GREATWALLE INC.

長 城 匯 理 公 司

(formerly known as 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

THIRD QUARTERLY REPORT 2018/19

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

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

*This report, for which the directors (the "**Directors**") of Greatwalle Inc. (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 GEM of the Stock Exchange (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.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2018

	Notes	For three months ended 31 December 2018 (Unaudited) HK$'000	For three months ended 31 December 2017 (Unaudited) HK$'000	For nine months ended 31 December 2018 (Unaudited) HK$'000	For nine months ended 31 December 2017 (Unaudited) HK$'000
Revenue	3	**7,542**	28,151	**31,401**	89,688
Cost of services rendered		**(6,600)**	(24,509)	**(31,725)**	(77,224)
Gross profit		**942**	3,642	**(324)**	12,464
Other income	4	**580**	261	**1,548**	1,111
Administrative expenses		**(25,039)**	(9,868)	**(46,900)**	(33,734)
Share of result of an associate		**–**	2,930	**–**	663
Finance costs	5	**(613)**	(246)	**(1,679)**	(735)
Loss before income tax	6	**(24,130)**	(3,281)	**(47,355)**	(20,231)
Income tax expense	7	**(59)**	–	**(59)**	–
Loss for the period		**(24,189)**	(3,281)	**(47,414)**	(20,231)
Other comprehensive income that may be reclassified subsequently to profit or loss:					
Exchange difference on translation of financial statements of foreign operations		**238**	491	**(354)**	1,040
Share of exchange difference on translation of foreign associates		**–**	118	**–**	47
Other comprehensive income for the period		**238**	609	**(354)**	1,087
Total comprehensive income for the period		**(23,951)**	(2,672)	**(47,768)**	(19,144)
Loss for the period attributable to:					
Owners of the Company		**(21,123)**	(2,793)	**(44,103)**	(18,848)
Non-controlling interests		**(3,066)**	(488)	**(3,311)**	(1,383)
		(24,189)	(3,281)	**(47,414)**	(20,231)
Total comprehensive income for the period attributable to:					
Owners of the Company		**(20,967)**	(2,343)	**(44,415)**	(18,121)
Non-controlling interests		**(2,984)**	(329)	**(3,353)**	(1,023)
		(23,951)	(2,672)	**(47,768)**	(19,144)
		HK cents	(Restated) HK cents	**HK cents**	(Restated) HK cents
Loss per share for loss attributable to owners of the Company	8				
– Basic and diluted		**(2.58)**	(0.36)	**(5.47)**	(2.45)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

	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 2017 (audited)	7,680	100,050	–	(5,270)	255	586	21,772	125,073	7,915	132,988
Loss for the period	–	–	–	–	–	–	(18,848)	(18,848)	(1,383)	(20,231)
Other comprehensive income:										
Exchange difference on translation of financial statements of foreign operations	–	–	–	–	680	–	–	680	360	1,040
Share of exchange difference on translation of foreign operations	–	–	–	–	47	–	–	47	–	47
Total comprehensive income for the period	–	–	–	–	727	–	(18,848)	(18,121)	(1,023)	(19,144)
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	122	3,196	(885)	–	–	–	–	2,433	–	2,433
Total transactions with owners	122	3,196	3,124	–	–	–	–	6,442	–	6,442
At 31 December 2017 (unaudited)	7,802	103,246	3,124	(5,270)	982	586	2,924	113,394	6,892	120,286
At 1 April 2018 (audited)	**7,870**	**105,062**	**2,658**	**(5,270)**	**1,257**	**586**	**(52,933)**	**59,230**	**1,520**	**60,750**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(44,103)**	**(44,103)**	**(3,311)**	**(47,414)**
Other comprehensive income:										
Exchange difference on translation of financial statements of foreign operations	**-**	**-**	**-**	**-**	**(312)**	**-**	**-**	**(312)**	**(42)**	**(354)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(312)**	**-**	**(44,103)**	**(44,415)**	**(3,353)**	**(47,768)**
Transactions with owners:										
Share-based payment expenses of options granted by the Company during the period	**-**	**-**	**5,780**	**-**	**-**	**-**	**-**	**5,780**	**-**	**5,780**
Issue of shares upon exercise of share options	**339**	**9,103**	**(2,512)**	**-**	**-**	**-**	**-**	**6,930**	**-**	**6,930**
Cancellation of share option	**-**	**-**	**(146)**	**-**	**-**	**-**	**-**	**(146)**	**-**	**(146)**
Total transactions with owners	**339**	**9,103**	**3,122**	**-**	**-**	**-**	**-**	**12,564**	**-**	**12,564**
At 31 December 2018 (unaudited)	**8,209**	**114,165**	**5,780**	**(5,270)**	**945**	**586**	**(97,036)**	**27,379**	**(1,833)**	**25,546**

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Greatwalle Inc. (formerly known as King Force Group Holdings Limited) was incorporated in the Cayman Islands on 2 January 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company's principal place of business is located at Room 2008, 20/F., West Tower, Shun Tak Centre, 200 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 activities of the Company and its subsidiaries are the provision of security guarding services, the mobile game business and the provision of business advisory and management services.

The Group's unaudited condensed consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the GEM Listing Rules.

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 2018 except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ended 31 March 2019. Details of such changes in accounting polices are set out in note 2.

The Group has not applied the new and revised HKFRSs which have been issued but are not yet effective. The Group is currently in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether they would have a material impact on the Group's results and financial position.

The unaudited condensed consolidated results have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

2. CHANGES IN ACCOUNTING POLICIES

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2018.

The Group has initially adopted HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers which are material and relevant to the Group's unaudited condensed consolidated financial statements from 1 April 2018. A number of other new standards are effective from 1 April 2018 but they do not have a material effect on the Group's unaudited condensed consolidated financial statements.

HKFRS 9 *Financial Instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

(a) Classification

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVOCI**") and at fair value through profit or loss ("**FVPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics and includes the following measurement categorise:

– amortised cost, if the financial asset is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the financial asset is calculated using the effective interest method;

– FVOCI, if the contractual cash flows of the investment comprise solely payments of principal and interest and the financial asset is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the financial asset is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

2. CHANGES IN ACCOUNTING POLICIES – Continued

HKFRS 9 ***Financial Instruments – Continued***

(a) Classification – Continued

– FVPL, if the financial asset does not meet the criteria for being measured at amortised cost or FVOCI. Changes in the fair value of the financial asset (including interest) are recognised in profit or loss.

The classification and carrying amounts for the Group's financial assets at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

(b) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, deposits, trade receivables, other receivables), loan and interest receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls of financial assets measured at amortised cost and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade, loan and interest receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2. **CHANGES IN ACCOUNTING POLICIES – Continued**

HKFRS 9 *Financial Instruments* – Continued

(b) Credit losses – Continued

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2. CHANGES IN ACCOUNTING POLICIES – Continued

HKFRS 9 *Financial Instruments – Continued*

(b) Credit losses – Continued

Opening balance adjustment

There has been no addition loss allowances for the Group's financial assets at 1 April 2018 as a result of the initial application of HKFRS 9.

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

(a) Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over the terms of the service contracts as the work is performed.

According to HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from provision of services.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

There has been no impact on the Group as a result of this change in policy.

(c) Presentation of contract assets and liabilities

According to HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

There has been no impact on the Group as a result of this change in policy.

3. REVENUE

Revenue represents the net invoiced value of service rendered from the provision of security guarding service and the service income from the provision of business advisory and management services during the period.

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Provision of security guarding services	**7,285**	28,151	**31,144**	89,688
Provision of business advisory and management services	**257**	–	**257**	–
	7,542	28,151	**31,401**	89,688

4. OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank interest income	**–***	–*	**–***	1
Imputed interest income on amount due from a non-controlling equity holder of a subsidiary	**25**	32	**79**	75
Interest income from a loan to an associate	**65**	75	**194**	225
Interest income of a life insurance policy	**–**	9	**–**	29
Interest income from amount due from a related party	**–**	–	**26**	–
Sundry income	**490**	145	**1,249**	781
	580	261	**1,548**	1,111

* Represents amount less than HK$1,000.

5. FINANCE COSTS

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Interest charges on promissory note repayable	**600**	246	**1,661**	735
Interest charges on shareholders' loan	**13**	–	**18**	–
	613	246	**1,679**	735

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amortisation of intangible asset[1]	**476**	1,068	**1,442**	3,238
Cost of services rendered	**6,600**	24,509	**31,725**	77,224
Depreciation of property, plant and equipment	**424**	810	**1,651**	2,360
Employee benefits expenses (including directors' emoluments):				
Salaries, allowances and benefits in kind included in:				
– Cost of services rendered	**6,172**	21,201	**28,684**	66,628
– Administrative expenses	**2,244**	2,560	**9,645**	8,105
Retirement benefits – Defined contribution plans[2] included in:				
– Cost of services rendered	**283**	946	**1,206**	2,961
– Administrative expenses	**32**	70	**140**	288
Equity-settled share-based payment expenses[1]				
– Administrative expenses	**5,780**	–	**5,780**	4,009
	14,511	24,777	**45,455**	81,991
Legal and professional fees	**1,118**	379	**4,975**	1,710
Operating lease charges in respect of:				
– Rented premises	**492**	544	**1,466**	1,890
– Office equipment	**23**	18	**53**	53
	515	562	**1,519**	1,943
Write-off of goodwill	**5,255**	–	**5,255**	–
Write-off of property, plant and equipment	**350**	–	**350**	–
Write-off of intangible assets	**4,052**	–	**4,052**	–
Write-off of amount due from a non-controlling equity holder of a subsidiary	**2,206**	–	**2,206**	–

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 31 December 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	Nine months ended 31 December 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Current tax:				
Hong Kong Profits Tax				
– Current period provision	**–**	–	**–**	–
PRC EIT				
– Current period provision	**59**	–	**59**	–
	59	–	**59**	–
Deferred tax	**–**	–	**–**	–
Income tax expenses	**59**	–	**59**	–

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group has no estimated assessable profit for both periods.

The provision for PRC Enterprise Income Tax ("**PRC EIT**") is calculated at 25% of the estimated assessable profit of each individual PRC subsidiary for the nine months ended 31 December 2018.

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

8. LOSS PER SHARE

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

Loss	Three months ended 31 December 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	Nine months ended 31 December 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Loss attributable to owners of the Company (basic and diluted)	**(21,123)**	(2,793)	**(44,103)**	(18,848)

Number of shares	Three months ended 31 December 2018 '000	2017 (Restated) '000	Nine months ended 31 December 2018 '000	2017 (Restated) '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**819,687**	774,741	**806,444**	770,332

The weighted average member of shares for the purpose of calculating the basic and diluted loss per share has been retrospectively adjusted for the effect of the share consolidation completed during the period ended 31 December 2018. Accordingly, the calculation of weighted average numbers of ordinary shares for the purpose of calculating basic and diluted loss per share were on the basis that every ten issued shares of HK$0.001 each in the share capital of the Company be consolidated into one consolidated share of HK$0.01 each.

The assumed exercise of the outstanding share options for the nine months ended 31 December 2018 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 nine months ended 31 December 2018 (nine months ended 31 December 2017: nil).

10. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
As the beginning of the period, ordinary shares of HK$0.001 (31 March 2018: HK$0.001)	20,000,000,000	20,000
Every ten (10) issued and unissued ordinary shares of par value HK$0.001 each in the share capital of the Company consolidated into one (1) share with a par value of HK$0.01 each	(18,000,000,000)	–
At the end of the period, ordinary shares of HK$0.01 each	2,000,000,000	20,000
Issued:		
Ordinary shares of HK$0.001 (31 March 2018: HK$0.001) each		
At 1 April 2018	7,869,794,432	7,870
Issue of shares upon exercise of share options	339,200,000	339
Every ten (10) issued and unissued ordinary shares of par value HK$0.001 each in the share capital of the Company consolidated into one (1) share with a par value of HK$0.01 each	(7,388,094,989)	–
At the end of the period	**820,899,443**	**8,209**

11. 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 Communications Technology Group Limited ("**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 become a subsidiary of the Group thereafter. China Bei Dou is principally engaged in investment holding and its major subsidiary, Zhongshan Bei Dou Education Technology Limited* (中山北斗教育科技有限公司) ("**Bei Dou Zhongshan**"), 59.5% interest indirectly held by China Bei Dou, is principally engaged in developing and manufacturing of education and security system to protect the safety of students (the "**Beidou Business**").

11. BUSINESS COMBINATION – Continued

The provisional fair value of identifiable assets acquired and liabilities assumed of China Bei Dou as at the date of acquisition, 16 December 2016, are as follows:

	HK$'000
Other intangible assets	19,118
Property, plant and equipment	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	(1,600)
Total purchase consideration	48,553
Goodwill arising on the acquisition of China Bei Dou	36,255

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 of HK$6,532,000 to HK$23,188,000 and the increase was recognised to profit or loss. As at 31 March 2018, the Company became aware that there was a high possibility that the Beidou Business may record a loss for the period covered by the profit guarantee because its business performance lagged behind the forecast and it incurred a loss for the year ended 31 March 2018. As a result, the Company carefully considered the risk associated with the recoverability of Contingent Consideration Receivable (the "**Credit Risk**") at the time and recognised the loss on change in fair value on the Contingent Consideration Receivable in the amount of HK$2,200,000, bringing down its carrying amount to nil as at 31 March 2018. As at 31 December 2018, the Credit Risk remained and the carrying amount of the Contingent Consideration Receivable remained is nil. On 31 December 2018, as the above mentioned, due to the Group did not carry out this business as previously planned as a result of the suspension of Bei Dou Civil Operation Services Branch Qualification* (北斗民用分理運營服務試驗資質) (the "**Bei Dou Qualification**"). and the subsequent legal proceeding against Bei Dou Jiuyi Information Technology Industry (Beijing) Limited* (北斗九億信息科技產業（北京）有限公司) ("**Bei Dou Jiuyi**"), its business performance lagged behind the expected. As a result, one-off written off of goodwill, property, plant and equipment, intangible assets and the amount due from a non-controlling equity holder of a subsidiary were recognised for the nine months ended 31 December 2018 and included in "Administrative expenses".

12. LEGAL PROCEEDINGS, CONTINGENT LIABILITIES AND CONTINGENT ASSET

(a) Contingent liabilities

As at 31 December 2018, the Group, as the defendant, has a total of two cases pending or unresolved with two plaintiffs related to occupational injury and illness (31 March 2018: three cases). The risks relating to such contingent liabilities are covered by adequate insurance.

(b) Contingent asset

In respect of the business cooperation with Bei Dou Jiuyi, the Group received the judgement granted by Zhongshan First People's Count (the "**Court**") in favour of Bei Dou Zhongshan on 18 January 2018.

The Directors consider the judgement is in favour of the Group, as the plaintiff, and believe that an inflow of economic benefits from return of the consideration of the Bei Dou Qualification, together with the interest accrued (the "**Refund of Consideration**") amounted to RMB15,000,000 (approximately equivalent to HK$17,097,000) is, therefore, probable. However, the contingent asset has not been recognised as a receivable as at 31 December 2018 and 31 March 2018 as it was not certain that an inflow of economic benefits will arise. As at 31 December 2018, the Group had not received any compensation from the judgement and the management has considered the Refund of Consideration to be a contingent asset.

13. RELATED PARTY TRANSACTIONS AND BALANCES

(a) 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 nine months ended 31 December 2018 and 2017:

	Notes	**2018** **HK$'000**	2017 HK$'000
Operating lease and related charges paid to a former director, Ms. Liu Lai Ying		**495**	450
Interest income from an associate, Magn Investment	(a)	**194**	225
Interest income from a director of a subsidiary		**26**	–
Interest expense to a former director of the Company/a director of subsidiaries, Mr. Fu Yik Lung	(a)	**1,661**	735
Interest expense to a controlling shareholder of the Company, Greatwalle Holding Limited	(a)	**12**	–
Interest expense to a controlling shareholder of the Company, Bohou Investment Limited	(a)	**5**	–

Note:

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

(b) Compensation of key management personnel

	Nine months ended 31 December **2018** **(Unaudited)** **HK$'000**	2017 (Unaudited) HK$'000
Total remuneration of directors during the periods were as follows:		
Short-term employee benefits	**1,230**	1,499
Post employment benefits	**–**	–
	1,230	1,499

13. RELATED PARTY TRANSACTIONS AND BALANCES – Continued

(c) Balance with related parties

	Notes	**As at 31 December 2018 (Unaudited) HK$'000**	As at 31 March 2018 (Audited) HK$'000
Receivable from/(payable to)			
Ms. Liu Lai Ying, a former director of the Company	(a)	**100**	100
Mr. Chen Yunchuo, a former director of the Company/a director of subsidiaries	(b)	**226**	236
A director of a subsidiary	(c)	**–**	4,864
Magn Investment, an associate	(d)	**4,491**	4,305
	(d)	**(213)**	(416)
Mr. Li Mingming, a director of the Company/a director of subsidiaries	(e)	**–**	(161)
Mr. Fu Yik Lung, a former director of the Company/a director of subsidiaries	(f)	**(20,150)**	(21,357)
Greatwalle Holding Limited, a controlling shareholder of the Company	(g)	**(1,012)**	–
Bohou Investment Limited, a controlling shareholder of the Company	(h)	**(1,605)**	–

(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) Balance with Mr. Chen Yunchuo, a former director of the Company and a director of subsidiaries, represented the amount due from a director.

(c) Balances with a director of a subsidiary, represented the amount due from a related party of nil (31 March 2018: HK$4,864,000, which has been fully paid on 28 June 2018).

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

(e) Balance with Mr. Li Mingming, a director of the Company and a director of subsidiaries, represented the amount due from/to a director.

(f) Balance with Mr. Fu Yik Lung, a former director of the Company and a director of subsidiaries, represented promissory note payable and its accrued interests of HK$20,150,000 (31 March 2018: HK$21,357,000) in total.

(g) Balance with Greatwalle Holding Limited, a controlling shareholder of the Company, represented loan from a controlling shareholder and its accrued interests of HK$1,012,000 (2017: nil) in total.

(h) Balance with Bohou Investment Limited, a controlling shareholder of the Company, represented loan from a controlling shareholder and its accrued interests of HK$1,605,000 (2017: nil) in total.

14. COMPARATIVE FIGURES

As a result of the share consolidation completed on 5 September 2018, the loss per share for the nine months ended 31 December 2017 and the three months ended 31 December 2017 has been retrospectively adjusted.

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

15. SUBSEQUENT EVENTS

Details of subsequent events are set out in the section headed "EVENTS AFTER THE PERIOD".

Saved as disclosed in this report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2018 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 31 December 2018, the Group engaged in (i) the provision of manned security guarding services (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) the provision of mobile games to the overseas markets through Guanhui Huyu Technology (Hong Kong) Limited* ("**Guanhui Huyu**"), an indirect wholly-owned subsidiary of the Company (the "**Mobile Gaming Business**"); (iv) the provision of e-Education and security services (the "**e-Education**") through China Bei Dou, an indirect subsidiary of the Company; and (v) the provision of business advisory and management services through Shenzhen Jiuli Investment Advisory Co., Ltd.* ("**Shenzhen Jiuli**"), an indirectly wholly-owned subsidiary of the Company (the "**Business Advisory and Management Services**").

Manned Security Guarding Services

The Group is a manned security guarding services provider and 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 controlling 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 Manned Security Guarding Services. The Group is dedicated to providing quality manned security guarding services and is accredited with ISO 9001:2008 (quality management system standard) for its design and provision of security guarding services awarded by the Hong Kong Quality Assurance Agency. To ensure its quality of services, the Group provides guidance and trainings to its security guards and conducts supervision on its security guards. With continued effort, the Group has established a broad customer base. For the nine months ended 31 December 2018, the Group had 126 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 softwares, including security software, advertisement sale management software, gaming platform operation software, payment software and office software; and operation of gaming products in the People's Republic of China (the "**PRC**") through the VIE arrangement.

The Group's share of profit of its associated company for the nine months ended 31 December 2018 decreased by approximately HK$663,000 from approximately HK$663,000 for the nine months ended 31 December 2017 to nil for the nine months ended 31 December 2018. The Mobile Gaming Business of an Associated Company did not perform well due to the intense market competition resulting from the increasing number of developers entering the mobile gaming industry in the PRC. Due to the Group's share of losses of its associate exceeding the Group's interest in its associate, the Group discontinues recognising its share of further losses for the nine months ended 31 December 2018. Due to the underperformance in this segment, the Group will carefully monitor the business development in the mobile game industry.

Mobile Gaming Business

Guanhui Huyu, engaged in the mobile gaming business targeted at the overseas markets, has executive teams based in Hong Kong 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. For the nine months ended 31 December 2018, the Group did not derive any revenue from this segment.

E-Education

In line with the expansion of its security business, through China Bei Dou, 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 the nine months ended 31 December 2018, the Group did not derive any revenue from this segment.

Business Advisory and Management Services

Shenzhen Jiuli entered into the advisory service agreement with Great Walle Capital Management Co. Ltd.* ("**Great Walle Capital Management**"), a company established in Shenzhen with limited liability and is a qualified private equity investment fund manager licensed by Asset Management Association in China, pursuant to which Shenzhen Jiuli shall provide business advisory and management services to Great Walle Capital Management in relation to its private equity fund manger business. The management team of the Company is well experienced in fund operation and corporate management, and it is anticipated that their experience in the fund industry shall facilitate the Group's business diversification as well as expanding its business into financial service sector. The provision of the business advisory and management services by the Group shall provide an opportunity to the Group to enter the business advisory and consultation industry, as well as realising its long term development strategy of business diversification and benefit from the rapid growth of the Chinese financial industry, so as to create value for the shareholders. For the nine months ended 31 December 2018, the Group's revenue derived from this segment amounted to approximately HK$257,000.

SIGNIFICANT EVENTS DURING THE NINE MONTHS ENDED 31 DECEMBER 2018

On 20 April 2018, an extraordinary general meeting of the Company was held, in which the proposed share consolidation and the proposed change of company name (details of which were contained in the Company's circular dated 29 March 2018) was not approved by the then shareholders of the Company.

On 29 April 2018, Greatwalle Holding Limited (the "**Offeror**") and the Company jointly made an announcement in connection with: (1) the sale and purchase of shares of the Company, (2) possible mandatory conditional cash offers (the "**Offers**") by Emperor Securities Limited for and on behalf of the Offeror for all the issued shares in the share capital of the Company (other than those already owned by the Offeror and parties acting in concert with it) and to cancel all outstanding share options of the Company. The composite offer document and the acceptance forms in connection with the Offers were despatched on 31 May 2018. The Offers were declared unconditional in all respects on 10 July 2018, and the Offers were closed on 24 July 2018.

With effect from 12 July 2018,

(i) each of Mr. Cheng Rui, Ms. Li Liping and Mr. Chen Yunchuo has resigned as an executive Director. Mr. Chen Yunchuo has ceased to be the chairman of the Board and compliance officer of the Company;

(ii) each of Mr. Xiong Hong, Mr. Wan Tat Wai David and Mr. Ho Yuk Ming Hugo has resigned as an independent non-executive Director;

(iii) each of Ms. Pang Xiaoli ("**Ms. Pang**"), Mr. Hon Hoi Chuen and Ms. Lin Shuxian has been appointed as an executive Director. Ms. Pang has been appointed as the chairman of the Board and the compliance officer of the Company;

(iv) each of Ms. Guan Yan ("**Ms. Guan**"), Mr. Zhao Jinsong ("**Mr. Zhao**") and Mr. Li Zhongfei ("**Mr. Li**") has been appointed as an independent non-executive Director;

(v) Mr. Wong Ka Shing has resigned from his position as the company secretary of the Company and Ms. Lam Yuen Ling Eva has been appointed as the company secretary of the Company; and

(vi) Mr. Chen Yunchuo and Mr. Li Mingming ceased to be the authorised representatives of the Company for the purpose of the Rule 5.24 of the GEM Listing Rules, and Ms. Pang and Mr. Hon Hoi Chuen were appointed as the authorised representatives of the Company for the purpose of Rule 5.24 of the GEM Listing Rules.

Following the change of Directors as mentioned above,

(i) the audit committee of the Company (the "**Audit Committee**") comprises Mr. Zhao, Mr. Li and Ms. Guan. Mr. Zhao acts as the chairman of the Audit Committee;

(ii) the remuneration committee of the Company (the "**Remuneration Committee**") comprises Mr. Zhao, Mr. Li and Ms. Guan. Mr. Li acts as the chairman of the Remuneration Committee; and

(iii) the nomination committee of the Company (the "**Nomination Committee**") comprises Ms. Pang, Mr. Zhao and Mr. Li. Ms. Pang acts as the chairman of the Nomination Committee.

As at 24 July 2018, being the date on which the Offers were closed, the Offeror together with parties acting in concert with it held an aggregate of 4,611,626,154 shares, representing approximately 56.18% of the total number of then issued shares of the Company. For details, please refer to the announcement jointly issued by the Company and the Offeror dated 24 July 2018.

Reference is made to the announcements of the Company dated 7 August 2018, 4 September 2018 and 23 October 2018 and the circular of the Company dated 9 August 2018, in relation to, among other things, (i) the proposed share consolidation involving the consolidation of every ten (10) issued and unissued existing shares with a par value of HK$0.001 each into one (1) consolidated share with a par value of HK$0.01 each (the "**Share Consolidation**"); and (ii) the proposed change of the English name of the Company from "King Force Group Holdings Limited" to "Greatwalle Inc." and the Chinese name of the Company from "冠輝集團控股有限公司" to "長城匯理公司" (the "**Change of Company Name**"). As announced in the Company's announcement dated 4 September 2018, the proposed Share Consolidation, Change of Company Name and the amendments to and restatement of the Company's memorandum and articles of association were approved by the Company's shareholders on 4 September 2018, The Share Consolidation became effective on 5 September 2018, the Change of Company Name became effective on 14 September 2018 and the memorandum and articles of association of the Company had been amended and restated after the name change.

On 18 January 2018, the Company received the judgement granted by the Court in favour of Bei Dou Zhongshan which, among others, Bei Dou Jinyi shall, within seven days from the effective date of the judgement, return the consideration under the cooperation agreement in the amount of RMB15,000,000 together with the interests accrued thereon to Bei Dou Zhongshan (the "**Compensation**") and the court fees in the amount of RMB111,800 shall also be borne by Bei Dou Jiuyi.

As at the date of this report, Bei Dou Zhongshan has not yet received the Compensation that was awarded by the Court despite the Group's repeated demands. In order to safeguard the legitimate rights and interests of the Group, the Group procured Bei Dou Zhongshan to commence formal enforcement proceedings against Bei Dou Jiuyi. Bei Dou Zhongshan informed the Company that the Court acknowledged Bei Dou Zhongshan's application on 9 November 2018, the acknowledgement of which was received by Bei Dou Zhongshan on 12 November 2018. For further details, please refer to the Company's announcement dated 13 November 2018.

On 14 December 2018, the Company granted 51,716,661 share options (the "**Share Options**") to individuals (the "**Grantees**") under the share option scheme adopted by the Company on 31 July 2014 (the "**Scheme**"). The Share Options shall entitle the Grantees to subscribe for a total of 51,716,661 new shares of HK$0.01 each in the share capital of the Company. For details, please refer to the announcement of the Company dated 14 December 2018.

Saved as disclosed in this report, the Directors are not aware of any significant event requiring disclosure that has taken place during the nine months ended 31 December 2018.

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 that 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.

However, labour market competition has intensified with the implementation of the statutory minimum wage in Hong Kong. The Group is also facing higher labour turnover rate in the manned security guarding services industry due to keen labour market competition in the industry.

To offset the increase in labour costs, the Group is striving to transfer most of the increased labour costs to our customers and implement more efficient work flows and more stringent cost control procedures. The Group is closely monitoring the labour turnover rate and regularly reviews our remuneration package in order to maintain sufficient labour force and cope with the changing environment.

On 24 July 2018, the cash offers made by the Offeror to the Group were closed. 深圳長城匯理投資股份有限公司 (Shenzhen Great Walle Investment Corp., Ltd.*), the controlling shareholder of the Offeror, operates investment businesses in the PRC. It also engaged in the provision of entrusted asset management services and investment management services through its subsidiaries in the PRC. Leveraging on the experience of the new controlling shareholder of the Group in the fund investment industry, the Group shall explore the business opportunities of investment industry in the future.

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. 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 nine months ended 31 December 2017 and 2018, the Group's revenue was generated from the provision of Manned Security Guarding Services in Hong Kong and the service income from the provision of Business Advisory and Management Services. The following table sets forth the breakdown of the Group's revenue by types of contracts for the nine months ended 31 December 2017 and 2018:

	Nine months ended 31 December			
	2018		2017	
	HK$'000	**Percentage**	HK$'000	Percentage
Manned Security Guarding Services				
– Fixed	**22,095**	**70.9%**	75,924	84.6%
– Temporary	**286**	**0.9%**	2,324	2.6%
– Event	**8,763**	**28.2%**	11,440	12.8%
	31,144	**99.2%**	89,688	100%
Provision of Business Advisory and Management Services	**257**	**0.8%**	–	–
Total	**31,401**	**100%**	89,688	100%

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$58,287,000 or 65.0% from approximately HK$89,688,000 for the nine months ended 31 December 2017 to approximately HK$31,401,000 for the nine months ended 31 December 2018. The decrease in revenue was mainly due to (i) the decrease in the number of manned security guarding service contracts by approximately 58.1%; and (ii) the general decrease in the service fees charge by the Group as a result of keen competition in the market; which was partially offset by (iii) the recognition of the service income of the provision of Business Advisory and Management Services of approximately HK$257,000.

Cost of services rendered

For the nine months ended 31 December 2017 and 2018, the cost of services rendered, which mainly consists of direct guard cost, was approximately HK$77,224,000 and HK$31,725,000, representing approximately 86.1% and 101.0% 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 31 December 2018, the Group had a total of 496 employees, of which 449 were full-time and part-time guards providing manned security guarding and related services.

Gross loss

The Group's gross loss for the nine months ended 31 December 2018 was approximately HK$324,000, as compared with the gross profit of approximately HK$12,464,000 in the same period last year. The change from a gross profit to a gross loss position 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$13,166,000 or 39.0% from approximately HK$33,734,000 for the nine months ended 31 December 2017 to approximately HK$46,900,000 for the nine months ended 31 December 2018. The increase in the Group's administrative expenses was mainly due to (i) the one-off written off of goodwill, intangible assets, amount due from a non-controlling equity holder of a subsidiary and property, plant and equipment as a result of the business performance of E-Education segment lagged behind the expected performance; (ii) the increase in the legal and professional fees in relation to the mandatory conditional cash offers completed during the period; which was partially offset by (iii) the decrease in amortisation of intangible assets and depreciation of property, plant and equipment.

Finance costs

The Group's finance costs increased by approximately HK$944,000 or 128.4% from approximately HK$735,000 for the nine months ended 31 December 2017 to approximately HK$1,679,000 for the nine months ended 31 December 2018. The increase in the finance costs was mainly due to the increase in accrued interest on the promissory note for the nine months ended 31 December 2018.

Share of result of an associate

The Group's share of profit of its associated company for the nine months ended 31 December 2018 decreased by approximately HK$663,000 from approximately HK$663,000 for the nine months ended 31 December 2017 to nil for the nine months ended 31 December 2018. For the nine months ended 31 December 2018, the result of share of losses of its associated company was mainly due to a drop in turnover and the high operating costs of the associated company as a result of some mobile games published for the period not performing well due to the high labour cost and the demands lagged behind the expected. Due to the Group's share of losses of its associate exceeding the Group's interest in its associate, the Group discontinues recognising its share of further losses for the nine months ended 31 December 2018.

Loss for the period

Loss attributable to owners of the Company for the nine months ended 31 December 2018 increased by approximately HK$25,255,000 from approximately HK$18,848,000 for the nine months ended 31 December 2017 to approximately HK$44,103,000 for the nine months ended 31 December 2018. The increase in 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 decrease in the Group's share of profit of its associated company due to a drop in turnover and the high operating costs of the associated company; (iii) the increase in administrative expenses, including the one-off write-off of goodwill, certain softwares and platforms, amount due from a non-controlling equity holder of a subsidiary and property, plant and equipment as a result of the business performance of E-Education segment lagged behind the expected performance and the increase in the legal and professional fees attributable to the mandatory conditional cash offers recognized for the nine months ended 31 December 2018, and (iv) the increase in finance costs related to the accrued interest of the promissory note.

Services contracts

During the nine months ended 31 December 2018, the Group had entered into 117 new or renewed contracts, of which 114 and 3 are fixed and temporary security guarding services contracts respectively. As at 31 December 2018, the Group had a total number of 19 unexpired security guarding services contracts.

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 December 2018, 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 otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to Rules 5.48 to 5.67 of the GEM Listing Rules, (the "**Required Standard of Dealings**") were as follows:

Long position in the shares and underlying shares of the Company

Name of Directors	Capacity/ Nature of interests	Number of shares, underlying shares held/ interested	Approximate percentage of the total number of issued shares of the Company
Pang Xiaoli	Beneficial owner	8,208,994 *(Note)*	1.00%
Li Mingming	Beneficial owner	8,208,994 *(Note)*	1.00%
Hon Hoi Chuen	Beneficial owner	8,208,994 *(Note)*	1.00%
Lin Shuxian	Beneficial owner	8,208,994 *(Note)*	1.00%
Guan Yan	Beneficial owner	820,899 *(Note)*	0.10%
Zhao Jinsong	Beneficial owner	820,899 *(Note)*	0.10%
Li Zhongfei	Beneficial owner	820,899 *(Note)*	0.10%

Note: These shares represent the share options granted by the Company on 14 December 2018 under the Scheme.

Interest in the associated corporations

Name of Directors	Name of the associated corporations	Capacity/ Nature of interests	Number of shares, underlying shares held/ interested	Approximate percentage of the total number of issued shares of the associated corporations
Pang Xiaoli	深圳匯理九號投資諮詢企業（有限合夥）(Shenzhen Huili Jiu Hao Investment Consulting Enterprise Limited Partnership*)	Beneficial owner	10,000 *(Note 1)*	0.2000%
	深圳長城匯理投資股份有限公司 (Shenzhen Great Walle Investment Corp., Ltd.*)	Beneficial owner	67,710	1.2185%
		Interest in a controlled corporation	27,509 *(Note 2)*	0.4950%

* *For identification purpose only*

Notes:

1. The associated corporation is a limited partnership with no share description or shares. The total number of shares represented the amount of capital contributed.

2. These shares are beneficially owned by 深圳明鉞科技有限公司 (Shenzhen Mingyue Technology Company Limited*), a company wholly owned by Ms. Pang, and therefore Ms. Pang is deemed to be interested in these shares under the SFO.

All the interests disclosed above represent long position in the shares.

Save as disclosed above, as at 31 December 2018, 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.

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

As at 31 December 2018, substantial shareholders (not being the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, as follows:

Long positions in the shares and underlying shares of the Company

Name of substantial shareholders	Capacity/ Nature of interests	Number of shares held/ interested	Approximate percentage of the total number of issued shares of the Company
Greatwalle Holding Limited	Beneficial owner	461,162,615	56.18%
Song Xiaoming	Interest of corporation controlled by the substantial shareholder *(Note)*	461,162,615	56.18%
廣州南沙區匯銘投資業務有限公司 (Guangzhou Nansha Huiming Investment Business Company Limited*)	Interest of corporation controlled by the substantial shareholder *(Note)*	461,162,615	56.18%
深圳匯理九號投資諮詢企業（有限合夥） (Shenzhen Huili Jiu Hao Investment Consulting Enterprise Limited Partnership*)	Interest of corporation controlled by the substantial shareholder *(Note)*	461,162,615	56.18%
深圳長城匯理投資股份有限公司 (Shenzhen Great Walle Investment Corp., Ltd.*)	Interest of corporation controlled by the substantial shareholder *(Note)*	461,162,615	56.18%

* *For identification purpose only*

Note: According to information available to the Company, 461,162,615 are held by Greatwalle Holding Limited in the capacity of beneficial owner. Greatwalle Holding Limited is wholly-owned by 廣州南沙區匯銘投資業務有限公司 ("**Nansha Huiming**"). Nansha Huiming is held as to approximately 99.9995% by 深圳匯理九號投資諮詢企業(有限合夥) ("**Huili Jiu Hao Investment**"), and as to 0.0005% by Mr. Song Xiaoming ("**Mr. Song**"). Huili Jiu Hao Investment is held as to 99.80% by 深圳長城匯理投資股份有限公司 ("**Great Walle Investment**"). Great Walle Investment is ultimately controlled by Mr. Song (as to approximately 70.9357% directly, and as to approximately 21.9995% indirectly through a wholly-owned company, 深圳弘德商務服務有限公司). As such, each of Nansha Huiming, Huili Jiu Hao Investment, Great Walle Investment and Mr. Song is deemed to be interested in 461,162,615 shares of the Company held by Greatwalle Holding Limited under the SFO.

Save as disclosed above, the Directors and chief executive of the Company are not aware that there is any party who, as at 31 December 2018, had an interest or short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company 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 them 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 and 28 August 2018.

As at 31 December 2018, the share options to subscribe for an aggregate of 51,716,661 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 nine months ended 31 December 2018 are set out as follows:

				Number of share options					
Name or category of grantees	**Exercise Price** (HK$)	**Date of grant**	**Exercisable Period** *(Note 1)*	**Balance as at 1 April 2018**	**Granted during the Period**	**Exercised during the Period**	**Lapsed during the Period**	**Cancelled during the Period**	**Balance as at 31 December 2018**
Directors									
Ms. Pang Xiaoli	0.265	14 December 2018	14 December 2018 to 13 December 2028	–	8,208,994 *(Note 2)*	–	–	–	8,208,994
Mr. Li Mingming	0.020	30 June 2017	30 June 2017 to 29 June 2020	64,000,000	–	64,000,000 *(Note 3)*	–	–	–
	0.265	14 December 2018	14 December 2018 to 13 December 2028	–	8,208,994 *(Note 2)*	–	–	–	8,208,994
Mr. Hon Hoi Chuen	0.265	14 December 2018	14 December 2018 to 13 December 2028	–	8,208,994 *(Note 2)*	–	–	–	8,208,994
Ms. Lin Shuxian	0.265	14 December 2018	14 December 2018 to 13 December 2028	–	8,208,994 *(Note 2)*	–	–	–	8,208,994
Ms. Guan Yan	0.265	14 December 2018	14 December 2018 to 13 December 2028	–	820,899 *(Note 2)*	–	–	–	820,899
Mr. Zhao Jinsong	0.265	14 December 2018	14 December 2018 to 13 December 2028	–	820,899 *(Note 2)*	–	–	–	820,899
Mr. Li Zhongfei	0.265	14 December 2018	14 December 2018 to 13 December 2028	–	820,899 *(Note 2)*	–	–	–	820,899
Former Directors									
Ms. Li Liping	0.020	30 June 2017	30 June 2017 to 29 June 2020	64,000,000	–	64,000,000 *(Note 4)*	–	–	–
Mr. Ho Yuk Ming Hugo	0.020	30 June 2017	30 June 2017 to 29 June 2020	6,400,000	–	–	–	6,400,000	–
Mr. Wan Tat Wai David	0.020	30 June 2017	30 June 2017 to 29 June 2020	6,400,000	–	–	–	6,400,000	–
Mr. Xiong Hong	0.020	30 June 2017	30 June 2017 to 29 June 2020	6,400,000	–	–	–	6,400,000	–
Other employees of the Group									
In aggregate	0.020	30 June 2017	30 June 2017 to 29 June 2020	211,200,000	–	211,200,000 *(Note 5)*	–	–	–
	0.265	14 December 2018	14 December 2018 to 13 December 2028	–	16,417,988 *(Note 2)*	–	–	–	16,417,988
Total				**358,400,000**	**51,716,661**	**339,200,000**	**–**	**19,200,000**	**51,716,661**

Notes:

1. All of the share options granted have no vesting period or vesting condition.

2. The closing price of the Company's shares immediately before 14 December 2018, the date on which those options were granted, was HK$0.265.

3. The weighted average closing price of the Company's shares immediately before the exercise date of the share options exercised by Mr. Li Mingming was HK$0.036 per share.

4. The weighted average closing price of the Company's shares immediately before the exercise date of the share options exercised by Ms. Li Liping was HK$0.036 per share.

5. The weighted average closing price of the Company's shares immediately before the exercise date of the share options exercised by the employees was HK$0.035 per share.

Other than the share options stated above, no share options had been granted by the Company to other participants pursuant to the Scheme during the nine months ended 31 December 2018. Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during the nine months ended 31 December 2018.

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 nine months ended 31 December 2018.

DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 31 December 2018 (nine months ended 31 December 2017: 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. 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 nine months ended 31 December 2018.

CONTINUING CONNECTED TRANSACTION

On 6 November 2018, an agreement was entered into between 深圳長城匯理資產管理有限公司 (Shenzhen Great Walle Capital Management Co., Ltd.*) ("**Shenzhen Great Walle Capital Management**"), a company established in Shenzhen with limited liability and is a qualified private equity investment fund manager licensed by Asset Management Association of China, and Shenzhen Jiuli entered into an agreement in relation to the business advisory and management services, pursuant to which Shenzhen Jiuli shall provide business advisory and management services to Shenzhen Great Walle Capital Management in relation to its private equity fund manager business. Advisory service shall commence from 6 November 2018 for a term of three years. Shenzhen Jiuli shall charge a fixed advisory service fee from Shenzhen Great Walle Capital Management on a monthly basis, as well as variable service fee determined upon the possible variable performance fee to be charged by Shenzhen Great Walle Capital Management as the private equity fund manager for 長城匯理戰略併購9號基金 (Great Walle Strategic Merger and Acquisition Fund No. 9*). Further details of the agreement are set out in the announcements of the Company dated 6 November 2018 and 8 November 2018.

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 nine months ended 31 December 2018, except for 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 (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.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established 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. Zhao (chairman of the Audit Committee), Mr. Li and Ms. Guan, all of whom 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 third quarterly results announcement of the Company for the nine months ended 31 December 2018. The condensed consolidated financial results for the nine months ended 31 December 2018 are unaudited, but have been reviewed by the Audit Committee. The Audit Committee is of the view that such results comply with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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 nine months ended 31 December 2018, 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.

EVENTS AFTER THE PERIOD

Ms. Pang has exercised 8,208,994 Share Options in January 2019 and the issue and allotment of 8,208,994 new ordinary shares to Ms. Pang were completed on 18 January 2019.

* *For identification purpose only*

By order of the Board
Greatwalle Inc.
Pang Xiaoli
Chairman and Executive Director

Hong Kong, 14 February 2019

As at the date of this report, the executive Directors are Ms. Pang Xiaoli, Mr. Li Mingming, Mr. Hon Hoi Chuen and Ms. Lin Shuxian; and the independent non-executive Directors are Ms. Guan Yan, Mr. Zhao Jinsong and Mr. Li Zhongfei.