

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

A large, semi-transparent circular graphic containing the words "KING" and "FORCE" in a bold, sans-serif font, stacked vertically. The graphic is centered and serves as a background element for the report cover.

**KING
FORCE**

2018

First Quarterly Report

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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 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 ENDED 30 JUNE 2018**

		For the three months ended 30 June	
	Notes	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	2	13,769	31,653
Cost of services rendered		(15,353)	(27,250)
Gross (loss)/profit		(1,584)	4,403
Other income	3	433	226
Administrative expenses		(10,316)	(13,753)
Share of result of associates		–	(1,347)
Finance costs	4	(461)	(243)
Loss before income tax	5	(11,928)	(10,714)
Income tax expense	6	–	–
Loss for the period		(11,928)	(10,714)
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		(405)	156
Share of exchange difference on translation of foreign associates		–	19
Other comprehensive income for the period		(405)	175
Total comprehensive income for the period		(12,333)	(10,539)
Loss for the period attributable to:			
Owners of the Company		(11,772)	(10,273)
Non-controlling interests		(156)	(441)
		(11,928)	(10,714)
Total comprehensive income for the period attributable to:			
Owners of the Company		(12,103)	(10,152)
Non-controlling interests		(230)	(387)
		(12,333)	(10,539)
		HK cents	HK cents
Loss per share for loss attributable to owners of the Company	8		
– Basic and diluted		(0.15)	(0.13)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 30 JUNE 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	–	–	–	–	–	–	(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
At 1 April 2018 (audited)	7,870	105,062	2,658	(5,270)	1,257	586	(52,933)	59,230	1,520	60,750
Share option exercised	179	4,710	(1,305)	–	–	–	–	3,584	–	3,584
Transactions with owner	179	4,710	(1,305)	–	–	–	–	3,584	–	3,584
Loss for the period	–	–	–	–	–	–	(11,772)	(11,772)	(156)	(11,928)
Other comprehensive income:										
Exchange difference on translation of financial statements for foreign operations	–	–	–	–	(331)	–	–	(331)	(74)	(405)
Total comprehensive income for the period	–	–	–	–	(331)	–	(11,772)	(12,103)	(230)	(12,333)
At 30 June 2018 (unaudited)	8,049	109,772	1,353	(5,270)	926	586	(64,705)	50,711	1,290	52,001

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 30 JUNE 2018

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

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

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

The 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 in relation to the new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the HKICPA that are adopted for the first time for the current period's financial statements. The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated financial statements.

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

2. 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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Bank interest income	—*	—*
Imputed interest income on amount due from a non-controlling equity holder of a subsidiary	27	24
Interest income of a life insurance policy	—	10
Interest income from a loan to an associate	65	75
Interest income from amount due from a related party	27	—
Sundry income	314	117
	433	226

* Represents amount less than HK\$1,000

4. FINANCE COSTS

	Three months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest charges on promissory note repayable within two years	461	243

5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Three months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of other intangible assets ¹	488	1,108
Cost of services rendered	15,354	27,250
Depreciation of property, plant and equipment ¹	652	779
Employee benefits expenses (including directors' emoluments):		
Salaries, allowances and benefits in kind included in:		
– Cost of services rendered	13,547	23,900
– Administrative expenses	3,940	3,237
Retirement benefits – Defined contribution plans ² included in:		
– Cost of services rendered	537	1,045
– Administrative expenses	64	116
Equity-settled share-based payment expenses ¹		
– Administrative expenses	–	4,009
	17,438	33,616
Legal and professional fees	1,889	727
Operating lease charges in respect of:		
– Rented premises	461	602
– Office equipment	18	18
	479	620

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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current tax		
– Hong Kong Profits Tax		
– charged for the period	–	–

Hong Kong Profits Tax has been provided at the rate of 16.5% (three months ended 30 June 2017: 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 2018 (three months ended 30 June 2017: nil).

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:

	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Loss		
Loss attributable to owners of the Company	(11,772)	(10,273)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	7,967,501	7,680,000
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	7,967,501	7,684,419

The assumed exercise of the outstanding share options for the three months ended 30 June 2018 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.

10. SUBSEQUENT EVENTS

1. 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, Mr. Hon Hoi Chuen and Ms. Lin Shuxian has been appointed as an executive Director. Ms. Pang Xiaoli has been appointed as the chairman of the Board and the compliance officer of the Company;
 - (iv) each of Ms. Guan Yan, Mr. Zhao Jinsong and Mr. Li Zhongfei 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 Xiaoli and Mr. Hon Hoi Chuen were appointed as the authorized 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 comprises Mr. Zhao Jinsong, Mr. Li Zhongfei and Ms. Guan Yan. Mr. Zhao Jinsong acts as the chairman of the audit committee of the Company;
 - (ii) the remuneration committee of the Company comprises Mr. Zhao Jinsong, Mr. Li Zhongfei and Ms. Guan Yan. Mr. Li Zhongfei acts as the chairman of the remuneration committee of the Company; and
 - (iii) the nomination committee of the Company comprises Ms. Pang Xiaoli, Mr. Zhao Jinsong and Mr. Li Zhongfei. Ms. Pang Xiaoli acts as the chairman of the nomination committee of the Company.
2. References are made to the share offer and the option offer made by Emperor Securities Limited for and on behalf of Greatwalle Holding Limited, which were closed on 24 July 2018. Up to 24 July 2018, Greatwalle Holding Limited has received valid acceptances in respect of an aggregate of 815,366,154 shares under the share offer and valid acceptances in respect of an aggregate of 19,200,000 share options under the option offer. As at 24 July 2018, Greatwalle Holding Limited together with parties acting in concert with it held an aggregate of 4,611,626,154 shares, representing approximately 56.18% of the issued share capital of the Company. For details, please refer to the announcement jointly issued by the Company and Greatwalle Holding Limited dated 24 July 2018.
3. Reference is made to the announcement of the Company dated 7 August 2018 and the circular of the Company dated 6 August 2018 (the "**Circular**"), in relation to, among others, (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**"). The proposed Share Consolidation and proposed Change of Company Name are subject to approvals by the shareholders at the extraordinary general meeting of the Company to be held on Tuesday, 4 September 2018. For details, please refer to the Circular.

Saved as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2018 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the three months ended 30 June 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"**); and (iv) the provision of e-Education and security services (the **"e-Education"**) through China Bei Dou Communications Technology Group Limited* (**"China Bei Dou"**), an indirect subsidiary of the Company.

Manned Security Guarding Services

The Group is a manned security guarding services provider and it is licensed to provide security guarding services in Hong Kong under Type I security work in accordance with the Security Company License regime. The Group operates under the name **"KING FORCE"** and the services it offers aim to protect the safety of its customers, properties and assets and to maintain order in private events. The Manned Security Guarding Services offered by the Group include patrolling, access 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 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 ended 30 June 2018, the Group had 124 customers, including property management companies, schools, warehouse operators, property redevelopers and construction companies.

Mobile Gaming Business of an Associated Company

Magn Investment, an associated company of the Group in which the Company holds 45% equity interest, is an investment holding company of Magn Media (China) Holdings Limited, which is principally engaged in the research and development of computer and mobile software, including security software, advertisement sale management software, gaming platform operation software, payment software and office software; and operation of gaming products in the People's Republic of China (the **"PRC"**) through the VIE arrangement.

The Group's share of loss of its associated company for the three months ended 30 June 2018 decreased by approximately HK\$1,347,000 from approximately HK\$1,347,000 for the three months ended 30 June 2017 to nil for the three months ended 30 June 2018. Due to the Group's share of losses of its associate exceeds the Group's interest in its associate, the Group discontinues recognising its share of further losses for the three months ended 30 June 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. In order to keep up with the ever-changing market, the Group will closely monitor the industry trend and it is expected that Magn Media (China) Holdings Limited will launch more popular games in the near future.

Mobile Gaming Business

Guanhui Huyu, engaged in the mobile gaming business targeted at the overseas markets, has executive teams based in Hong Kong, Shanghai 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 three months ended 30 June 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 three months ended 30 June 2018, the Group did not derive any revenue from this segment.

SIGNIFICANT EVENTS DURING THE THREE MONTHS ENDED 30 JUNE 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, Greatwall Holding Limited (the “**Offeror**”) and the Company jointly made an announcement in connection with: (1) the sale and purchase of shares of King Force Group Holdings Limited, (2) possible mandatory conditional cash offers (the “**Offers**”) by Emperor Securities Limited for and on behalf of Greatwall Holding Limited 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 12 July 2018, and the Offers were closed on 24 July 2018.

Saved as disclosed in this report, the Directors are not aware of any significant event requiring disclosure that has taken place during the three months ended 30 June 2018 and up to the date of this report.

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.

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.

By the acquisition of Magn Investment and the launch of the mobile gaming publishing to the overseas market, the Group could tap into the mobile online game industry and capture the opportunities in the mobile online game and related solution industry. In addition, by utilising the Group's information technology related experiences, the synergy effect could be achieved with existing principal business of the Group through the acquisition of Magn Investment and the overseas mobile gaming business. Going forward, the Group will mainly publish massive online role-playing games and high spending online action role-playing games or simulation games, with the primary focus on Southeast Asia and in particular, Thailand and Taiwan. The next step would be to enter the European markets.

On 24 July 2018, the cash offers made by Greatwall Holding Limited to the Group were closed. 深圳長城匯理投資股份有限公司 (Shenzhen Great Wall Investment Corp., Ltd.), the controlling shareholder of Greatwall Holding Limited, operates in 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 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 three months ended 30 June 2017 and 2018, the Group's revenue was generated from the provision of Manned Security Guarding Services in Hong Kong. The following table sets forth the breakdown of the Group's revenue by types of contracts for the three months ended 30 June 2017 and 2018:

	Three months ended 30 June			
	2018		2017	
	HK\$'000	Percentage	HK\$'000	Percentage
Manned Security Guarding Services				
– Fixed	11,157	81.0%	26,904	85.0%
– Temporary	166	1.2%	761	2.4%
– Event	2,446	17.8%	3,988	12.6%
Total	13,769	100%	31,653	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\$17,884,000 or 56.5% from approximately HK\$31,653,000 for the three months ended 30 June 2017 to approximately HK\$13,769,000 for the three months ended 30 June 2018. The decrease in revenue was mainly due to (i) the decrease in the number of manned security guarding service contracts by approximately 47.0%; 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 2017 and 2018, the cost of services rendered, which mainly consists of direct guard cost, was approximately HK\$27,250,000 and HK\$15,353,000, representing approximately 86.1% and 111.5% 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 2018, the Group had a total of 815 employees, of which 753 were full-time and part-time guards providing manned security guarding and related services.

Gross loss

The Group's gross loss for the three months ended 30 June 2018 was approximately HK\$1,584,000, as compared with the gross profit of approximately HK\$4,403,000 in the same period last year. The charge 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 decreased by approximately HK\$3,437,000 or 25.0% from approximately HK\$13,753,000 for the three months ended 30 June 2017 to approximately HK\$10,316,000 for the three months ended 30 June 2018. The decrease in the Group's administrative expenses was mainly due to the decrease in amortisation of intangible assets, depreciation of property, plant and equipment and an absence of the recognition of the share option expenses recognised for the same period last year.

Finance costs

The Group's finance costs increased by approximately HK\$218,000 or 89.7% from HK\$243,000 for the three months ended 30 June 2017 to HK\$461,000 for the three months ended 30 June 2018. The increase in the finance costs was mainly due to the accrued interest on the promissory note for the three months ended 30 June 2018.

Share of result of an associate

The Group's share of loss of its associated company for the three months ended 30 June 2018 decreased by approximately HK\$1,347,000 from approximately HK\$1,347,000 for the three months ended 30 June 2017 to nil for the three months ended 30 June 2018. Due to the Group's share of losses of its associate exceeds the Group's interest in its associate, the Group discontinues recognising its share of further losses for the three months ended 30 June 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 did not perform well due to the high labour cost and the lower than expected demands.

Loss for the period

Loss attributable to owners of the Company for the three months ended 30 June 2018 increased by approximately HK\$1,499,000 from approximately HK\$10,273,000 for the three months ended 30 June 2017 to approximately HK\$11,772,000 for the three months ended 30 June 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; which was partially offset by (ii) the decrease in the Group's share of losses of its associate due to the Group discontinued recognising its share of further losses as mentioned above; and (iii) the decrease in administrative expenses, including the decrease in amortisation of intangible assets and depreciation of property, plant and equipment and an absence of the recognition of the share option expenses recognised for the same period last year.

Services contracts

During the three months ended 30 June 2018, the Group had entered into 122 renewed contracts, of which 119, 3 and 0 are fixed, temporary and event security guarding services contracts respectively. As at 30 June 2018, the Group had a total number of 50 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 30 June 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 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in the Shares and underlying Shares of the Company

Name	Capacity/nature	Number of shares, underlying Share held/interested	Approximate percentage of the total number of issued shares of the Company
Ms. Li Liping	Beneficial owner	64,000,000 (<i>Note</i>)	0.80%
Mr. Li Mingming	Beneficial owner	64,000,000 (<i>Note</i>)	0.80%
Mr. Ho Yuk Ming Hugo	Beneficial owner	6,400,000 (<i>Note</i>)	0.08%
Mr. Wan Tat Wai David	Beneficial owner	6,400,000 (<i>Note</i>)	0.08%
Mr. Xiong Hong	Beneficial owner	6,400,000 (<i>Note</i>)	0.08%

Note:

These long positions represent the share options granted by the Company on 30 June 2017 under the share option scheme adopted by the Company on 31 July 2014 (the "Share Option Scheme"). For details, please refer to the section headed "Share Option Scheme" below.

Save as disclosed above, as at 30 June 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 by the Directors as referred to in Rules 5.46 to 5.67 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 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:

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	3,796,260,000	47.16%
Song Xiaoming	Interest of corporation controlled by the substantial shareholder (Note)	3,796,260,000	47.16%
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)	3,796,260,000	47.16%
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)	3,796,260,000	47.16%
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)	3,796,260,000	47.16%

* For identification purposes only

Note:

According to information available to the Company, as at 30 June 2018, 3,796,260,000 were held by Greatwalle Holding Limited ("Greatwalle") in the capacity of beneficial owner. Greatwalle 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 3,796,260,000 shares of the Company held by Greatwalle 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 30 June 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 Share Option Scheme on 31 July 2014, which will remain in force for a period of 10 years from its effective date. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards them for their contribution. The Directors consider the Share Option 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 Share Option Scheme are summarised in the section headed "Share Option Scheme" in Appendix V to the prospectus of the Company dated 13 August 2014. The latest 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 Share Option Scheme was approved by the shareholders in the annual general meeting of the Company held on 18 August 2017.

The maximum entitlement of each participant under the Share Option Scheme shall not exceed 1% of the Shares in issue and an offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine, which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

As at 30 June 2018, the share options to subscribe for an aggregate of 179,200,000 Shares of the Company granted pursuant to the Share Option Scheme were outstanding. The details of the Share Option Scheme and the movements of the share options under the Share Option Scheme for the three months ended 30 June 2018 are set out as follows:

Category of Participants	Exercise price per share (HK\$)	Date of grant	Exercisable period (Note 1)	Number of share options					Outstanding as at 30 June 2018
				As at 1 April 2018	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	
Directors									
Ms. Li Liping	0.02	30 June 2017	30 June 2017 to 29 June 2020	64,000,000	-	-	-	-	64,000,000
Mr. Li Mingming	0.02	30 June 2017	30 June 2017 to 29 June 2020	64,000,000	-	-	-	-	64,000,000
Mr. Ho Yuk Ming Hugo	0.02	30 June 2017	30 June 2017 to 29 June 2020	6,400,000	-	-	-	-	6,400,000
Mr. Wan Tat Wai David	0.02	30 June 2017	30 June 2017 to 29 June 2020	6,400,000	-	-	-	-	6,400,000
Mr. Xiong Hong	0.02	30 June 2017	30 June 2017 to 29 June 2020	6,400,000	-	-	-	-	6,400,000
Other employees of the Group									
In aggregate	0.02	30 June 2017	30 June 2017 to 29 June 2020	211,200,000	-	179,200,000 (Note 2)	-	-	32,000,000

Notes:

- The share options were valid and effective for a period of three years from 30 June 2017. The exercise price of the share options is HK\$0.02 per option Share. All of the share options granted have no vesting period or vesting condition.
- The weighted average closing price of the Company's Shares disclosed by the Stock Exchange immediately before the exercise date of the share options 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 Share Option Scheme during the three months ended 30 June 2018. Save as disclosed above, no other share options were granted, exercised, cancelled or lapsed during the three months ended 30 June 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 three months ended 30 June 2018.

DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 30 June 2018 (three months ended 30 June 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 as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry to all the Directors, the Directors confirmed that they have complied with the required standard of dealings and the said guidelines regarding directors' securities transactions during the three months ended 30 June 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 three months ended 30 June 2018, except for CG Code provisions 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. Throughout the three months ended 30 June 2018, Mr. Chen Yunchuo was the chairman. During the three months ended 30 June 2018, the Company did 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 an audit committee (the "**Audit Committee**") with written terms of reference aligned with the provisions of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this report, the Audit Committee comprises Mr. Zhao Jinsong (chairman of the Audit Committee), Mr. Li Zhongfei and Ms. Guan Yan, all of which are independent non-executive Directors.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, this report and the first quarterly results announcement of the Group for the three months ended 30 June 2018. The condensed consolidated financial results for the three months ended 30 June 2018 are unaudited, but have been reviewed by the Audit Committee.

PRE-EMPTIVE RIGHTS

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

INTERESTS IN COMPETING BUSINESS

During the three months ended 30 June 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) at the relevant time 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.

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 2018.

EVENTS AFTER THE PERIOD

1. 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, Mr. Hon Hoi Chuen and Ms. Lin Shuxian has been appointed as an executive Director. Ms. Pang Xiaoli has been appointed as the chairman of the Board and the compliance officer of the Company;
- (iv) each of Ms. Guan Yan, Mr. Zhao Jinsong and Mr. Li Zhongfei has been appointed as an independent non-executive Director; and
- (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 Xiaoli 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 comprises Mr. Zhao Jinsong, Mr. Li Zhongfei and Ms. Guan Yan. Mr. Zhao Jinsong acts as the chairman of the audit committee of the Company;
- (ii) the remuneration committee of the Company comprises Mr. Zhao Jinsong, Mr. Li Zhongfei and Ms. Guan Yan. Mr. Li Zhongfei acts as the chairman of the remuneration committee of the Company; and
- (iii) the nomination committee of the Company comprises Ms. Pang Xiaoli, Mr. Zhao Jinsong and Mr. Li Zhongfei. Ms. Pang Xiaoli acts as the chairman of the nomination committee of the Company.

2. References are made to the share offer and the option offer made by Emperor Securities Limited for and on behalf of Greatwall Holding Limited which were closed on 24 July 2018. Up to 24 July 2018, Greatwall Holding Limited has received valid acceptances in respect of an aggregate of 815,366,154 shares under the share offer and valid acceptances in respect of an aggregate of 19,200,000 share options under the option offer. As at 24 July 2018, Greatwall Holding Limited 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 issued shares of the Company. For details, please refer to the announcement jointly issued by the Company and Greatwall Holding Limited dated 24 July 2018.
3. Reference is made to the announcement of the Company dated 7 August 2018 and the circular of the Company dated 9 August 2018 (the “**Circular**”), in relation to, among others, (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 “Greatwall 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**”). The proposed Share Consolidation and proposed Change of Company Name are subject to approvals by the shareholders at the extraordinary general meeting of the Company to be held on Tuesday, 4 September 2018. For details, please refer to the Circular.

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 2018 and up to the date of this report.

By order of the Board
KING FORCE GROUP HOLDINGS LIMITED
Pang Xiaoli
Chairman and executive Director

Hong Kong, 13 August 2018

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

* *For identification purpose only*