



2017 INTERIM REPORT

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8315

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CONTENTS

Corporate Information	2
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Unaudited Condensed Consolidated Statement of Financial Position	4
Unaudited Condensed Consolidated Statement of Changes in Equity	5
Unaudited Condensed Consolidated Statement of Cash Flows	6
Notes to Unaudited Condensed Consolidated Interim Financial Information	7
Management Discussion and Analysis	17

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Chen Yunchuo (*Chairman*)
Mr. Li Mingming
Ms. Li Liping
Mr. Cheng Rui

Independent Non-executive Directors:

Mr. Xiong Hong
Mr. Wan Tat Wai David
Mr. Ho Yuk Ming Hugo

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

COMPANY SECRETARY

Mr. Wong Ka Shing

AUTHORISED REPRESENTATIVES

Mr. Chen Yunchuo
Mr. Li Mingming

INDEPENDENT AUDITOR

BDO Limited

LEGAL ADVISER

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

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HEADQUARTER

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

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2017**

	Notes	For three months ended 30 September		For the six months ended 30 September	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	3	29,884	36,270	61,537	76,921
Cost of services rendered		(25,465)	(29,321)	(52,715)	(60,772)
Gross profit		4,419	6,949	8,822	16,149
Other income	4	624	343	850	594
Administrative expenses		(10,113)	(7,853)	(23,866)	(14,152)
Share of result of an associate		(920)	(850)	(2,267)	4,656
Finance costs	5	(246)	(245)	(489)	(395)
(Loss)/Profit before income tax	6	(6,236)	(1,656)	(16,950)	6,852
Income tax expense	7	-	(393)	-	(1,240)
(Loss)/Profit for the period		(6,236)	(2,049)	(16,950)	5,612
Other comprehensive income that may be reclassified subsequently to profit or loss:					
Exchange difference on translation of financial statements of foreign operations		393	-	549	-
Share of exchange difference on translation of foreign associates		(90)	(11)	(71)	(49)
Other comprehensive income for the period		303	(11)	478	(49)
Total comprehensive income for the period		(5,933)	(2,060)	(16,472)	5,563
(Loss)/Profit for the period attributable to:					
Owners of the Company		(5,782)	(2,049)	(16,055)	5,612
Non-controlling interests		(454)	-	(895)	-
		(6,236)	(2,049)	(16,950)	5,612
Total comprehensive income for the period attributable to:					
Owners of the Company		(5,626)	(2,060)	(15,778)	5,563
Non-controlling interests		(307)	-	(694)	-
		(5,933)	(2,060)	(16,472)	5,563
		HK cents	HK cents	HK cents	HK cents
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company - Basic and diluted	8	(0.08)	(0.03)	(0.21)	0.09

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017**

	Notes	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	14,075	15,522
Goodwill		36,255	36,255
Other intangible assets	11	37,738	36,068
Interests in associates	12	15,844	18,183
Investment in a life insurance policy		1,158	1,148
Financial asset at fair value through profit or loss		2,200	2,200
Loan to an associate		5,000	5,000
Amount due from a non-controlling equity holder of a subsidiary		2,078	1,948
		114,348	116,324
Current assets			
Trade receivables	13	18,465	18,309
Prepayments, deposits and other receivables		7,181	3,108
Amount due from an associate		358	208
Amount due from a director		119	–
Amount due from a related party		4,898	4,705
Cash at banks and in hand		15,619	30,482
		46,640	56,812
Current liabilities			
Trade payables	14	1,385	2,116
Accrued expenses and other payables		14,989	16,111
Amount due to an associate		378	363
Amount due to a director		169	169
Amount due to a related party		759	247
Tax payables		233	233
		17,913	19,239
Net current assets		28,727	37,573
Total assets less current liabilities		143,075	153,897
Non-current liabilities			
Deferred tax liabilities		527	527
Promissory note payable	15	20,870	20,382
		21,397	20,909
Net assets		121,678	132,988
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	7,738	7,680
Reserves		106,719	117,393
		114,457	125,073
Non-controlling interests		7,221	7,915
Total equity		121,678	132,988

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve 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 HK\$'000
At 1 April 2016 (audited)	6,400	39,008	-	(5,270)	11	4,054	15,575	59,778	-	59,778
Profit for the period	-	-	-	-	-	-	5,612	5,612	-	5,612
Other comprehensive expense:										
Share of exchange difference on translation of foreign operations	-	-	-	-	(49)	-	-	(49)	-	(49)
Total comprehensive income for the period	-	-	-	-	(49)	-	5,612	5,563	-	5,563
At 30 September 2016 (unaudited)	6,400	39,008	-	(5,270)	(38)	4,054	21,187	65,341	-	65,341
At 1 April 2017 (audited)	7,680	100,050	-	(5,270)	255	586	21,772	125,073	7,915	132,988
Loss for the period	-	-	-	-	-	-	(16,055)	(16,055)	(895)	(16,950)
Other comprehensive income:										
Exchange difference on translation of financial statements of foreign operations	-	-	-	-	348	-	-	348	201	549
Share of exchange difference on translation of foreign operations	-	-	-	-	(71)	-	-	(71)	-	(71)
Total comprehensive income for the period	-	-	-	-	277	-	(16,055)	(15,778)	(694)	(16,472)
Transactions with owners:										
Share-based payment expenses of options granted by the Company during the period	-	-	4,009	-	-	-	-	4,009	-	4,009
Issue of shares upon exercise of share options	58	1,514	(419)	-	-	-	-	1,153	-	1,153
Total transactions with owners	58	1,514	3,590	-	-	-	-	5,162	-	5,162
At 30 September 2017 (unaudited)	7,738	101,564	3,590	(5,270)	532	586	5,717	114,457	7,221	121,678

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

	Six months ended 30 September 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net cash (used in)/generated from operating activities	(12,911)	3,119
Net cash used in investing activities	(3,583)	(15,326)
Net cash generated from financing activities	1,153	14,442
Net (decrease)/increase in cash and cash equivalents	(15,341)	2,235
Cash and cash equivalents at beginning of the period	30,482	36,457
Effect of foreign exchange rates change	478	–
Cash and cash equivalents at end of the period	15,619	38,692
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	15,619	38,692

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

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

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

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

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except that contingent consideration assets or liabilities arising from a business combination and derivative financial instruments are stated at its fair values. The Directors confirm that the principal accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 March 2017 except in relation to the new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are adopted for the first time for the current period's financial statements. The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated financial statements.

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

2. SEGMENT INFORMATION

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; and
- (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 a loan to an associate, 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.

2. 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 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue from external customers	61,537	76,921	-	-	-	-	61,537	76,921
Total segment profit/(loss) from operations	(2,886)	6,857	(1,762)	(1,126)	(2,235)	-	(6,883)	5,731
Interest income from a loan to an associate							150	58
Share of results of associates							(2,267)	4,656
Finance costs							(489)	(395)
Unallocated corporate income							1	1
Unallocated corporate expenses							(7,462)	(3,199)
(Loss)/Profit before income tax							(16,950)	6,852
Income tax expense							-	(1,240)
(Loss)/Profit for the period							(16,950)	5,612

There were no inter-segment transfers during the six months ended 30 September 2017 and 2016.

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

	Security Guarding		Mobile Game		e-Education		Total	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Other segment information								
Depreciation of property, plant and equipments	1,371	979	1	-	53	-	1,425	979
Unallocated depreciation with head office and corporate assets							125	41
Total depreciation							1,550	1,020
Amortisation of other intangible assets	534	666	-	-	1,636	-	2,170	666
Income tax expense	-	1,240	-	-	-	-	-	1,240
Capital expenditure	65	6,380	3,397	24	-	-	3,462	6,404
Unallocated capital expenditure associated with head office and corporate assets							-	497
Total capital expenditure*							3,462	6,901

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

2. 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).

As at 30 September 2017 (Unaudited)

	Security Guarding HK\$'000	Mobile Game HK\$'000	e-Education HK\$'000	Total HK\$'000
Segment assets	51,804	26,985	58,956	137,745
Interests in associates				15,844
Investment in a life insurance policy				1,158
Loan to an associate				5,000
Amount due from an associate				358
Other corporate assets				883
Total assets				160,988

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 HK\$'000	Mobile Game HK\$'000	e-Education HK\$'000	Total HK\$'000
Segment liabilities	12,384	2,089	2,781	17,254
Contingent consideration payable				106
Tax payables				233
Deferred tax liabilities				527
Promissory note payable				20,870
Other corporate liabilities				320
Total liabilities				39,310

2. SEGMENT INFORMATION – Continued

As at 31 March 2017 (Audited)

	Security Guarding HK\$'000	Mobile Game HK\$'000	e-Education HK\$'000	Total HK\$'000
Segment assets	55,517	23,935	59,974	139,426
Interests in associates				18,183
Investment in a life insurance policy				1,148
Loan to an associate				5,000
Amount due from an associate				208
Other corporate assets				9,171
Total assets				173,136

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 HK\$'000	Mobile Game HK\$'000	e-Education HK\$'000	Total HK\$'000
Segment liabilities	13,202	2,074	2,120	17,396
Contingent consideration payable				106
Tax payables				233
Deferred tax liabilities				527
Promissory note payable				20,382
Other corporate liabilities				1,504
Total liabilities				40,148

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.

	Revenue from external customers		Specific non-current assets	
	Six months ended 30 September 2017 (Unaudited) HK\$'000	Six months ended 30 September 2016 (Unaudited) HK\$'000	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Hong Kong (place of domicile)	61,537	76,921	70,316	68,883
The People's Republic of China (the "PRC")	–	–	17,752	18,962
	61,537	76,921	88,068	87,845

Information about major customers

There is no single customer contributed to 10% or more revenue to the Group's revenue for the six months ended 30 September 2017 and 2016.

3. REVENUE

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

4. OTHER INCOME

	Three months ended 30 September 2017		Six months ended 30 September 2017	
	(Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	(Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Bank interest income	–*	–*	1	1
Imputed interest income on amount due from a non-controlling equity holder of a subsidiary	22	–	43	–
Interest income from a loan to an associate	75	58	150	58
Interest income of a life insurance policy	10	10	20	20
Sundry income	517	275	636	515
	624	343	850	594

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

5. FINANCE COSTS

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

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Three months ended 30 September 2017		Six months ended 30 September 2017	
	(Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	(Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Amortisation of intangible asset ¹	1,062	392	2,170	666
Cost of services rendered	25,465	29,321	52,715	60,772
Depreciation of property, plant and equipment	771	432	1,550	1,020
Employee benefits expenses (including directors' emoluments): Salaries, allowances and benefits in kind included in:				
– Cost of services rendered	19,523	27,834	45,427	56,416
– Administrative expenses	3,003	2,012	5,545	3,669
– Share option expenses	–	–	4,009	–
Retirement benefits – Defined contribution plans ² included in:				
– Cost of services rendered	970	1,320	2,015	2,665
– Administrative expenses	102	102	218	125
	23,598	31,268	57,214	62,875
Legal and professional fees	673	984	1,331	1,640
Operating lease charges in respect of:				
– Rented premises	744	570	1,346	1,293
– Office equipment	17	330	35	665
	761	900	1,381	1,958

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

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

7. INCOME TAX EXPENSE

	Three months ended 30 September 2017		Six months ended 30 September 2017	
	(Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	(Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current tax				
– Hong Kong Profits Tax				
– charged for the period	–	393	–	1,240

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2016: 16.5%) on the Group's estimated assessable profits for the period.

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

8. (LOSS)/EARNINGS PER SHARE

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

(Loss)/Earnings	Three months ended 30 September 2017		Six months ended 30 September 2017	
	(Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	(Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
(Loss)/Profit attributable to owners of the Company	(5,782)	(2,049)	(16,055)	5,612

Number of shares	Three months ended 30 September 2017		Six months ended 30 September 2017	
	'000	2016 '000	'000	2016 '000
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	7,681,878	6,400,000	7,680,944	6,400,000
Effect of dilutive potential ordinary shares: Consideration shares to be issued on contingent consideration payable	4,419	–	4,419	–
Weighted average number of ordinary shares for the purposes of diluted loss per share	7,686,297	6,400,000	7,685,363	6,400,000

The assumed exercise of the outstanding share options for the six months ended 30 September 2017 has anti-dilutive effect and has therefore been excluded from the above calculation.

9. DIVIDENDS

The Board did not recommend a payment of interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: nil).

10. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30 September 2017, apart from addition of items of property, plant and equipment with aggregate cost of approximately HK\$72,000 (six months ended 30 September 2016: HK\$4,346,000), the Group did not have any material acquisition and disposal of property, plant and equipment.

11. INTANGIBLE ASSETS

For the six months ended 30 September 2017, apart from addition of item of intangible assets with aggregate cost of approximately HK\$3,390,000 (six months ended 30 September 2016: HK\$2,555,000), the Group did not have any material acquisitions and disposal of intangible assets.

12. INTERESTS IN ASSOCIATES

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Share of net assets	–	33
Goodwill	15,844	18,150
	15,844	18,183

Particulars of associates as at 30 September 2017 and 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 [#]	PRC	–	45%	Investment holding
Shenzhen Timing Advertisement Co., Limited [#]	PRC	–	45%	Investment holding
Shenzhen Magn Classic Technology Co., Limited [#]	PRC	–	45%	Investment holding
Shenzhen Magn Cultural Media Co., Limited [#]	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 Weiyohui Information Technology Co., Limited [#]	PRC	–	45%	Investment holding

[#] English name for identification purpose only

13. TRADE RECEIVABLES

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Trade receivables	18,465	18,309

Trade receivables generally have credit terms of 7 to 30 days (as at 31 March 2017: 7 to 30 days). The Directors consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

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

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

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Not more than 30 days	13,399	9,406
30-90 days	4,388	8,634
Over 90 days	678	269
	18,465	18,309

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

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Neither past due nor impaired	8,750	12,937
Not more than 30 days past due	8,530	2,280
30-90 days past due	719	2,935
Over 90 days past due	466	157
	9,715	5,372
	18,465	18,309

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. None of the trade receivables as at 30 September 2017 has been identified by the Group as having an impairment issue.

14. TRADE PAYABLES

The ageing analysis of the Group's trade payables based on invoice dates, as at the end of each reporting period is as follows:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Not more than 30 days	–	731
30-90 days	–	–
Over 90 days	1,385	1,385
	1,385	2,116

15. 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 six months ended 30 September 2017, imputed interest expense of HK\$489,000 was charged to the profit or loss.

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised: <i>Ordinary shares of HK\$0.001 (31 March 2017: HK\$0.001) each</i> At 1 April 2017 and 30 September 2017	20,000,000,000	20,000
Issued: <i>Ordinary shares of HK\$0.001 (31 March 2017: HK\$0.001) each</i> At 1 April 2017	7,680,000,000	7,680
Issue of shares upon exercise of share options	57,600,000	58
At 30 September 2017	7,737,600,000	7,738

17. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Six months ended 30 September 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest income receivable from a loan to an associate	358	58
Interests expenses payable of a promissory note	1,370	395

17. RELATED PARTY TRANSACTIONS AND BALANCES – Continued

(b) Compensation of key management personnel

	Six months ended 30 September 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Total remuneration of directors during the periods were as follows:		
Short-term employee benefits	885	1,189
Post employment benefits	–	24
	885	1,213

(c) Balance with related parties

	Notes	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
A director of a subsidiary	(a)	6,553	4,705
	(a)	(725)	(247)
Magn Investment, an associate	(b)	5,358	5,208
	(b)	(378)	(363)
Mr. Li Mingming, a director of the Company	(c)	(169)	(169)
Mr. Chen Yunchuo, a director of the Company	(d)	119	–
Mr. Fu Yik Lung, a former director of the Company/a director of a subsidiary	(e)	(20,870)	(20,382)

- (a) Balances with a director of a subsidiary, represented the amount due from a related party of HK\$6,553,000 (31 March 2017: HK\$4,705,000) and amount due to a related party of HK\$725,000 (31 March 2017: HK\$247,000).
- (b) Balance with Magn Investment, an associate of the Group, represented the loan to an associate and amount due from/to an associate.
- (c) Balance with Mr. Li Mingming, a director of the Company, represented the amount due to a director.
- (d) Balance with Mr. Chen Yunchuo, a director of the Company, represented the amount due from 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\$20,870,000 (31 March 2017: HK\$20,382,000) in total.

18. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to current period's presentation.

19. SUBSEQUENT EVENTS

On 25 October 2017, the Board proposed to change the English name of the Company from "King Force Group Holdings Limited" to "Bei Dou Group Holdings Limited" and the Chinese name of the Company from "冠輝集團控股有限公司" to "北斗集團控股有限公司" (the "Proposed Change of Company Name"). The Proposed Change of Company Name is subject to (i) the passing of a special resolution by the shareholders of the Company to approve the Proposed Change of Company Name at an extraordinary general meeting of the Company to be convened; and (ii) the Registrar of Companies in the Cayman Islands approving the use of the proposed new name for the Company. For further details, please refer to the Company's announcement dated 25 October 2017.

Saved as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2017 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 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 Limited (**"Magn Investment"**), an associated company of the Group (the **"Mobile Gaming Business of an Associated Company"**); (iii) through Guanhui Huyu Technology (Hong Kong) Limited* (**"Guanhui Huyu"**), an indirect wholly-owned business to the overseas markets (the **"Mobile Gaming Business"**); and (iv) the provision of e-Education and security services (**"e-Education"**) through China Bei Dou Communications Technology Group Limited (**"Bei Dou Communications"**), an indirect subsidiary of the Company.

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 six months period ended 30 September 2017, the Group had 352 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 in which the Company holds 45% equity interest, 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 in the PRC through the VIE arrangement.

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 Group's share of loss of its associated company for the six months period ended 30 September 2017 was approximately HK\$2,267,000. The Mobile Gaming Business of an Associated Company did not perform well due to intense market competition resulting from the increasing number of developers entering the mobile gaming industry in the PRC. In order to keep up with the ever-changing market, the Group will closely monitor the industry trend and it is expected that Magn Media (China) Holdings Limited will launch more popular games in the near future.

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 and to focus on the mobile online gaming business and is committed to developing a global 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, it emphasises the idea of prime mobile games and will be committed to achieving the strategy of globalisation of gaming industry so as to create an international layout for pan-entertainment in the industry.

E-Education

In line with the expansion of its security business, through Bei Dou Communications, the Group is committed to the development of its business in the education and security industry and the development of innovative applications in “dynamic face recognition system + Bei Dou positioning technology + Internet + education”. The Group is dedicated to enhancing campus security through dynamic face recognition technology and Bei Dou positioning, connecting school and home through Internet applications, and providing one-stop integrated education services to schools, teachers, students and parents through the integration of educational resources. For details of the “e-Education” business of the Group, please refer to the paragraph headed “Significant events during the six months ended 30 September 2017” of this section of this report.

SIGNIFICANT EVENTS DURING THE SIX MONTHS ENDED 30 SEPTEMBER 2017

On 15 June 2015, Bei Dou Jiuyi Information Technology Industry (Beijing) Limited* (“**Bei Dou Jiuyi**”), a third party independent of the Company, entered into a business cooperation agreement (the “**First Cooperation Agreement**”) with Zhongshan Bei Dou Education Technology Limited* (the “**Bei Dou Zhongshan**”), an indirectly owned subsidiary of Bei Dou Communications, 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 (the “**Jiuyi Qualification**”) subject to the terms and conditions therein. Please refer to the Company’s announcements dated 19 October 2016, 9 November 2016, 24 November 2016 and 27 January 2017 for further details.

Under the First Cooperation Agreement, Bei Dou Jiuyi made representations on the legality, truthfulness and completeness of the Jiuyi Qualification and also undertook that the business relevant to the Jiuyi Qualification operated by Bei Dou Zhongshan will run smoothly. However, on 25 January 2017, the Company found on the website (the “**Website**”) of China National Administration of GNSS and Applications (“**CNAGA**”) that the Jiuyi Qualification held by Bei Dou Jiuyi had been suspended and Bei Dou Jiuyi was required to carry out remedial works within six months. According to the notice set out in the Website, the Jiuyi Qualification will be renewed if Bei Dou Jiuyi successfully carries out the remedial works and passes the relevant annual check. However, up to the date of the filing of the Petition (as defined below), Bei Dou Jiuyi still failed to provide the Company with necessary documents showing the relevant annual check and the renewal of the Jiuyi Qualification having been passed.

As such, Bei Dou Zhongshan filed a civil petition statement (the “**Petition**”) on 12 June 2017 at the First People’s Court in Zhongshan City, Guangdong Province* (the “**Zhongshan First People’s Court**”) against Bei Dou Jiuyi, claiming that Bei Dou Jiuyi had breached the First Cooperation Agreement and sought an order from the court against Bei Dou Jiuyi to, inter alia, return the consideration under the First Cooperation Agreement in the amount of RMB15,000,000 paid by Bei Dou Zhongshan together with interests (the “**Legal Proceeding**”). The Company received the notice of acceptance of a case issued by the Zhongshan First People’s Court on 15 June 2017. Please refer to the Company’s announcement dated 16 June 2017 for details regarding the First Corporation Agreement and the Legal Proceeding.

As of the date of this report, there is no material development in relation to either the lifting of the suspension of the Jiuyi Qualification or the Legal Proceeding.

On 21 June 2017, Bei Dou Zhongshan and Guangdong Bei Dou Platform Technology Limited* (“**Guangdong Bei Dou**”), an independent third party of the Company, entered into a cooperation agreement (the “**Second Cooperation Agreement**”). Pursuant to the Second Cooperation Agreement, Bei Dou Zhongshan 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 Bei Dou Zhongshan to legally carry out business activities in the education field based on Bei Dou Civil Management Services Provisional Qualification* (the “**Bei Dou Civil Qualification**”).

To the best of the Directors’ knowledge, information and belief at the relevant time, Guangdong Bei Dou had obtained the Bei Dou Civil Qualification granted by CNAGA. The Company had appointed a PRC legal adviser to provide a legal opinion on the Bei Dou Civil Qualification, pursuant to which the PRC legal adviser had advised that the Bei Dou Civil Qualification held by Guangdong Bei Dou was valid.

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

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 mobile gaming publishing to the overseas market, 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 overseas mobile gaming business. Going forward, the Group will mainly publish massive online role-play games and high spending online action role playing games or simulation games, with the primary focus at Southeast Asia and in particular, Thailand, and secondary focus at the Middle East region, including Gulf countries such as the United Arab Emirates and Qatar. The next step would be to enter the European and US markets and ultimately to expand to the world.

Through the acquisition of Bei Dou Communications, the Group will continue to develop its own Bei Dou positioning technology and dynamic face recognition technology for widespread applications in more industry sectors and as such broadening its business scope.

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 may consider fund raising to strengthen its capital base and financial position and to allow the Group to further invest into its overseas mobile gaming business and its own Bei Dou and dynamic face recognition technologies. The Group will continue to deploy appropriate operation strategies to meet the challenges posted by the competitive market to improve the performance and maximise the returns of shareholders as a whole.

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2016 and 2017, the Group's revenue was generated from the provision of Manned Security Guarding Services in Hong Kong. The following table sets forth the breakdown of the Group's revenue by types of contracts for the six months ended 30 September 2016 and 2017:

	Six months ended 30 September		2016	
	HK\$'000	Percentage	HK\$'000	Percentage
Manned Security Guarding Services				
– Fixed	52,231	84.9%	61,007	79.3%
– Temporary	1,623	2.6%	2,479	3.2%
– Event	7,683	12.5%	13,435	17.5%
Total	61,537	100%	76,921	100.0%

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

The Group's overall revenue decreased by approximately HK\$15,384,000 or 20.0% from approximately HK\$76,921,000 for the six months ended 30 September 2016 to approximately HK\$61,537,000 for the six months ended 30 September 2017. The decrease in revenue was mainly due to (i) the decrease in the number of manned security guarding service contracts by approximately 8.6%; and (ii) the general decrease in the service fees charge by the Group as a result of keen competition in the market.

Cost of services rendered

For the six months ended 30 September 2016 and 2017, the cost of services rendered, which mainly consists of direct guard cost, was approximately HK\$60,772,000 and HK\$52,715,000, representing approximately 79% and 85.7% of the Group's revenue, respectively. Such increase in percentage was primarily attributable to the general increase in the guard costs in the market.

As at 30 September 2017, the Group had a total of 1,056 employees, of which 983 were full-time and part-time guards providing manned security guarding and related services.

Gross profit

The Group's gross profit decreased by approximately HK\$7,327,000 or 45.4% from approximately HK\$16,149,000 for the six months ended 30 September 2016 to approximately HK\$8,822,000 for the six months ended 30 September 2017 while the Group's gross profit margin decreased from approximately 21.0% for the six months ended 30 September 2016 to approximately 14.3% for the six months ended 30 September 2017. The decrease in gross profit margin was mainly due to (i) the general decrease in the number of manned security guarding service contracts and the service fees as a result of keen competition in the market; and (ii) the general increase in the guard costs in the market as discussed above.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$9,714,000 or 68.6% from approximately HK\$14,152,000 for the six months ended 30 September 2016 to HK\$23,866,000 for the six months ended 30 September 2017. The increase in the Group's administrative expenses was mainly due to the increase in amortisation of intangible assets, depreciation of property, plant and equipment and staff costs including share option expenses recognised for the six months ended 30 September 2017.

Finance costs

The Group's finance costs increased by approximately HK\$94,000 or 23.8% from HK\$395,000 for the six months ended 30 September 2016 to HK\$489,000 for the six months ended 30 September 2017. The increase in the finance costs was mainly due to the accrued interest on the promissory note for the six months ended 30 September 2017.

Share of result of an associate

The Group's share of loss of its associated company for the six months ended 30 September 2017 was approximately HK\$2,267,000, as compared with its share of profit of HK\$4,656,000 for the last corresponding period. The share of loss of its associated company was mainly due to a drop in turnover and the high operating costs of the associated company.

Loss for the period

Loss attributable to owners of the Company for the six months ended 30 September 2017 amounted to approximately HK\$16,055,000 as compared to a profit of approximately HK\$5,612,000 for the last corresponding period. The Group's loss for the period was mainly due to (i) the decrease in the Group's gross profit resulting from the decrease in the number of manned security guarding service contracts and the general increase in the guard costs; (ii) the Group's share of loss of its associated company for the six months ended 30 September 2017, as compared with the Group's share of profit of its associated company recorded during the same period last year; and (iii) the increase in administrative expenses, including the increase in amortisation of intangible assets, depreciation of property, plant and equipment and staff costs including share option expenses recognised for the six months ended 30 September 2017.

Services contracts

During the six months ended 30 September 2017, the Group had entered into 267 new or renewed contracts, of which 202, 16 and 49 are fixed, temporary and event security guarding services contracts respectively. As at 30 September 2017, the Group had a total number of 164 unexpired security guarding services contracts.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

The management reviews the capital structure regularly. The Group manages the capital structure and makes adjustments to it in 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. As at 30 September 2017, the share capital and total equity attributable to owners of the Company amounted to approximately HK\$7,738,000 and HK\$121,678,000, respectively (as at 31 March 2017: approximately HK\$7,680,000 and HK\$132,988,000, respectively). The Group has a promissory note which is payable to a former director of the Company. Please refer to note 15 of the notes to unaudited condensed consolidated interim financial information.

Cash position

As at 30 September 2017, the cash at banks and in hand of the Group amounted to approximately HK\$15,619,000 (as at 31 March 2017: approximately HK\$30,482,000), representing a decrease of approximately HK\$14,863,000 as compared to 31 March 2017. The decrease in cash position was mainly due to the increase of the operating cost in line with business expansion of the Group.

Charges over assets of the Group

As at 30 September 2017, none of the Group's assets had been pledged.

Gearing ratio

As at 30 September 2017, the gearing ratio of the Group was 17.2% (as at 31 March 2017: 15.4%), which remains healthy and stable. The gearing ratio is calculated based on the total debt at the end of the relevant period divided by the total equity at the end of the relevant period. Total debt includes the promissory note. As at 30 September 2017, the Group did not have any bank borrowings, bank overdrafts and obligations under finance leases.

Capital expenditure

The Group had acquired property, plant and equipment amounting to approximately HK\$72,000 for the six months ended 30 September 2017, which mainly comprise furnitures and equipment (for the six months ended 30 September 2016: approximately HK\$4,346,000).

Capital commitments

As at 30 September 2017, the Group had no capital commitments (as at 31 March 2017: nil).

Foreign exchange risk

The Group's business operations are primarily conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group are mainly denominated in Hong Kong dollar. During the six months ended 30 September 2017, there was no material impact on the Group arising from the fluctuation in the foreign exchange rates between the currencies.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the six months ended 30 September 2017.

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

During the six months ended 30 September 2017, the Company did not have any significant investment and had no material acquisition or disposal of subsidiaries or affiliated companies, and the Company has no plans for material investments or capital assets.

Contingent liabilities

As at 30 September 2017, the Group had no material contingent liabilities (as at 31 March 2017: nil).

Employees and remuneration policy

The Group had 1,056 employees as at 30 September 2017 (as at 31 March 2017: 1,134 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 offers competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The Group's remuneration policy is revised periodically and determined by reference to market terms, company performance, individual qualifications and performance, and in accordance with the statutory requirements of the respective jurisdiction where the employees are employed.

On 30 June 2017, the Group granted the share options to the eligible employees within the Group and certain of the Directors of the Company under the share option scheme adopted by the Company on 31 July 2014 (the "**Scheme**") to motivate and compensate their contributions to the Group. Details of the grant of the share options are set out in the Company's announcement dated 30 June 2017. The movements in the share options granted under the Scheme during the six months ended 30 September 2017 are set out in the section headed "Share Option Scheme" in this report.

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 an online learning platform 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 that our employees receive the most fitting knowledge.

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 30 September 2017, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (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 otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to Rule 5.46 to 5.68 of the GEM Listing Rules, were as follows:

Long position in the Shares and underlying Shares of the Company

Name	Capacity/nature	Number of Shares, underlying Shares held/interested	Approximate percentage of issued share capital
Mr. Chen Yunchuo	Beneficial owner	1,304,000,000	16.85%
Ms. Li Liping	Beneficial owner (<i>Note 1</i>)	64,000,000	0.83%
Mr. Li Mingming	Beneficial owner (<i>Note 2</i>)	64,000,000	0.83%
Mr. Ho Yuk Ming Hugo	Beneficial owner (<i>Note 3</i>)	6,400,000	0.08%
Mr. Wan Tat Wai David	Beneficial owner (<i>Note 4</i>)	6,400,000	0.08%
Mr. Xiong Hong	Beneficial owner (<i>Note 5</i>)	6,400,000	0.08%

Notes:

- These 64,000,000 underlying Shares represent the 64,000,000 Shares which may be allotted and issued to Ms. Li Liping upon full exercise of the share options granted to her under the Scheme.
- These 64,000,000 underlying Shares represent the 64,000,000 Shares which may be allotted and issued to Mr. Li Mingming upon full exercise of the share options granted to him under the Scheme.
- These 6,400,000 underlying Shares represent the 6,400,000 Shares which may be allotted and issued to Mr. Ho Yuk Ming Hugo upon full exercise of the share options granted to him under the Scheme.
- These 6,400,000 underlying Shares represent the 6,400,000 Shares which may be allotted and issued to Mr. Wan Tat Wai David upon full exercise of the share options granted to him under the Scheme.
- These 6,400,000 underlying Shares represent the 6,400,000 Shares which may be allotted and issued to Mr. Xiong Hong upon full exercise of the share options granted to him under the Scheme.

Save as disclosed above, as at 30 September 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 30 September 2017, persons (other than a director or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the Shares and underlying Shares of the Company

Name	Capacity/nature	Number of Shares held/ interested	Approximate percentage of issued share capital
Bohou Investment Limited	Beneficial owner	566,800,000	7.33%
Shanghai Zeli Investment Co., Ltd.* (上海則理投資有限公司)	Interest of corporation controlled by the substantial Shareholder (<i>Note 1</i>)	566,800,000	7.33%
Shenzhen Great Wall Huili Asset Management Co. Ltd.* (深圳長城匯理資產管理有限公司)	Interest of corporation controlled by the substantial Shareholder (<i>Note 1</i>)	566,800,000	7.33%
Shenzhen Great Wall Huili Investment Co. Ltd.* (深圳長城匯理投資股份有限公司)	Interest of corporation controlled by the substantial Shareholder (<i>Note 1</i>)	566,800,000	7.33%
Mr. Song Xiaoming (宋曉明)	Interest of corporation controlled by the substantial Shareholder (<i>Note 1</i>)	566,800,000	7.33%

Note:

- According to the information available to the Company, 566,800,000 Shares are held by Bohou Investment Limited* in the capacity of beneficial owner. Bohou Investment Limited* is wholly-owned by Shanghai Zeli Investment Co., Ltd.*, which is in turn wholly-owned by Shenzhen Great Wall Huili Asset Management Co. Ltd.*, which is 99.95% owned by Shenzhen Great Wall Huili Investment Co. Ltd.* and 0.05% owned by Mr. Song Xiaoming, while Shenzhen Great Wall Huili Investment Co. Ltd.* is 95.53% owned by Mr. Song Xiaoming. Accordingly, pursuant to Part XV of the SFO, Mr. Song Xiaoming, Shenzhen Great Wall Huili Investment Co. Ltd.*, Shenzhen Great Wall Huili Asset Management Co. Ltd.* and Shanghai Zeli Investment Co., Ltd.* are deemed to have interests in the 566,800,000 Shares of the Company.

SHARE OPTION SCHEME

The Company has adopted 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. 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 of the Company dated 13 August 2014. The refreshment of the 10% scheme limit on the number of shares which may be allotted and issued upon the exercise of the options to be granted under the Scheme was approved by the shareholders in the annual general meeting of the Company held on 18 August 2017.

As at 30 September 2017, the share options to subscribe for an aggregate of 486,400,000 Shares of the Company granted pursuant to the Scheme were outstanding. The details of the Scheme and the movements of the share options under the Scheme during the six months ended 30 September 2017 are set out as follows:

Category of Participants	Exercise price per share (HK\$) (Note 1)	Date of grant	Exercisable period (Note 2)	Number of share options					Outstanding as at 30 September 2017
				As at 1 April 2017	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	
Directors									
Ms. Li Liping	0.02	30 June 2017	30 June 2017 to 29 June 2020	-	64,000,000	-	-	-	64,000,000
Mr. Li Mingming	0.02	30 June 2017	30 June 2017 to 29 June 2020	-	64,000,000	-	-	-	64,000,000
Mr. Ho Yuk Ming Hugo	0.02	30 June 2017	30 June 2017 to 29 June 2020	-	6,400,000	-	-	-	6,400,000
Mr. Wan Tat Wai David	0.02	30 June 2017	30 June 2017 to 29 June 2020	-	6,400,000	-	-	-	6,400,000
Mr. Xiong Hong	0.02	30 June 2017	30 June 2017 to 29 June 2020	-	6,400,000	-	-	-	6,400,000
Other employees of the Group									
In aggregate	0.02	30 June 2017	30 June 2017 to 29 June 2020	-	396,800,000	57,600,000 (Note 3)	-	-	339,200,000

Notes:

- The closing price of the Shares immediately before the date of grant of share options (being 30 June 2017) was HK\$0.018.
- The share options are valid and effective for a period of three years from the date of grant of share options (being 30 June 2017).
- During the six months ended 30 September 2017, a total of 57,600,000 share options were exercised at an exercise price of HK\$0.02 per Share. The closing price of the Company's Shares disclosed by the Stock Exchange immediately before the exercise date of the share options was HK\$0.033 per Share.

FAIR VALUE OF SHARE OPTIONS AND ASSUMPTIONS

The fair value of share options granted is recognised as employee cost with a corresponding increase in share option reserve within equity over the relevant vesting periods.

The Group recognised an expense of approximately HK\$4,009,000 for the six months ended 30 September 2017 in relation to share options granted by the Company.

The fair value of share options granted on the date of grant (being 30 June 2017) was HK\$4,009,000, which was calculated using the binomial option pricing model (the "Model") with the following inputs:

Date of grant	: 30 June 2017
Closing price of the Shares on the date of grant	: HK\$0.018
Exercise price	: HK\$0.020
Expected volatility (Note 1)	: 70.79%
Expected life of option	: 3 years
Expected dividend yield (Note 2)	: 0%
Risk free rate (Note 3)	: 0.943%

The Model is one of the commonly used models to estimate the fair value of an option. The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Notes:

- (1) The expected volatility was determined based on the historical volatility of the Share prices of the Company.
- (2) The expected dividend yield was determined based on the historical dividend payment record of the Company.
- (3) The risk-free rate was determined with reference to the yield rate of the Hong Kong Government Bond with duration similar to the expected life of the share option.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2017.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted written guidelines regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry to all the Directors, the Directors confirmed that they have complied with the required standard of dealings and the said guidelines regarding directors' securities transactions during the six months ended 30 September 2017.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) as contained in Appendix 15 to the GEM Listing Rules throughout the six months ended 30 September 2017, except for CG Code provisions A.2.1 and A.5.1.

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 (the “**CEO**”) and is currently of the view that there is no immediate need to set up 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 the subsidiary level for each business segment, who are 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 the CEO, are necessary.

Under CG Code provision A.5.1, the nomination committee should be chaired by the chairman of the board or an independent non-executive director. Prior to 30 June 2017, the nomination committee of the Company (the “**Nomination Committee**”) was 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. Since 30 June 2017, Mr. Chen Yunchuo, the chairman of the Board, has taken up the position as the chairman of the Nomination Committee. Following the appointment of Mr. Chen, the Company has complied with the requirement of CG Code provision A.5.1.

AUDIT COMMITTEE

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

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, this report and the interim results announcement of the Group for the six months ended 30 September 2017. The condensed consolidated financial results for the six months ended 30 September 2017 are unaudited, but have been reviewed by the Audit Committee.

PRE-EMPTIVE RIGHTS

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

INTERESTS IN COMPETING BUSINESS

During the six months ended 30 September 2017, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) was considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

EVENT AFTER THE PERIOD

On 25 October 2017, the Board proposed to change the English name of the Company from “King Force Group Holdings Limited” to “Bei Dou Group Holdings Limited” and the Chinese name of the Company from “冠輝集團控股有限公司” to “北斗集團控股有限公司” (the “**Proposed Change of Company Name**”). The Proposed Change of Company Name is subject to (i) the passing of a special resolution by the shareholders of the Company to approve the Proposed Change of Company Name at an extraordinary general meeting of the Company to be convened; and (ii) the Registrar of Companies in the Cayman Islands approving the use of the proposed new name for the Company. For further details, please refer to the Company’s announcement dated 25 October 2017.

Saved as disclosed in this report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2017 and up to the date of this report.

* *For identification purpose only*