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

Annual Report
2017

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

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

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

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This report, for which the directors (the “Directors”) of King Force 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.

CONTENTS

Corporate Information 3

Chairman's Statement 4

Management Discussion and Analysis 5

Corporate Governance Report 23

Environmental, Social and Governance Report 36

Biographies of Directors 44

Report of the Directors 46

Independent Auditor's Report 53

Consolidated Statement of Profit or Loss and Other Comprehensive Income 57

Consolidated Statement of Financial Position 58

Consolidated Statement of Changes in Equity 60

Consolidated Statement of Cash Flows 61

Notes to the Consolidated Financial Statements 62

Five Years' Financial Summary 128

CORPORATE INFORMATION

DIRECTORS

Executive Directors:
Mr. Chen Yunchuo *(Chairman)*
Mr. Li Mingming
Ms. Liu Lai Ying (resigned on 24 June 2016)
Ms. Chung Pui Yee Shirley
(resigned on 8 August 2016)
Mr. Fu Yik Lung (resigned on 12 January 2017)
Ms. Li Liping (appointed on 7 December 2016)
Mr. Cheng Rui (appointed on 8 February 2017)

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

COMPANY SECRETARY

Ms. So Hau Kit (resigned on 31 March 2017)
Mr. Wong Ka Shing

AUTHORISED REPRESENTATIVES

Mr. Chen Yunchuo
Mr. Li Mingming

INDEPENDENT AUDITOR

BDO Limited

COMPLIANCE ADVISER

TC Capital International Limited

LEGAL ADVISER

As to Hong Kong Law
Peter Yuen & Associates
(in association with Fangda Partners)

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEADQUARTER

Unit 1101
No. 118 Connaught Road West
Sai Ying Pun
Hong Kong

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

14/F., Harbour Commercial Building
122 Connaught 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
Hang Seng Bank Limited
OCBC Wing Hang Bank Limited
Standard Chartered Bank

COMPANY WEBSITE

www.kingforce.com.hk

STOCK CODE

8315

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of King Force Group Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group"), it is my great pleasure to present to the shareholders the annual report for the year ended 31 March 2017.

For the year ended 31 March 2017, the Group continued to focus on our traditional core business of manned security guarding services in Hong Kong. Besides of maintaining the business relationship with our loyal customers, we have put a lot of efforts into finding new customers to increase our market shares. With continued effort, the Group has established a broad customer base. Apart from our traditional business, the Group has been actively expanding its business to cover a broader spectrum in the field of information technology ("IT") including mobile-online games business through Magn Investment Limited ("Magn Investment"), an associated company of the Group, the launch of mobile game business in the PRC markets; and through Guanhui Huyu Technology (Hong Kong) Limited ("Guanhui Huyu"), an indirectly wholly-owned subsidiary of the Company, the newly commenced mobile gaming business in overseas market.

Apart from maintaining our traditional manned security guarding service business, the Group is dedicated to promote sustainable development of IT-related products and services for local and worldwide markets. Although the competition in the IT industry is becoming intensified, the Group intends to strengthen our portfolio through developing popular mobile online games publishing among global players and expand our portfolio through continuous development of IT applications.

Looking ahead, the Group will continue to deploy appropriate operation strategies to meet the challenges posted by the competitive market, enhance the quality of the products and services, diversify its business and look for new potential investment opportunities to bring greater returns to the shareholders (the "Shareholders") of the Company.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the Group's employees who have contributed their time, efforts and supports to the Group.

Chen Yunchuo
Chairman

Hong Kong, 21 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2017, the Group recorded a total revenue of approximately HK$146,212,000 as compared with approximately HK$146,224,000 for the same period of 2016. The slight decrease in revenue was mainly due to (i) the general decrease in the fixed manned security guarding service fees as a result of intense competition in the industry, which was offset by (ii) the increase in the number of temporary manned security guarding service contracts of approximately 48%; and (iii) the increase in the event manned security guarding service fees due to a manned security guarding services contract with relatively high revenue of approximately HK$5,800,000 or accounting for approximately 4.0% of the Group's total revenue during the year. Profit attributable to owners of the Company increased to approximately HK$6,197,000, as compared with the loss of approximately HK$55,000 for the same period in 2016. The increase in profit was mainly attributable to the recognition of estimated changes in fair value of consideration payable for business combination of approximately HK$13,235,000 resulting from the acquisition of Magn Group which took place on 4 December 2016 and was offset by the increase in administrative expenses, mainly comprising the increase in staff costs, property rental, amortisation of intangible assets and depreciation of property, plant and equipment for the year ended 31 March 2017.

BUSINESS REVIEW AND PROSPECTS

For the year ended 31 March 2017, the Group engaged in (i) the provision of manned security guarding service (the "Manned Security Guarding Services"); (ii) the provision of mobile games through Magn Investment, an associated company of the Group (the "Mobile Gaming Business of an Associated Company"); and (iii) through Guanhui Huyu, an indirect wholly-owned subsidiary of the Company, the newly commenced mobile gaming business to the overseas markets (the "Mobile Gaming Business").

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 of its customers, properties and assets and to maintain order in private events. The Manned 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' of experience in providing 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 2017, the Group had 479 customers, including property management companies, schools, warehouse operators, property redevelopers and construction companies.

Mobile Gaming Business of an Associated Company

Magn Investment, an associated company of the Group, is an investment holding company of Magn Media (China) Holdings Limited, which is principally engaged in 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 operation of gaming products through the VIE contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

The completion of acquisition of 45% equity interest in Magn Investment in 2015 helped to diversify the Group's business and broaden its profit base. The associate of the Group commenced the mobile gaming business in 2015 while its first mobile game was launched in April 2015. The associate of the Group commenced to generate more profit from its mobile gaming business as a result of the launch of more well received mobile games in 2016. The Group's share of profit of its associated company for the year ended 31 March 2017 was approximately HK$1,127,000. Building on the momentum, we expect the mobile gaming industry will continue to grow strongly. It is expected that Magn Investment will launch more popular games in the near future.

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

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, except for Mr. Chen Yunchuo, being the chairman and an executive Director, 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 in China, 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.

Mobile Gaming Business

Guanhui Huyu, engaged in the newly commenced mobile gaming business to the overseas markets, has executive teams based in Hong Kong, Shanghai, Beijing and Shenzhen. It adheres to the idea of launching prime games for players globally, focuses on the internet-based mobile online gaming business and is committed to developing as a popular brand for game publishing among global players. Leveraging on the accumulated technologies and experience for game operation platforms of the experienced management team over the years, and it emphasizes the idea of prime mobile games and will be committed to achieving the strategy of globalization of games industry so as to create an international layout for pan-entertainment in the industry.

For details of the business review of the "e-education" business of the Group, please refer to the paragraph headed "Material acquisition, disposal and significant investment" of this section of this report.

SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 MARCH 2017

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"), a former 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.

On 22 July 2016, Guanhui Huyu, as lender (the "Lender"), entered into the loan agreement (the "Loan Agreement") with Magn Investment, 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 were disclosed in the report 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"), a wholly-owned subsidiary of the Company, as the purchaser, and a Hong Kong resident and a PRC resident, as vendors, (the "Vendors") in relation 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 was terminated. Further details of the said acquisition were disclosed in the report of the Company dated 27 May 2016 and 26 July 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

On 18 October 2016, the Company and Cinda International Securities Limited as placing agent (the "Cinda"), 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 "Cinda Placing"). On 31 October 2016, Cinda 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 Cinda Placing Agreement. On 2 November 2016, the Parties entered into a second supplemental agreement to amend the long stop date from 30 November 2016 to 15 November 2016. On 15 November 2016, due to market conditions, the Parties mutually agreed to terminate the Cinda Placing Agreement with immediate effect and all rights, obligations and liabilities of the Parties under the Cinda Placing Agreement have ceased and determined and neither Party shall have any claim against the others in respect of the Cinda Placing. Further details of the Cinda Placing and the termination were disclosed in the report dated 19 October 2016, 31 October 2016, 2 November 2016 and 15 November 2016 issued by the Company.

On 7 March 2017, the Company entered into a placing agreement with Gransing Securities Co., Limited as the placing agent ("Gransing"), pursuant to which Gransing would place, on a best effort basis, to independent places for up to 553,153,409 ordinary shares of HK$0.001 each of the Company (the "Placing Shares") at a price of HK$0.022 per Placing Share (the "Gransing Placing"). The completion of the Gransing Placing took place on 20 March 2017. An aggregate of 553,153,409 Gransing Placing Shares were alloted and issued pursuant to the general mandate granted to the Directors at the annual general meeting held on 24 August 2016. The aggregate nominal value of the Placing Shares was HK$553,000. The net proceeds from the Placing were approximately HK$11,733,000 and the net issue price was approximately HK$0.0212 per Gransing Placing Share. The proceeds has been used for the develop and promote the Group's mobile gaming business and also to replenish the general working capital of the Group. Details of the Gransing Placing were set out in the Company's report dated 7 March 2017 and 20 March 2017.

Saved as disclosed in this report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2017 and up to the date of this report.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

On 18 October 2016, Loyal Salute (as the purchaser), entered into the sale and purchase agreement with an independent third party, as a vendor, (the "Vendor"), pursuant to Loyal Salute conditionally agreed to acquire and the Vendor conditionally agreed to sell 100% of the issued share capital in China Bei Dou, which is principally engaged in the business of developing and manufacturing of education security system to protect the safety of students and e-education, for a maximum consideration of HK$51,170,000, subject to adjustment on guaranteed profit. On 16 December 2016, the acquisition was completed at the consideration of approximately HK$51,170,000, which was met by the allotment and issue of 726,846,591 consideration shares at the issue price of HK$0.0704 each by the Company to the Vendor. Further details of the acquisition and completion were disclosed in the report dated 19 October 2016, 9 November 2016, 24 November 2016 and 16 December 2016 issued by the Company.

On 27 January 2017, the Company noted that there are changes to information in relation to Bei Dou Jiuyi Information Technology Industry (Beijing) Limited* ("Bei Dou Jiuyi"), the franchisor that grant the license to China Bei Dou to use the Bei Dou civil operation services branch qualification required for the e-education and e-security business, on the official website of China National Administration of GNSS and Application (CNAGA) (the "Website") on 25 January 2017, which included the following:

(a) a word "凍結" (suspended), which was not shown before, appeared after the name of Bei Dou Jiuyi; and

(b) a notice, which was not shown before, was published thereon and contains the following information:

  (i) As Bei Dou Jiuyi, together with three other entities, did not pass the annual inspection and qualification renewal check, the Branch Services Trial Qualifications* (the "Qualification") granted to Bei Dou Jiuyi has been suspended (the "Suspension"), and Bei Dou Jiuyi was required to carry out remedial works within six months;

  (ii) if Bei Dou Jiuyi successfully carries out the rectifications required, the Qualification will be renewed, otherwise, the Qualification would be revoked by CNAGA.

Bei Dou Jiuyi entered into a business co-operation agreement dated 15 June 2015 with Zhongshan Bei Dou Education Technology Limited* ("Bei Dou Zhongshan"), an indirectly owned subsidiary of China Bei Dou, pursuant to which Bei Dou Jiuyi had agreed to franchise Bei Dou Zhongshan to conduct relevant Bei Dou services under its Qualification, subject to the terms and conditions therein. As such, the Company was actively conducting investigation and verification regarding the reasons and effects of such Suspension and was still waiting for results. Meanwhile, the Company is sought PRC legal opinion on the above issues.

The Company had made telephone enquiry with the managing center of China National Administration of GNSS and Application (中國衛星導航定位應用管理中心) after being aware of the suspension of the Qualification. The Company was informed that:

(a) the period of validity of the Qualification is four years, but its yearly renewal is subject to the annual inspection check (the "Annual Check");

(b) during the period of rectification and improvement (the "Period"), although the Qualification of Bei Dou Jiuyi is currently suspended, it is not withdrawn and still remains in force. As such, Bei Dou Jiuyi is entitled to operate relevant business and co-operate with its business partners under the Qualification; and

(c) after Bei Dou Jiuyi has submitted all the documents required by the Annual Check during the period, the suspension will be lifted.

According to the explanation provided by the Vendor, Bei Dou Jiuyi was unable to provide relevant documents required to perform the Annual Check due to internal administrative delays. The Company was informed by the Vendor that Bei Dou Jiuyi was preparing the required documents and intends to submit the necessary documents for the renewal of the Qualification before late March 2017.

The Company had urged Bei Dou Jiuyi to submit the required documents as soon as possible.

Further details of the Suspension were disclosed in the report dated 27 January 2017 and 14 February 2017 issued by the Company.

After the end of the Reporting Period, on 16 June 2017, Bei Dou Jiuyi had still failed to provide the Company with the documents showing its successful pass of the annual inspection and qualification renewal check regarding its Qualification. As such, Bei Dou Zhongshan had filed a civil petition statement (the "Petition") on 12 June 2017 at the First People's Court in Zhongshan City, Guangdong Province ("Zhongshan First People's Court") against Bei Dou Jiuyi, claiming that Bei Dou Jiuyi had breached the business cooperation agreement entered into by Bei Dou Zhongshan and Bei Dou Jiuyi on 15 June 2015 (the "Agreement"), and sought an order from the court against Bei Dou Jiuyi to, inter alia, return the consideration under the Agreement in the amount of RMB15,000,000 paid by Bei Dou Zhongshan together with interests. The Company had received the notice of acceptance of a case issued by Zhongshan First People's Court on 15 June 2017.

Under the Agreement, Bei Dou Jiuyi made representations on the legality, truthfulness and completeness of the Qualification and also undertook that the business relevant to the Qualification operated by Bei Dou Zhongshan will run smoothly. On 25 January 2017, the Company found on the website that the Qualification held by Bei Dou Jiuyi has been suspended and Bei Dou Jiuyi was required to carry out remedial works within six months. According to the notice as set out in the Website, the Qualification will be renewed if Bei Dou Jiuyi successfully carries out the remedial works and pass the Annual Check of CNAGA. However, up to the date of the filing of the Petition, Bei Dou Jiuyi still failed to provide the Company with necessary documents showing the Annual Check and the renewal of the Qualification having been passed. Based on the above, Bei Dou Zhongshan decided to commence the above litigation petition against Bei Dou Jiuyi for remedies.

On 21 June 2017, Zhongshan Bei Dou and Guangdong Bei Dou Platform Technology Limited* ("Guangdong Bei Dou"), an independent third party of the Company, entered into a cooperation agreement (the "Cooperation Agreement"). Pursuant to the Cooperation Agreement, Zhongshan Bei Dou will provide Guangdong Bei Dou with dynamic face recognition technology and the terminal hardware regarding the safety service of school bus, and Guangdong Bei Dou will support and coordinate with Zhongshan Bei Dou to legally carry out business activities in the education field based on its Qualification.

Guangdong Bei Dou has obtained the Qualification granted by CNAGA. The Company has appointed a PRC legal adviser to provide a legal opinion on the Qualification, pursuant to which the PRC legal adviser advised that the Qualification held by Guangdong Bei Dou is currently valid.

Further details of the said Cooperation Agreement were disclosed in the report dated 21 June 2017 issued by the Company.

Save as disclosed in this report, the Group did not have any other material acquisition or disposal and significant investment during the year ended 31 March 2017.

OUTLOOK

The Group intends to achieve expansion in business, in particular the number of fixed manned security contracts which provide stable and regular income streams, with a strategy of 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 strives 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.

By the acquisition of Magn Investment and the launch of the newly commenced mobile game publishing to the market overseas, the Group could tap into the mobile online game industry and capture the opportunities in the mobile online game and related solution industry. In addition, by utilising the Group's information technology related experiences, the synergy effect could be achieved with existing principal business of the Group through the acquisition of Magn Investment and the newly commenced overseas mobile gaming business.

We will continue to develop and upgrade our products and services with a generic growth of the business in order to broaden our income sources. The Group will continue to deploy appropriate operation strategies to meet the challenges posted by the competitive market to improve the performance and maximize the returns of shareholders as a whole.

FINANCIAL REVIEW

Revenue

Manned security guarding services

For the years ended 31 March 2016 and 2017, 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 years ended 31 March 2016 and 2017:

	Year ended 31 March			
	2017		2016	
	HK$'000	**Percentage**	HK$'000	Percentage
Manned security guarding services				
– Fixed	**118,273**	**80.9%**	126,398	86.4%
– Temporary	**6,892**	**4.7%**	3,571	2.4%
– Event	**21,047**	**14.4%**	16,255	11.2%
Total	**146,212**	**100%**	146,224	100%

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 revenue generated from the provision of manned security guarding services decreased by approximately HK$12,000 or 0.1% from approximately HK$146,224,000 for the year ended 31 March 2016 to approximately HK$146,212,000 for the year ended 31 March 2017. The slight decrease in revenue was mainly due to (i) the general decrease in the fixed manned security guarding service fees as a result of intense competition in the industry, which was offset by (ii) the increase in the number of temporary manned security guarding service contracts of approximately 48%; and (iii) the increase in the event manned security guarding service fees due to a manned security guarding services contract with relatively high revenue represents approximately HK$5.8 million or accounting for approximately 4.0% of the Group's total revenue was entered during the year.

Cost of Services Rendered

For the year ended 31 March 2016 and 2017, cost of services rendered, which mainly consists of direct guard cost, was approximately HK$118,650,000 and HK$115,346,000, respectively, representing approximately 81.1% and 78.9% of the Group's revenue, respectively. Such decrease in percentage was primarily attributable to a manned security guarding service contract with relatively high margin was entered during the year ended 31 March 2017.

As at 31 March 2017, the Group had a total of 1,134 employees, of which 1,071 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$3,292,000 or 11.9% from approximately HK$27,574,000 for the year ended 31 March 2016 to approximately HK$30,866,000 for the year ended 31 March 2017 while the Group's gross profit margin increased from approximately 18.9% for the year ended 31 March 2016 to approximately 21.1% for the year ended 31 March 2017. The increase in gross profit margin was mainly due to a manned security guarding services contract with relatively higher profit was entered during the year ended 31 March 2017 as discussed above.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

The Group's other income increased by approximately HK$14,277,000 or 30.1 times from approximately HK$474,000 for the year ended 31 March 2016 to HK$14,751,000 for the year ended 31 March 2017. The increase in the other income was mainly due to the recognition of estimated changes in fair value of consideration payable for business combination of approximately HK$13,235,000 for the year ended 31 March 2017.

Administrative Expenses

The Group's administrative expenses increased by approximately HK$10,698,000 or 38.5% from approximately HK$27,804,000 for the year ended 31 March 2016 to HK$38,502,000 for the year ended 31 March 2017. The increase in the Group's administrative expenses was mainly due to the increase in the staff costs, property rental, amortisation of intangible assets and depreciation of property, plant and equipment for the year ended 31 March 2017.

Finance Costs

The Group's finance costs increased from nil for the year ended 31 March 2016 to approximately HK$882,000 for the year ended 31 March 2017. The increase in the finance costs was mainly due to the accrued interest on the Promissory Note for the year ended 31 March 2017.

Share of Result of an Associate

The Group's share of profit of its associated company for the year ended 31 March 2017 was approximately HK$1,127,000. Due to more well received mobile games were launched in the year, the mobile gaming business commenced to generate more profit during the year ended 31 March 2017.

Profit for the Year

Profit attributable to owners of the Company increased to approximately HK$5,556,000, as compared with the loss of approximately HK$55,000 for the same period in 2016. The increase in profit was mainly attributable to (i) the recognition of estimated changes in fair value of consideration payable for business combination of approximately HK$13,235,000 relating to the acquisition of Magn Group completed on 4 December 2016 which offset by the increase in an administrative expenses, mainly comprising the increase in staff costs, property rental, amortisation of intangible assets and depreciation of property, plant and equipment for the year ended 31 March 2017.

Services Contracts

During the year ended 31 March 2017, the Group had entered into 362 new or renewed contracts, of which 236, 56 and 70 were fixed, temporary and event security guarding services contracts respectively. As at 31 March 2017, the Group had a total number of 187 unexpired security guarding services contracts.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital Structure

As at 31 March 2017, the share capital and equity attributable to owners of the Company amounted to approximately HK$7,680,000 and HK$132,988,000 respectively (as at 31 March 2016: approximately HK$6,400,000 and HK$59,778,000 respectively).

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Position

As at 31 March 2017, the cash at banks and in hand of the Group amounted to approximately HK$30,482,000 (2016: approximately HK$36,457,000), representing a decrease of approximately HK$5,975,000 as compared to that as at 31 March 2016.

Bank Borrowings

As at 31 March 2016 and 2017, the Group did not have any bank borrowings.

Charges over Assets of the Group

As at 31 March 2016 and 2017, none of the Group's leasehold land and buildings under property, plant and equipment was pledged.

Gearing Ratio

As at 31 March 2017, the gearing ratio of the Group was 15.4% (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 acquired property, plant and equipment amounted to approximately HK$9,554,000 from direct purchases amounted to approximately HK$8,807,000 and acquisition of subsidiaries amounted to approximately HK$747,000 for the year ended 31 March 2017 which mainly comprises of addition of leasehold improvements and acquisition of furniture and equipment (for the year ended 31 March 2016: approximately HK$499,000). The Group also acquired goodwill and intangible assets amounted to approximately HK$36,255,000 and approximately HK$37,666,000 respectively through direct purchases amounted to approximately HK$18,548,000 and acquisition of subsidiaries amounted to approximately HK$55,373,000.

Capital Commitments

As at 31 March 2017, the Group did not have any capital commitments (2016: nil).

Foreign Exchange Risk

The Group's business operations are primarily conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollar. During the year ended 31 March 2017, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 March 2017.

Material Risk Factors

Details of the Group's financial risk and analysis are set out in note 35 to the consolidated financial statements.

Contingent Liabilities

As at 31 March 2016 and 2017, the Group had no material contingent liabilities.

Employees and Remuneration Policies

The Group had 1,134 employees (including Directors) as at 31 March 2017 (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 year ended 31 March 2017, 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 2017 (for the year ended 31 March 2016: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2017.

Business Plan as set out in the Prospectus	Progress up to 31 March 2017
Recruiting and expanding the security guarding and patrol team	
Recruitment of new security guards	The Group has employed 1,195 new security guards
Recruitment of new patrol officers	The Group has employed 14 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 14 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 3 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 2017 had been applied as follows:

	Use of proceeds as shown in the Prospectus from the Listing Date to 31 March 2017 HK$'000	Actual use of proceeds from the Listing Date to 31 March 2017 HK$'000
Repayment of bank borrowings	**2,102**	2,102
Recruiting and expanding the security guarding and patrol team	**10,511**	7,705
Strengthening staff recruitment and training	**12,447**	3,765
Expanding the sales and marketing department and uplifting marketing effort	**2,489**	1,411
Continuous increasing of operational efficiency and enhancing quality of service	**2,212**	1,619
General working capital	**3,209**	3,179
Total	**32,970**	19,781

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.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the Reporting Period are set out in the note 39 to this report.

Saved as otherwise disclosed, the Group does not have any material subsequent event after the Reporting Period and up to the date of this report.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain corporate governance of high standards and quality procedures. The Company has put in place governance practices with emphasis on the integrity to shareholders and quality of disclosure, transparency and accountability to shareholders for the sake of maximizing returns to shareholders.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 15 of the Rules (the "GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 March 2017, except the CG Code provision A.2.1.

Under the CG Code provision A.2.1, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of Chief Executive Officer ("CEO") and is currently of the view that there is no immediate need to set up of this post within the Group in consideration of the size, nature and complexity of the Group's business. However, the Company has appointed several staffs at subsidiary level for each business segments, who will be held responsible for the oversight of each business segments' operations. The Company will, from time to time, review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and CEO, are necessary.

Under the CG Code provision A.5.1, the nomination committee should be chaired by the chairman of the board or an independent non-executive director. As at the date of this report, the Nomination Committee is chaired by Mr. Li Mingming, an executive Director, instead of Chairman of the board or an independent non-executive director. Mr. Li Mingming was appointed as the chairman of the nomination committee following the resignation of Mr. Fu Yik Lung on 8 August 2016 to ensure the stability and smooth transition during the interim period. Mr. Chen Yunchuo has confirmed that he will take up the position as the chairman of the Nomination Committee in order to fulfil the requirement under the CG Code provision A.5.1 and the Board will appoint him as the chairman of the Nomination Committee as soon as practicable.

Below are the major corporate governance practices adopted by the Company with specific reference to the CG Code.

THE BOARD OF DIRECTORS

The Board of Directors ("Board") is responsible for leading and controlling the Company, overseeing as well as the supervision of its business, approval of strategic plans and monitoring the Company's performance. The Board delegates the day-to-day operations to the executive directors and senior management, while reserving certain key matters for its approval.

COMPOSITION

As at the date of this report, the Board comprise of seven Directors, of which four are executive Directors, Mr. Chen Yunchuo, Mr. Li Mingming, Ms. Li Liping and Mr. Cheng Rui; and three are independent non-executive Directors (the "INED(s)"), Mr. Ho Yuk Ming Hugo, Mr. Wan Tat Wai David and Mr. Xiong Hong. There is no financial, business, family or other material/relevant relationship amongst the Directors. The Directors' biographical information is set out in pages 44 to 45 under the section headed "Biographies of Directors".

The Board includes a balanced composition of executive Directors and INEDs so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interests of the Company and that the current board size is adequate for its present operations. Each Director keeps abreast of his/her responsibility as the Director and of the conduct, business activities and development of the Company.

BOARD MEETINGS

Code provision A.1.1 of the CG Code states that at least four regular Board meetings should be held each year at approximately quarterly intervals with active anticipation of a majority of Directors, either in person or through other electronic means of communication.

Members of the Board met on a regular basis and on ad hoc basis to discuss the overall strategy as well as the operation and financial performance of the Group. There were 15 board meetings held during the year ended 31 March 2017.

Attendance of individual Directors at Board meetings held during the year ended 31 March 2017:

	Attendance/Number of Board meetings held
Executive Directors	
Mr. Chen Yunchuo[1]	15/15
Mr. Li Mingming[2]	15/15
Ms. Li Liping[3]	5/5
Mr. Cheng Rui[4]	2/3
Mr. Fu Yik Lung[5]	9/12
Ms. Chung Pui Yee Shirley[6]	6/6
Ms. Liu Lai Ying[7]	4/4
Independent Non-Executive Directors	
Professor Lam Sing Kwong Simon[8]	4/4
Mr. Ong Chi King[9]	7/7
Ms. Au Man Yi[10]	5/7
Mr. Xiong Hong[11]	10/11
Mr. Ho Yuk Ming Hugo[12]	7/8
Mr. Wan Tat Wai[13]	6/8

Notes:

1. Mr. Chen Yunchuo was appointed as a Chairman on 8 August 2016.
2. Mr. Li Mingming was appointed as an executive Director on 24 September 2015.
3. Ms. Li Liping was appointed as an executive Director on 7 December 2016.
4. Mr. Cheng Rui has been appointed as an executive Director on 8 February 2017.
5. Mr. Fu Yik Lung resigned as a Chairman and an executive Director on 8 August 2016 and 12 January 2017, respectively.
6. Ms. Chung Pui Yee Shirley resigned as an executive Director on 8 August 2016.
7. Ms. Liu Lai Ying resigned as an executive Director on 24 June 2016.
8. Professor Lam Sing Kwong Simon resigned as an INED on 24 June 2016.
9. Mr. Ong Chi King resigned as an INED on 19 September 2016.
10. Ms. Au Man Yi resigned as an INED on 19 September 2016.

11. Mr. Xiong Hong was appointed as an INED on 24 June 2016.

12. Mr. Ho Yuk Ming Hugo was appointed as an INED on 19 September 2016.

13. Mr. Wan Tat Wai David was appointed as an INED on 19 September 2016.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman ("Chairman") is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda.

Throughout the year under review and as at the date of this report, Mr. Chen Yunchuo is the Chairman. The Company does not have any officer with the title of CEO and is currently of the view that there is no immediate need to set up of this post within the Group in consideration of the size, nature and complexity of the Group's business. However, the Company has appointed several staffs at subsidiary level for each business segments, who will be held responsible for the oversight of each business segments' operations. The Company will, from time to time, review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and CEO, are necessary.

NON-EXECUTIVE DIRECTORS

There are currently no non-executive directors during the year ended 31 March 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied at all times with rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules that at least three INEDs sit in the Board (at least one third of the Board members) and at least one of them has appropriate professional accounting or related financial management expertise.

Each INED has made an annual confirmation of independence pursuant to rule 5.09 of the GEM Listing Rules. The Company is of the view that all INEDs meet the independence guidelines set out in rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

For the year ended 31 March 2017, all the INEDs have entered into a service contract with the Company for an initial term of three years, unless terminated by not less than three months' notice in writing served by either party on the other. The CG Code provision A.4.1 has been complied.

CORPORATE GOVERNANCE STRUCTURE

The Board is entrusted with the duty to put in place a proper corporate governance structure of the Company. It is primarily responsible for setting directions, formulating strategies, monitoring performance and managing the risks of the Group. Under the Board, there are currently three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The Audit Committee and Remuneration Committee perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management. Nomination Committee assists the Board in nominating candidates for directorship, reviewing the size and composition and board diversity of the Board and making recommendation to the Board on appointment of directors. Each of the Committees is established with defined written terms of reference which are available on the Company's website and the GEM website.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for making recommendations to the Board regarding the Group's policy and structure for remuneration of Directors and senior management and determining the specific remuneration packages of Directors and senior management of the Company.

The remuneration policy of the Directors is recommended by the Remuneration Committee, having regard to the market terms, individual experience, duties and responsibilities.

Directors' emoluments comprise payments to Directors by the Company and its subsidiaries in connection with the management of the affairs of the Company and its subsidiaries. The amounts paid to each Director for the year ended 31 March 2017 are set out in note 31 to the consolidated financial statements.

As at the date of this report, the Remuneration Committee comprises three INEDs, namely Mr. Ho Yuk Ming Hugo, Mr. Wan Tat Wai David and Mr. Xiong Hong. The Remuneration Committee is chaired by Mr. Ho Yuk Ming Hugo.

The Remuneration Committee is scheduled to meet at least once a year. 1 meeting was held during the year ended 31 March 2017. The attendance of each member is set out as follows:

	Attendance/ eligible to attend
Executive Directors	
Mr. Fu Yik Lung[1]	1/1
Independent Non-Executive Directors	
Mr. Ong Chi King *(Chairman)*[2]	1/1
Ms. Au Man Yi[3]	1/1
Professor Lam Sing Kwong Simon[4]	1/1

Notes:

1. Mr. Fu Yik Lung resigned from his position on 8 August 2016.

2. Mr. Ong Chi King resigned from his position on 19 September 2016.

3. Ms. Au Man Yi resigned from her position on 19 September 2016.

4. Professor Lam Sing Kwong Simon resigned from his position on 24 June 2016.

Summary of Works

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/or 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 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 report.

NOMINATION COMMITTEE

The Nomination Committee is responsible for nominating potential candidates for directorship, reviewing the nomination of directors and making recommendations to the Board on such appointments.

As at the date of this report, the Nomination Committee comprises three INEDs and one executive Director, namely Mr. Ho Yuk Ming Hugo, Mr. Wan Tat Wai David, Mr. Xiong Hong and Mr. Li Mingming. As at the date of this report, the Nomination Committee comprises three INEDs and one executive Director, and thereby to promote critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of age, length of services, professional background and skills. The Nomination Committee is chaired by the executive Director, Mr. Li Mingming. For details of the non-compliance of the requirements under the CG Code provision A.5.1, please refer to the paragraph headed “Corporate Governance Code” in this section.

The Nomination Committee is scheduled to meet at least once a year for the review of the structure, size, composition and board diversity (including skills, knowledge and experience) of the Board. In addition, the Nomination Committee also meets as it is required to consider nomination related matters. 2 meetings were held during the year ended 31 March 2017. The attendance of each member is set out as follows:

	Attendance/ eligible to attend
Independent Non-Executive Directors	
Mr. Ho Yuk Ming Hugo[1]	1/1
Mr. Wan Tat Wai David[2]	1/1
Mr. Xiong Hong[3]	1/1
Professor Lam Sing Kwong Simon[4]	1/1
Mr. Ong Chi King[5]	1/1
Ms. Au Man Yi[6]	1/1
Executive Director	
Mr. Li Mingming *(Chairman)*[7]	1/1
Mr. Fu Yik Lung[8]	1/1

Notes:

1. Mr. Ho Yuk Ming Hugo was appointed from his position on 19 September 2016.

2. Mr. Wan Tat Wai David was appointed from his position on 19 September 2016.

3. Mr. Xiong Hong was appointed from his position on 24 June 2016.

4. Professor Lam Sing Kwong Simon resigned from his position on 24 June 2016.

5. Mr. Ong Chi King resigned from his position on 19 September 2016.

6. Ms. Au Man Yi resigned from her position on 19 September 2016.

7. Mr. Li Mingming has been appointed as an executive Director on 24 September 2015.

8. Mr. Fu Yik Lung resigned from his position on 8 August 2016.

Summary of Works

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.

Board Diversity Policy

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.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group had complied the Board Diversity Policy during the Report Period.

AUDIT COMMITTEE

The Audit Committee is responsible to make recommendation to the Board on the appointment and removal of external auditor, to evaluate the overall effectiveness of the internal control and risk management frameworks, to review the accounting principles and practices adopted by the Group and other financial reporting matters and ensure the completeness, accuracy and fairness of the financial statements, to monitor compliance with statutory and listing requirements and to oversee the relationship with the external auditors.

The Audit Committee reviews the quarterly, interim and annual reports before submission to the Board. At least one member has an appropriate professional qualification or accounting or related financial management expertise. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the GEM Listing Rules and the legal requirements in the review of the Company's quarterly, interim and annual reports.

Senior representatives of the external auditor, executive Directors and senior executives are invited to attend the meetings, if required. Each of the Audit Committee members has unrestricted access to the Group's external auditor and the management.

As at the date of this report, the Audit Committee comprises three INEDs, namely Mr. Ho Yuk Ming Hugo, Mr. Wan Tat Wai David and Mr. Xiong Hong. The Audit Committee is chaired by Mr. Ho Yuk Ming Hugo.

The Audit Committee is scheduled to meet at least four times a year. 4 meetings were held during the year ended 31 March 2017. The attendance of each member is set out as follows:

	Attendance/ eligible to attend
Independent Non-Executive Directors	
Professor Lam Sing Kwong Simon[1]	1/1
Mr. Ong Chi King[2]	2/2
Ms. Au Man Yi[3]	2/2
Mr. Xiong Hong[4]	3/3
Mr. Ho Yuk Ming Hugo *(Chairman)*[5]	2/2
Mr. Wan Tat Wai David[6]	2/2

Notes:

1. Professor Lam Sing Kwong Simon resigned from his position on 24 June 2016.

2. Mr. Ong Chi King resigned from his position on 19 September 2016.

3. Ms. Au Man Yi resigned from her position on 19 September 2016.

4. Mr. Xiong Hong has been appointed on 24 June 2016.

5. Mr. Ho Yuk Ming Hugo has been appointed on 19 September 2016.

6. Mr. Wan Tat Wai David has been appointed on 19 September 2016.

Summary of Works

During the year ended 31 March 2017, the Audit Committee reviewed the quarterly and interim results; made recommendations to the Board on the terms of engagement of the external auditors; and reviewed the system of risk management and effectiveness of the internal control and the Group's internal audit function on an ongoing basis, and its other duties in accordance with the Audit Committee's written terms of reference. The Audit Committee had also reviewed audited annual results for the financial year ended 31 March 2017 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 terms of reference of the Audit Committee are in line with the CG Code and are posted on the websites of the Company and the Stock Exchange. Under its terms of reference, the Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's preliminary quarterly results, interim results and annual financial statements and to monitor the integrity of the financial statements of the Group, to review the scope, extent and effectiveness of the Group's internal control system, internal audit and risk management matters and to review the Group's financial and accounting policies.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties as set out in the terms of reference equivalent to code provision D.3.1 of the CG Code. During the year ended 31 March 2017, the policies of the corporate governance of the Company were reviewed by the Board.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting

The Directors acknowledged their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company and their responsibilities stated on a statement by the auditors in the auditors' report on the financial statements. In preparing the financial statements for the year ended 31 March 2017, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The statement of the external auditors of the Company regarding their reporting responsibilities on the financial statement of the Company is set out in the section "Independent Auditor's Report" of this report.

External Auditor's Remuneration

During the year ended 31 March 2017, the fees for the services provided by the Company's auditor are set out as follows:

	HKD'000
Audit services	960,000
Non-audit services	50,000
	1,010,000

Risk Management and Internal Control

The Board is responsible for review and monitor the Group's risk management and internal control systems and reviewing its effectiveness at least annually covering financial, operational and compliance controls, to ensure that the systems in place are adequate and effective, while the management annually updates its risk profile, maintain appropriate and effective risk management and internal control systems, providing assurances that internal control systems on an ongoing basis.

The Group's risk management and internal control systems are, however, designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

As part of the Group's risk management and internal control systems, appropriate policies and controls have been designed and established by the Group to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriate identified and managed.

The Audit Committee supports the Board in monitoring the risk exposure, the design and operating effectiveness of the underlying risk management and internal controls systems. The Audit Committee, acting on behalf of the Board, oversees the following process:

– regular reviews of the principal business risk, and control measures to mitigate, reduce or transfer such risks;

– regular reviews of the business process and operations reported by the management; and

– regular reports by the external auditors of any control issues identified in the course of their work and the discussion with the external auditors of the scope of their respective review and findings.

The Audit Committee will then report to the Board after due review of the effectiveness of the Group's risk management and internal control systems. The Board considers the works and findings of the Audit Committee in forming its own on the effectiveness of the system.

During the Reporting Period, the Group had engaged an independent internal control advisor (the "IC Advisor") to the conduct the annual review on the effectiveness of the internal control system. Review of the Group's internal controls covering major operational, financial and compliance controls, as well as risk management functions of different systems has been performed on a systematic rotational basis on the risk assessments of the operations and controls. No major issues on the internal control system has been identified during the year ended 31 March 2017.

Based on the above, the Board were not aware of any areas of concern that would have a material impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit and financial reporting functions.

The Company maintains a framework for the handling and dissemination of inside information and the disclosure policy of the framework sets out the procedures and internal controls to ensure inside information remains confidential until the such information is appropriately disclosed and the announcement of such information is made in a timely manner in compliance with the SFO and the GEM Listing Rules.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged at the expenses of the Company where necessary. During the year under review, each of the Directors has participated in continuous professional development by attending seminars and/or studying materials relevant to director's duties and responsibility. Their training records have been provided to the Company.

During the year ended 31 March 2017, all Directors have received the following trainings:

	Training on corporate governance, regulatory development and other relevant topics	
	Studying materials	**Attending Seminar**
Executive Directors		
Mr. Chen Yunchuo[1]	N/A	1/1
Mr. Li Mingming[2]	N/A	1/1
Ms. Li Liping[3]	N/A	1/1
Mr. Cheng Rui[4]	N/A	1/1
Mr. Fu Yik Lung[5]	N/A	N/A
Ms. Chung Pui Yee Shirley[6]	N/A	N/A
Ms. Liu Lai Ying[7]	N/A	N/A
Independent Non-Executive Directors		
Professor Lam Sing Kwong Simon[8]	N/A	N/A
Mr. Ong Chi King[9]	N/A	N/A
Ms. Au Man Yi[10]	N/A	N/A
Mr. Xiong Hong[11]	N/A	1/1
Mr. Ho Yuk Ming Hugo[12]	N/A	1/1
Mr. Wan Tat Wai[13]	N/A	1/1

Notes:

1. Mr. Chen Yunchuo has been appointed as an executive Director on 1 February 2016 and has been appointed as Chairman on 8 August 2016.

2. Mr. Li Mingming has been appointed as an executive Director on 24 September 2015.

3. Ms. Li Liping has been appointed as an executive Director on 7 December 2016.

4. Mr. Cheng Rui has been appointed as an executive Director on 8 February 2017.

5. Mr. Fu Yik Lung resigned as an executive Director 12 January 2017.

6. Ms. Chung Pui Yee Shirley resigned on 8 August 2016.

7. Ms. Liu Lai Ying resigned on 24 June 2016.

8. Professor Lam Sing Kwong Simon resigned on 24 June 2016.

9. Mr. Ong Chi King resigned on 19 September 2016.

10. Ms. Au Man Yi resigned on 19 September 2016.

11. Mr. Xiong Hong has been appointed as an independent non-executive Director on 24 June 2016.

12. Mr. Ho Yuk Ming Hugo has been appointed as an independent non-executive Director on 19 September 2016.

13. Mr. Wan Tat Wai David has been appointed as an independent non-executive Director on 19 September 2016.

The Board held an annual general meeting on 24 August 2016 ("2016 AGM"). The attendance record of the Directors who was eligible to attend the 2016 AGM is set out below:

Name of Directors	**Attendance/ Number of general meetings**
Executive Directors	
Mr. Chen Yunchuo[1]	1/1
Mr. Li Mingming[2]	1/1
Mr. Fu Yik Lung[3]	1/1
Independent Non-Executive Directors	
Mr. Ong Chi King[4]	1/1
Ms. Au Man Yi[5]	1/1
Mr. Xiong Hong[6]	1/1

Notes:

1. Mr. Chen Yunchuo has been appointed as an executive Director on 1 February 2016 and has been appointed as Chairman on 8 August 2016.

2. Mr. Li Mingming has been appointed as an executive Director on 24 September 2015.

3. Mr. Fu Yik Lung resigned as a Chairman and an executive Director on 8 August 2016 and 12 January 2017, respectively.

4. Mr. Ong Chi King resigned as an INED on 19 September 2016.

5. Ms. Au Man Yi resigned as an INED on 19 September 2016.

6. Mr. Xiong Hong has been appointed as an independent non-executive Director on 24 June 2016.

COMPANY SECRETARY

The company secretary, Mr. Wong Ka Shing ("Mr. Wong"), is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully apprised of the relevant legislative, regulatory and corporate governance developments relating to the Group and facilitating the induction and professional development of directors. During the year under review, Mr. Wong has attended relevant professional seminars to update his skills and knowledge. He met the training requirement set out in rule 5.15 of the GEM Listing Rules.

Ms. So Hau Kit has resigned as the joint company secretary of the Company with effect from 31 March 2017. For details of her resignation, please refer to the announcement dated 31 March 2017.

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.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities of the Directors that may arise out the corporate activities, which has been complied with the CG Code. The insurance coverage is reviewed on an annual basis.

RELATED PARTY TRANSACTIONS POLICY

During the year ended 31 March 2017, the related party transactions, if any, are periodically reviewed and approved by the Audit Committee.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company uses two-way communication channels to account to shareholders and investors for the performance of the Company. 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 at which Directors are available to answer questions on the business. Extensive information about the Group's activities is provided in its annual report, interim report and quarterly reports which are sent to shareholders and investors. The Company's announcements, press releases and publications are published and are also available on the GEM website and on the Company's website at www.kingforce.com.hk.

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 requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(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 company secretary by mail to the head quarter of the Company at Unit 1101, No. 118 Connaught Road West, Sai Ying Pun, Hong Kong.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary.

Significant Changes in Constitutional Documents

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the first Environmental, Social & Governance ("ESG") report prepared by the King Force Group Holdings Limited (hereinafter referred to as "We", "King Force", the "Company") and its subsidiaries (the" Group"), according to the Appendix 20 of the Rules Governing the Listing of Securities on Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("HKEx"). This report presents our sustainability performance for the period from April 1 2016 to March 31 2017, as well as reference to the General Disclosure requirements under Appendix 20.

This report covers three entities or major operations of the Group – King Force Security Limited, which provides security service in Hong Kong, Magn Investment Limited and Guanhui Huyu Technology (Hong Kong) Limited which operate mobile and online game business in Shenzhen, China.

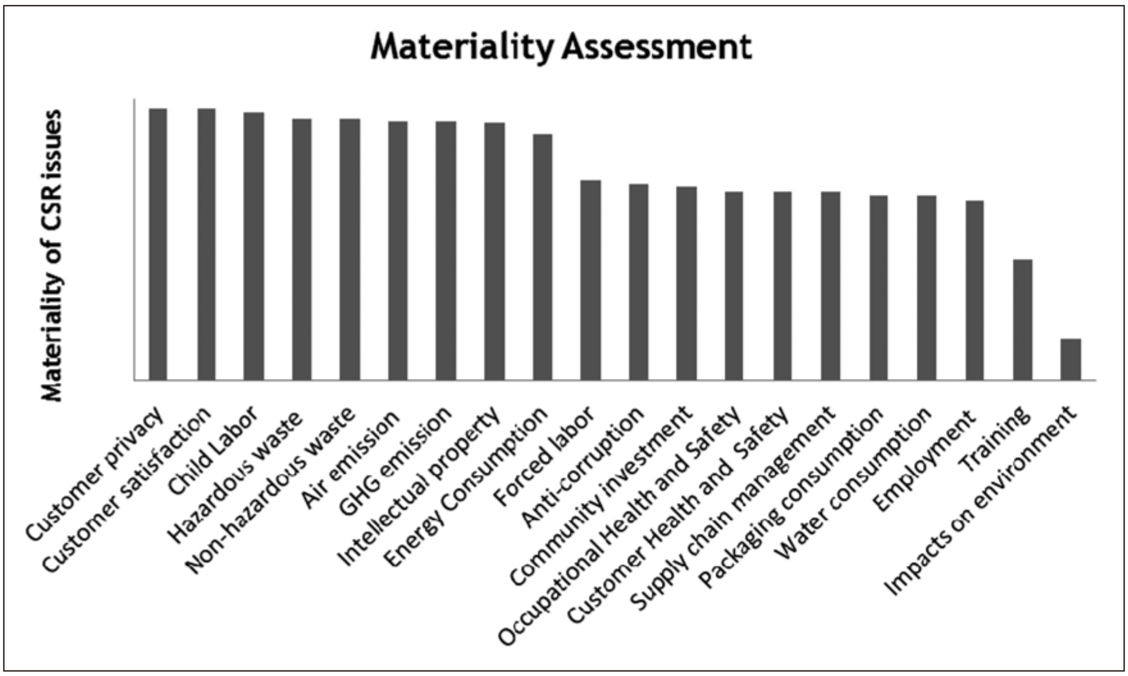
King Force focuses on strategic priorities in terms of promoting employees development, providing professional services, safeguarding our environment and paying back to the society to our sustainable development policies. Through this ESG report, we hope to continually refine our corporate strategy for sustainable business growth, and deliver long-term value for our stakeholders.

We would like to hear your feedback on our first report, feel free to post to unit 1101, 118 Connaught Road West, Sai Ying Pun, Hong Kong or email us at info@kingforcegroup.com.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholder engagement is a key priority to move towards sustainability. In order to understand the concerns of our key stakeholders and to identify the material topics of the Group, we have carried out a stakeholder engagement activity through an online questionnaire. The questionnaire acts as a tool for us to communicate with our stakeholders and obtain their opinions. A materiality assessment was then conducted to provide us insights into the formulation of our first ESG reporting and upcoming sustainability strategic goals.

During the materiality process, we engaged both internal and external stakeholders, including potential investors, local government bodies, media, investors, customers, suppliers and employees from mainland China and Hong Kong. Their valuable feedback helps us identify the priority of material topics as shown below:



Based on the above analysis, we have identified topics that are the most material to the Group. From the above bar chart, stakeholders would like us to focus on customer privacy and satisfaction, child labor, treatment for both hazardous and non-hazardous waste, and emission. With these results in mind, the Group will continue to improve its ESG performance and work on the direction to sustainability to respond to the expectations of our stakeholders. Details of our efforts are presented in the later sections.

THE ENVIRONMENT

Our policies are to create positive impacts to the environment with sustainable operations in Hong Kong and mainland China. We place strong emphasis on environmental protection by reducing pollution and maximizing the efficiency of resources. Our sustainable practices encourage employees to be more considerate of the environment in terms of paper consumption, use of materials, promoting fuel efficiency, and energy consumption.

Preventing Pollution to the Environment

Since our core operations are confined to offices as a security service and mobile game provider, we do not contribute directly to the air and greenhouse gas emission, discharges into water and land nor the generation of hazardous and non-hazardous waste. However, we do share the common public interest of creating sustainable operations.

Our policies are targeted to create a sustainable environment. We applied the concept of energy conservation through adjustments to our office ventilation system to stabilize the room temperature at 25 degrees Celsius, as well as remind employees to turn off any lights, computers, printer and other office equipment that are not being used. We advocate the reduction of wastage through encouraging employees to bring their own water bottles and to select double-sided printing option to reduce paper consumption.

Other sustainable action includes switching our vehicles to relatively fuel-efficient cars to reduce pollution and fuel consumption. We actively recycle and reuse uniforms to lessen the environmental burden of purchasing brand new uniforms. The environmental burden from the purchase of new uniforms creates wastage and pollution. We recognize our influence to contribute our efforts to help create a sustainable environment. We have not noted any material non-compliance of environmental laws and regulations during the reporting period.

Maximize the Use of Resources

We recognize the importance of transitioning our operations to bring upon more sustainable options. Integrated safety and environment policy is in place as direction on the efficient use of resources throughout daily operation. Our strategy is to reduce resources use all the way through daily office operation, through energy use, wastage and paper consumption and replacing our proportion of paper used to more environmental-friendly sources, promoting the practice of recycling and adopting vehicles that are fuel efficient. Our efforts are to promote and work towards creating a low-carbon economy.

Use of Resources	
Fuel Efficiency	We are committed to replacing old vehicles with more fuel-efficient vehicles.
Materials	We support the environment by purchasing paper that is recognised by the Programme for the Endorsement of Forest Certification ("PEFC") eco-label. The products with the PEFC eco-label are merchandises that are produced from sustainably managed forests.
Wastage	We support the recycling of printer cartridges and toners, as well as encourage the use of double sided printed to reduce paper wastage.
Energy	We encourage employees to save energy by turning off lights and electronics after use.
	We arrange for the air ventilation system to be turned off if the room is vacant.
	We arrange for the room temperature to be set at 25 degree Celsius to converse energy.
	We remind employees to turn off lights, computers, printers and other office equipment that are not in use.
Resources	An electronic system is implemented for our internal approval process in order to use less paper. We implement the use of double-sided photocopying for documents, as well as encourage employees to reuse plastic bags and to recycle glass bottles.
Recycle	We reuse uniforms to reduce the environmental burden.

THE PEOPLE

Our employees are valuable assets and critical to the continuous improvement of our service quality. We recognize the importance of fostering a supportive workplace to encourage employees to strive for excellence.

Training and Development

Our security services are mainly divided into three parts: security guard services, event security services and VIP escorting services. All of our security staff personnel obtain the Security Patrol Permit to ensure the competence in providing security service for our clients. We value the experience and capability of our staff to elevate our service quality. Our on-the-job patrol monitoring system helps to guide and assist employees to achieve optimal performances. Our goal is to supervise and ensure customers' needs are satisfied. Training plans are established for new and existing employees to connect them to our values and assist them to perform their roles. Our training purpose is also to foster a safe environment for all employees against sexual harassment and promote efficient internal communication between employees and management. We comply with the appropriate local laws and regulations in relation to the restrictions on the employment of child and forced labor. Our employees are properly vetted to ensure they are of proper working age.

Specialised Training

We provide the fundamental knowledge of our online game business through massive open online courses ("MOOC"). MOOC is the latest and most influential online learning form that engages students and improves their professional level. Our team has formulated an annual training plan for employees to ensure there is equal opportunity for improvement and development. The training plan is diversified to include internal and external training to ensure our employees receive the most fitting knowledge.

Equal Opportunity

As a company, we firmly believe in the principle of equal employment opportunity for all employees. This spirit is stated in the staff handbook as employment policy. We ensure that our hiring, compensation, training and promotion practices are of fair and equal basis. We do not tolerate any discrimination based on race, religion, sex, marital status, age, national origin, or other considerations deemed inappropriate by local laws. We strictly comply with relevant local laws and regulations relating to recruitment, compensation, dismissal, working hours, rest periods and diversity. We have not noted any material non-compliance of employment laws and regulations during the reporting period.

Health and Safety

We are committed to the health and safety of our employees. Health and safety policy is in place for promoting a culture from minimizing the working hazards. We take them into major consideration to ensure the safety of our employees in the workplace and during the journey to and from work. We have set up reminders and procedures for our employees to follow in the case of typhoons and severe rainstorms. We are considerate in handling issues employees may have to report to duty or resume work on time due to genuine difficulties.

As a measure to comply with the Employees' Compensation Ordinance, we have bought insurance to cover all employees against any accidents.

Assessment has been conducted on the working environment of the client to ensure our employees are knowledgeable and well-equipped with safety equipment to execute their duties. Our goal is to ensure employees are knowledgeable of the working environment in order to improve employee performance.

In the case of any workplace accidents, we have established policies to ensure the well-being of all employees promptly. All our staff can access our 24-hour control room as a support for emergency assistance. We have not noted any material non-compliance of health and safety laws and regulations during the reporting period.

Benefit

We are supportive of employees to create a good balance between work and personal life. We offer family-friendly employment practices that grant maternity and paternity leave for employees that are soon-to-be parents. We believe in the positive social impacts of parental leave to improve our employee retention and morale within the workplace. In addition, birthday leave was introduced to our office staff in 2016 in order to enhance the spirits of our employees.

We recognize the importance of using employee evaluation to create incentives for our staff. We created the King Force Security Encouragement Award to reward the staff based on the client feedback and annual performance appraisals.

THE BUSINESS

Integrity in Business

We are committed to acting in fairness, integrity and honesty to our employees and customers. We have established stringent policies in areas of anti-corruption and conflicts of interest to ensure our employees' actions are abiding to our standards. We enforce zero-tolerance for employees that violate our ethical policies.

Anti-corruption

We work continuously to reduce any opportunities of corruption. The Group obtained formal management policies to prevent bribery, extortion, fraud and money laundering. Stringent policies are enforced to ensure employees are in compliance of the Prevention of Bribery Ordinance issued by Hong Kong Independent Commission Against Corruption. Our policy requires employees to report any intangible or tangible gift accepted from the client to our human resources department for further handling. We trust and encourage our employees to be forthcoming in disclosing any encounters of bribery that will negatively impact their ability to objectively execute their work.

Conflict of interests

We have rigid policies to ensure all employees declare any conflicts of interest that they themselves or immediate families have encountered in writing. Our goal is to ensure there are no circumstances in which a primary interest decision may be unduly influenced by other, secondary interests. The policy's purpose is to prevent situations in which the employee's personal interest is in conflict with the interest of the Group.

We do not have any concluded legal cases regarding corrupt practices during the reporting period.

Supplier Management

Our uniforms and equipment are purchase through suppliers that have been evaluated and prioritised according to their respective performance, quality and reputation. We continue to monitor the suppliers' performances from time to time to ensure quality and performance is on par with our standard. Procurement procedure is established to ensure that environmental and social risks of the supply chain has been managed by our procurement system. Apart from the performance and quality consideration, we also take into consideration whether the supplier promotes employee safety in the workplace on the supply of the goods. We value our business relationships with our suppliers that support and share our view on creating a safe workplace for employees.

Customers

Our relationships with our customers are the cornerstone of our company's success. We have obtained the ISO 9001: 2008 quality management system certification for our security company to provide service that meets customer and applicable statutory and regulatory requirements consistently. We aim to align the ISO 9001:2008 standards to achieve our goals of enhancing customer satisfaction and continual improvement of the service quality.

Service Responsibility

We place high importance on our ISO 9001: 2008 quality management system to bring upon the best value service to our customers. We are able to maximize customer satisfaction by way of meticulous training of staff, quick incident response management and prompt responses to customer complaints.

Customer feedback about their experiences with our service is the key to improvements on our service quality. We have set up a 24-hour service hotline that aims to strengthen the accessibility between our management and our customers. We also use other channels such as fax, direct interviews and meetings with our customers to ensure their concerns are expressed effectively. Once a complaint is received, we will take prompt actions to investigate the issue and carry out remediate action plans. We believe that gathering customer opinions and complaints will help us build a stronger relationship with our customers. Our customer satisfaction survey aims to evaluate our service in terms of staff efficiency, ability to handle emergencies, follow-up on incidents, patrol performance, after office hour control, station management, and equipment management.

Code of conduct is established to guide our employees to execute their work with the utmost integrity and professionalism. The code of conduct is purposeful to protect our customers by addressing the ways our employees are to act dutifully to prevent any cases of conflicts of interest and corruption, and ensure confidentiality.

There were no breaches of relevant laws and regulations relating to conflict of interest, health and safety, advertising and privacy matters in connection with our services provided during the reporting period.

Product Responsibility

Our product quality is of the utmost importance to our company. We strive to manufacture a product that creates unique user experience and meets user's expectation. Our team follows our policies to ensure the rapid responses for customer complaints, accessible online support for our service software system, effective customer communication to address and remediate any customer problems.

Our goal is to maintain a good customer relationship and earn customer trust. We have implemented a customer service standard (5S) which stands for: Smile – to be polite to our customers, Speed – to be prompt in providing our service, Standard – to provide consistent quality service, Sincere – to be genuine and helpful to our customers and Satisfy – to provide well-rounded and immaculate service.

We are able to comply with the requirements for online game companies such as obtaining the Online Cultural Business Licence and the Internet Content Provider ("ICP") License. Our team aims to improve the overall quality of the product by conducting pre-examination and approval of the product to prevent piracy, infringement and objectionable contents. Prior to the launch of our product online, we ensure the copyright of the software, the version number (as well as the online cultural business licence, ICP license, copyright certification of the software and copyright source (Special IP)), online game record with the cultural department are sufficient and maintained.

During the provision of products and services, we strictly follow relevant local laws and regulations on product health and safety, advertising, labelling and privacy. We have not noted any material non-compliance during the reporting period.

THE COMMUNITY

Our Group has close ties to the community. We have established policies to encourage employees to contribute to the community through donations and volunteer work. We ensure the community activities has taken into consideration of the communities' interests during the community engagement process. We were awarded "Caring Company" since 2008 as recognition of our long-lasting effort of volunteer work.

Community Sponsorship

We are a recognised "Heart to Heart Company" by the Hong Kong Federation of Youth Groups. Since 2008, we have been an active sponsor of "Heart to Heart School Neighbourhood Project". We are committed to assisting local students and creating volunteer service opportunities that contribute and benefit the local community.

Community Donations

We recognise the work provided by the Hong Kong Young Women's Christian Association is important to promote equal opportunity for women to improve the social aspects of the community.

HKEX ESG REPORTING GUIDE INDEX

HKEX ESG Reporting Guide General Disclosures		Policies and Procedures	Explanation/ Reference section
Aspect A Environmental			
A1 Emission	Information on: – the policies; and – compliance and material non-compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste, etc.	Our core operations are confined to offices as a security service and mobile game provider, we do not contribute directly to the air and greenhouse gas emission, discharges into water and land nor the generation of hazardous and non-hazardous waste.	The ENVIRONMENT
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	Safety and Environment Policy	The ENVIRONMENT
A3 The Environment and Natural Resources	Policies on minimising the operation's significant impact on the environment and natural resources.	Our core operations are confined to offices as a security service and mobile game provider, we do not contribute significant impacts on the environment and natural resources.	The ENVIRONMENT
Aspect B Social			
B1 Employment	Information on: – the policies; and – compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employee Handbook	The PEOPLE
B2 Health and Safety	Information on: – the policies; and – compliance and material non-compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards.	Employee Handbook Safety and Environment Policy	The PEOPLE

HKEX ESG Reporting Guide General Disclosures		Policies and Procedures	Explanation/ Reference section
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Training refers to vocational training. It may include internal and external courses paid by the employer.	Employee Handbook	The PEOPLE
B4 Labour Standard	Information on: – the policies; and – compliance and material non-compliance with relevant standards, rules and regulations on preventing child or forced labour.	Employee Handbook	The PEOPLE
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	ISO 9001: 2008 Quality Standard	The BUSINESS
B6 Product/ Service Responsibility	Information on: – the policies; and – compliance and material non-compliance with relevant standards, rules and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	ISO 9001: 2008 Quality Standard Customer Service Policy	The BUSINESS
B7 Anti-corruption	Information on: – the policies; and – compliance and material non-compliance with relevant standards, rules and regulations on bribery, extortion, fraud and money laundering.	Employee Handbook	The BUSINESS Integrity in business
B8 Community Investment	Policies on community engagement to understand the community's needs where it operates and to ensure its activities take into consideration communities' interests.	Employee Handbook	THE COMMUNITY

BIOGRAPHIES OF DIRECTORS

As at date of report, the biographies of Directors are set out as below:

EXECUTIVE DIRECTORS

Mr. Chen Yunchuo ("Mr. Chen"), aged 49, 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).

Mr. Li Mingming ("Mr. Li"), aged 29, 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.

Ms. Li Liping ("Ms. Li"), aged 47, was appointed as an executive Director on 7 December 2016. Ms. Li was graduated from Zhuzhou Institute of Technology (株洲工學院), the People's Republic of China (the "PRC"), with a bachelor degree in computerized accounting. Ms. Li served as a deputy general manager at Chenzhou Zhongda City Operation Development Company Limited* (郴州中大城市經營開發有限公司) from September 2006 to July 2010, and as a deputy general manager of Chenzhou Botai Ultrafine Graphite Holdings Company Limited* (郴州博太超細石墨股份有限公司) from August 2010 to August 2015. Ms. Li has been the general manager at Hunan Guosheng Graphite Technology Co., Ltd* (湖南國盛石墨科技有限公司) since August 2015. She is a senior financial planner of the PRC since 2014.

BIOGRAPHIES OF DIRECTORS

Mr. Cheng Rui ("Mr. Cheng"), aged 23, was appointed as an executive Director on 8 February 2017. Mr. Cheng was graduated from University of California, San Diego with a bachelor degree of science with a joint major in Mathematics and Economics. Mr. Cheng served as a manager of executive investment department at Guizhou Zhonghui Funds Management Company Limited* (貴州眾惠基金管理有限公司) from June 2016 to December 2016. Since November 2016, Mr. Cheng has acted as a consultant for Guanhui Huyu Technology (Hong Kong) Limited* (冠輝互娛科技(香港)有限公司) ("Guanhui Huyu"), an indirect wholly-owned subsidiary of the Company, in formulating future strategies and development plan of the Company. He has assisted in negotiation of strategic cooperation between Guanhui Huyu and technology companies in introducing mobile games to the Middle East and other overseas markets.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Yuk Ming Hugo ("Mr. Ho"), aged 45, was appointed an indepented non-executive Director on 19 September 2016, Mr. Ho is a qualified professional accountant with over 17 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.

Mr. Wan Tat Wai ("Mr. Wan"), aged 57, was appointed as an independent non-executive Director on 19 September 2016. Mr. Wan 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. Xiong Hong ("Mr. Xiong"), aged 41, was appointed as an independent non-executive Director on 24 June 2016. Mr. Xiong 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 16 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.

* *English name for identification purpose only.*

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of the Company and its subsidiaries are set out in note 1 and note 29 to the consolidated financial statements, respectively.

BUSINESS REVIEW

A review of the business of the Group for the year and a discussion on the Group's future business development are provided in the Chairman's statement on pages 4 and the Management Discussion and Analysis on pages 5 to 22. The principal risks and uncertainties facing the Group are provided in the Management Discussion and Analysis on page 11 and disclosed in the section headed "Financial risk management and fair values of financial instruments" in note 35 to the consolidated financial statements.

Important events affecting the Group is provided in the Management Discussion and Analysis on pages 5 to 22 and disclosed in the section headed "Events after the reporting date" in note 39 to the consolidated financial statements since the end of the financial year under review.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Five-years Financial Summary on page 128. The Group is committed to supporting the environmental sustainability. The Group has complied with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources and energy saving. Green initiatives and measures have been adopted in the Group's operation. More details are disclosed in the section headed "Environmental, Social and Governance Report" on pages 36 to 43.

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.

CONSOLIDATED FINANCIAL STATEMENTS

The results of the Group and the state of the Group's and the Company's affairs for the year ended 31 March 2017 are set out in the consolidated financial statements on page 57 to 127.

DIVIDEND

The Board did not recommend payment of final dividend to shareholders of the Company for the year ended 31 March 2017 (2016: none).

CLOSURE OF REGISTER OF MEMBERS

As the forthcoming annual general meeting of the Company (the "AGM") will be held on 18 August 2017 (Friday), the register of members of the Company will be closed from 15 August 2017 (Tuesday) to 18 August 2017 (Friday) (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 14 August 2017 (Monday) 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 five financial years are set out on page 128.

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 29 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 31 March 2017 was 7,680,000,000 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 25 and 26 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 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 60.

As of 31 March 2017, the reserves of the Company available for distribution, as calculated under the provisions of Cayman Islands' legislation, was approximately HK$84,422,000 (2016: approximately HK$31,517,000).

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 27 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 2017.

DIRECTORS

The Directors during the period from 1 April 2016 to 31 March 2017 and up to the date of this report were:

	Appointed on	Resigned/ Retired on
Executive Directors		
Mr. Chen Yunchuo	1/2/2016	N/A
Mr. Li Mingming	24/9/2015	N/A
Ms. Li Liping	7/12/2016	N/A
Mr. Cheng Rui	8/2/2017	N/A
Mr. Fu Yik Lung	12/5/2014	12/1/2017
Ms. Chung Pui Yee Shirley	12/5/2014	8/8/2016
Ms. Liu Lai Ying	12/5/2014	24/6/2016
Independent non-executive Directors		
Professor Lam Sing Kwong Simon	31/7/2014	24/6/2016
Mr. Ong Chi King	31/7/2014	19/9/2016
Ms. Au Man Yi	1/7/2015	19/9/2016
Mr. Xiong Hong	24/6/2016	N/A
Mr. Ho Yuk Ming Hugo	19/9/2016	N/A
Mr. Wan Tai Wai David	19/9/2016	N/A

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

Information regarding directors' emoluments is set out in note 31 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

Neither the existing executive Directors has entered into service contract with the Company nor appointed for a fixed term for the year ended 31 March 2017. Each of the INEDs has entered into a service contract with the Company for a term of three years unless terminated by not less than three months' notice in writing served by either party on 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.

In accordance with article 112 of the Articles of Association, Ms. Li Liping, Mr. Cheng Rui, Mr. Wan Tat Wai David and Mr. Ho Yuk Ming Hugo, and in accordance with article 108 of the Articles of Association, Mr. Xiong Hong will retire from office as Directors and being eligible, have offered themselves for re-election as Directors at the AGM.

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

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

As at 31 March 2017, 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 of the Company

Name	Capacity/nature	Number of Shares held/ interested	Percentage of shareholding
Mr. Chen Yunchuo	Beneficial owner	1,304,000,000	16.98%

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.47 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS IN SECURITIES OF THE COMPANY

As at 31 March 2017, the Company had not been notified of other interests or short positions of any other person (other than the Directors and chief executives and the substantial shareholders of the Company) in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336.

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

Save for (1) the issue of 726,846,591 consideration shares in connection with the acquisition of China Bei Dou and (2) the planning of 553,153,409 Placing Shares under the Gransing Placing, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

MAJOR CUSTOMERS

During the Reporting Period, the Group's five largest customers accounted for approximately 23.6% (2016: 25.8%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 6.9% (2016: 8.7%) 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 disclosed under the heading "Connected transactions" below and the related party transactions disclosed in note 33 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 2017 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.

CONNECTED TRANSACTIONS

On 1 March 2016, King Force Service Limited, a wholly-owned subsidiary of the Company, as tenant, and Ms. Liu, a former executive Director of the Company, who resigned as the executive director of the Company on 24 June 2016, and a spouse of a former executive Director of the Company, Mr. Fu, who resigned as the executive Director on 12 January 2017, as landlord, entered into a tenancy agreement (the "HK Office Tenancy Agreement") 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.

On 6 May 2016, the Company as an issuer and Mr. Fu, a former executive Director of the Company, who resigned as an executive Director on 12 January 2017, a connected person 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 is non-secured, bears an interest rate of 5% per annum for a term of 2 years. Accordingly, the Promissory Note is a financial assistance from a connected person of the Company to the Group and constitutes a connected transaction of the Company. However, as the Promissory Note is not secured by any asset of the Group, and as the Directors consider that the Promissory Note is on normal commercial terms or better, such connected transaction is fully exempted from shareholders' approval, annual review and all disclosure requirements under Rule 20.88 of the GEM Listing Rules.

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 45% by the Company, as borrower (the "Borrower"), a connected person of the Company. Pursuant to the Loan Agreement, the Lender has agreed to grant the loan facility to the Borrower with a principal amount of HK$5,000,000.00, unsecured, bearing interest at a rate of 6% per annum for a term of two years from the date of the Loan Agreement (the "Loan Facility"). The grant of the Loan Facility constitutes a connected transaction of the Company. As the relevant percentage ratios under the GEM Listing Rules did not exceed 25% and the total consideration was less than HK$10 million, the Loan Facility is exempt from the circular and independent shareholders approval requirements under Chapter 20 of the GEM Listing Rules. Further details of the Loan Facility are set out in the announcement of the Company dated 22 July 2016 and note 20 to the consolidated financial statements.

A summary of the related transactions entered into by the Group during the year ended 31 March 2017 contained in Note 33 to the consolidated financial statements. Save for the aforementioned transaction, the related party transactions do not constitute connected transactions of the Company during the Reporting Period which is required to be disclosed under 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

The Board has obtained the confirmation letters for non-competition undertaking from then controlling shareholder of the Company, Mr. Fu Yik Lung and Optimistic King Limited (the "Controlling Shareholders"), pursuant to which the Controlling Shareholders have confirmed that (i) they have provided all information to the Board for the conducting of annual review on the non-competition undertakings effectively; and (ii) they have complied with such undertakings from 1 April 2016 to the day the controlling Shareholders cease to hold any Shares on 4 July 2016 (the "Restrictive Period").

All INEDs have evaluated and confirmed on matters relating to the enforcement of the non-competition undertakings, and consider that the Controlling Shareholders have complied with the undertakings and the terms of the non-competition undertakings during the Restrictive Period.

CORPORATE GOVERNANCE CODE

Save as disclosed in this report, 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").

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser, TC Capital International Limited (the "Compliance Adviser"), save for the compliance adviser agreement entered into between the Company and the Compliance Adviser, none of the Compliance Adviser or its Directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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 result announcement.

PERMITTED INDEMNITY CLAUSE

For the year ended 31 March 2017, 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 2017 and up to the date of this 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 Mr. Ho Yuk Ming Hugo (Chairman), Mr. Wan Tat Wai David and Mr. Xiong Hong.

The Audit Committee had reviewed the audited annual result of the Group for the financial year ended 31 March 2017, and was of the opinion that the audited consolidated financial statements had been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

EVENT AFTER THE REPORTING PERIOD

Details of the events after end of reporting period are set out in note 39 to the consolidated financial statements.

Saved as otherwise disclosed, the Group does not have any material subsequent event after the Reporting Period and up to the date of this report.

On behalf of the Board
Chen Yunchuo
Chairman

Hong Kong, 21 June 2017

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

OPINION

We have audited the consolidated financial statements of King Force Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 57 to 127, which comprise the consolidated statement of financial position as at 31 March 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT ASSESSMENT ON GOODWILL AND OTHER INTANGIBLE ASSETS IN RELATION TO THE E-EDUCATION BUSINESS

Refer to notes 15, 16 and 30 to the consolidated financial statements

During the year, the Group acquired 100% equity interests in China Bei Dou Communications Technology Group Limited ("China Bei Dou"). China Bei Dou and its subsidiaries are principally engaged in developing and operating of e-Education and security systems for students in the People's Republic of China. The carrying amount of goodwill and other intangible assets of this new business were HK$36,255,000 and HK$18,175,000 as at 31 March 2017, respectively. Goodwill is tested for impairment at least on an annual basis. Other intangible assets are tested for impairment when a triggering event has been identified that indicates the carrying amount may not be recoverable. In performing the impairment assessment, the management estimated the recoverable amount of the cash generating unit of this new business with reference to the value-in-use calculation based on cash flow forecasts prepared by the management and with assistance of an independent external valuation specialist as the management's expert. The value-in-use calculation is based on several key assumptions which are made by management, and are by nature judgemental. Key assumptions include the expected future cash flows for the forecasting period, the discount rate and perpetual growth rate.

We consider impairment assessment on goodwill and other intangible assets in relation to this new business as a key audit matter because it requires the management to exercise significant judgment and make estimations, and was assessed by us to be a significant risk of material misstatement.

Our response:

Our key procedures in relation to the management's impairment assessment on goodwill and other intangible assets of this new business included:

- Involving an auditor's valuation expert to assist our work in assessing management's estimation of the recoverable amount;
- Assessing the appropriateness of the methodology adopted for the value-in-use calculation;
- Challenging the reasonableness of management's key assumptions adopted in the cash flow forecasts;
- Testing mathematical accuracy of the calculations; and
- Evaluating competence, capabilities and objectivity of the auditor's expert and management's expert.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Tsui Ka Che, Norman
Practising Certificate number P05057

Hong Kong, 21 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	7	**146,212**	146,224
Cost of services rendered		**(115,346)**	(118,650)
Gross profit		**30,866**	27,574
Other income	8	**14,751**	474
Administrative expenses		**(38,502)**	(27,804)
Share of result of associates	17	**1,127**	1,058
Finance costs	9	**(882)**	–
Profit before income tax	10	**7,360**	1,302
Income tax expense	11	**(1,804)**	(1,357)
Profit/(Loss) for the year		**5,556**	(55)
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		**286**	–
Share of exchange difference on translation of foreign associates		**60**	11
Other comprehensive income for the year		**346**	11
Total comprehensive income for the year		**5,902**	(44)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**6,197**	(55)
Non-controlling interests		**(641)**	–
		5,556	(55)
Total comprehensive income for the year attributable to:			
Owners of the Company		**6,441**	(44)
Non-controlling interests		**(539)**	–
		5,902	(44)
		HK cents	HK cents
Earnings/(Loss) per share for profit/(loss) attributable to owners of the Company	13		
– Basic		**0.094**	(0.001)
– Diluted		**0.078**	(0.001)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**15,522**	9,513
Goodwill	15	**36,255**	–
Other intangible assets	16	**36,068**	1,006
Interests in associates	17	**18,183**	20,464
Investment in a life insurance policy	18	**1,148**	1,126
Financial asset at fair value through profit or loss	19	**2,200**	–
Loan to an associate	20	**5,000**	–
Amount due from a non-controlling equity holder of a subsidiary	20	**1,948**	–
		116,324	32,109
Current assets			
Trade receivables	21	**18,309**	17,750
Prepayments, deposits and other receivables	21	**3,108**	2,498
Amount due from an associate	20	**208**	–
Amount due from a related party	20	**4,705**	–
Cash at banks and in hand		**30,482**	36,457
		56,812	56,705
Current liabilities			
Trade payables	22	**2,116**	–
Accrued expenses and other payables	22	**16,111**	27,887
Amount due to an associate	20	**363**	–
Amount due to a director	20	**169**	–
Amount due to a related party	20	**247**	–
Tax payables		**233**	671
		19,239	28,558
Net current assets		**37,573**	28,147
Total assets less current liabilities		**153,897**	60,256
Non-current liabilities			
Deferred tax liabilities	23	**527**	478
Promissory note payable	24	**20,382**	–
		20,909	478
Net assets		**132,988**	59,778

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**7,680**	6,400
Reserves	26	**117,393**	53,378
		125,073	59,778
Non-controlling interests		**7,915**	–
Total equity		**132,988**	59,778

On behalf of the directors

Chen Yunchuo
Director

Li Mingming
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	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$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2015	6,400	39,008	(5,270)	–	–	15,630	55,768	–	55,768
Loss for the year	–	–	–	–	–	(55)	(55)	–	(55)
Other comprehensive income:									
Share of exchange difference on translation of foreign associates	–	–	–	11	–	–	11	–	11
Total comprehensive income for the year	–	–	–	11	–	(55)	(44)	–	(44)
Share of an associate's capital reserve	–	–	–	–	4,054	–	4,054	–	4,054
At 31 March 2016 and 1 April 2016	6,400	39,008	(5,270)	11	4,054	15,575	59,778	–	59,778
Issue of consideration shares (note 25 (ii))	727	49,426	–	–	–	–	50,153	–	50,153
Issue of shares upon placing (note 25(iii))	553	11,616	–	–	–	–	12,169	–	12,169
Arising from acquisition of subsidiaries (note 30)	–	–	–	–	–	–	–	8,454	8,454
Transactions with owners	1,280	61,042	–	–	–	–	62,322	8,454	70,776
Profit for the year	–	–	–	–	–	6,197	6,197	(641)	5,556
Other comprehensive income:									
Exchange difference on translation of financial statements of foreign operations	–	–	–	184	–	–	184	102	286
Share of exchange difference on translation of foreign associates	–	–	–	60	–	–	60	–	60
Total comprehensive income for the year	–	–	–	244	–	6,197	6,441	(539)	5,902
Share of an associate's capital reserve	–	–	–	–	(3,468)	–	(3,468)	–	(3,468)
At 31 March 2017	7,680	100,050	(5,270)	255	586	21,772	125,073	7,915	132,988

* 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 2017

	2017 HK$'000	2016 HK$'000
Cash flows from operating activities		
Profit before income tax	**7,360**	1,302
Adjustments for:		
Amortisation of other intangible assets	**2,829**	894
Bad debts written-off	**58**	2
Depreciation of property, plant and equipment	**2,678**	2,054
Bank interest income	**(1)**	(1)
Gain on disposal of property, plant and equipment	**(50)**	(6)
Imputed interest income on amount due from a non-controlling equity holder of a subsidiary	**(32)**	–
Interest income of a life insurance policy	**(39)**	(40)
Interest income from loan to an associate	**(208)**	–
Fair value gain on financial asset at fair value through profit of loss	**(600)**	–
Fair value gain on contingent consideration payable	**(13,235)**	–
Premium charged on a life insurance policy	**17**	17
Share of result of associates	**(1,127)**	(1,058)
Interest charges on promissory note	**882**	–
Write-off of property, plant and equipment	**875**	588
Operating (loss)/profit before working capital changes	**(593)**	3,752
Increase in trade receivables	**(617)**	(189)
Increase in prepayments, deposits and other receivables	**(147)**	(923)
Increase in trade payables	**2,116**	–
(Decrease)/Increase in accrued expenses and other payables	**(108)**	2,329
Increase in amount due to an associate	**363**	–
Increase in amount due to a director	**169**	–
Increase in amount due to a related party	**247**	–
Cash generated from operations	**1,430**	4,969
Net income tax (paid)/refunded	**(2,193)**	158
Interest received	**1**	1
Net cash (used in)/generated from operating activities	**(762)**	5,128
Cash flows from investing activities		
Purchase of other intangible assets	**(18,548)**	–
Proceeds from disposal of property, plant and equipment	**50**	6
Purchase of property, plant and equipment	**(8,807)**	(499)
Payment for acquisition of associates	**–**	(2,000)
Loan to an associate	**(5,000)**	–
Increase in amount due from a related party	**(4,705)**	–
Cash and cash equivalents acquired from the acquisition of a subsidiary (note 30)	**94**	–
Net cash used in investing activities	**(36,916)**	(2,493)
Cash flows from financing activities		
Proceeds from issue of shares upon placing, net of share issue expense	**12,169**	–
Proceeds from issuance of promissory note	**19,500**	–
Net cash generated from financing activities	**31,669**	–
Net (decrease)/increase in cash and cash equivalents	**(6,009)**	2,635
Cash and cash equivalents at beginning of year	**36,457**	33,822
Effect of foreign exchange rates change	**34**	–
Cash and cash equivalents at end of year	**30,482**	36,457
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	**30,482**	36,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

1. GENERAL INFORMATION

King Force Group Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability on 2 January 2014. The Company's registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business is located at 14/F., Harbour Commercial Building, 122 Connaught Road Central, Hong Kong.

The Company's shares were listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 August 2014.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company hereinafter referred to as the "Group") are set out in note 29 to the consolidated financial statements.

The consolidated financial statements for the year ended 31 March 2017 were approved for issue by the board of directors on 21 June 2017.

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

(a) Adoption of new or amended HKFRSs – effective 1 April 2016

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 2016:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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

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

(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.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017
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

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

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 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 – 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 ("FVTOCI") 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 FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL 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 FVTPL, 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.

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

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 steps 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.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor 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.

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 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.

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 accounting policies and financial statements.

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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The consolidated financial statements have been prepared under historical cost convention, except for the financial asset at fair value through profit or loss, available-for-sale financial assets and contingent consideration payable which are stated at fair value. All value are rounded to the nearest thousand except when otherwise indicated.

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 Business combination and 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.1 Business combination and basis of consolidation – Continued

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

The carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.2 Subsidiaries – Continued

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.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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.

Any premium paid for an associate 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 associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

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 arrangements.

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 interests 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 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.5 Goodwill – Continued

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4.6 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

4.7 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% to 12% or over the lease term, whichever is shorter
Furniture and equipment	20% – 33%
Motor vehicles	25%

The assets' depreciation method 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.8 Other intangible assets

Other intangible assets acquired separately are initially recognised at cost. Subsequently, other intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses (note 4.14). The costs of other intangible assets under development are not subject to amortisation until they are completed and available for use. Intangible

Other intangible assets 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 other intangible assets 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 and guarding system	33%
Mobile game licenses	25%-50% or over the license term, whichever is shorter
e-Education and security platform	11%
Franchise of Bei Dou Qualification	20%

4.9 Financial instruments

(i) Financial assets

The Group's financial assets mainly comprise financial asset at fair value through profit or loss which is a contingent consideration receivable arising from a profit guarantee, available-for-sale financial assets which is an investment in a life insurance policy, and loans and receivables including loans to an associate, amounts due from a non-controlling equity holder of a subsidiary/an associate/a related party, trade and other 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.9 Financial instruments – Continued

(i) Financial assets – Continued

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets 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 or financial guarantee contracts.

Subsequent to initial recognition, financial assets 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.

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 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.9 Financial instruments – Continued

(ii) Impairment of financial assets – Continued

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.9 Financial instruments – Continued

(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

4.9 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.

4.10 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.10 Leases – Continued

Assets acquired under finance leases – Continued

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.

4.11 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.

4.12 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 guarding services are recognised in the accounting period in which the services are rendered.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.13 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.

4.14 Impairment of non-financial assets

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

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other 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

4.15 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.

4.16 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.

4.17 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.18 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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4.19 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:

(a) 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.

(b) Depreciation and amortisation

The Group depreciated the property, plant and equipment and amortised the other intangible assets on a straight-line basis over their estimated useful lives, 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 other intangible assets.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – Continued

(c) Impairment of goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an estimation of the value-in-use of the cash generation units ("CGUs") to which the goodwill and other 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 goodwill and other 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.

(d) 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.

(e) Contingent consideration receivable

The consideration of the acquisition of China Bei Dou Communications Technology Group Limited ("China Bei Dou") as set out in note 30 contains a profit guarantee measured at fair value at the acquisition date with the best estimates of the outcome of the future events, such as earn-out arrangement. As the profit guarantee meets the definition of a financial asset at fair value through profit or loss, it is subsequently remeasured to fair value at the end of each reporting period. The determination of the fair value is based on the expected compensation in cash. One of the key assumptions estimating the fair value is the probability that China Bei Dou meeting the profit target for two years ending 31 December 2017 and 2018.

(f) Contingent consideration payable

The consideration of the acquisition of Magn Investment Limited ("Magn Investment") is measured at fair value at the acquisition date with the best estimates of the outcome of the future events, such as earn-outs arrangement. As the contingent consideration payable meets the definition of a financial liability, it is subsequently remeasured to fair value at the end of each reporting period. The estimation of the fair value is based on the expected adjustment on consideration shares to be issued. One of the key assumptions that has been taken into consideration is the probability that Magn Investment meeting the profit target for the six months ended 31 March 2016 and the year ended 31 March 2017.

6. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

(a) "Security Guarding" segment involves provision of security guarding services;

(b) "Mobile Game" segment involves provision of mobile game business;

(c) "e-Education" segment involves provision of students' e-education and security services

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group use for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that interest income from loan to an associate, fair value gain of contingent consideration payable, finance costs, share of results of associates, corporate income, corporate expense and income tax expense are excluded from segment results.

No asymmetrical allocations have been applied to reportable segments.

The executive directors have identified the Group's three service lines as reportable segments. These segments are monitored and strategic decisions are made on the basis of adjusted segment operating result.

6. SEGMENT INFORMATION – Continued

Revenue generated, profit/(loss) incurred from operations, total assets and liabilities by each of the Group's operating segments are summarised as follows:

	Security Guarding		Mobile Game		e-Education		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**146,212**	146,224	**–**	–	**–**	–	**146,212**	146,224
Total segment profit/(loss) from operations	**7,674**	7,276	**(3,977)**	–	**(1,006)**	–	**2,691**	7,276
Interest income from loan to an associate							**208**	–
Fair value gain on contingent consideration payable							**13,235**	–
Share of results of associates							**1,127**	1,058
Finance costs							**(882)**	–
Unallocated corporate income							**1**	1
Unallocated corporate expenses							**(9,020)**	(7,033)
Profit before income tax							**7,360**	1,302
Income tax expense							**(1,804)**	(1,357)
Profit/(Loss) for the year							**5,556**	(55)

There were no inter-segment transfers during the years ended 31 March 2017 and 2016.

6. SEGMENT INFORMATION – Continued

Unallocated corporate expenses mainly comprise legal and professional fees, remuneration and salaries.

	Security Guarding		Mobile Game		e-Education		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information								
Depreciation of property, plant and equipments	**2,444**	2,054	**17**	–	**30**	–	**2,491**	2,054
Unallocated depreciation with head office and corporate assets							**187**	–
Total depreciation							**2,678**	2,054
Amortisation of other intangible assets	**1,661**	894	**–**	–	**1,168**	–	**2,829**	894
Income tax expense	**1,804**	1,357	**–**	–	**–**	–	**1,804**	1,357
Capital expenditure	**10,786**	499	**16,017**	–	**56,175**	–	**82,978**	499
Unallocated capital expenditure associated with head office and corporate assets							**497**	–
Total capital expenditure*							**83,475**	499

* Capital expenditure consists of additions to property, plant and equipment, goodwill and other intangible assets.

6. SEGMENT INFORMATION – Continued

All assets are allocated to operating segments other than unallocated assets (mainly comprising interests in associates, investment in a life insurance policy, loan to an associate, amount due from an associate, certain other receivables and certain cash and cash equivalents).

	Security Guarding		Mobile Game		e-Education		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**55,517**	49,903	**23,935**	–	**59,974**	–	**139,426**	49,903
Interests in associates							**18,183**	20,464
Investment in a life insurance policy							**1,148**	1,126
Loan to an associate							**5,000**	–
Amount due from an associate							**208**	–
Other corporate assets							**9,171**	17,321
Total assets							**173,136**	88,814

All liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising promissory note payable, contingent consideration payable, tax payables and deferred tax liabilities).

	Security Guarding		Mobile Game		e-Education		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment liabilities	**13,202**	13,953	**2,074**	–	**2,120**	–	**17,396**	13,953
Contingent consideration payable							**106**	13,341
Tax payables							**233**	671
Deferred tax liabilities							**527**	478
Promissory note payable							**20,382**	–
Other corporate liabilities							**1,504**	593
Total liabilities							**40,148**	29,036

6. SEGMENT INFORMATION – Continued

Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and interests in associates ("Specified non-current assets").

	Revenue from external customers		Specific non-current assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**146,212**	146,224	**68,883**	10,519
The People's Republic of China ("PRC")	**–**	–	**18,962**	–
	146,212	146,224	**87,845**	10,519

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 2017 and 2016.

7. REVENUE

Revenue represents the net invoiced value of service rendered from the provision of security guarding service of the Group during the year.

8. OTHER INCOME

	2017	2016
	HK$'000	HK$'000
Bank interest income	**1**	1
Gain on disposal of property, plant and equipment	**50**	6
Imputed interest income on amount due from a non-controlling equity holder of a subsidiary	**32**	–
Interest income of a life insurance policy	**39**	40
Interest income from loan to an associate	**208**	–
Fair value gain on financial asset at fair value through profit or loss	**600**	–
Fair value gain on contingent consideration payable (note 22)	**13,235**	–
Sundry income	**586**	427
	14,751	474

9. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest charges on promissory note repayable within two years	**882**	–

10. PROFIT BEFORE INCOME TAX

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

	2017 HK$'000	2016 HK$'000
Auditor's remuneration	**1,010**	1,090
Amortisation of other intangible assets[1]	**2,829**	894
Bad debts written-off (note 21)	**58**	2
Cost of services rendered	**115,346**	118,650
Depreciation of property, plant and equipment	**2,678**	2,054
Fair value gain on financial asset at fair value through profit or loss	**(600)**	–
Fair value gain on contingent consideration payable *(note 22)*	**(13,235)**	–
Employee benefits expenses (including directors' emoluments in note 31):		
Salaries, allowances and benefits in kind included in:		
– Cost of services rendered	**109,131**	113,188
– Administrative expenses	**10,771**	3,524
Retirement benefits – Defined contribution plans[2] included in:		
– Cost of services rendered	**5,119**	5,462
– Administrative expenses	**155**	116
	125,176	122,290
Legal and professional fees	**4,727**	5,501
Gain on disposal of property, plant and equipment	**(50)**	(6)
Operating lease charges in respect of:		
– Rented premises	**2,682**	973
– Office equipment	**1,037**	1,324
	3,719	2,297
Write-off of property, plant and equipment	**875**	588

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

11. INCOME TAX EXPENSE

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

	2017 **HK$'000**	2016 HK$'000
Current tax		
– Hong Kong Profits Tax		
– Tax for the year	**1,851**	1,694
– (Over)/Under provision in prior years	**(96)**	70
	1,755	1,764
Deferred tax		
– Charged/(Credited) for the year *(note 23)*	**49**	(407)
	1,804	1,357

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% (2016: 16.5%) on the estimated assessable profits of subsidiaries operating in Hong Kong for the year. Income tax expense for other jurisdictions is calculated at the rates of taxation prevailing in the relevant jurisdictions.

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:

	2017 **HK$'000**	2016 HK$'000
Profit before income tax	**7,360**	1,302
Tax calculated at the statutory tax rate applicable to profits in the respective jurisdictions	**971**	215
Tax effect on non-deductible expenses	**1,971**	1,213
Tax effect on non-taxable income	**(2,475)**	(175)
Tax effect of temporary difference not recognised	**305**	34
Tax effect of tax losses not recognised	**1,128**	–
(Over)/Under provision in prior years	**(96)**	70
Income tax expense	**1,804**	1,357

12. DIVIDEND

No dividend has been paid or declared by the Company during the year (2016: Nil).

13. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

Earnings/(Loss)	**2017** **HK$'000**	2016 HK$'000
Earnings/(Loss) for the purposes of basic earnings/(loss) per share	**6,197**	(55)
Effect of dilutive potential ordinary shares:		
Fair value gain on contingent consideration payable	**(994)**	–
Earnings/(Loss) for the purposes of diluted earnings/(loss) per share	**5,203**	(55)

Number of shares	**2017** **'000**	2016 '000
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**6,625,763**	6,400,000
Effect of dilutive potential ordinary shares:		
Consideration shares to be issued on contingent consideration payable	**4,419**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**6,630,182**	6,400,000

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 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 and 1 April 2016	6,293	1,082	2,201	4,364	13,940
Additions	–	6,280	1,375	1,152	8,807
Acquisition of subsidiaries *(note 30)*	–	747	–	–	747
Disposal/write off	–	(1,082)	(338)	(795)	(2,215)
Exchange realignment	–	8	(1)	–	7
At 31 March 2017	**6,293**	**7,035**	**3,237**	**4,721**	**21,286**
Accumulated depreciation					
At 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 and 1 April 2016	1,007	173	1,091	2,156	4,427
Depreciation	252	504	894	1,028	2,678
Disposal/write off	–	(216)	(329)	(795)	(1,340)
Exchange realignment	–	(1)	–	–	(1)
At 31 March 2017	**1,259**	**460**	**1,656**	**2,389**	**5,764**
Net book value					
At 31 March 2017	**5,034**	**6,575**	**1,581**	**2,332**	**15,522**
At 31 March 2016	5,286	909	1,110	2,208	9,513

15. GOODWILL

The amount of goodwill capitalised as an asset recognised in the consolidated statement of financial position, arising from business combination is as follows:

	HK$'000
Cost	
Acquisition of subsidiaries *(note 30)*	36,255
At 31 March 2017	**36,255**

Goodwill acquired through business combination has been allocated to the cash generating unit of developing and manufacturing of education security system for protection of the students' safety in the PRC ("e-Education CGU") for impairment testing.

The recoverable amount for the e-Education CGU was determined based on value-in-use calculations, covering a period estimated by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on a detailed five-year budget plan approved by the management, the average growth rate beyond five years of 3%, which does not exceed the long-term growth rate of the industry in the PRC, and pre-tax discount rate of 33.8% estimated by the management with reference to the valuation performed by an independent firm of professional valuers.

Should the discount rate increase by 3.3%, the recoverable amount of the e-Education CGU would equal its carrying amount.

The key assumptions were determined by the management based on its expectations for the business development. The discount rate used is pre-tax and reflect specific risks relating to the segment.

On 15 June 2015, Zhongshan Bei Dou Education Technology Limited* ("Bei Dou Zhongshan"), which became an indirectly owned subsidiary of the Company on 16 December 2016, entered into a business cooperation agreement with, an independent third party, Bei Dou Jiuyi Information Technology Industry (Beijing) Limited ("Bei Dou Jiuyi"), pursuant to which Bei Dou Jiuyi had agreed to franchise Bei Dou Zhongshan to conduct relevant Bei Dou services under its Branch Services Trial Qualification ("Bei Dou Qualification"), subject to the terms and conditions therein.

On 27 January 2017, the Company found that there are changes to information in relation to Bei Dou Qualification on the official website of China National Administration of GNSS and Application ("CNAGA") (the "Website") on 25 January 2017, which includes a word of suspension and a notice that Bei Dou Jiuyi did not pass the annual inspection and qualification renewal check, the Bei Dou Qualification has been suspended (the "Suspension"), and Bei Dou Jiuyi was required to carry out remedial works within six months. If Bei Dou Jiuyi successfully carries out the rectifications required, the Bei Dou Qualification will be renewed, otherwise, the Bei Dou Qualification would be revoked by CNAGA.

15. GOODWILL – Continued

The Company has made telephone enquiry with the managing center of China National Administration of GNSS and Application after being aware of the suspension of the Bei Dou Qualification. The Company was informed that:

(a) the period of validity of the Bei Dou Qualification is four years, but its yearly renewal is subject to the annual inspection check (the "Annual Check");

(b) during the period of rectification and improvement (the "Period"), although the Bei Dou Qualification is currently suspended, it is not withdrawn and still remains in force. As such, Bei Dou Jiuyi is entitled to operate relevant business and co-operate with its business partners under the Bei Dou Qualification; and

(c) after Bei Dou Jiuyi has submitted all the documents required by the Annual Check during the Period, the suspension will be lifted.

On 12 June 2017, the Group has filed a civil petition statement at the First People's Court in Zhongshan City, Guangdong Province ("Zhongshan First People's Court") against Bei Dou Jiuyi, claiming that Bei Dou Jiuyi has breached the business cooperation agreement entered with Bei Dou Zhongshan, a subsidiary of the Company on 15 June 2015 and seeking the court for an order against that Bei Dou Jiuyi to, inter alia, return the consideration under the agreement amounted to RMB15,000,000 together with interests. On 15 June 2017, the Group received the notice of acceptance of the case issued by Zhongshan First People's Court.

Details are disclosed in the Company's announcements dated 27 January 2017, 14 February 2017 and 16 June 2017.

On 21 June 2017, the Group entered into an agreement with Guangdong Bei Dou Platform Technology Company Limited ("Guangdong Bei Dou"), which has the same qualification as that of Bei Dou Jiuyi, to grant the franchise of the Bei Dou Qualification to Bei Dou Zhongshan, a subsidiary of the Company, in its e-Education business. Details are disclosed in the Company's announcement dated 21 June 2017.

Apart from the considerations described in determining the value in use of the cash-generating unit above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

16. OTHER INTANGIBLE ASSETS

	Computerised operating and guarding system HK$'000	Mobile game licenses* HK$'000	e-Education and security platform HK$'000	Franchise of Bei Dou Qualification HK$'000	Total HK$'000
Cost					
At 1 April 2015, 31 March 2016 and 1 April 2016	2,683	–	–	–	2,683
Additions	2,555	15,993		–	18,548
Acquisition of subsidiaries (note 30)	–	–	5,318	13,800	19,118
Exchange realignment	–	–	55	144	199
At 31 March 2017	**5,238**	**15,993**	**5,373**	**13,944**	**40,548**
Accumulated amortisation					
At 1 April 2015	783	–	–	–	783
Charge for the year	894	–	–	–	894
At 31 March 2016 and 1 April 2016	1,677	–	–	–	1,677
Charge for the year	1,661	–	277	891	2,829
Exchange realignment	–	–	(6)	(20)	(26)
At 31 March 2017	**3,338**	**–**	**271**	**871**	**4,480**
Net book value					
At 31 March 2017	**1,900**	**15,993**	**5,102**	**13,073**	**36,068**
At 31 March 2016	1,006	–	–	–	1,006

* The mobile game licenses represented licenses fee for games under development, which are mobile games being licensed from developers and under modification. Upon completion of the significant modification and successful test for commercial production, the mobile games with finite useful life being measured initially at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	Notes	**2017 HK$'000**	2016 HK$'000
Associates	a	**18,183**	20,464
Joint venture	b	**–**	–
As at 31 March		**18,183**	20,464

The amounts recognised in the profit or loss are as follows:

	Notes	**2017 HK$'000**	2016 HK$'000
Associates	a	**1,127**	1,058
Joint venture	b	**–**	–
For the year ended 31 March		**1,127**	1,058

(a) Interests in associates

	2017 HK$'000	2016 HK$'000
Share of net assets	**33**	2,314
Goodwill	**18,150**	18,150
	18,183	20,464

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – Continued

(a) Interests in associates – Continued

Particulars of associates as at 31 March 2017 are as follows:

Name of companies	Place of incorporation/ operations	Percentage of interest held		Principal activities
		Directly	Indirectly	
Magn Investment Limited ("Magn Investment")	Hong Kong	25%	20%	Investment holding
Magn Media (China) Holdings Limited# ("Magn Media (China)")	PRC	-	45%	Investment holding
Shenzhen Timing Advertisement Co., Limited# ("Timing Advertisement")	PRC	–	45%	Investment holding
Shenzhen Magn Classic Technology Co., Limited# ("Magn Classic Technology")	PRC	-	45%	Investment holding
Shenzhen Magn Cultural Media Co., Limited# ("Magn Cultural Media")	PRC	-	45%	Game publishing business
Shenzhen Magn Interactive Entertainment Cultural Media Co., Limited#	PRC	-	45%	Dormant
Shenzhen Magn Firms Co., Limited#	PRC	-	45%	Dormant
Shenzhen Weiyouhui Information Technology Co., Limited#	PRC	-	45%	Investment holding

English name for identification purpose only

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – Continued

(a) Interests in associates – Continued

The mobile game business of Magn Investment is operated through controlling 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 enable Magn Classic Technology, 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; and

– 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 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.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – Continued

(a) Interests in associates – Continued

Summarised financial information for associates

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

	2017 **HK$'000**	2016 HK$'000
As at 31 March		
Non-current assets	**9,297**	22,075
Current assets	**90,385**	23,218
Current liabilities	**(94,609)**	(40,151)
Non-current liabilities	**(5,000)**	–
Net assets	**73**	5,142
Proportion of the Group's ownership	**45.0%**	45.0%
Group's share of net assets of associates	**33**	2,314
Year ended 31 March		
Revenue	**82,664**	16,958
Profit/(Loss) for the year	**2,504**	(1,225)
Other comprehensive income for the year	**133**	25
Total comprehensive income for the year	**2,637**	(1,200)
Aggregate amount of the Group's share of associates		
Profit or loss	**1,127**	1,058
Other comprehensive income	**60**	11
Total comprehensive income	**1,187**	1,069

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – Continued

(b) Investment in a joint venture

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.

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 Shenzhen Guanhui Xindong Technology Development Co., Limited. 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.

For the year ended 31 March 2017, the unrecognised share of losses and accumulated unrecognised share of losses of a joint venture was amounted to HK$1,000 (2016: nil) and HK$1,000 (2016: nil) respectively.

Particulars of a joint venture as at 31 March 2017 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

English name for identification purpose only

Commitment in respect of joint venture

	2017 **RMB'000**	2016 RMB'000
Commitment to provide funding	**5,000**	5,000

18. INVESTMENT IN A LIFE INSURANCE POLICY

The Group entered into a life insurance policy with an insurance company to insure a former director of the Company, 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.

19. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial asset at fair value through profit or loss is a contingent consideration receivable arising from the acquisition of 100% equity interest of China Bei Dou. Fair value of the financial asset at fair value through profit or loss has been determined by the income approach and the probability of the weighted average estimated profit under discounted cash flow method related to the profit guarantee disclosed in note 30.

20. LOAN TO AN ASSOCIATE/AMOUNTS DUE FROM/(TO) NON-CONTROLLING EQUITY HOLDER OF A SUBSIDIARY/A RELATED PARTY/AN ASSOCIATE/A DIRECTOR

Disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

Borrower	Notes	**As at 31 March 2017 HK$'000**	As at 31 March 2016 HK$'000	**Maximum balance outstanding during the year ended 31 March 2017 HK$'000**
Loan to an associate	(i)	**5,000**	–	**5,000**
Amount due from an associate	(i)	**208**	–	**208**
Amount due from a related party	(ii)	**4,705**	–	**4,705**

Notes:

(i) The director of the Company, Mr. Chen Yunchuo, has interest in the associate.

(ii) The balance is due from a director of a subsidiary.

(iii) There was no amount due for repayment but has not been paid and no provision has been made against the loan or interest on the loan.

(a) Loan to an associate/amount due from an associate

On 22 July 2016, Guanhui Huyu Technology (Hong Kong) Limited ("Guanhui Huyu"), a subsidiary of the Company, as lender, entered into a loan agreement with Magn Investment, as borrower. Pursuant to the loan agreement, Guanhui Huyu has agreed to grant the loan facility to Magn Investment 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. Given that there is no demand clause and the loan to an associate is repayable on 21 July 2018, the loan is classified as non-current assets. The loan is facilitating the business development of Magn Investment.

The amount due from an associate represented interest receivable arising from the loan to an associate and is repayable on 22 July 2017.

(b) Amounts due from/(to) a non-controlling equity holder of a subsidiary/a related party/a director

The amounts due are unsecured, interest-free and repayable on demand except for the amount due from a non-controlling equity holder of a subsidiary with carrying amount of HK$1,948,000 which is unsecured, interest-free and repayable on 30 May 2035. The effective interest rate of the amount due from a non-controlling equity holder of a subsidiary is 4.9% per annum.

21. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**18,309**	17,750
Prepayments	**2,023**	880
Deposits	**478**	1,618
Other receivables	**607**	–
	3,108	2,498
Total trade receivables, prepayments, deposits and other receivables	**21,417**	20,248

Trade receivables generally have credit terms of 7 to 30 days (2016: 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:

	2017 HK$'000	2016 HK$'000
Not more than 30 days	**9,406**	9,816
30-90 days	**8,634**	7,372
Over 90 days	**269**	562
	18,309	17,750

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**12,937**	11,676
Not more than 30 days past due	**2,280**	2,469
30-90 days past due	**2,935**	3,265
Over 90 days past due	**157**	340
	18,309	17,750

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 2017, the Group has written off trade receivables of HK$58,000 (2016: HK$2,000) directly to the profit or loss for the year (note 10).

21. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – Continued

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

	2017 **HK$'000**	2016 HK$'000
At 1 April	**–**	541
Written off during the year as uncollectible	**–**	(541)
At 31 March	**–**	–

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.

22. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES

	2017 **HK$'000**	2016 HK$'000
Trade payables	**2,116**	–
Accrued expenses and other payables	**16,111**	27,887
Total trade payables, accrued expenses and other payables	**18,227**	27,887

The ageing analysis of the Group's trade payables, based on invoice dates, is as follows:

	2017 **HK$'000**	2016 HK$'000
Not more than 30 days	**731**	–
30-90 days	**–**	–
Over 90 days	**1,385**	–
	2,116	–

Included in other payables is a contingent consideration payable by the Group of HK$106,000 (2016: HK$13,341,000) for the acquisition of 45% equity interest of Magn Investment (note 17(a)).

The contingent consideration payable represented the consideration shares to be issued to Magn Group Limited subject to the profit guarantee of Magn Investment for the six months ended 31 March 2016 and the year ended 31 March 2017.

23. 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 2015	885
Credited to profit or loss *(note 11)*	(407)
At 31 March 2016 and 1 April 2016	478
Charged to profit or loss *(note 11)*	49
At 31 March 2017	**527**

At 31 March 2017, the Group did not recognise deferred income tax assets in respect of tax losses of HK$5,361,000 (2016: nil) that can be carried forward against future taxable income, of which, tax losses of HK$2,499,000 (2016: nil) can be carried forward indefinitely. The remaining balances of tax losses will expire on within five years.

24. PROMISSORY NOTE PAYABLE

On 6 May 2016, the Company issued a promissory note to a former director of the Company, Mr. Fu Yik Lung to raise funding for the Group's working capital on the daily operation and the development of its existing businesses and any other future development opportunities.

The amount is unsecured and interest-bearing at 5% per annum. The principal sum of HK$19,500,000 together with its interest accrued are to be repaid on the date falling two years from 6 May 2016. The fair value of HK$19,500,000 on initial recognition is measured by computing the present value of estimated future cash flows at the effective interest rate of 5% per annum.

During the year, imputed interest expense of HK$882,000 was charged to the profit or loss.

25. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.001 each		
At 1 April 2015	2,000,000,000	20,000
Share subdivision (note (i))	18,000,000,000	–
At 31 March 2016 and 31 March 2017	**20,000,000,000**	**20,000**
Issued:		
Ordinary shares of HK$0.001 each		
At 1 April 2015	640,000,000	6,400
Share subdivision (note (i))	5,760,000,000	–
At 31 March 2016 and 1 April 2016	6,400,000,000	6,400
Issue of consideration shares (note (ii))	726,846,591	727
Issue of shares upon placing (note (iii))	553,153,409	553
At 31 March 2017	**7,680,000,000**	**7,680**

Notes:

(i) 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 of HK$0.001 each. All subdivided shares rank pari passu with each other in all respects with the shares in issue prior to the share subdivision.

(ii) On 16 December 2016, 726,846,591 new shares of HK$0.001 each of the Company were issued to satisfy the Share Consideration on the acquisition of China Bei Dou (note 30) at a fair value of HK$50,153,000 of an issue price of HK$0.069 each. The premium received was credited to the share premium account.

(iii) On 20 March 2017, 553,153,409 new shares of HK$0.001 each of the Company were issued to the public by way of placing at HK$0.022 each (the "Placing"). The net proceeds were used in the Group's mobile gaming business and the Group's general working capital. The premium received was credited to the share premium account.

26. 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 issued pursuant to the group reorganisation prior to the listing of the Company's shares.

27. 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 of grant of the option. 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 as at the listing date being 640,000,000 shares.

No share options were granted under the Scheme in both years. At 31 March 2017 and 2016, 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.

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	**2017 HK$'000**	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current asset			
Investments in subsidiaries		**58,148**	7,996
Current assets			
Prepayments		**229**	339
Amount due from an associate		**2**	–
Amounts due from subsidiaries		**52,853**	31,946
Cash at bank		**8,551**	3,985
		61,635	36,270
Current liabilities			
Accrued expenses		**1,388**	438
Amounts due to subsidiaries		**5,911**	5,911
		7,299	6,349
Net current assets		**54,336**	29,921
Total assets less current liabilities		**112,484**	37,917
Non-current liability			
Promissory note payable		**20,382**	–
Net assets		**92,102**	37,917
EQUITY			
Share capital	25	**7,680**	6,400
Reserves	28(b)	**84,422**	31,517
Total equity		**92,102**	37,917

On behalf of the directors

Chen Yunchuo	**Li Mingming**
Director	*Director*

28. 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 losses HK$'000	Total HK$'000
At 1 April 2015	39,008	7,996	(4,016)	42,988
Loss for the year	–	–	(11,471)	(11,471)
At 31 March 2016 and 1 April 2016	39,008	7,996	(15,487)	31,517
Issue of consideration shares *(note 25(ii))*	49,426	–	–	49,426
Issue of shares upon placing *(note 25(iii))*	11,616	–	–	11,616
Loss for the year	–	–	(8,137)	(8,137)
At 31 March 2017	**100,050**	**7,996**	**(23,624)**	**84,422**

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.

29. SUBSIDIARIES

(a) General information of subsidiaries

At 31 March 2017, 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 Directly	Indirectly	Principal activities
Million Joyce Global Limited	BVI/Hong Kong	1,000 shares of US$1 each	100%	–	Investment holding
King Force Service Limited	Hong Kong	HK$1	–	100%	Inactive
King Force Security Limited	Hong Kong	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	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	HK$1	–	100%	Inactive
Shiny Lotus Global Limited	BVI/Hong Kong	1 share of US$1 each	100%	–	Investment holding
Wise Creator Limited	Hong Kong	HK$1	–	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	HK$1	–	100%	Inactive
Guanhui Huyu Technology Limited	Samoa	1 share of US$1 each	100%	–	Investment holding
Guanhui Huyu Technology (Hong Kong) Limited	Hong Kong/PRC	HK$1	–	100%	Provision of mobile game business
Shenzhen Jiahonglitian Technology Development Co. Ltd#	PRC	RMB2,000,000	–	100%	Investment holding
Shenzhen Qianhai Guanhui Huyu Technology Limited#*	PRC	HK$3,000,000	–	100%	Software development

29. SUBSIDIARIES – Continued

(a) General information of subsidiaries - Continued

Name of subsidiaries	Place of incorporation/ operations	Issued and paid-up share/ registered capital	Percentage of equity interest attributable to the Company Directly	Indirectly	Principal activities
China Bei Dou Communications Technology Group Limited	Hong Kong	HK$24,117,049	–	100%	Investment holding
Bei Dou Internet Education Technology (Shen Zhen) Limited#	PRC	RMB30,000,000	–	70%	Investment holding
Zhongshan Bei Dou Education Limited# ("Bei Dou Zhongshan")	PRC	RMB25,800,000	–	59.5%	Provision of students' e-education and e-security services

* 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.

(b) Material non-controlling interests

Bei Dou Zhongshan, a 59.5% owned subsidiary of the Company, has material non-controlling interests ("NCI"). The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCI of Bei Dou Zhongshan, before intra-group eliminations, is presented below:

29. SUBSIDIARIES – Continued

(b) Material non-controlling interest - Continued

	Bei Dou Zhongshan HK$'000
NCI percentage	40.5%
As at 31 March 2017	
Current assets	254
Non-current assets	20,361
Current liabilities	(1,193)
Net assets	19,422
Carrying amount of NCI	7,866
For the period from 16 December 2016 (date of acquisition) to 31 March 2017	
Revenue	–
Loss for the period	(1,483)
Other comprehensive income	(182)
Total comprehensive income	(1,665)
Loss allocated to NCI	(601)
Dividends paid to NCI	–
For the year ended 31 March 2017	
Cash flows from operating activities	47
Cash flows from investing activities	(55)
Cash flows from financing activities	–
Net cash outflows	(8)

Bei Dou Zhongshan was acquired by the Group on 16 December 2016 (note 30).

30. BUSINESS COMBINATION

On 18 October 2016, the Group entered into a sale and purchase agreement (the "S&P Agreement") with Zheng Gang ("Mr. Zheng"), an independent third party, pursuant to which the Group acquired 100% of the issued share capital of China Bei Dou at a consideration of HK$51,170,000 (the "Share Consideration"), subject to a profit guarantee that the total audited consolidated net profit after taxation of China Bei Dou, prepared in accordance with HKFRSs and audited by auditors, shall not be less than HK$18 million for the two financial years ending 31 December 2017 and 2018 (the "Profit Guarantee"). In the event that the Profit Guarantee is not met, Mr. Zheng shall compensate China Bei Dou on a dollar-for-dollar basis on the shortfall by cash (the "Contingent Consideration Receivable"). If China Bei Dou records a loss for the two financial years ending 31 December 2017 and 2018, the compensation amount will be the same as the consideration, HK$51,170,000 and Mr. Zheng shall pay the compensation within one month after the issue date of the audited report for the two financial years ending 31 December 2017 and 2018.

On 16 December 2016, the Company issued 726,846,591 shares at a price of HK$0.069 per share to satisfy the Share Consideration. The acquisition was completed on 16 December 2016. Accordingly, the Group owns 100% of the issued share capital of China Bei Dou and which has became a subsidiary of the Group thereafter. China Bei Dou is principally engaged in investment holding and its major subsidiary, Bei Dou Zhongshan, 59.5% interest indirectly held by China Bei Dou, is principally engaged in developing and manufacturing of education security system to protect the safety of students.

The provisional fair value of identifiable assets acquired and liabilities assumed of China Bei Dou as at the date of acquisition are as follows:

	HK$'000
Other intangible assets (note 16)	19,118
Property, plant and equipment (note 14)	747
Amount due from a non-controlling equity holder	1,897
Other receivables and prepayments	463
Cash and cash equivalents	94
Trade and other payables	(1,567)
Less: non-controlling interests	(8,454)
	12,298
The provisional fair value of consideration transfer:	
Share Consideration issued	50,153
Contingent Consideration Receivable, at fair value (note 19)	(1,600)
Total purchase consideration	48,553
Goodwill arising on the acquisition of China Bei Dou (note 15)	36,255

30. BUSINESS COMBINATION – Continued

Net cash inflow arising from the acquisition:

	HK$'000
Cash and bank balances acquired	94

The above consideration transferred includes a performance-based contingent consideration adjustment, which is principally based on the Profit Guarantee in a two-year period after acquisition on a dollar-for-dollar basis. The adjustment will be settled in cash after the end of the two-year period. The potential undiscounted amount of the contingent consideration adjustment that the Group could receive or be required to make under this arrangement is between nil and HK$51,170,000. At the acquisition date, the fair value of the Contingent Consideration Receivable of HK$1,600,000 was estimated by applying the income approach and the probability of the weighted average estimated profit at a post-tax discount rate of 35% and the estimated profit of China Bei Dou for the two-year period in the range of HK$7,618,000 to HK$21,859,000. As of 31 March 2017, the fair value of the Contingent Consideration Receivable was increased by HK$600,000 as the estimated profit of China Bei Dou was recalculated to be in the range HK$6,532,000 to HK$23,188,000 and the increase was recognised in current year's profit or loss.

The fair value of other receivables and prepayments amounted to HK$463,000 and amount due from a non-controlling equity holder amounted to HK$1,897,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The fair value of the shares issued was determined by reference to their quoted market price of HK$0.069 per share at the date of acquisition.

The goodwill of HK$36,255,000, which is not deductible for tax purposes, comprises the acquired reputation, the expected future profitability and the benefits from diversifying the revenue stream of the Group.

The Group has elected to measure the non-controlling interests in Bei Dou Zhongshan at the non-controlling interests' proportionate share of identifiable net assets. The amount of the non-controlling interests at the acquisition date amounted to HK$8,454,000.

The deferred tax liabilities arising on the acquisition is minimal.

Since the acquisition, China Bei Dou contributed nil to the Group's revenue and a loss of HK$1,606,000 to the consolidated profit for the year ended 31 March 2017.

Had the combination been taken place at the beginning of the year, on 1 April 2016, the Group's revenue would be unchanged and the Group's profit for the year would have been decreased by HK$12,581,000. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on the beginning of the year, nor is it intended to be a projection of future performance.

31. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

For the year ended 31 March 2017

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Chen Yunchuo	–	600	–	600
Li Mingming	–	240	–	240
Li Liping (appointed on 7 December 2016)	–	76	–	76
Cheng Rui (appointed on 8 February 2017)	–	35	–	35
Liu Lai Ying (resigned on 24 June 2016)	–	69	3	72
Chung Pui Yee Shirley (resigned on 8 August 2016)	–	106	5	111
Fu Yik Lung (resigned on 12 January 2017)	–	681	14	695
Independent non-executive directors				
Ho Yuk Ming Hugo (appointed on 19 September 2016)	64	–	–	64
Xiong Hong (appointed on 24 June 2016)	92	–	–	92
Wan Tat Wai David (appointed on 19 September 2016)	64	–	–	64
Professor Lam Sing Kwong Simon (resigned on 24 June 2016)	28	–	–	28
Au Man Yi (resigned on 19 September 2016)	56	–	–	56
Ong Chi King (resigned on 19 September 2016)	56	–	–	56
Total	360	1,807	22	2,189

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

Directors' emoluments – Continued

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 Ming Ming (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

No directors waived any emoluments in the year ended 31 March 2017 (2016: Nil).

Notes:

1. Mr. Fu Yik Lung had resigned as executive Director on 12 January 2017. Upon his resignation, he remained as a senior management of the Group and the remuneration attributable to such position is HK$583,000 for the year ended 31 March 2017.

2. Ms. Liu Lai Ying had resigned as executive Director on 24 June 2016. Upon her resignation, she remained as a senior management of the Group and the remuneration attributable to such position is HK$669,000 for the year ended 31 March 2017.

3. Ms. Chung Pui Yee Shirley had resigned as executive Director on 8 August 2016. Upon her resignation, she remained as a senior management of the Group and the remuneration attributable to such position is HK$242,000 for the year ended 31 March 2017.

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

Directors' emoluments – Continued

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2016: two) are directors of the Company whose emoluments are included in the disclosure of directors' emoluments above. The emoluments of the remaining three individuals (2016: three individuals) were as follows:

	2017	2016
	HK$'000	HK$'000
Salaries and other emoluments	**1,503**	1,365
Retirement scheme contributions	**48**	53
	1,551	1,418

Their emoluments were within the following bands:

	2017 Number of individuals	2016 Number of individuals
Nil to HK$1,000,000	**3**	3

During both years ended 31 March 2017 and 2016, 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:

	2017 Number of individuals	2016 Number of individuals
Nil to HK$1,000,000	**2**	1

32. OPERATING LEASE COMMITMENTS

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

	2017 **HK$'000**	2016 HK$'000
Within one year	**2,203**	2,220
In the second to fifth year	**555**	774
	2,758	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 (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.

33. RELATED PARTY TRANSACTIONS

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

	Notes	**2017** **HK$'000**	2016 HK$'000
Operating lease and related charges paid to a former director, Ms. Liu Lai Ying		**600**	50
Interest income received from an associate, Magn Investment	(a)	**208**	–
Interest paid to a former director of the Company / a director of a subsidiary, Mr. Fu Yik Lung	(a)	**882**	–

Note:

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

(ii) Compensation of key management personnel

	2017 **HK$'000**	2016 HK$'000
Short-term employee benefits	**5,171**	4,122
Post employment benefits	**115**	114
	5,286	4,236

33. RELATED PARTY TRANSACTIONS – Continued

(iii) Balances with related parties

Receivable from/(payable to)	Notes	2017 HK$'000	2016 HK$'000
Ms. Liu Lai Ying, a former director of the Company	(a)	**100**	100
A director of a subsidiary	(b)	**4,705**	–
	(b)	**(247)**	–
Magn Investment, an associate	(c)	**5,208**	–
	(c)	**(363)**	–
Mr. Li Mingming, a director of the Company	(d)	**(169)**	–
Mr. Fu Yik Lung, a former director of the Company/ a director of a subsidiary	(e)	**(20,382)**	–

(a) Balance with Ms. Liu Lai Ying, a former director of the Company represented rental deposit paid to her. She has resigned as a director of the Company on 24 June 2016.

(b) Balances with a director of a subsidiary, represented the amount due from a related party of HK$4,705,000 and amount due to a related party of HK$247,000.

(c) Balance with Magn Investment, an associate of the Group, represented the loan to an associate and amount due from/to an associate.

(d) Balance with Mr. Li Mingming, a director of the Company, represented the amount due to a director.

(e) Balance with Mr. Fu Yik Lung, a former director of the Company and a director of a subsidiary, represented promissory note payable and its accrued interests of HK$20,382,000 in total.

34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Non-current		
Available-for-sale financial assets:		
– Investment in a life insurance policy	**1,148**	1,126
Financial asset measured at fair value through profit or loss:		
– Contingent consideration receivable	**2,200**	–
Loans and receivables		
– Loan to an associate	**5,000**	–
– Amount due from a non-controlling equity holder of a subsidiary	**1,948**	–
	10,296	1,126
Current		
Loans and receivables (including cash and cash equivalents):		
– Trade receivables	**18,309**	17,750
– Deposits and other receivables	**1,085**	1,618
– Amount due from an associate	**208**	–
– Amount due from a related party	**4,705**	–
– Cash at banks and in hand	**30,482**	36,457
	54,789	55,825
	65,085	56,951
Financial liabilities		
Non-current		
Financial liabilities measured at amortised cost:		
– Promissory note payable	**20,382**	–
Current		
Financial liabilities measured at amortised cost:		
– Trade payables	**2,116**	–
– Accrued expenses and other payables	**16,005**	14,546
– Amount due to an associate	**363**	–
– Amount due to a director	**169**	–
– Amount due to a related party	**247**	–
	18,900	14,546
Financial liabilities measured at fair value through profit or loss:		
– Contingent consideration payable	**106**	13,341
	19,006	27,887
	39,388	27,887

35. 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. 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 risks 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 has transactional and translational currency exposures. These exposures arise from expenses incurred by operating units in currencies other than the units' functional currencies. The Group's monetary assets, monetary liabilities, financing and transactions are principally denominated in RMB and HK$. The Group is exposed to the foreign exchange risk arising from changes in the exchange rate of HK$ against RMB. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	**(Decrease)/ increase in profit before tax** HK$'000	**Increase/ (decrease) in equity** HK$'000
2017			
If Hong Kong dollar weakens against RMB	**5**	**(143)**	**229**
If Hong Kong dollar strengthens against RMB	**(5)**	**143**	**(229)**
2016			
If Hong Kong dollar weakens against RMB	5	–	120
If Hong Kong dollar strengthens against RMB	(5)	–	(120)

35. FINANCIAL RISK MANAGEMENT – Continued

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.

At the end of the reporting period, the Group's exposure to interest rate risk mainly arises from bank deposits which earn interests at floating rates, a fixed rate loan to an associate (note 20), a fixed rate amount due from a non-controlling equity holder of a subsidiary and a fixed rate promissory note payable (note 24). 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.

Credit risk

The Group's exposure to credit risk related to the financial assets summarised in the note 34. Details of the Group's exposures to credit risk on loan to an associate, trade receivables, and amounts due from a related party/ an associate/a non-controlling equity holder of a subsidiary are disclosed in notes 20 and 21.

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 all deposited with licensed banks in Hong Kong and the PRC.

The management considers the credit risk on a related party/an associate is not significant as a director of the associate/a director of the Company has provided the financial guarantee to undertake the liabilities from a related party an associate. The credit risk from a non-controlling equity holder of a subsidiary is not significant as the equity holder has adequate assets, its interests in that subsidiary, to recover the amount due from.

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 trade payables, accrued liabilities, other payables and its financing obligations, 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 risk.

35. FINANCIAL RISK MANAGEMENT – Continued

Liquidity risk – Continued

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 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 31 March 2017				
Non-derivatives:				
Trade payables	**2,116**	**–**	**2,116**	**2,116**
Accrued expenses and other payables	**16,005**	**–**	**16,005**	**16,005**
Amount due to an associate	**363**	**–**	**363**	**363**
Amount due to a director	**169**	**–**	**169**	**169**
Amount due to a related party	**247**	**–**	**247**	**247**
Promissory note payable	**–**	**21,450**	**21,450**	**20,382**
	18,900	**21,450**	**40,350**	**39,282**
As at 31 March 2016				
Non-derivatives:				
Accrued expenses and other payables	14,546	–	14,546	14,546
	14,546	–	14,546	14,546

36. FAIR VALUE MEASUREMENTS

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

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 based on valuation techniques using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs.

Level 3: Fair value measured based on valuation techniques 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 2017				
Financial assets				
Available-for-sale financial assets:				
– Investment in a life insurance policy	**–**	**1,148**	**–**	**1,148**
Financial asset at fair value through profit or loss:				
– Contingent consideration receivable	**–**	**–**	**2,200**	**2,200**
	–	**1,148**	**2,200**	**3,348**
Financial liability				
Financial liability at fair value through profit or loss:				
– Contingent consideration payable	**–**	**–**	**106**	**106**

	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 assets:				
– 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

36. FAIR VALUE MEASUREMENTS – Continued

Information about level 2 for fair value measurements

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

Information about level 3 for fair value measurements

Contingent consideration payable

The consideration shares to be issued to Magn Group Limited in relation to the acquisition of Magn Investment, are subject to the performance requirement as set out in the adjustment mechanism stipulated in the supplemental agreement. Pursuant to the supplemental agreement, Magn Group Limited undertakes that 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 ended 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 Guaranteed Profit – 2017 Actual Profit) x 0.4425

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

The key unobservable inputs in calculating the fair value of the contingent consideration payable were the assumptions used in Magn Investment's profit forecast for the year ended 31 March 2017 which were the estimated number of active paying players of mobile games and the estimated average monthly spending on the mobile games by them, and the estimated market price of the consideration shares to be issued. For the year ended 31 March 2016, with all other variables held constant, an increase/(decrease) in the expected profit by 5% would have increased/(decreased) the Group's loss by HK$667,000. For the year ended 31 March 2017, with all other variables held constant, an increase/(decrease) in the estimated share price by 5% would have decreased/(increased) the Group's profit by HK$5,000 (2016: increase/(decrease) the Group's loss by HK$667,000).

36. FAIR VALUE MEASUREMENTS – Continued

Information about level 3 for fair value measurements – Continued

Contingent consideration receivable

The fair value of the contingent consideration receivable on the Profit Guarantee of China Bei Dou was based on the income approach and the probability of the weighted average estimated profit under discounted cash flow method.

The contingent consideration receivable is subject to the performance requirement as stipulated in the S&P Agreement. Pursuant to the S&P Agreement, Mr. Zheng undertakes China Bei Dou shall achieve the Profit Guarantee that the total audited consolidated net profit after taxation of China Bei Dou, prepared in accordance with HKFRSs and audited by auditors, shall not be less than HK$18 million for the two financial years ending 31 December 2017 and 2018. In the event that the Profit Guarantee is not achieved, Mr. Zheng shall compensate China Bei Dou on a dollar-for-dollar basis on the shortfall by cash. If China Bei Dou records a total loss for the two financial years ending 31 December 2017 and 2018, the compensation amount will be the same as the consideration of HK$51,170,000.

The fair value of the contingent consideration receivable was estimated by the management with the assistance of a firm of professional valuers after considering the probability that China Bei Dou could meet the Profit Guarantee.

The significant unobservable input used in calculating the fair value measurement of the contingent consideration receivable is the present value of the expected profits. For the year ended 31 March 2017, with all other variables held constant, an increase/(decrease) in the estimated profits by 5% would have decreased/(increased) the Group's profit by HK$110,000.

There were no changes in valuation techniques during the period.

36. FAIR VALUE MEASUREMENTS – Continued

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2017 **HK$'000**	2016 HK$'000
Contingent consideration receivable		
At 1 April	**–**	–
Arising from acquisition of subsidiaries (note 30)	**1,600**	–
Fair value gain on contingent consideration receivable recognised in profit or loss during the year	**600**	–
At 31 March	**2,200**	–
Contingent consideration payable		
At 1 April	**13,341**	–
Arising from acquisition of interests in associates	**–**	13,341
Fair value gain on contingent consideration payable recognised in profit or loss during the year	**(13,235)**	–
At 31 March	**106**	13,341

There were no transfers between level during the period.

37. 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 2017 and 2016 amounted to HK$132,988,000 and HK$59,778,000 respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity attributable to owners of the Company. Net debt includes promissory note payable less cash and cash equivalents. The Group's policy is to maintain a gearing ratio at a reasonable level.

37. CAPITAL MANAGEMENT – Continued

The gearing ratios as at the end of the reporting periods were as follows:

	2017 **HK$'000**	2016 HK$'000
Promissory note payable	**20,382**	–
Total debt	**20,382**	–
Less: Cash and cash equivalents	**(30,482)**	(36,457)
Net debt	**N/A**	N/A
Total equity attributable to owners of the Company	**125,073**	59,778
Gearing ratio	**N/A**	N/A

38. MAJOR NON-CASH TRANSACTION

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following major non-cash transaction:

On 16 December 2016, the Group acquired 100% of the issued share capital of China Bei Dou at a consideration of HK$50,153,000 satisfied by issuance of shares and subject to the Profit Guarantee. Details are disclosed in note 30.

39. EVENTS AFTER THE REPORTING DATE

(a) As disclosed in note 15, the renewal of the Bei Dou Qualification by Bei Dou Jiuyi is in progress. On 12 June 2017, the Group has filed a civil petition statement at the Zhongshan First People's Court against Bei Dou Jiuyi, claiming that Bei Dou Jiuyi has breached the business cooperation agreement entered with Bei Dou Zhongshan, a subsidiary of the Company on 15 June 2015 and seeking the court for an order against Bei Dou Jiuyi to, inter alia, return the consideration under the agreement amounted to RMB15,000,000 together with interests. On 15 June 2017, the Group received the notice of acceptance of the case issued by Zhongshan First People's Court. Details are disclosed in the Company's announcements dated 16 June 2017.

(b) As disclosed in note 15, on 21 June 2017, the Group entered into an agreement with Guangdong Bei Dou, which has the same qualification as that of Bei Dou Jiuyi to grant the franchise of the Bei Dou Qualification to Bei Dou Zhongshan, a subsidiary of the Company, in its e-Education business. Details are disclosed in the Company's announcement dated 21 June 2017.

FIVE YEAR'S FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five 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				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**146,212**	146,224	130,302	111,059	90,605
Gross profit	**30,866**	27,574	24,792	23,033	15,317
Profit before income tax	**7,360**	1,302	4,394	10,936	10,295
Profit/(loss) for the year	**5,556**	(55)	2,926	8,362	9,046
Attributable to:					
Owners of the Company	**6,197**	(55)	2,926	8,362	9,046
Non-controlling interests	**(641)**	–	–	–	–
	5,556	(55)	2,926	8,362	9,046

ASSETS AND LIABILITIES

	As at 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**116,324**	32,109	14,660	10,699	8,620
Current assets	**56,812**	56,705	54,210	29,626	38,444
Current liabilities	**19,239**	28,558	12,217	20,317	35,308
Non-current liabilities	**20,909**	–	–	–	–
Net assets	**132,988**	59,778	55,768	19,714	11,351
Total equity attributable to:					
Owners of the Company	**125,073**	59,778	55,768	19,714	11,351
Non-controlling interests	**7,915**	–	–	–	–
	132,988	59,778	55,768	19,714	11,351

* *For identification purpose only*