

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

First Quarterly Report 2017

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

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This report, for which the directors (the “Directors”) of King Force Group Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

The board of Directors (the "Board") announces the unaudited condensed consolidated results of the Group for the three months ended 30 June 2017, together with the unaudited comparative figures for the corresponding period in 2016 as follows:

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

		For the three months ended 30 June	
	Notes	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	2	31,653	40,651
Cost of services rendered		(27,250)	(31,451)
Gross profit		4,403	9,200
Other income	3	226	251
Administrative expenses		(13,753)	(6,299)
Share of result of associates		(1,347)	5,506
Finance costs	4	(243)	(150)
(Loss)/Profit before income tax	5	(10,714)	8,508
Income tax expense	6	-	(847)
(Loss)/Profit for the period		(10,714)	7,661
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		156	-
Share of exchange difference on translation of foreign associates		19	(38)
Other comprehensive income for the period		175	(38)
Total comprehensive income for the period		(10,539)	7,623
(Loss)/Profit for the period attributable to:			
Owners of the Company		(10,273)	7,661
Non-controlling interests		(441)	-
		(10,714)	7,661
Total comprehensive income for the period attributable to:			
Owners of the Company		(10,152)	7,623
Non-controlling interests		(387)	-
		(10,539)	7,623
(Loss)/Earnings per share for (loss)/profit attributable to owners of the Company		HK cents	HK cents
- Basic and diluted	8	(0.13)	0.12

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 30 JUNE 2017**

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Merger reserve HK\$'000	Foreign exchange reserve HK\$'000	Capital reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 April 2016 (audited)	6,400	39,008	-	(5,270)	11	4,054	15,575	59,778	-	59,778
Profit for the period	-	-	-	-	-	-	7,661	7,661	-	7,661
Other comprehensive expense:										
Share of exchange difference on translation of foreign operations	-	-	-	-	(38)	-	-	(38)	-	(38)
Total comprehensive income for the period	-	-	-	-	(38)	-	7,661	7,623	-	7,623
At 30 June 2016 (unaudited)	6,400	39,008	-	(5,270)	(27)	4,054	23,236	67,401	-	67,401
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	-	-	-	-	-	-	(10,273)	(10,273)	(441)	(10,714)
Other comprehensive income:										
Exchange difference on translation of financial statements of foreign operations	-	-	-	-	102	-	-	102	54	156
Share of exchange difference on translation of foreign operations	-	-	-	-	19	-	-	19	-	19
Total comprehensive income for the period	-	-	-	-	121	-	(10,273)	(10,152)	(387)	(10,539)
Share-based payment expenses of options granted by the Company during the period	-	-	4,009	-	-	-	-	4,009	-	4,009
At 30 June 2017 (unaudited)	7,680	100,050	4,009	(5,270)	376	586	11,499	118,930	7,528	126,458

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 30 JUNE 2017

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

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

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

BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the three months ended 30 June 2017 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 2017.

These unaudited condensed consolidated financial statements for the three months ended 30 June 2017 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 2017 are presented in Hong Kong dollars ("HK\$").

These unaudited condensed consolidated financial statements for the three months ended 30 June 2017 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 9 August 2017.

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

2. REVENUE

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

3. OTHER INCOME

	Three months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Bank interest income	–*	–*
Imputed interest income on amount due from a non-controlling equity holder of a subsidiary	24	–
Interest income of a life insurance policy	10	10
Interest income from a loan to an associate	75	–
Sundry income	117	241
	226	251

* Represents amount less than HK\$1,000

4. FINANCE COSTS

	Three months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest charges on promissory note repayable within two years	243	150

5. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Three months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Amortisation of other intangible assets ¹	1,108	274
Cost of services rendered	27,250	31,451
Depreciation of property, plant and equipment	779	588
Employee benefits expenses (including directors' emoluments):		
Salaries, allowances and benefits in kind included in:		
– Cost of services rendered	25,904	28,582
– Administrative expenses	2,542	1,657
Retirement benefits – Defined contribution plans ² included in:		
– Cost of services rendered	1,045	1,345
– Administrative expenses	116	23
Equity-settled share-based payment expenses		
– Administrative expenses	4,009	–
	33,616	31,607
Legal and professional fees	727	656
Operating lease charges in respect of:		
– Rented premises	602	723
– Office equipment	18	335
	620	1,058

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

6. INCOME TAX EXPENSE

	Three months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current tax		
– Hong Kong Profits Tax		
– charged for the period	–	847

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

7. DIVIDEND

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

8. (LOSS)/EARNINGS PER SHARE

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

(Loss)/Earnings	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
(Loss)/Profit attributable to owners of the Company	(10,273)	7,661
Number of shares	2017 '000	2016 '000
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	7,680,000	6,400,000
Effect of dilutive potential ordinary shares: Consideration shares to be issued on contingent consideration payable	4,419	-
Weighted average number of ordinary shares for the purposes of diluted loss per share	7,684,419	6,400,000

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

9. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

For the three months ended 30 June 2017, the Group engaged in (i) the provision of manned security guarding service (the "Manned Security Guarding Services"); (ii) the provision of mobile games through Magn Investment Limited* ("Magn Investment"), an associated company of the Group (the "Mobile Gaming Business of an Associated Company"); and (iii) through Guanhui Huyu Technology (Hong Kong) Limited* ("Guanhui Huyu"), an indirect wholly-owned subsidiary of the Company, the newly commenced mobile gaming business to the overseas markets (the "Mobile Gaming Business").

Manned Security Guarding Services

The Group is a manned security guarding services provider and it is licensed to provide security guarding services in Hong Kong under Type I security work in accordance with the Security Company License regime. The Group operates under the name "KING FORCE" and the services it offers aim to protect the safety of its customers, properties and assets and to maintain order in private events. The Manned Security Guarding Services offered by the Group include patrolling, access control at the lobby entrance, making entrance records of visitors and stopping trespassers, handling and reporting complaints. The Group also provides guarding and personal escorting services and crowd management services in various events, occasions, exhibitions, ceremonies and press conferences. With over ten years' of experience in providing manned security guarding services, the Group has established goodwill in its security guarding services. The Group is dedicated to providing quality manned security guarding services and it is accredited with ISO 9001:2008 (quality management system standard) for its design and provision of security guarding services awarded by the Hong Kong Quality Assurance Agency. To ensure its quality of services, the Group provides guidance and trainings to its security guards and conducts supervision on its security guards. With continued effort, the Group has established a broad customer base. For the three months period ended 30 June 2017, the Group had 288 customers, including property management companies, schools, warehouse operators, property redevelopers and construction companies.

Mobile Gaming Business of an Associated Company

Magn Investment, an associated company of the Group, is an investment holding company of Magn Media (China) Holdings Limited, which is principally engaged in the research and development of computer and mobile software, including security software, advertisement sale management software, gaming platform operation software, payment software and office software; and operation of gaming products through the VIE contracts.

The completion of acquisition of 45% equity interest in Magn Investment in 2015 helped to diversify the Group's business and broaden its profit base. The associate of the Group commenced the mobile gaming business in 2015 while its first mobile game was launched in April 2015. The associate of the Group commenced to generate more profit from its mobile gaming business as a result of the launch of more well received mobile games in 2016. The Group's share of loss of its associated company for the three months period ended 30 June 2017 was approximately HK\$1,347,000. The mobile gaming business of an associated company was not well performed due to the weak demand and tough competition in the market. In order to keep up with the ever-changing market, the Group will closely monitors the industry trend and it is expected that Magn Investment will launch more popular games in the near future.

Mobile Gaming Business

Guanhui Huyu, engaged in the newly commenced mobile gaming business to the overseas markets, has executive teams based in Hong Kong, Shanghai, Beijing and Shenzhen. It adheres to the idea of launching prime games for players and to focus on the mobile online gaming business and is committed to develop 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, and it emphasizes the idea of prime mobile games and will be committed to achieving the strategy of globalization of gaming industry so as to create an international layout for pan-entertainment in the industry.

For details of the business review of the "e-education" business of the Group, please refer to the paragraph headed "Significant events during the three months ended 30 June 2017" of this section of this report.

SIGNIFICANT EVENTS DURING THE THREE MONTHS ENDED 30 JUNE 2017

On 16 June 2017, Bei Dou Jiuyi Information Technology Industry (Beijing) Limited* (“Bei Dou Jiuyi”), the franchisor that had granted the license to China Bei Dou Communications Technology Group Limited (“China Bei Dou”), an indirectly wholly-owned subsidiary of the Company, to use the Bei Dou civil operation services branch qualification (the “Qualification”) required for its e-education and e-security business, still failed to provide the Company with the documents showing its successful pass of the annual inspection and qualification renewal check regarding its Qualification. As such, Zhongshan Bei Dou Education Limited* (“Bei Dou Zhongshan”), an indirectly owned subsidiary of the Company, filed a civil petition statement (the “Petition”) on 12 June 2017 at the First People’s Court in Zhongshan City, Guangdong Province (“Zhongshan First People’s Court”) against Bei Dou Jiuyi, claiming that Bei Dou Jiuyi has breached the business cooperation agreement entered into by Bei Dou Zhongshan and Bei Dou Jiuyi on 15 June 2015 (the “Agreement”), and sought an order from the court against Bei Dou Jiuyi to, inter alia, return the consideration under the Agreement in the amount of RMB15,000,000 paid by Bei Dou Zhongshan together with interests. The Company received the notice of acceptance of a case issued by Zhongshan First People’s Court on 15 June 2017 (the “Legal Proceeding”).

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

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

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

Further details of the said Legal Proceeding and Cooperation Agreement were disclosed in the announcements dated 16 June 2017 and 21 June 2017 issued by the Company.

OUTLOOK

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

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

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

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

FINANCIAL REVIEW

Revenue

For the three months ended 30 June 2016 and 2017, the Group's revenue was principally generated from the provision of manned security guarding services in Hong Kong. The following table sets forth the breakdown of the Group's revenue by types of contracts entered into by the Group in the three months ended 30 June 2016 and 2017, respectively:

	Three months ended 30 June			
	2017		2016	
	HK\$'000	Percentage	HK\$'000	Percentage
Manned security guarding services				
– Fixed	26,904	85.0%	30,312	74.6%
– Temporary	761	2.4%	1,226	3.0%
– Event	3,988	12.6%	9,113	22.4%
Total	31,653	100.0%	40,651	100.0%

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 decreased by approximately HK\$8,998,000 or 22.1% from approximately HK\$40,651,000 for the three months ended 30 June 2016 to approximately HK\$31,653,000 for the three months ended 30 June 2017. The decrease in revenue is mainly due to (i) the decrease in the number of manned security guarding service contracts by approximately 10.5%; and (ii) the general decrease in the service fees charge by the Group as a result of keen competition in the market.

Cost of services rendered

For the three months ended 30 June 2016 and 2017, cost of services rendered, which mainly consists of direct guard cost, was approximately HK\$31,451,000 and HK\$27,250,000, respectively, representing approximately 77.4% and 86.1% of the Group's revenue, respectively. Such increase in percentage was primarily attributable to the general increase in the guard costs in the market.

As at 30 June 2017, the Group had a total of 1,090 employees, of which 1,011 were full-time and part-time guards providing manned security guarding and related services.

Gross profit

The Group's gross profit decreased by approximately HK\$4,797,000 or 52.1% from approximately HK\$9,200,000 for the three months ended 30 June 2016 to approximately HK\$4,403,000 for the three months ended 30 June 2017 while the Group's gross profit margin decreased from approximately 22.6% for the three months ended 30 June 2016 to approximately 13.9% for the three months ended 30 June 2017. The decrease in gross profit margin was mainly due to (i) the general decrease in the number of manned security guarding service contracts and the service fees as a result of keen competition in the market; and (ii) the general increase in the guard costs in the market as discussed above.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$7,454,000 or 1.2 times from approximately HK\$6,299,000 for the three months ended 30 June 2016 to approximately HK\$13,753,000 for the three months ended 30 June 2017. The increase in the Group's administrative expenses were mainly due to the increase in amortization of intangible assets, depreciation of property, plant and equipment and staff costs including share option expenses for the three months ended 30 June 2017.

Finance costs

The Group's finance costs increased by approximately HK\$93,000 or 62% from approximately HK\$150,000 for the three months ended 30 June 2016 to HK\$243,000 for the three months ended 30 June 2017. The increase in the finance costs was mainly due to the accrued interest on the promissory note for the three months ended 31 March 2017.

Share of result of associates

The Group's share of loss of its associated company for the three months period ended 30 June 2017 was approximately HK\$1,347,000, as compared with share of profit of HK\$5,506,000 for the last corresponding period. The increase in the Group's share of loss of its associated company was mainly due to a drop in turnover and the high operating costs of the associated company.

Loss for the period

Loss attributable to owners of the Company for the 3 months period ended 30 June 2017 amounted to approximately HK\$10,273,000 as compared to a profit of approximately HK\$7,661,000 for the last corresponding period. The Group's loss for the period was mainly due to (i) the decrease in the Group's gross profit resulting from the decrease in the number of manned security guarding service contracts and the general increase in the guard costs; (ii) the Group's share of loss of its associated company for the three months ended 30 June 2017, as compared with the Group's share of profit of its associated company recorded during the same period last year; and (iii) the increase in administrative expenses, including the increase in amortization of intangible assets, depreciation of property, plant and equipment and staff costs including share-based payment expenses recognized for the three months ended 30 June 2017.

Services Contracts

During the three months ended 30 June 2017, the Group had entered into 230 new or renewed contracts, of which 193, 10 and 27 are fixed, temporary and event security guarding services contracts respectively. As at 30 June 2017, the Group had a total number of 167 unexpired security guarding services contracts.

DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 30 June 2017 (2016: Nil).

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 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the shares and underlying Shares of the Company

Name	Capacity/nature	Number of Shares held/interested	Percentage of shareholding
Mr. Chen Yunchuo	Beneficial owner	1,304,000,000	16.98%
Ms. Li Liping	Beneficial owner (Note 1)	64,000,000	0.83%
Mr. Li Mingming	Beneficial owner (Note 2)	64,000,000	0.83%
Mr. Ho Yuk Ming Hugo	Beneficial owner (Note 3)	6,400,000	0.08%
Mr. Wan Tat Wai David	Beneficial owner (Note 4)	6,400,000	0.08%
Mr. Xiong Hong	Beneficial owner (Note 5)	6,400,000	0.08%

Notes:

- These 64,000,000 underlying Shares represent the 64,000,000 Shares which may be allotted and issued to Ms. Li Liping upon full exercise of the share options granted to her under the share option scheme adopted by the Company on 31 July 2014 (the "Share Option Scheme").
- These 64,000,000 underlying Shares represent the 64,000,000 Shares which may be allotted and issued to Mr. Li Mingming upon full exercise of the share options granted to him under the Share Option Scheme.
- These 6,400,000 underlying Shares represent the 6,400,000 Shares which may be allotted and issued to Mr. Ho Yuk Ming Hugo upon full exercise of the share options granted to him under the Share Option Scheme.
- These 6,400,000 underlying Shares represent the 6,400,000 Shares which may be allotted and issued to Mr. Wan Tat Wai David upon full exercise of the share options granted to him under the Share Option Scheme.
- These 6,400,000 underlying Shares represent the 6,400,000 Shares which may be allotted and issued to Mr. Xiong Hong upon full exercise of the share options granted to him under the Share Option Scheme.

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.47 of the GEM Listing Rules.

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

As at 30 June 2017, the Company had not been notified of other interests or short positions of any other person (other than the Directors and chief executives and the substantial shareholders of the Company) in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "Scheme") on 31 July 2014 which will remain in force for a period of 10 years from the effective date of the Scheme. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards 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 (the "Prospectus") dated 13 August 2014.

As at 30 June 2017, the share options to subscribe for an aggregate of 544,000,000 shares of the Company granted pursuant to the Scheme were outstanding. The details of the Scheme as at 30 June 2017 are set out as follows:

Category of Participants	Exercise price per share (HK\$)	Date of grant	Exercisable period	Number of share options					
				As at 1 April 2017	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 2017
Directors									
Ms. Li Liping	0.02	30 June 2017	30 June 2017 to 29 June 2020	-	64,000,000	-	-	-	64,000,000
Mr. Li Mingming	0.02	30 June 2017	30 June 2017 to 29 June 2020	-	64,000,000	-	-	-	64,000,000
Mr. Ho Yuk Ming Hugo	0.02	30 June 2017	30 June 2017 to 29 June 2020	-	6,400,000	-	-	-	6,400,000
Mr. Wan Tat Wai David	0.02	30 June 2017	30 June 2017 to 29 June 2020	-	6,400,000	-	-	-	6,400,000
Mr. Xiong Hong	0.02	30 June 2017	30 June 2017 to 29 June 2020	-	6,400,000	-	-	-	6,400,000
Other employees of the Group									
In aggregate	0.02	30 June 2017	30 June 2017 to 29 June 2020	-	396,800,000	-	-	-	396,800,000
Total				-	544,000,000	-	-	-	544,000,000

Notes:

1. The closing price of the Shares immediately before the date of grant of share options was HK\$0.018.
2. No share options was exercised, lapsed and cancelled during the period.
3. The share options are valid and effective for a period of 3 years from 30 June 2017.

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 2017 and up to the date of this report.

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 2017 and up to the date of this report.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the three months ended 30 June 2017 and up to the date of this report, 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.

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 report, the Audit Committee comprises Mr. Ho Yuk Ming Hugo (chairman of the Audit Committee), Mr. Wan Tat Wai David and Mr. Xiong Hong, all of which are independent non-executive Directors.

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

PRE-EMPTIVE RIGHTS

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

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.

INTERESTS IN COMPETING BUSINESS

During the period, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) were 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.

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 2017.

EVENT 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 30 June 2017 and up to the date of this report.

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

Hong Kong, 9 August 2017

As at the date of this report, the executive Directors are Mr. Chen Yunchuo, Mr. Li Mingming, Ms. Li Liping and Mr. Cheng Rui; and the independent non-executive Directors are Mr. Ho Yuk Ming Hugo, Mr. Wan Tat Wai David and Mr. Xiong Hong.

* *For identification purpose only*