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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: 08315)

ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2016

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

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

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

This announcement, for which the directors (the “Directors”) of King Force Group Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the three months ended 30 June 2016 amounted to approximately HK\$40.6 million (for the three months ended 30 June 2015: HK\$36.0 million).
- Profit attributable to the owners of the Company for the three months ended 30 June 2016 amounted to approximately HK\$7.7 million (for the three months ended 30 June 2015: approximately HK\$0.5 million).
- Basic and diluted earnings per share for the three months ended 30 June 2016 amounted to approximately HK cents 0.12 (for the three months ended 30 June 2015: HK cents 0.01).
- The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2016 (for the three months ended 30 June 2015: nil).

The board of Directors (the “Board”) announces the unaudited condensed consolidated results of the Group for the three months ended 30 June 2016, together with the unaudited comparative figures for the respective corresponding period in 2015 as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

FOR THE THREE MONTHS ENDED 30 JUNE 2016

		For the three months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		
Revenue	3	40,651	36,049
Cost of services rendered		(31,451)	(29,364)
Gross profit		9,200	6,685
Other income	4	251	11
Administrative expenses		(6,299)	(5,850)
Share of result of an associate		5,506	—
Profit from operation		8,658	846
Finance costs	5	(150)	—
Profit before income tax	6	8,508	846
Income tax expense	7	(847)	(310)
Profit for the period attributable to owners of the Company		7,661	536
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Share of exchange difference on translation of foreign associate		(38)	—
Total comprehensive income for the period attributable to owners of the Company		7,623	536
Earnings per share for profit attributable to owners of the Company			(Restated)
– Basic and diluted (HK cents)	9	0.12	0.01

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 30 JUNE 2016

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Foreign exchange reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2015	6,400	39,008	(5,270)	–	–	15,630	55,768
Profit for the period	–	–	–	–	–	536	536
As at 30 June 2015 (unaudited)	<u>6,400</u>	<u>39,008</u>	<u>(5,270)</u>	<u>–</u>	<u>–</u>	<u>16,166</u>	<u>56,304</u>
At at 1 April 2016	6,400	39,008	(5,270)	11	4,054	15,575	59,778
Profit for the period	–	–	–	–	–	7,661	7,661
Other comprehensive income: Share of exchange difference on translation of foreign associate	–	–	–	(38)	–	–	(38)
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>(38)</u>	<u>–</u>	<u>7,661</u>	<u>7,623</u>
At 30 June 2016	<u>6,400</u>	<u>39,008</u>	<u>(5,270)</u>	<u>(27)</u>	<u>4,054</u>	<u>23,236</u>	<u>67,401</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED 30 JUNE 2016

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

The Company's shares were listed on the GEM of the Stock Exchange on 20 August 2014 (the "Listing date").

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

BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the three months ended 30 June 2016 are prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Chapter 18 of the GEM Listing Rules. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31 March 2016.

These unaudited condensed consolidated financial statements for the three months ended 30 June 2016 have been prepared under historical cost convention, except for certain financial instruments which are measured fair value. These condensed consolidated financial statements for the three months ended 30 June 2016 are presented in Hong Kong dollars ("HK\$").

These unaudited condensed consolidated financial statements for the three months ended 30 June 2016 have not been audited by the auditors of the Company, but have been reviewed by the Company's audit committee and were approved for issue by the Board of the Company on 8 August 2016.

2. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors in order to allocate resources and assess performance of the segment. During the period, executive directors regularly review revenue and operating results derived from provision of security guarding services and consider as one single operating segment.

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Hong Kong as its country of domicile. All the Group's non-current assets are principally attributable to Hong Kong, being the single geographical region.

The geographical location of customers is based on the location at which the services are provided. The total revenue from external customers is wholly sourced from Hong Kong.

Information about major customers

Revenue from one customer of the Group represents approximately HK\$5.5 million of the Group's total revenue for the three months ended 30 June 2016. There is no single customer contributed to 10% or more revenue to the Group's revenue for the periods ended 30 June 2015.

3. REVENUE

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

4. OTHER INCOME

	Three months ended	
	30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	—*	—*
Other interest income	10	11
Sundry income	241	—
	<hr/>	<hr/>
	251	11
	<hr/>	<hr/>

* Represents amount less than HK\$1,000

5. FINANCE COSTS

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

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Three months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of intangible asset ¹	274	309
Cost of services rendered	31,451	29,364
Depreciation of property, plant and equipment	588	454
Employee benefits expenses (including directors' emoluments):		
Salaries, allowances and benefits in kind included in:		
– Cost of services rendered	28,582	27,660
– Administrative expenses	1,657	1,227
Retirement benefits – Defined contribution plans ² included in:		
– Cost of services rendered	1,345	1,294
– Administrative expenses	23	25
	31,607	30,206
Legal and professional fees	656	1,160
Operating lease charges in respect of:		
– Rented premises	723	129
– Office equipment	335	341
	1,058	470

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 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax		
– Hong Kong Profits Tax		
– charged for the year	847	310

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

8. DIVIDEND

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

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 30 June 2016 is based on the profit attributable to the owners of the Company amounting to approximately HK\$7,623,000 (three months ended 30 June 2015: approximately HK\$536,000), and on the basis of the weighted average number of shares of 6,400,000,000 in issue (three months ended 30 June 2015 (restated): 5,964,274,000 shares of the Company in issue) throughout the period.

The weighted average number of shares for the purpose of calculating the basic earnings per share has been retrospectively adjusted for the effect of the share subdivision completed on 17 August 2015.

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

BUSINESS REVIEW

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

Manned Security Guarding Services

The Group is a manned security guarding services provider and it is licensed to provide security guarding services in Hong Kong under Type I security work in accordance with the Security Company License regime. The Group operates under the name “KING FORCE” and the services it offers aim to protect the safety and assets of its customers, and to prevent crime and offence and maintain order. The security guarding services offered by the Group include patrolling, access control at the lobby entrance, making entrance records of visitors and stopping trespassers, handling and reporting complaints. The Group also provides guarding and personal escorting services and crowd management services in various events, occasions, exhibitions, ceremonies and press conferences. With over ten years’ experience in manned security guarding services, the Group has established goodwill in its security guarding services. The Group is dedicated to providing quality manned security guarding services and it is accredited with ISO 9001:2008 (quality management system standard) for its design and provision of security guarding services awarded by the Hong Kong Quality Assurance Agency. To ensure its quality of services, the Group provides guidance and trainings to its security guards and conducts supervision on its security guards. With continued effort, the Group has established a broad customer base. For the period ended 30 June 2016, the Group had 323 customers, including property management companies, schools, warehouse operators, property redevelopers and construction companies.

Mobile Game Business

Magn Investment Limited (“Magn Investment”), an associated company of the Group, is an investment holding company of Magn Media (China) Holdings Limited, which is principally engaged in (i) the research and development of computer and mobile software, including security software, advertisement sale management software, gaming platform operation software, payment software and office software; and (ii) through the VIE contracts, operation of gaming products. The associate of the Group commenced the mobile game business in 2015 while the first mobile game of such business was released in April 2015. The associate of the Group commenced to generate more profit from its mobile game business as a result of more well received mobile games were launched in 2016. The Group’s share of profit of its associated company for the three months period ended 30 June 2016 was approximately HK\$5.5 million.

FINANCIAL REVIEW

Revenue

For the three months ended 30 June 2015 and 2016, the Group's revenue was principally generated from the provision of manned security guarding services in Hong Kong. The following table sets forth the breakdown of the Group's revenue by types of contracts for the three months ended 30 June 2015 and 2016:

	Three months ended 30 June			
	2016		2015	
	<i>HK\$'000</i>	<i>Percentage</i>	<i>HK\$'000</i>	<i>Percentage</i>
Manned security guarding services				
– Fixed	30,312	74.6%	30,864	85.7%
– Temporary	1,226	3.0%	845	2.3%
– Event	9,113	22.4%	4,340	12.0%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>40,651</u>	<u>100.0%</u>	<u>36,049</u>	<u>100.0%</u>

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

The Group's overall revenue increased by approximately HK\$4.6 million or 12.8% from approximately HK\$36.0 million for the three months ended 30 June 2015 to approximately HK\$40.6 million for the three months ended 30 June 2016. The increase in revenue is mainly due to a manned security guarding services contract with relatively high revenue represents approximately HK\$5.5 million or 13.5% of the Group's total revenue was entered during the three months ended 30 June 2016.

Cost of services rendered

For the three months ended 30 June 2015 and 2016, cost of services rendered, which mainly consists of direct guard cost, was approximately HK\$29.4 million and HK\$31.5 million, respectively, representing approximately 81.4% and 77.4% of the Group's revenue, respectively. Such decrease in percentage was primarily attributable to a manned security guarding service with relatively high margin was entered during the three months ended 30 June 2016.

As at 30 June 2016, the Group had a total of 1,411 employees, of which 1,369 were full-time and part-time guards providing manned security guarding and related services.

Gross profit

The Group's gross profit increased by approximately HK\$2.5 million or 37.6% from approximately HK\$6.7 million for the three months ended 30 June 2015 to approximately HK\$9.2 million for the three months ended 30 June 2016 while the Group's gross profit margin increased from approximately 18.5% for the three months ended 30 June 2015 to approximately 22.6% for the three months ended 30 June 2016. The increase in gross profit margin was mainly due to a manual security guarding services contract with relatively high margin was entered during the three months ended 30 June 2016 as discussed above.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$0.4 million or 7.7% from approximately HK\$5.9 million for the three months ended 30 June 2015 to approximately HK\$6.3 million for the three months ended 30 June 2016. The increase in the Group's administrative expenses were mainly due to the increase in the rental expenses for the new recruitment and training centre and the new office.

Finance costs

The Group's finance costs increased by approximately HK\$150,000 or 100% from nil for the three months ended 30 June 2015 to HK\$150,000 for the three months ended 30 June 2016. The increase in the finance costs was mainly due to the accrued interest on the promissory note for the three months ended 31 March 2016.

Share of result of an associate

The Group's share of profit of its associated company for the three months period ended 30 June 2016 was approximately HK\$5.5 million. Due to more well received mobile games were launched in 2016, the mobile game business commenced to generate more profit during the three months ended 30 June 2016.

Profit for the period

Profit attributable to owners of the Company for the period increased by approximately HK\$7.1 million or 13.3 times from approximately HK\$0.5 million for the three months ended 30 June 2015 to approximately HK\$7.7 million for the three months ended 30 June 2016. The increase in the Group's profit for the period was mainly due to the share of profit of an associate as a result of more well received mobile games were launched in 2016 and the increase in gross profit as discussed above.

Services Contracts

During the three months ended 30 June 2016, the Group had entered into 257 new or renewed contracts, of which 218, 23 and 16 are fixed, temporary and event security guarding services contracts respectively. As at 30 June 2016, the Group had a total number of 214 unexpired security guarding services contracts.

OUTLOOK

The Group intends to achieve expansion in business, in particular the fixed manned security contracts which provide stable and regular income streams, with a strategy by ensuring a quality pool of guards are available at their expense, broadening its customer base with improved branding and image of the Group, and increasing its profitability of all types of services provided by way of better pricing due to higher service quality.

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

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

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

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

The Group will also continue to strengthen its efforts in promoting its reputation and corporate image and use its best endeavours in identifying new business opportunities and achieving satisfactory returns for the shareholders of the Company.

DISCLOSURE OF ADDITIONAL INFORMATION

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

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

Long positions in the Shares

Name	Capacity/nature	Number of Shares held/ interested	Approximate percentage of shareholding
Mr. Fu Yik Lung (<i>Note 1</i>)	Interest of controlled corporation	1,304,000,000	20.38%

Note:

- Optimistic King Limited (“Optimistic King”) holds 1,304,000,000 Shares. Mr. Fu beneficially owns the entire issued share capital of Optimistic King. Therefore, Mr. Fu is deemed, or taken to be, interested in all the Shares held by Optimistic King for the purpose of the SFO. Mr. Fu is also one of the directors of Optimistic King.

Long position in the share of associated corporations

Name of Director	Name of associated corporation	Capacity/nature	Number of Shares held/interested	Percentage of shareholding
Mr. Fu	Optimistic King	Beneficial owner	1	100%

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

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

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

Long position in the Shares

Name	Capacity/nature	Number of Shares held/interested	Approximate percentage of shareholding
Optimistic King (<i>Note 1</i>)	Beneficial owner	1,304,000,000	20.38%
Ms. Liu Lai Ying ("Ms. Liu") (<i>Note 2</i>)	Interest of spouse	1,304,000,000	20.38%
Hongkong ZOJE Co., Limited (香港中捷投資有限公司) ("Hongkong ZOJE") (<i>Note 3</i>)	Beneficial owner	674,250,000	10.53%
Mr. Zhang Ming Wei ("Mr. Zhang") (<i>Note 3</i>)	Interest of controlled corporation	674,250,000	10.53%

Notes:

1. The entire issued share capital of Optimistic King is owned by Mr. Fu. Mr. Fu is also one of the directors of Optimistic King.
2. Ms. Liu is the spouse of Mr. Fu. Accordingly, Ms. Liu is deemed or taken to be interested in all the Shares in which Mr. Fu is interested in for the purpose of the SFO.
3. Hongkong ZOJE holds 674,250,000 Shares. Mr. Zhang owns the entire issued share capital of Hongkong ZOJE. Therefore, Mr. Zhang is deemed, or taken to be, interested in all the Shares held by Hongkong ZOJE for the purpose of the SFO.

Save as disclosed above, as at 30 June 2016, the Company had not been notified of any interests or short positions of substantial shareholders or other persons in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2016 and up to the date of this announcement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted written guidelines regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard of dealings and the said guidelines regarding Directors' securities transactions during the three months ended 30 June 2016 and up to the date of this announcement.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the three months ended 30 June 2016 and up to the date of this announcement, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules.

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, TC Capital International Limited (the "Compliance Adviser"), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 11 August 2014, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established an audit committee (the “Audit Committee”) with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control procedures of the Group. As at the date of this announcement, the Audit Committee comprises Ms. Au Man Yi (chairman of the Audit Committee), Mr. Ong Chi King and Mr. Xiong Hong, all of which are independent non-executive Directors.

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, this announcement and the first quarterly results report of the Group for the three months ended 30 June 2016. The condensed consolidated financial results for the three months ended 30 June 2016 are unaudited, but have been reviewed by the Audit Committee.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

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

DIRECTORS’ AND MANAGEMENT SHAREHOLDERS’ INTERESTS IN COMPETING BUSINESS

Each of the Directors or the controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the three months ended 30 June 2016.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries or associates during the three months ended 30 June 2016.

EVENT AFTER THE PERIOD

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

On 26 July 2016, in relation to the Sale and Purchase Agreement dated 27 May 2016 entered into among Loyal Salute and the Vendors in relations to the acquisition of 60% equity interest in the Target Company, the conditions precedent to the Sale and Purchase Agreement could not be fulfilled by the Vendors, Loyal Salute had rescinded the Sale and Purchase Agreement and the said acquisition is terminated.

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

By order of the Board
KING FORCE GROUP HOLDINGS LIMITED
Chen Yunchuo
Chairman and Executive Director

Hong Kong, 8 August 2016

As at the date of this announcement, the executive Directors are Mr. Fu Yik Lung, Mr. Li Mingming and Mr. Chen Yunchuo; and the independent non-executive Directors are Ms. Au Man Yi, Mr. Ong Chi King and Mr. Xiong Hong.