 **HK$'000**	2015 HK$'000
(Loss)/Earnings		
(Loss)/Profit attributable to owners of the Company	**(55)**	2,926

	2016	2015 (Restated)
Number of shares		
Weighted average number of ordinary shares	**6,400,000,000**	5,964,274,000

The weighted average number of shares for the purpose of calculating the basic earnings per share has been retrospectively adjusted for the effect of the share subdivision (note 21 (iii)) completed during the year ended 31 March 2016.

Diluted (loss)/earnings per share were the same as the basic (loss)/earnings per share as the Company had no dilutive potential shares during the years ended 31 March 2016 and 2015.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2014	6,293	1,065	898	1,381	9,637
Additions	–	705	1,418	2,890	5,013
Disposal/write off	–	–	(76)	(306)	(382)
At 31 March 2015 and 1 April 2015	6,293	1,770	2,240	3,965	14,268
Additions	–	–	99	400	499
Disposal/write off	–	(688)	(138)	(1)	(827)
At 31 March 2016	**6,293**	**1,082**	**2,201**	**4,364**	**13,940**
Accumulated depreciation					
At 1 April 2014	503	80	304	727	1,614
Depreciation	252	50	309	671	1,282
Disposal/write off	–	–	(49)	(235)	(284)
At 31 March 2015 and 1 April 2015	755	130	564	1,163	2,612
Depreciation	252	249	559	994	2,054
Disposal/write off	–	(206)	(32)	(1)	(239)
At 31 March 2016	**1,007**	**173**	**1,091**	**2,156**	**4,427**
Net book value					
At 31 March 2016	**5,286**	**909**	**1,110**	**2,208**	**9,513**
At 31 March 2015	5,538	1,640	1,676	2,802	11,656

At 31 March 2014, the carry amount of Group's leasehold land and buildings amounted to HK$5,790,000 were pledged to secure general banking facilities granted to the Group. The pledge is released during the year ended 31 March 2015. There was no pledging to banking facilities during the year ended 31 March 2016.

All leasehold land and buildings are held on medium term leases between 10 to 50 years (2015: 10 to 50 years) in Hong Kong.

15. INTANGIBLE ASSET

	Computerised operating system HK$'000	Software under development HK$'000	Total HK$'000
Cost			
At 1 April 2014	–	1,600	1,600
Additions	283	800	1,083
Transfer	2,400	(2,400)	–
At 31 March 2015, 1 April 2015 and 31 March 2016	2,683	–	2,683
Accumulated depreciation			
At 1 April 2014	–	–	–
Charge for the year	783	–	783
At 31 March 2015 and 1 April 2015	783	–	783
Charge for the year	894	–	894
At 31 March 2016	1,677	–	1,677
Net book value			
At 31 March 2016	**1,006**	**–**	**1,006**
At 31 March 2015	1,900	–	1,900

The intangible asset under development represented a computerised operating system being developed by a service provider starting from 1 November 2012. Upon completion of the development and successful test for implementation, the system was transferred to intangible assets during the year ended 31 March 2015 with finite useful life being measured initially at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated statement of financial position are as follows:

	Notes	**2016 HK$'000**	2015 HK$'000
Associate	a	**20,464**	–
Joint venture	b	**–**	–
As at 31 March		**20,464**	–

The amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	Notes	**2016 HK$'000**	2015 HK$'000
Associate	a	**1,058**	–
Joint venture	b	**–**	–
		1,058	–

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – Continued

(a) Investment in an associate

On 16 April 2015, the Group entered into a subscription agreement with Magn Investment, pursuant to which the Group subscribed 20% of the issued share capital of Magn Investment at a consideration of HK$2,000,000. The consideration was to be satisfied by the Group by way of cash. The acquisition was completed on 2 October 2015. Accordingly, the Group owns 20% of the issued share capital of Magn Investment and which has become an associate of the Group thereafter.

On 19 October 2015, the Group entered into an equity transfer agreement with Magn Group Limited, pursuant to which the Group conditionally agreed to acquire 80% of equity interest of Magn Investment. On 24 November 2015, the Group entered a supplemental agreement with Magn Group Limited to amend the equity interest to be acquired from 80% to 25% of the issued share capital of Magn Investment at a consideration of HK$28,750,000, subject to adjustment on whether Magn Investment could meet its guaranteed profit for six months ended 31 March 2016 and year ending 31 March 2017. The consideration is to be satisfied by the Group by way of allotment and issue of ordinary shares of the Company to Magn Group Limited. The acquisition was completed on 4 December 2015.

Magn Investment is an investment holding company of Magn Media (China) Holdings Limited* ("Magn Media (China)"), 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 variable interest entities contracts ("VIE Contracts"), operation of gaming products.

The mobile game business of Magn Investment is operated through controlling Shenzhen Timing Advertisement Co., Limited* ("Timing Advertisement") and its subsidiaries in the PRC (the "VIE Group") through VIE Contracts.

VIE Contracts included (i) Exclusive Consulting Service Agreement, (ii) Exclusive Call Option Agreement, (iii) Shareholders' Voting Right Entrustment Agreement, and (iv) Equity Pledge Agreement.

The above VIE Contracts enables Shenzhen Magn Classic Technology Co., Limited* ("Magn Classic Technology"), a wholly-owned subsidiary of Magn Media (China), a wholly-owned subsidiary of Magn Investment to:

– exercise effective financial and operational control over the VIE Group;

– exercise shareholders' voting rights of the VIE Group;

– receive substantially all of the economic interest and returns generated by the VIE Group in consideration for the business support, technical and consulting services provided by Magn Classic Technology, at Magn Classic Technology's discretion;

– obtain an exclusive right to purchase the entire equity interest in the VIE Group from the registered equity owners;

– obtain a pledge over the entire equity interest of the VIE Group from the registered equity owners as collateral security to guarantee performance of all of the obligations of registered equity owners and the VIE Group under the VIE Contracts.

As a result of the VIE Contracts, Magn Investment has rights to variable returns from its involvement with the VIE Group, has the ability to affect those returns through its power over the VIE Group, and is considered to have control over the VIE Group. Consequently, the VIE Group is considered to be subsidiaries of Magn Investment.

However, The People's Republic of China ("PRC") government may determine that the VIE Contracts do not comply with the applicable laws and regulations. There can be no assurance that the VIE Contracts will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the VIE Contracts will be deemed to be in compliance of the PRC laws and regulations.

The insurance of the Group does not cover the risks relating to the VIE Contracts and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the VIE Contracts in the future, such as those affecting the enforceability of the VIE Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of Timing Advertisement, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, the Group will implement relevant internal control measures to reduce the operational risk.

* English name for identification purpose only.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – Continued

(a) Investment in an associate – Continued

Particulars of an associate as at 31 March 2016 are as follows:

Name of company	Place of incorporation/operations	Percentage of interest held	Principal activity
Magn Investment Limited	Hong Kong	45%	Investment holding

Summarised financial information for associate

Set out below is the summarised consolidated financial information for Magn Investment which is accounted for using equity method.

	2016 HK$'000
Non-current assets	22,075
Current assets	23,218
Current liabilities	40,151
Non-current liabilities	–
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	45%
Group's share of net assets of the associate, excluding goodwill	2,314
Goodwill on acquisition	18,150
Carrying amount of the investment	20,464
Revenue	16,958
Loss for the year	(1,225)
Other comprehensive income for the year	25
Total comprehensive income for the year	(1,200)

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – Continued

(b) Investment in a joint venture

During the year, the Group set up a joint venture, Shenzhen Guanhui Xindong Technology Development Co., Limited ("Guanhui Xindong") with Shenzhen Weiyouhui Information Technology Co., Limited*, a wholly owned subsidiary of Magn Investment, in Perople's Republic of China ("PRC") in September 2015. The primary business of this joint venture is research and development of security system software for intelligence building automatic system. This joint venture is of small scale and, accordingly, the directors considered it is immaterial to the Group. No investment cost was made by the Group as at 31 March 2016.

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Guanhui Xindong. Under HKFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

Joint venture is accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the joint venture's net assets except that losses in excess of the Group's interest in the joint venture is not recognised unless there is an obligation to make good those losses.

* English name for identification purpose only.

Particulars of a joint venture as at 31 March 2016 are as follows:

Name of company	Place of incorporation/operations	Percentage of interest held	Principal activities
Shenzhen Guanhui Xindong Technology Development Co., Limited	PRC	50%	Research and development of security system software for intelligence building automatic system

Commitments in respect of joint venture

	2016 RMB'000	2015 RMB'000
Commitment for capital contribution	**5,000**	–

17. INVESTMENT IN A LIFE INSURANCE POLICY

The Group entered into a life insurance policy with an insurance company to insure an executive director, Mr. Fu Yik Lung (the "Insured"). Under the policy, the beneficiary and policy holder is the Group and the total insured sum is US$550,000 (equivalent to HK$4,290,000). The Group was required to pay a one-off premium payment of US$145,217 (equivalent to HK$1,132,693). The Group can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the premium payment plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge ("Cash Value").

For the maturity date of the life insurance policy, the policy provides for continuation of the policy until the death of the Insured, unless there is full cash surrender or a loan causes the policy to lapse. The insurance charge is the cost of insurance that the insurance company charged for provision of the insurance benefits on the death of the Insured at range from 0.084% to 35.93% per annum throughout the policy. In addition, if withdrawal and termination of the policy are made between the 1st to 15th policy year, there is a specified amount of surrender charge. The surrender charge on full or partial termination would be calculated based on the number of years the policy has been in force which is charged at the range from 0.9% to 13.5% of the premium.

The surrender charge of withdrawal is calculated by the insurance company based on the Insured's age and the number of years the policy has been in force and will be deducted from the Cash Value if withdrawal is made within the 1st to 15th policy year which is charged at the range from 1% to 4% of the withdrawal amount. The insurance company will pay the Group an interest on the outstanding Cash Value of the policy at the prevailing interest rate fixed by the insurance company. Commencing on the 2nd policy year, a minimum guaranteed interest of 1.8% per annum is guaranteed by the insurance company.

The investment in the life insurance policy is denominated in US$, a currency other than the functional currency of the Group.

The directors consider that the carrying amount of the investment in the life insurance policy approximate its fair value.

The fair value of the investment in a life insurance policy is provided by the insurance company which is determined with reference to the Cash Value.

18. TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2016 HK$'000	2015 HK$'000
Trade receivables	**17,750**	17,563
Prepayments	**880**	748
Deposits	**1,618**	827
	2,498	1,575
Total trade receivables, prepayments and deposits	**20,248**	19,138

Trade receivables generally have credit terms of 7 to 30 days (2015: 7 to 30 days).

The ageing analysis of trade receivables (net of impairment loss) based on invoice dates, as of the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000
Not more than 30 days	**9,816**	9,658
30-90 days	**7,372**	7,747
Over 90 days	**562**	158
	17,750	17,563

The ageing analysis of trade receivables (net of impairment losses), based on past due date, as of the end of the reporting periods is as follows:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**11,676**	12,967
Not more than 30 days past due	**2,469**	2,495
30-90 days past due	**3,265**	1,974
Over 90 days past due	**340**	127
	17,750	17,563

At the end of the reporting period, the Group reviews receivables for evidence of impairment on both individual and collective basis. During the year ended 31 March 2016, the Group has written off trade receivables of HK$2,000 (2015: HK$634,000) directly to the profit or loss for the year (note 10).

The below table reconciled the allowance for impairment loss of trade receivables for the year:

	2016 HK$'000	2015 HK$'000
At 1 April	**541**	–
Impairment loss recognised	**–**	541
Written off during the year as uncollectible	**(541)**	–
At 31 March	**–**	541

Trade receivables that were past due but not impaired related to a number of customers that the Group had continuing business relationships with these customers including services to and settlements from these customers in general, which in the opinion of the directors, have no indication of default. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

19. ACCRUED EXPENSES AND OTHER PAYABLES

Included in other payables is a contingent consideration share payable by the Group of HK$13,341,000 (2015: nil) for the acquisition of 25% equity interest of Magn Investment (note 16(a)).

20. DEFERRED TAX LIABILITIES

Details of deferred tax liabilities recognised and the movements during the current and prior years are as follows:

	Accelerated tax depreciation HK$'000
At 1 April 2014	–
Charged to profit or loss (note 11)	885
At 31 March 2015 and 1 April 2015	885
Credited to profit or loss (note 11)	(407)
At 31 March 2016	**478**

21. SHARE CAPITAL

As at 1 April 2014, the balance of share capital represented the paid-up capital of Million Joyce.

	Number of shares	**Amount HK$'000**
Authorised:		
Ordinary shares of HK$0.001 each		
At 1 April 2014	38,000,000	380
Increase in authorised share capital on 29 July 2014	1,962,000,000	19,620
At 31 March 2015 and 1 April 2015	2,000,000,000	20,000
Share subdivision (note (iii))	18,000,000,000	–
At 31 March 2016	**20,000,000,000**	**20,000**
Issued:		
Ordinary shares of HK$0.001 each		
At 1 April 2014 (note i)	1,000	–
Issue of shares by the Company pursuant to the reorganisation (note (i))	527,999,000	5,280
Issue of shares upon placing (note (ii))	112,000,000	1,120
At 31 March 2015 and 1 April 2015	640,000,000	6,400
Share subdivision (note (iii))	5,760,000,000	–
At 31 March 2016	**6,400,000,000**	**6,400**

21. SHARE CAPITAL – Continued

Notes:

(i) The Company was incorporated on 2 January 2014 with authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. 1 nil-paid share was allotted and issued and was subsequently transferred to Optimistic King on the same day. On the same date, Optimistic King and Gloria Power Limited ("Gloria Power") further subscribed for 749 and 250 nil-paid shares. On 29 July 2014, Optimistic King and Gloria Power each as a vendor, the Company as purchaser, and Mr. Fu Yik Lung ("Mr. Fu") and Mr. Chiu Chun Keung ("Mr. Chiu") as the respective warrantors of the vendors entered into a sale and purchase agreement, pursuant to which the Company acquired 750 shares (representing 75% of the issued share capital of Million Joyce) and 250 shares (representing 25% of the issued capital of Million Joyce) in Million Joyce from Optimistic King and Gloria Power, respectively, and as consideration for which (i) the 750 and 250 nil-paid shares held by Optimistic King and Gloria Power were credited as fully paid respectively, and (ii) 395,999,250 and 131,999,750 shares were issued and allotted to each of Optimistic King and Gloria Power respectively, all credited as fully paid.

(ii) On 20 August 2014, 112,000,000 new shares of HK$0.01 each of the Company were issued to the public by way of placing at HK$0.385 each (the "Placing"). Upon the Placing, the issued share capital of the Company has become HK$6,400,000 divided into 640,000,000 shares of HK$0.01 each.

(iii) On 17 August 2015, pursuant to the written resolutions passed by the shareholders of the Company, each authorised share capital of HK$0.01 each was subdivided into ten subdivided shares each of HK$0.001 each. All subdivided shares will rank pari passu with each other in all respects with the shares in issue prior to the share subdivision.

22. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity of the financial statements. The natures and purposes of reserves within equity are as follows:

Share premium

The share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

Merger reserve

It represents the difference between the nominal value of the share capital of the subsidiary held by the Group and the nominal value of the share capital of the Company.

23. SHARE OPTION SCHEME

A share option scheme (the "Scheme") adopted by the Company was approved by the shareholders on 31 July 2014.

A summary of the Scheme is set out below:

The Scheme became effective for a period of 10 years commencing on 31 July 2014. Under the Scheme, the directors shall, in its absolute discretion select, make an offer to any eligible participants to subscribe for shares of the Company at a subscription price being not less than the highest of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option, which must be a business day; or (ii) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share on the date. The offer of a grant of options may be accepted within seven days inclusive of the day on which such offer was made.

The options granted shall be exercisable in whole or in part in the effective option period. The exercise period of the options granted is determined and notified by the directors to the grantee thereof at the time of making an offer provided that such period shall not exceed the period of 10 years from the date of the grant of the option is made, subject to the provisions for early termination thereof.

The maximum number of shares to be issued upon the exercise of all outstanding options granted at any time under the Scheme together with options which may be granted under any other share option schemes for the time being of the Company must not in aggregate exceed 10% of all the shares of the Company in issue immediately following the completion of the Placing, being 640,000,000 shares.

No share options were granted under the Scheme in both years. At 31 March 2016 and 2015, there were no outstanding options granted under the Scheme. Share options do not confer rights to the holders to dividend or to vote at shareholders' meetings.

24. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	**2016** **HK$'000**	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current asset			
Investments in subsidiaries		**7,996**	13,276
Current assets			
Prepayments		**339**	21
Amount due from a subsidiary		**31,946**	39,823
Cash at bank		**3,985**	117
		36,270	39,961
Current liabilities			
Accrued expenses		**438**	99
Amounts due to subsidiaries		**5,911**	3,750
		6,349	3,849
Net current assets		**29,921**	36,112
Net assets		**37,917**	49,388
EQUITY			
Share capital	21	**6,400**	6,400
Reserves	24(b)	**31,517**	42,988
Total equity		**37,917**	49,388

On behalf of the directors

Fu Yik Lung	**Li Mingming**
Director	*Director*

24. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – Continued

(b) Reserves of the Company

	Share Premium* HK$'000	**Contributed Surplus*** HK$'000 (note)	**Accumulated loss*** HK$'000	**Total** HK$'000
At 1 April 2014	–	–	–	–
Issue of shares by the Company pursuant to the reorganisation (note 21 (i))	–	7,996	–	7,996
Issue of shares upon Placing (note 21 (ii))	42,000	–	–	42,000
Expenses incurred in connection with the issue of shares during the year	(2,992)	–	–	(2,992)
	39,008	7,996	–	47,004
Loss for the year	–	–	(4,016)	(4,016)
At 31 March 2015 and 1 April 2015	39,008	7,996	(4,016)	42,988
Loss for the year	–	–	(11,471)	(11,471)
At 31 March 2016	39,008	7,996	(15,487)	31,517

Note:

The contributed surplus of the Company represented the difference between the net asset value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the group reorganisation prior to the listing of the Company's shares.

25. SUBSIDIARIES

At 31 March 2016, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

Name of subsidiaries	Place of incorporation/ operations	Issued and paid-up share/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Million Joyce Global Limited	BVI/Hong Kong	1,000 shares of US$1 each	100%	–	Investment holding
King Force Service Limited	Hong Kong	1 share totalling HK$1	–	100%	Investment holding
King Force Security Limited	Hong Kong	10,000 shares totalling HK$10,000	–	100%	Provision of security guarding services
Golden Cross Trading Limited	BVI/Hong Kong	1 share of US$1 each	100%	–	Investment holding
Macro Getter Limited	Hong Kong	1 share totalling HK$1	–	100%	Investment holding
Loyal Salute Limited#	BVI/Hong Kong	1 share of US$1 each	100%	–	Investment holding
Billion Getting Limited#	Hong Kong	1 share of HK$1 each	–	100%	Inactive
Shiny Lotus Global Limited#	BVI/Hong Kong	1 share of US$1 each	100%	–	Investment holding
Wise Creator Limited#	Hong Kong	1 share of HK$1 each	–	100%	Inactive
King Force Star Technology Limited#	BVI/Hong Kong	1 share of US$1 each	100%	–	Investment Holding
King Force Star Technology (Hong Kong) Limited#	Hong Kong	1 share of HK$1 each	–	100%	Inactive
Guanhui Huyu Technology Limited#	Samoa	1 share of US$1 each	100%	–	Investment holding
Guanhui Huyu Technology (Hong Kong) Limited#	Hong Kong	1 share of HK$1 each	–	100%	Inactive
Shenzhen Jiahonglitian Technology Development Co. Ltd#*	People's Republic of China	2,000,000 shares of RMB1 each	–	100%	Investment holding

\# These subsidiaries were incorporated during the year.
* English name for identification purpose only.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

26. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

For the year ended 31 March 2016

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Fu Yik Lung	–	720	18	738
Liu Lai Ying	–	300	15	315
Chung Pui Yee, Shirley	–	313	14	327
Li Mingming (appointed on 24 September 2015)	–	125	–	125
Chen Xiaoting (appointed on 22 October 2015 and resigned on 18 January 2016)	–	144	–	144
Chen Yunchuo (appointed on 1 February 2016)	–	100	–	100
Zhang Chengzhou (appointed on 21 April 2015 and resigned on 27 November 2015)	–	368	–	368
Non-executive director				
Zhang Chengzhou (resigned on 12 March 2015)	7	–	–	7
Independent non-executive directors				
Law Yiu Sing (resigned on 1 July 2015)	30	–	–	30
Lam Sing Kwong, Simon	120	–	–	120
Ong Chi King	120	–	–	120
Au Man Yi (appointed on 1 July 2015)	90	–	–	90
Total	367	2,070	47	2,484

For the year ended 31 March 2015

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Fu Yik Lung	–	720	18	738
Liu Lai Ying	–	292	15	307
Chung Pui Yee, Shirley	–	319	13	332
Non-executive director				
Zhang Chengzhou	6	–	–	6
Independent non-executive directors				
Law Yiu Shing	80	–	–	80
Lam Sing Kwong, Simon	80	–	–	80
Ong Chi King	80	–	–	80
Total	246	1,331	46	1,623

No directors waived any emoluments in the year ended 31 March 2016 (2015: nil).

26. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS – Continued

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2015: one) are directors of the Company whose emoluments is included in the disclosure of directors' emoluments above. The emoluments of the remaining three individuals (2015: four individuals) were as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other emoluments	1,365	1,535
Retirement scheme contributions	53	59
	1,418	1,594

Their emoluments were within the following bands:

	2016 Number of Individuals	2015 Number of Individuals
Nil to HK$1,000,000	3	4

During both years ended 31 March 2016 and 2015, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group as compensation for loss of office.

Senior management emoluments

The emoluments paid or payable to members of senior management fell within the following:

	2016 Number of individuals	2015 Number of individuals
Nil to HK$1,000,000	1	4

27. OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancellable operating leases in respect of rented premises are payable as follows:

	2016 HK$'000	2015 HK$'000
Within one year	2,220	554
In the second to fifth year	774	445
	2,994	999

The Group leases a number of premises and office equipment under operating leases. The leases run for an initial period of one year to five years (2015: one year to five years). The above lease commitments only include commitments for basic rental and none of the lease includes any contingent rental.

28. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions carried out with related parties during the year:

	Notes	**2016** **HK$'000**	2015 HK$'000
Operating lease and related charges paid to a director, Ms. Liu Lai Ying	(i)	**50**	–
Realife Insurance Advisors Limited	(ii)	**–**	20
Realife Insurance Brokers Limited	(ii)	**–**	1,421
Realife Insurance Services Limited	(ii)	**–**	33

Note:

(i) The transactions above were carried out on the terms agreed between the relevant parties.

(ii) Either Mr. Chiu, the sole shareholder of Gloria Power which was a major shareholder of the Company, or his spouse is a director or had beneficial interests in the above related companies for provision of insurance consultation and brokerage services to the Group during the year ended 31 March 2015. The insurance services have been entered into in the ordinary and usual business of the Group, and were on normal commercial terms. Mr. Chiu ceased to be a major shareholder of the Company since April 2015

(ii) Compensation of key management personnel

	2016 **HK$'000**	2015 HK$'000
Short-term employee benefits	**4,122**	2,747
Post employment benefits	**114**	91
	4,236	2,838

(iii) Balances with related parties

	2016 **HK$'000**	2015 HK$'000
Realife Insurance Advisors Limited	**–**	20
Realife Insurance Brokers Limited	**–**	405
Realife Insurance Services Limited	**–**	44
Liu Lai Ying, director	**100**	–

The above balances were included in prepayments.

Balance with Ms. Liu Lai Ying, a director of the Company, represented rental deposit paid.

29. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts and fair value of financial assets and liabilities:

	2016 **HK'000**	2015 HK'000
Financial assets		
Non-current		
Available-for-sale financial assets:		
Investment in a life insurance policy	**1,126**	1,104
Current		
Loans and receivables (including cash and cash equivalents):		
– Trade receivables	**17,750**	17,563
– Deposits	**1,618**	827
– Cash at banks and in hand	**36,457**	33,822
	55,825	52,212
	56,951	53,316
Financial liabilities		
Current		
Financial liabilities measured at amortised cost:		
– Accrued expenses and other payables	**14,546**	12,217
Financial liabilities measured at fair value through profit or loss:		
– Consideration share payable	**13,341**	–
	27,887	12,217

30. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which result from the use of financial instruments in its ordinary course of operations. The financial risks include market risks (mainly foreign currency risk and interest rate risk), credit risk and liquidity risk. Details of these financial instruments are disclosed in the notes below. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The directors meet regularly to identify and evaluates risks and formulates strategies to manage financial risk on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

Foreign currency risk

The Group's exposure to risk resulting from changes in foreign currency exchange rates is minimal as most of the transactions are conducted in HK$.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk mainly arises from bank deposits which earn interests at floating or fixed rates. At the end of the reporting period, the Group did not have any interest bearing borrowings. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk. The directors considered that the Group's exposure to interest rate risk is not significant.

30. FINANCIAL RISK MANAGEMENT- Continued

Credit risk

The Group's exposure to credit risk related to the financial assets summarised in the note above. Please refer to note 18 for further details of the Group's exposures to credit risk on trade receivables.

The Group's trade receivables are actively monitored to avoid concentration of credit risk with exposure spread over a number of customers.

The Group continuously evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit terms are extended to certain customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade debt at that reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the year and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. The Group's bank balances are deposited with licensed banks in Hong Kong and PRC.

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of accrued liabilities and other payables, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The liquidity policies have been followed by the Group during the year and are considered by the directors to have been effective in managing liquidity risks.

Analysed below is the Group's remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group are required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group are committed to pay.

	Within 3 months or on demand HK$'000	**More than 3 months but less than 1 year** HK$'000	**More than 1 year but less than 5 years** HK$'000	**Total contractual undiscounted cash flows** HK$'000	**Carrying amount** HK$'000
As at 31 March 2016					
Non-derivatives:					
Accrued expenses and other payables	14,546	–	–	14,546	14,546
Consideration share payable	–	–	13,341	13,341	13,341
	14,546	–	13,341	27,887	27,887
As at 31 March 2015					
Non-derivatives:					
Accrued expenses and other payables	12,217	–	–	12,217	12,217

31. FAIR VALUE MEASUREMENTS

Fair values of the Group's financial assets and liabilities at amortised cost are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

The fair value of the available-for-sale assets, i.e. the investment in a life insurance policy, is provided by the insurance company which is determined with reference to the Cash Value.

The following table provides an analysis of financial instruments carried at fair value by level of the Fair Value Hierarchy:

Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs; and

Level 3: Fair value measured using significant unobservable inputs (i.e. not derived from market data).

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
At 31 March 2016				
Financial asset				
Available-for-sale financial asset:				
– Investment in a life insurance policy	**–**	**1,126**	**–**	**1,126**
Financial liability				
Financial liability at fair value through profit or loss:				
– Contingent consideration payable	**–**	**–**	**13,341**	**13,341**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 March 2015				
Financial asset				
Available–for-sale financial asset:				
– Investment in a life insurance policy	–	1,104	–	1,104

The fair value of the consideration shares to be issued as consideration paid to the vendor, Magn Group Limited (approximately HK$13,341,000), was based on the market price of the Company's share on 4 December 2015.

The consideration shares are to be issued to Magn Group Limited subject to the performance as set out in the adjustment mechanism stipulated in the supplemental agreement. Pursuant to the supplemental agreement, Magn Group Limited undertakes that the Magn Investment shall achieve the "Guaranteed Profit" as below:

Magn Group Limited guaranteed to the Company that the audited consolidated net profit after tax of Magn Investment for the financial year ending 31 March 2017 (the "2017 Actual Profit") shall be not less than HK$45,000,000 (the "2017 Guaranteed Profit").

In the event that the 2017 Actual Profit fails to meet the 2017 Guaranteed Profit, Magn Group Limited shall indemnify the Company the amount of the 2017 Compensated Amount (as defined below) by deducting the 2017 Compensated Amount from the consideration shares.

The "2017 Compensated Amount" = (2017 Guarantee Profit – 2017 Actual Profit) x 0.4425

The fair value of the consideration shares was estimated by management of the Company after considering the profitability that Magn Investment could meet the 2017 Guaranteed Profit and the market price of the share of the Company.

The key unobservable assumptions in calculating the fair value of the consideration shares are the assumptions used in Magn Investment Limited's profit forecast for the year ending 31 March 2017 which are the estimated number of active paying players of mobile games and the estimated average monthly spending on the mobile games by them.

There were no transfers of financial asset or financial liability between Level 1 and Level 2 of the Fair Value Hierarchy during the year.

32. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The Group sets the amount of capital in proportion to its overall financing structure. 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 amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts.

Management of the Company regards total equity as capital. The amount of capital as at 31 March 2016 and 2015 amounted to approximately HK$59,778,000 and HK$55,768,000 respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

33. MAJOR NON-CASH TRANSACTIONS

Dividend of HK$5,250,000 was paid through set off of amount due from a director during the year ended 31 March 2015 (note 12).

34. EVENTS AFTER THE REPORTING DATE

On 6 May 2016, the Company as an issuer and Mr. Fu, the chairman of the Company, an executive director of the Company, as noteholder, entered into a promissory note with an aggregate principal amount of HK$19,500,000 (the "Promissory Note"). The Promissory Note bears an interest rate of 5% per annum for a term of 2 years. Further details of the Promissory Note are disclosed in the announcement dated 6 May 2016 issued by the Company.

On 27 May 2016, the Group, as a purchaser, entered into the sale and purchase agreement with a Hong Kong resident and a PRC resident, pursuant to which the Group conditionally agreed to acquire and the Hong Kong resident and the PRC resident conditionally agreed to sell 60% of the issued share capital in the General Venture Enterprises Limited for a maximum consideration of HK$80,000,000, subject to adjustment on guaranteed profit. The consideration shall be settled by way of issue of the consideration shares at the issue price of HK$0.50 each. Further details of the acquisition are disclosed in the announcement dated 27 May 2016 issued by the Company. Up to the date of this report, the acquisition has not been completed yet.

FOUR YEAR'S FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited financial statements in this annual report and the prospectus of the Company, is as follows.

FINANCIAL RESULTS

	Year ended 31 March			
	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**146,224**	130,302	111,059	90,665
Gross profit	**27,574**	24,792	23,033	15,317
Profit before income tax	**1,302**	4,394	10,936	10,295
(Loss)/profit for the year	**(55)**	2,926	8,362	9,046

ASSETS AND LIABILITIES

	As at 31 March			
	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**32,109**	14,660	10,699	8,620
Current assets	**56,705**	54,210	29,626	38,444
Current liabilities	**28,558**	12,217	20,317	35,308
Net assets	**59,778**	55,768	19,714	11,351

* *For identification purpose only*