



Interim 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

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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

DIRECTORS

Executive Directors:

Mr. Chen Yunchuo (*Chairman*)
Mr. Li Mingming
Mr. Fu Yik Lung
Ms. Liu Lai Ying (resigned on 24 June 2016)
Ms. Chung Pui Yee Shirley
(resigned on 8 August 2016)

Independent Non-executive Directors:

Professor Lam Sing Kwong Simon
(resigned on 24 June 2016)
Ms. Au Man Yi (resigned on 19 September 2016)
Mr. Ong Chi King (resigned on 19 September 2016)
Mr. Xiong Hong (appointed on 24 June 2016)
Mr. Wan Tat Wai David
(appointed on 19 September 2016)
Mr. Ho Yuk Ming Hugo
(appointed on 19 September 2016)

AUDIT COMMITTEE

Mr. Ho Yuk Ming Hugo (*Chairman*)
Mr. Xiong Hong
Mr. Wan Tat Wai David

REMUNERATION COMMITTEE

Mr. Ho Yuk Ming Hugo (*Chairman*)
Mr. Xiong Hong
Mr. Wan Tat Wai David

NOMINATION COMMITTEE

Mr. Li Mingming (*Chairman*)
Mr. Xiong Hong
Mr. Ho Yuk Ming Hugo
Mr. Wan Tat Wai David

JOINT COMPANY SECRETARIES

Ms. So Hau Kit
Mr. Wong Ka Shing

AUTHORISED PRESENTATIVES

Mr. Chen Yunchuo
Mr. Li Mingming

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
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Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTER

Unit 1101
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Sai Ying Pun
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 Central
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 six months ended 30 September 2016 (the "Reporting Period") amounted to approximately HK\$76.9 million (for the six months ended 30 September 2015: HK\$73.0 million).
- Profit attributable to the owners of the Company for the six months ended 30 September 2016 amounted to approximately HK\$5.6 million (profit attributable to the owners of the Company for the six months ended 30 September 2015: approximately HK\$0.05 million).
- Basic and diluted earnings per share for the six months ended 30 September 2016 amounted to approximately HK cents 0.09 (basic and diluted earnings per share for the six months ended 30 September 2015: HK cents 0.0008 (restated)).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (for the six months ended 30 September 2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

On 6 May 2016, the Company, as issuer, issued HK\$19,500,000 unsecured redeemable promissory note (the "Promissory Note") to Mr. Fu Yik Lung ("Mr. Fu"), an executive Director, as noteholder. 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.

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 six months ended 30 September 2016, the Group had 378 customers, including property management companies, schools, warehouse operators, property redevelopers and construction companies.

Mobile Game Business

Magn Investment Limited ("Magn Investment"), an associated company of the Group, is an investment holding company of Magn Media (China) Holdings Limited, which is principally engaged in (i) the research and development of computer and mobile software, including security software, advertisement sale management software, gaming platform operation software, payment software and office software; and (ii) through the VIE contracts, operation of gaming products. The associate of the Group commenced the mobile game business in 2015 while the first mobile game of such business was released in April 2015. The associate of the Group commenced to generate more profit from its mobile game business as a result of more well received mobile games were launched in 2016. The Group's share of profit of its associated company for the six months period ended 30 September 2016 was approximately HK\$4.7 million.

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 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 types of contracts for the six months ended 30 September 2015 and 2016:

	Six months ended 30 September			
	2016		2015	
	HK\$'000	Percentage	HK\$'000	Percentage
Manned security guarding services				
– Fixed	61,007	79.3%	62,860	86.1%
– Temporary	2,479	3.2%	1,672	2.3%
– Event	13,435	17.5%	8,494	11.6%
Total	76,921	100.0%	73,026	100.0%

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

The Group's overall revenue increased by approximately HK\$3.9 million or 5.3% from approximately HK\$73.0 million for the six months ended 30 September 2015 to approximately HK\$76.9 million for the six months ended 30 September 2016. The increase in revenue is mainly due to a manned security guarding services contract with relatively high revenue represents approximately HK\$5.8 million or 7.5% of the Group's total revenue was entered during the six months ended 30 September 2016.

Cost of services rendered

For the six months ended 30 September 2015 and 2016, cost of services rendered, which mainly consists of direct guard cost, was approximately HK\$59.5 million and HK\$60.8 million, respectively, representing approximately 81.5% and 79.0% of the Group's revenue, respectively. Such decrease in percentage was primarily attributable to a manned security guarding service with relatively high margin was entered during the six months ended 30 September 2016.

As at 30 September 2016, the Group had a total of 1,429 employees, of which 1,353 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\$2.6 million or 19.7% from approximately HK\$13.5 million for the six months ended 30 September 2015 to approximately HK\$16.1 million for the six months ended 30 September 2016 while the Group's gross profit margin increased from approximately 18.5% for the six months ended 30 September 2015 to approximately 21.0% for the six months ended 30 September 2016. The increase in gross profit margin was mainly due to a manned security guarding services contract with relatively high margin was entered during the six months ended 30 September 2016 as discussed above.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$1.0 million or 7.2% from approximately HK\$13.2 million for the six months ended 30 September 2015 to HK\$14.2 million for the six months ended 30 September 2016. The increase in the Group's administrative expenses were mainly due to the increase in the rental expenses for the new recruitment and training centre and the new office.

Finance costs

The Group's finance costs increased by approximately HK\$395,000 or 100% from nil for the six months ended 30 September 2015 to HK\$395,000 for the six months ended 30 September 2016. The increase in the finance costs was mainly due to the accrued interest on the promissory note for the six months ended 30 September 2016.

Share of result of an associate

The Group's share of profit of its associated company for the six months ended 30 September 2016 was approximately HK\$4.7 million. Due to more well received mobile games were launched in 2016, the mobile game business commenced to generate more profit during the six months ended 30 September 2016.

Profit for the period

Profit attributable to owners of the Company for the period increased by approximately HK\$5.6 million or 109.0 times from approximately HK\$51,000 for the six months ended 30 September 2015 to approximately HK\$5.6 million for the six months ended 30 September 2016. The increase in the Group's profit for the period was mainly due to the share of profit of an associate as a result of more well received mobile games were launched in 2016 and the increase in gross profit as discussed above.

Services contracts

During the six months ended 30 September 2016, the Group had entered into 292 new or renewed contracts, of which 228, 31 and 33 are fixed, temporary and event security guarding services contracts respectively. As at 30 September 2016, the Group had a total number of 211 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.

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

In 2015, the success of acquisition of 45% equity interest in Magn Investment would diversify the Group's business and broaden its profit base. Since the first mobile game of such business was released in April 2015, the associate of the Group commenced to generate more profit from its mobile game business as a result of more well received mobile games were launched in 2016. Building on the momentum, we expect the global mobile games industry continued growing strongly in the future, Magn Investment will launch more prime games soon to maximize shareholder's interests.

On 22 July 2016, Guanhui Huyu Technology (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, as lender (the "Lender"), entered into the loan agreement (the "Loan Agreement") with Magn Investment Limited, an associate company indirectly owned as to 45% by the Company, as borrower (the "Borrower"). Pursuant to the Loan Agreement, the Lender has agreed to grant the loan facility to the Borrower with a principal amount of HK\$5,000,000, unsecured, bearing interest at a rate of 6% per annum for a term of two years from the date of the Loan Agreement. The Directors consider that the provision of the loan facility will facilitate the business development of the Borrower, the results of which will be shared in the consolidated accounts of the Company. Further details of the Loan Agreement are disclosed in the announcement dated 22 July 2016 issued by the Company.

On 26 July 2016, in relation to the sale and purchase agreement (the "Sale and Purchase Agreement") dated 27 May 2016 entered into among Loyal Salute Limited ("Loyal Salute"), as a purchaser, a wholly-owned subsidiary of the Company, and a Hong Kong resident and a PRC resident, as vendors, (the "Vendors") in relations to the acquisition of 60% equity interest in General Venture Enterprises Limited (the "Target Company"), the conditions precedent to the Sale and Purchase Agreement could not be fulfilled by the Vendors, Loyal Salute had rescinded the Sale and Purchase Agreement and the said acquisition is terminated. Further details of the said acquisition are disclosed in the announcements of the Company dated 27 May 2016 and 26 July 2016.

On 18 October 2016, the Group, as a purchaser, entered into the sale and purchase agreement with an independent third party, as a vendor, (the "Vendor"), pursuant to which the Group conditionally agreed to acquire and the Vendor conditionally agreed to sell 100% of the issued share capital in China Bei Dou Communications Technology Group Limited for a maximum consideration of HK\$51,170,000, 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\$0.0704 each. Further details of the acquisition are disclosed in the announcement dated 19 October 2016 issued by the Company. Up to the date of this report, the acquisition has not been completed yet.

On 18 October 2016, the Company and Cinda International Securities Limited as placing agent (the "Placing Agent"), entered into the placing agreement (the "Placing Agreement"), on a best effort basis, to place up to 553,000,000 ordinary shares of HK\$0.001 each of the Company (the "Placing Shares") at a price of HK\$0.0704 per Placing Share (the "Placing"). Net proceeds from the Placing of approximately HK\$38,152,000 will be used (i) as to potential acquisition of new project; and (ii) as to approximately less than HK\$6,000,000 as the general working capital of the Group. On 31 October 2016, the Placing Agent and the Company (the "Parties") entered into a supplemental agreement (the "Supplemental Agreement") in relation to the Placing Agreement to postpone the Long Stop Date from 31 October 2016 to 30 November 2016 as additional time is required by the Company for fulfilment of the condition precedent under the Placing Agreement. On 2 November 2016, the Parties to the Placing Agreement entered into a second supplemental agreement to amend the Long Stop Date from 30 November 2016 to 15 November 2016. Further details of the Placing are disclosed in the announcements dated 19 October 2016, 31 October 2016 and 2 November 2016 issued by the Company. Up to the date of this report, the Placing has not been completed yet.

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 30 September 2016, the share capital and total equity attributable to owners of the Company amounted to approximately HK\$6.4 million and HK\$65.3 million respectively (as at 31 March 2016: approximately HK\$6.4 million and HK\$59.8 million respectively).

Cash position

As at 30 September 2016, the cash at banks and in hand of the Group amounted to approximately HK\$38.7 million (as at 31 March 2016: approximately HK\$36.5 million), representing an increase of approximately HK\$2.2 million as compared to 31 March 2016.

Charges over assets of the Group

As at 30 September 2016, none of the Group's leasedhold land and buildings under property, plant and equipment was pledged.

Gearing ratio

As at 30 September 2016, the gearing ratio of the Group was 30.5% (as at 31 March 2016: 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 the promissory note. As at 31 March 2016, the Group did not have any bank borrowings, promissory note, bank overdrafts and obligations under finance leases. The Directors will continue to take measures to improve the gearing position of the Group.

Capital expenditure

The Group purchased property, plant and equipment amounting to approximately HK\$4.3 million for the six months ended 30 September 2016 which mainly comprises of addition of leasehold improvements and acquisition of furniture and equipment (for the six months ended 30 September 2015: approximately HK\$0.3 million).

Capital commitments

As at 30 September 2016, the Group had no capital commitments (as at 31 March 2016: HK\$262,000).

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 six months ended 30 September 2016, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies.

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

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

On 18 October 2016, the Group, as a purchaser, entered into the sale and purchase agreement with an independent third party, as a vendor, (the "Vendor"), pursuant to which the Group conditionally agreed to acquire and the Vendor conditionally agreed to sell 100% of the issued share capital in China Bei Dou Communications Technology Group Limited for a maximum consideration of HK\$51,170,000, 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\$0.0704 each. Further details of the acquisition are disclosed in the announcement dated 19 October 2016 issued by the Company. Up to the date of this report, the acquisition has not been completed yet.

Saves 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 30 September 2016, the Group had no material contingent liabilities (as at 31 March 2016: nil).

Employees and remuneration policy

The Group had 1,429 employees (including the Directors) as at 30 September 2016 (as at 31 March 2016: 1,209 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 (the "Prospectus") on 13 August 2014.

For the six months ended 30 September 2016, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 September 2016 (six months ended 30 September 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 30 September 2016.

Business plan as set out in the Prospectus	Progress up to 30 September 2016
<i>Recruiting and expanding the security guarding and patrol team</i>	
Recruitment of new security guards	The Group has employed 934 new security guards
Recruitment of new patrol officers	The Group has employed 13 patrol officers
<i>Strengthening staff recruitment and training</i>	
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 12 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
<i>Expanding the sales and marketing department and uplifting marketing effort</i>	
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
<i>Continuous increasing of operational efficiency and enhancing quality of service</i>	
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 six months ended 30 September 2016 had been applied as follows:

	Use of proceeds as shown in the Prospectus from the Listing Date to 30 September 2016 HK\$'000	Actual use of proceeds from the Listing Date to the 30 September 2016 HK\$'000
Repayment of bank borrowings	2,102	2,102
Recruiting and expanding the security guarding and patrol team	8,409	6,174
Strengthening staff recruitment and training	11,728	2,926
Expanding the sales and marketing department and uplifting marketing effort	1,991	1,089
Continuous increasing of operational efficiency and enhancing quality of service	1,770	1,489
General working capital	3,209	3,179
Total	29,209	16,959

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.

DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 September 2016, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the Shares

Name	Capacity/nature	Number of Shares held/interested	Percentage of shareholding
Mr. Chen Yunchuo ("Mr. Chen")	Beneficial	1,304,000,000	20.38%

Save as disclosed above, none of the Directors and chief executive of the Company has any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2016, the Company had not been notified of any interests or short positions of substantial shareholders or other persons (not being a Director or chief executive of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

Competing business and conflicts of interests

None of the Directors, management, controlling shareholders or substantial shareholders of the Company or any of their respective associates (as defined under the GEM Listing Rules) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that for the six months ended 30 September 2016, the Company has applied the principles and complied with the requirements under the code provisions set out in Appendix 15 – Corporate Governance Code (the "Code") to the GEM Listing Rules or the continuing obligations requirements of a listed issuer pursuant to the GEM Listing Rules.

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, TC Capital International Limited (the "Compliance Adviser"), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 11 August 2014, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established an audit committee (the "Audit Committee") with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this report, the Audit Committee comprises Mr. Ho Yuk Ming Hugo (chairman of the Audit Committee), Mr. Wan Tat Wai David and Mr. Xiong Hong, all of which are independent non-executive Directors.

The Audit Committee met with the external auditor of the Company to discuss the review process and accounting issues of the Audit Committee. The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, this report and the interim results of the Group for the six months ended 30 September 2016. The condensed consolidated financial results for the six months ended 30 September 2016 are unaudited, but have been reviewed by the Audit Committee.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

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

Directors' updated biographical details

The biographies of Mr. Xiong Hong, Mr. Wan Tat Wai David and Mr. Ho Yuk Ming Hugo are updated during the six months ended 30 September 2016 and up to the date of this interim report, details of which are set out as follows:

Mr. Xiong Hong, aged 41, holds a bachelor degree in business administration in corporate administration from Nanchang Hangkong University (南昌航空大學) and a master degree in executive master of business administration from Dongbei University of Finance & Economics (東北財經大學). Mr. Xiong has over 15 years of experience in finance industry. During the period between September 1998 and July 2007, he served as a department manager of the credit department of Agriculture Bank of China Yichun Branch* (中國農業銀行江西宜春分行). Mr. Xiong was the vice president of the president office of China Create Finance Holdings Group Co., Ltd.* (中科創金融控股集團有限公司) from August 2007 to October 2012. Since March 2013, he has served chairman and president at Shenzhen Gold Millennium Financial Co., Ltd.* (深圳市金千禧金融控股有限公司). He has experience in management and finance investment.

Mr. Wan Tat Wai David, aged 56, holds a bachelor's degree in chemistry and a master degree in business administration from The University of Hong Kong. Mr. Wan started off his career in marketing field in 1983 specializing in sales and marketing of personal computers. He joined the Royal Hong Kong Police Force in 1986 in the rank of police inspector and was promoted to the rank of Chief Inspector in 1996. He has over 28 years of experience in internal supervision and management in various Police Departments. He also holds an executive diploma in legal risk for enterprise risk management from the school of professional and continuing education of The University of Hong Kong. Since July 2015, Mr. Wan has been the chief operation officer of China Baoli Technologies Holdings Limited (Stock code: 164), the shares of which are listed on the Main Board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Wan is currently an executive director of Future Bright Mining Holdings Limited (Stock code: 2212), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Ho Yuk Ming Hugo, aged 45, is a qualified professional accountant with over 16 years of experience in auditing, accounting and financial management. He is an associate member of the Hong Kong Institute of Certified Public Accountants. He held senior position in a number of public and holding companies in Hong Kong. He graduated from the Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University) with a honours diploma in accounting in July 1996. Currently, Mr. Ho is the chief financial officer and the company secretary of Future Bright Mining Holdings Limited (Stock code: 2212), and an independent non-executive director of each of Wuxi Sunlit Science and Technology Company Limited (Stock code: 1289) and Zuoli Kechuang Micro-finance Company Limited (Stock code: 6866), respectively, the shares of which are listed on the Main Board of the Stock Exchange.

* English name for identification purpose only.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

	Notes	For three months ended 30 September 2016		For the six months ended 30 September 2016	
		(Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	(Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	3	36,270	36,977	76,921	73,026
Cost of services rendered		(29,321)	(30,173)	(60,772)	(59,537)
Gross profit		6,949	6,804	16,149	13,489
Other income	4	343	58	594	69
Administrative expenses		(7,853)	(7,347)	(14,152)	(13,197)
Share of result of an associate		(850)	–	4,656	–
Operating (loss)/profit		(1,411)	(485)	7,247	361
Finance costs	5	(245)	–	(395)	–
(Loss)/Profit before income tax	6	(1,656)	(485)	6,852	361
Income tax expense	7	(393)	–	(1,240)	(310)
(Loss)/Profit for the period		(2,049)	(485)	5,612	51
Other comprehensive loss for the period		(11)	–	(49)	–
Total comprehensive (loss)/income for the period attributable to owners of the Company		(2,060)	(485)	5,563	51
(Losses)/Earnings per share for (loss)/profit attributable to owners of the Company – Basic and Diluted (HK cents)	8	(0.03)	(Restated) (0.008)	0.09	(Restated) 0.0008

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016**

	Notes	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	12,831	9,513
Intangible assets	11	11,320	1,006
Loan to an associate	13(a)(ii)	5,058	–
Interest in an associate		25,053	20,464
Investment in a life insurance policy		1,137	1,126
		55,399	32,109
Current assets			
Trade receivables	12	21,625	17,750
Prepayments and deposits	12	2,313	2,498
Cash at banks and in hand		38,692	36,457
		62,630	56,705
Current liabilities			
Accrued expenses and other payables		30,404	27,887
Tax payables		1,911	671
		32,315	28,558
Net current assets		30,315	28,147
Total assets less current liabilities		85,714	60,256
Non-current liabilities			
Promissory note	13(a)(iii)	19,895	–
Deferred tax liabilities		478	478
		20,373	478
Net assets		65,341	59,778
EQUITY			
Equity attributable to owners of the Company			
Share capital		6,400	6,400
Reserves		58,941	53,378
Total equity		65,341	59,778

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

	Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash generated from/(used in) operating activities	3,119	(299)
Net cash used in investing activities	(15,326)	(252)
Net cash generated from financing activities	14,442	–
Net increase/(decrease) in cash and cash equivalents	2,235	(551)
Cash and cash equivalents at beginning of the period	36,457	33,822
Cash and cash equivalents at end of the period	38,692	33,271
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	38,692	33,271

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 2015	6,400	39,008	(5,270)	–	–	15,630	55,768
Profit and total comprehensive income for the period	–	–	–	–	–	51	51
At 30 September 2015 (unaudited)	6,400	39,008	(5,270)	–	–	15,681	55,819
At 1 April 2016	6,400	39,008	(5,270)	11	4,054	15,575	59,778
Profit and total comprehensive income for the period	–	–	–	(49)	–	5,612	5,563
At 30 September 2016 (unaudited)	6,400	39,008	(5,270)	(38)	4,054	21,187	65,341

* The total of these accounts represents "Reserves" in the condensed consolidated statement of financial position.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

King Force Group Holdings Limited was incorporated in the Cayman Islands on 2 January 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company's principal place of business is located at 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 (the "Listing date").

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

The Group's unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except that contingent consideration share payable for the acquisition of 25% equity interest of Magn Investment is stated at its fair value. The principal accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2016 except in relation to the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are expected to be reflected in the 2017 annual financial statements. The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated financial statements.

The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

2. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors in order to allocate resources and assess performance of the segment. During the period, 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 period ended 30 September 2016.

3. REVENUE

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

4. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Bank interest income	–*	–*	1	–*
Interest income from a loan to an associate	58	–	58	–
Other interest income	10	58	20	69
Sundry income	275	–	515	–
	343	58	594	69

* Represents amount less than HK\$1,000

5. FINANCE COSTS

Finance costs represent interest on promissory note. The promissory note is unsecured and bears an interest rate of 5% per annum for a term of 2 years.

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Three months ended 30 September		Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Amortisation of intangible asset ¹	392	138	666	447
Cost of services rendered	29,321	30,173	60,772	59,537
Depreciation of property, plant and equipment	432	626	1,020	1,080
Employee benefits expenses (including directors' emoluments):				
Salaries, allowances and benefits in kind included in:				
– Cost of services rendered	27,834	28,630	56,416	56,290
– Administrative expenses	2,012	2,332	3,669	3,559
Retirement benefits – Defined contribution plans ² included in:				
– Cost of services rendered	1,320	1,388	2,665	2,682
– Administrative expenses	102	26	125	51
	31,268	32,376	62,875	62,582
Legal and professional fees	984	1,006	1,640	2,166
Operating lease charges in respect of:				
– Rented premises	570	143	1,293	286
– Office equipment	330	330	665	660
	900	473	1,958	946

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 period

7. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current tax				
– Hong Kong Profits Tax				
– charged for the period	393	–	1,240	310

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2015: 16.5%) on the Group's estimated assessable profits for the period.

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

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2016 is based on the profit attributable to the owners of the Company amounting to approximately HK\$5,612,000 (six months ended 30 September 2015: approximately HK\$51,000), and on the basis of the weighted average number of shares of 6,400,000,000 in issue (six months ended 30 September 2015 (restated): 5,964,274,000 shares of the Company in issue) throughout the period.

The calculation of basic losses per share for the three months ended 30 September 2016 is based on the loss attributable to the owners of the Company amounting to approximately HK\$2,049,000 (three months ended 30 September 2015: approximately HK\$485,000), and on the basis of the weighted average number of shares of 6,400,000,000 in issue (three months ended 30 September 2015 (restated): 5,964,274,000 shares of the Company in issue) throughout the period.

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 completed on 17 August 2015.

No diluted earnings per share is calculated for the three months and six months ended 30 September 2016 and 2015 as there were no dilutive potential ordinary shares in existence.

9. DIVIDENDS

The Board did not recommend a payment of interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: nil).

10. 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
Six months ended 30 September 2016 (Unaudited)					
Opening net carrying amount	5,286	909	1,110	2,208	9,513
Additions	–	2,414	1,077	855	4,346
Depreciation	(126)	(70)	(367)	(457)	(1,020)
Disposal/write off	–	(8)	–	–	(8)
	5,160	3,245	1,820	2,606	12,831
At 30 September 2016 (Unaudited)					
Cost	6,293	3,480	3,278	4,599	17,650
Accumulated depreciation	(1,133)	(235)	(1,458)	(1,993)	(4,819)
Net book value	5,160	3,245	1,820	2,606	12,831

As at 30 September 2016, there was no pledging to banking facilities (as at 31 March 2016: nil).

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

11. INTANGIBLE ASSETS

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Intangible assets	11,320	1,006

12. TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Trade receivables	21,625	17,750
Prepayments	712	880
Deposits	1,601	1,618
	2,313	2,498

Trade receivables generally have credit terms of 7 to 30 days (as at 31 March 2016: 7 to 30 days). The Directors consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

At the end of each reporting date, the Group reviews trade receivables for evidence of impairment on both individual and collective basis.

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

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Not more than 30 days	16,498	9,816
30-90 days	4,499	7,372
Over 90 days	628	562
	21,625	17,750

The ageing analysis of trade receivables (net of impairment loss) by past due date as of the end of the reporting periods are as follows:

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Neither past due nor impaired	12,401	11,676
Not more than 30 days past due	7,612	2,469
30-90 days past due	1,372	3,265
Over 90 days past due	240	340
	9,224	6,074
	21,625	17,750

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. None of the trade receivables as at 30 September 2016 have been identified by the Group as having an impairment issue.

13. RELATED PARTY TRANSACTIONS AND BALANCES

- (a) 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 period:

	Note	Six months ended 30 September 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Operating lease and related charges paid to a spouse of a director, Ms. Liu Lai Ying	(i)	850	–
Interest income receivable from a loan to an associate	(ii)	58	–
Interests expenses payable of a promissory note	(iii)	395	–

Notes:

- (i) The transactions above were carried out on the terms agreed between the relevant parties.
- (ii) On 22 July 2016, Guanhui Huyu Technology (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, as lender (the "Lender"), entered into the loan agreement (the "Loan Agreement") with Magn Investment Limited, an associate company indirectly owned as to 45% by the Company, as borrower (the "Borrower"). Pursuant to the Loan Agreement, the Lender has agreed to grant the loan facility to the Borrower with a principal amount of HK\$5,000,000, unsecured, bearing interest at a rate of 6% per annum for a term of two years from the date of the Loan Agreement.
- (iii) On 6 May 2016, the Company as an issuer and Mr. Fu, 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.

(b) Compensation of key management personnel

	Six months ended 30 September 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Total remuneration of directors during the periods were as follows:		
Short-term employee benefits	1,189	1,108
Post employment benefits	24	24
	1,213	1,132

(c) Balance with a related party

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Liu Lai Ying (resigned as the executive director of the Company on 24 June 2016)	300	100

The above balance was included in prepayments.

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

14. OPERATING LEASE COMMITMENTS

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

	As at 30 September 2016 (Unaudited)	As at 31 March 2016 (Audited)
Within one year	661	2,220
In the second to fifth year	–	774
	661	2,994

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 (as at 31 March 2016: one year to five years). The above lease commitments only include commitments for basic rental and none of the lease includes any contingent rental.

15. CAPITAL COMMITMENTS

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Contracted but not provided for: Acquisition of motor vehicles	–	262
	–	262

16. SUBSEQUENT EVENTS

On 18 October 2016, the Group, as a purchaser, entered into the sale and purchase agreement with an independent third party (the "independent third party"), pursuant to which the Group conditionally agreed to acquire and the independent third party conditionally agreed to sell 100% of the issued share capital in the China Bei Dou Communications Technology Group Limited for a maximum consideration of HK\$51,170,000, 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\$0.0704 each. Further details of the acquisition are disclosed in the announcement dated 19 October 2016 issued by the Company. Up to the date of this report, the acquisition has not been completed yet.

On 18 October 2016, the Company and Cinda International Securities Limited as placing agent (the "Placing Agent"), entered into the placing agreement (the "Placing Agreement"), on a best effort basis, to place up to 553,000,000 ordinary shares of HK\$0.001 each of the Company (the "Placing Shares") at a price of HK\$0.0704 per Placing Share (the "Placing"). Net proceeds from the Placing of approximately HK\$38,152,000 will be used (i) as to potential acquisition of new project; and (ii) as to approximately less than HK\$6,000,000 as the general working capital of the Group. On 31 October 2016, the Placing Agent and the Company (the "Parties") entered into a supplemental agreement (the "Supplemental Agreement") in relation to the Placing Agreement to postpone the Long Stop Date from 31 October 2016 to 30 November 2016 as additional time is required by the Company for fulfilment of the condition precedent under the Placing Agreement. On 2 November 2016, the Parties to the Placing Agreement entered into a second supplemental agreement to amend the Long Stop Date from 30 November 2016 to 15 November 2016. Further details of the Placing are disclosed in the announcements dated 19 October 2016, 31 October 2016 and 2 November 2016 issued by the Company. Up to the date of this report, the Placing has not been completed yet.

Saved as disclosed in this report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2016 and up to the date of this report.