
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Offer Document or as to the actions to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in King Force Group Holdings Limited, you should at once hand this Composite Offer Document and the accompanying Forms of Acceptance and Transfer to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The Stock Exchange of Hong Kong Limited and Hong Kong Exchanges and Clearing Limited take no responsibility for the contents of this Composite Offer Document, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Offer Document.

GREATWALLE HOLDING LIMITED

(Incorporated in Hong Kong with limited liability)

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)

COMPOSITE OFFER DOCUMENT RELATING TO THE MANDATORY CONDITIONAL CASH OFFERS BY



英皇證券(香港)有限公司
Emperor Securities Limited

**FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
KING FORCE GROUP HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)
AND
TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF
KING FORCE GROUP HOLDINGS LIMITED**

Financial adviser to the Offeror



**GREAT WALL PAN ASIA
CORPORATE FINANCE**

Independent Financial Adviser to the Independent Board Committee



Crescendo Capital Limited

Capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Offer Document.

A letter from Emperor Securities is set out on pages 7 to 19 of this Composite Offer Document. A letter from the Board is set out on pages 20 to 26 of this Composite Offer Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 27 to 28 of this Composite Offer Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 29 to 49 of this Composite Offer Document.

The procedures for acceptance of the Offers and other related information are set out in Appendix I to this Composite Offer Document and in the accompanying Forms of Acceptance and Transfer. Acceptance of the Share Offer should be received by the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, and acceptance of the Option Offer should be received by the company secretary of the Company, at Unit 1101, No.118, Connaught Road West, Sai Ying Pun, Hong Kong, in each case by no later than 4:00 p.m. on Thursday, 21 June 2018 or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

31 May 2018

CHARACTERISTICS OF GEM

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.

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

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be jointly made by the Offeror and the Company in the event of any changes to the timetable as and when appropriate. All time and date references contained in this Composite Offer Document and accompanying Forms of Acceptance and Transfer refer to Hong Kong time and dates.

Event	Time & Date
Despatch date of this Composite Offer Document and the accompanying Forms of Acceptance and Transfer (<i>Note 1</i>)	Thursday, 31 May 2018
Offers open for acceptance (<i>Note 1</i>)	Thursday, 31 May 2018
Latest time and date for acceptance of the Offers on the first Closing Date (<i>Notes 2, 4, 6 and 8</i>)	by 4:00 p.m. on Thursday, 21 June 2018
First Closing Date (<i>Notes 2, 4 and 8</i>)	Thursday, 21 June 2018
Announcement of the results of the Offers as at the first Closing Date on the website of the Stock Exchange (<i>Notes 2, 4 and 8</i>)	by 7:00 p.m. on Thursday, 21 June 2018
Latest date of posting of remittances in respect of valid acceptances received under the Offers on the first Closing Date (assuming the Offers become or are declared unconditional on the first Closing Date) (<i>Notes 3, 4, 5 and 8</i>)	Tuesday, 3 July 2018
Latest time and date for the Offers remaining open for acceptances on the final Closing Date (assuming the Offers become or are declared unconditional on the first Closing Date) (<i>Notes 4, 5 and 8</i>)	by 4:00 p.m. on Thursday, 5 July 2018
Final Closing Date (<i>Notes 4, 5 and 8</i>)	Thursday, 5 July 2018
Announcement of the results of the Offers as at the final Closing Date on the website of the Stock Exchange	by 7:00 p.m. on Thursday, 5 July 2018

EXPECTED TIMETABLE

Event	Time & Date
Latest date of posting of remittances in respect of valid acceptances received under the Offers on the final Closing Date, being the latest date on which the Offers remain open for acceptances (assuming the Offers become or are declared unconditional on the first Closing Date) (<i>Notes 3 and 8</i>)	Monday, 16 July 2018
Latest time and date by which the Offers can become or be declared unconditional as to acceptances (<i>Notes 7</i>)	by 4:00 p.m. on Monday, 30 July 2018

Notes:

- 1 The Offers, which are conditional, are made on Thursday, 31 May 2018, the date of this Composite Offer Document, and are capable of acceptance on and from that date until the Closing Date.
- 2 In accordance with the Takeovers Code, the Offers must be open for acceptance for at least 21 days following the date on which this Composite Offer Document is posted. The latest time for acceptance of the Offers is 4:00 p.m. on the first Closing Date unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offers until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on the first Closing Date stating the results of the Offers and whether the Offers have been revised or extended or have expired. In the event that the Offeror decides to extend the Offers, the announcement will state the next closing date of the Offers or that the Offers will remain open until further notice. In the latter case, at least 14 days' notice by way of announcement will be given before the Offers are closed to those Independent Shareholders or Optionholders who have not accepted the Offers.
- 3 Subject to the Offers becoming unconditional, remittances in respect of the cash consideration payable for the Offer Shares (after deducting the seller's ad valorem stamp duty in respect of acceptances of the Share Offer) or the Share Options tendered under the Option Offer will be despatched to accepting Independent Shareholders or Optionholders (as the case may be) by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the later of (i) the date of receipt by the Registrar or the company secretary of the Company (as the case may be) of all the duly completed and signed Forms of Acceptance and Transfer and the relevant documents to render the acceptance under the Offers complete and valid and (ii) the date on which the Offers become or are declared unconditional in all respects.
- 4 Acceptance of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the paragraph headed "8. Right of Withdrawal" in Appendix I to this Composite Offer Document.
- 5 In accordance with the Takeovers Code, where the Offers become or are declared unconditional in all respects, the Offers should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Offers are closed. The Offeror has the right, subject to the Takeovers Code, to extend the Offers until such date as it may determine or as permitted by the Executive, in accordance with the Takeovers Code. The Offeror will issue an announcement in relation to any extension of the Offers, which will state the next closing date or, if the Offers have become or are at that time unconditional, that the Offers will remain open until further notice.
- 6 Beneficial owners of Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Offer Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

EXPECTED TIMETABLE

- 7 In accordance with the Takeovers Code, except with the consent of the Executive, the Offers may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day of this Composite Offer Document is posted. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offers have previously become unconditional as to acceptances, the Offers will lapse on Monday, 30 July 2018 unless extended by the Offeror with the consent of the Executive and in accordance with the Takeovers Code. Therefore, the last day by which the Offers can become or be declared unconditional in all respects is Monday, 30 July 2018.
- 8 The latest time and date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances will be varied if there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning, (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the Closing Date for acceptance of the Offers, the latest time for acceptance of offer will remain at 4:00 p.m. on the same Business Day; or (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers and the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances. Instead the latest time and date for acceptance of the Offers and the latest date for posting of remittances will be rescheduled to 4:00 p.m. on the next following Business Day on which neither of those warnings is in force at any time between 9:00 a.m. and 4:00 p.m.

Save as mentioned above, if the latest time for the acceptance of the Offers and the posting of remittances do not take effect on the date and time as stated above, other dates mentioned above may be affected. The Offeror and the Company will jointly notify the Independent Shareholders and the Optionholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

IMPORTANT NOTICES

NOTICE TO HOLDERS OUTSIDE OF HONG KONG

The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Holders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements.

It is the responsibility of any such person who wishes to accept the Offers to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes or other required payments due from him/her/it as a result of acceptances in respect of such jurisdiction.

The Offeror and parties acting in concert with it, the Company, Great Wall Corporate Finance, Emperor Securities, Crescendo Capital, the Registrar, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Offers shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay.

Please refer to the paragraph headed “Overseas Holders” in the “Letter from Emperor Securities” of this Composite Offer Document for further information.

DEFINITIONS

In this Composite Offer Document, unless the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	means: <ul style="list-style-type: none">(i) a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours(ii) for all other purposes, a day on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	21 June 2018, the first closing date of the Offers (which is 21 days after the date on which this Composite Offer Document is posted) or if the Offers is extended, any subsequent closing date of the Offers as extended and announced by the Offeror in accordance with the Takeovers Code
“Company”	King Force Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM (stock code: 8315)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
“Composite Offer Document”	this composite offer and response document jointly issued by the Offeror and the Company in accordance with the Takeovers Code, setting out, among others, details of the Offers, recommendation from the Independent Board Committee to the Independent Shareholders and Optionholders and the advice from the Independence Financial Adviser to the Independent Board Committee in respect of the Offers

DEFINITIONS

“Crescendo Capital” or “Independent Financial Adviser”	Crescendo Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee as to whether the terms of the Offers are fair and reasonable and as to their acceptance
“Director(s)”	director(s) of the Company from time to time
“Emperor Securities”	Emperor Securities Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities
“Encumbrances”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Facility”	a loan facility of up to HK\$239,000,000 granted by Emperor Securities to the Offeror
“Form(s) of Acceptance and Transfer”	the Form of Share Offer Acceptance and/or the Form of Option Offer Acceptance (as the case may be), and “Form of Acceptance” means either of them in respect of the Offers which accompanies this Composite Offer Document
“Form of Option Offer Acceptance”	the pink form of acceptance in respect of the Option Offer accompanying this Composite Offer Document
“Form of Share Offer Acceptance”	the white form of acceptance in respect of the Share Offer accompanying this Composite Offer Document
“GEM”	the GEM of the Stock Exchange
“Group”	the Company together with the subsidiaries and the expressions “member of the Group” and “Group Company” shall be construed accordingly
“Great Wall Corporate Finance”	Great Wall Pan Asia Corporate Finance Limited, a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the financial adviser to the Offeror in respect of the Offers

DEFINITIONS

“Great Walle Capital Management”	深圳長城匯理資產管理有限公司 (Shenzhen Great Walle Capital Management Co., Ltd.)
“Great Walle Investment”	深圳長城匯理投資股份有限公司 (Shenzhen Great Walle Investment Corp., Ltd.*)
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Huili Jiu Hao Investment”	深圳匯理九號投資諮詢企業(有限合伙) (Shenzhen Huili Jiu Hao Investment Consulting Enterprise Limited Partnership*), a limited partnership
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hongde Business Services”	深圳弘德商務服務有限公司 (Shenzhen Hongde Business Services Co., Limited*)
“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors, namely Mr. Xiong Hong, Mr. Wan Tat Wai David and Mr. Ho Yuk Ming Hugo, which has been established by the Company to advise the Independent Shareholders and Optionholders in relation to the terms and conditions of the Offers
“Independent Shareholders”	in respect of the Share Offer, the holders of Shares, other than the Offeror and parties acting in concert with it
“Joint Announcement”	the announcement jointly published by the Company and the Offeror dated 27 April 2018 in relation to, among other things, the Sale and Purchase Agreement and the Offers
“Last Trading Day”	25 April 2018, being the last trading day of the Shares immediately prior to the trading halt of the Shares on the Stock Exchange commencing at 9:00 a.m. on 26 April 2018
“Latest Practicable Date”	28 May 2018, being the latest practicable date prior to the printing of this Composite Offer Document for ascertaining certain information in this Composite Offer Document
“Listing Rules”	the Rules Governing the Listing of Securities on GEM
“May 2018 Profit Warning Announcement”	the profit warning announcement published by the Company dated 16 May 2018
“Mr. Song”	Mr. Song Xiaoming

DEFINITIONS

“Nansha Huiming”	廣州南沙區匯銘投資業務有限公司 (Guangzhou Nansha Huiming Investment Business Company Limited*)
“Offers”	the Share Offer and the Option Offer
“Offer Period”	the period from 27 April 2018, being the date of the Joint Announcement, to 4:00 p.m. on the Closing Date (or such later time and/or date to which the Offeror may decide to extend the Offers in accordance with the Takeovers Code)
“Offer Price”	the price at which the Share Offer is made, being HK\$0.037 per Offer Share payable by the Offeror to the Shareholders for each Offer Share accepted under the Share Offer
“Offer Share(s)”	all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it when the Share Offer is made
“Offeror” or “Purchaser”	Greatwalle Holding Limited, a company incorporated in Hong Kong with limited liability, which is ultimately controlled by Mr. Song
“Option Offer”	the mandatory conditional cash offer that is being made by Emperor Securities for and on behalf of the Offeror for the cancellation of all outstanding Share Options in compliance with the Takeovers Code in accordance with the terms and conditions set out in this Composite Offer Document
“Option Offer Price”	the price at which the Option Offer will be made, being HK\$0.017 per Share Option payable by the Offeror to the Optionholders for cancellation of each Share Option under the Option Offer
“Optionholder(s)”	the registered holder(s) of the Share Options
“Overseas Holders”	the Overseas Shareholders and/or the Overseas Optionholders, as the case may be
“Overseas Optionholder(s)”	the Optionholder(s) whose address(es), as shown on the register of Optionholders of the Company, is(are) outside Hong Kong
“Overseas Shareholder(s)”	the Independent Shareholder(s) whose address(es), as shown on the register of members of the Company, is(are) outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this Composite Offer Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, located at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing on the date which is six months immediately prior to the date of the Joint Announcement (i.e. 27 October 2017) up to and including the Latest Practicable Date
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 25 April 2018 entered into among the Vendor and the Purchaser in respect of the sale and purchase of the Sale Shares
“Sale Shares”	1,304,000,000 Shares, representing approximately 16.36% of the issued share capital of the Company as at the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	share(s) with a par value of HK\$0.001 each in the share capital of the Company
“Share Offer”	the mandatory conditional cash offer made by Emperor Securities for and on behalf of the Offeror for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in compliance with the Takeovers Code in accordance with the terms and conditions or set out in this Composite Offer Document
“Share Options”	the options granted or may be granted to the grantees under the Share Option Scheme
“Share Option Scheme”	the share option scheme that was approved and adopted by the Company on 31 July 2014
“Shareholder(s)”	the holder(s) of issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Unconditional Date”	the date on which the Offers have become or are declared unconditional in all respects

DEFINITIONS

“Vendor”	Mr. Chen Yunchuo, the Chairman of the Company and an executive Director
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

Notes:

1. All time and date references contained in this Composite Offer Document refer to Hong Kong times and dates.
2. Certain amounts and percentage figures in this Composite Offer Document have been subject to rounding adjustments.
3. The singular includes the plural and vice versa, unless the context otherwise requires.
4. References to any appendix, paragraph and any sub-paragraphs of them are references to the appendices to, and paragraphs of, this Composite Offer Document and any sub-paragraphs of them respectively.
5. References to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Composite Offer Document.
6. Reference to one gender is a reference to all or any genders.
7. All terms marked with asterisk “*” are for identification purpose only.

LETTER FROM EMPEROR SECURITIES



英皇證券(香港)有限公司

Emperor Securities Limited

23-24F, Emperor Group Centre,

288 Hennessy Road

Wanchai

Hong Kong

31 May 2018

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFERS BY
EMPEROR SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF KING FORCE
GROUP HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO
BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT) AND
TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF
KING FORCE GROUP HOLDINGS LIMITED**

1. INTRODUCTION

Reference is made to the Joint Announcement. On 25 April 2018 (after trading hours), the Offeror and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Offeror conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares, representing approximately 16.36% of the entire issued share capital of the Company as at the date of the Joint Announcement. The consideration for the Sale Shares pursuant to the Sale and Purchase Agreement is HK\$48,248,000, equivalent to HK\$0.037 per Sale Share. Completion took place on 30 April 2018.

As at the date of the Joint Announcement and immediately before Completion, the Offeror directly held 1,786,000,000 Shares, representing approximately 22.40% of the issued share capital of the Company. Immediately after the Completion, the Offeror was interested in a total of 3,090,000,000 Shares, representing approximately 38.76% of the entire issued share capital of the Company.

Pursuant to Rule 26.1 and Rule 13 of the Takeovers Code, the Offeror is required to make mandatory conditional cash offers for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it), and to cancel all outstanding Share Options.

LETTER FROM EMPEROR SECURITIES

On 30 April 2018, 2 May 2018, 9 May 2018, 10 May 2018 and 11 May 2018, the Offeror further acquired an aggregate of 269,980,000 Shares on the market. As at the Latest Practicable Date, the Offeror held 3,359,980,000 Shares, which represented approximately 42.15% of the issued share capital of the Company.

This letter forms part of this Composite Offer Document which sets out, among other things, the details of the Offers, information on the Offeror and the intention of the Offeror regarding the Group. Further details of terms and procedures of acceptance of the Offers are set out in Appendix I to this Composite Offer Document and the accompanying Forms of Acceptance and Transfer.

Independent Shareholders and Optionholders are encouraged to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” as set out in this Composite Offer Document and to consult their professional advisers before deciding whether or not to accept the Offers.

2. THE OFFERS

Emperor Securities is, on behalf of the Offeror, making the mandatory conditional cash offers for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and to cancel all outstanding Share Options on the terms set out in this Composite Offer Document in accordance with Rules 26.1 and 13 of the Takeovers Code respectively, on the following basis:

Principal terms of the Offers

The Share Offer

As at the Latest Practicable Date, there were 7,972,194,432 Shares in issue and the Offeror and parties acting in concert with it were interested in 3,359,980,000 Shares, representing approximately 42.15% of the issued share capital of the Company.

For each Offer Share HK\$0.037 in cash

The Offer Price of HK\$0.037 per Offer Share under the Share Offer is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attached thereto, including but not limited to the right to receive all dividends and distributions which may be paid, made or declared on or after the date on which the Share Offer is made, being the date of posting of this Composite Offer Document. Further details of the terms of the Share Offer and the procedures for acceptance are set out in Appendix I to this Composite Offer Document and the accompanying Form of Share Offer Acceptance.

LETTER FROM EMPEROR SECURITIES

The Option Offer

As at the Latest Practicable Date, there were 256,000,000 outstanding Share Options conferring rights to the holders thereof to subscribe for 256,000,000 Shares at the exercise price of HK\$0.02 per Share, exercisable from 30 June 2017 to 29 June 2020. As at the Latest Practicable Date, the Offeror and parties acting in concert with it did not hold any Share Option.

For cancellation of each Share Option HK\$0.017 in cash

The Option Offer Price of HK\$0.017 for cancellation of each Share Option under the Option Offer represents the difference between the exercise price of HK\$0.02 per Share Option and the Offer Price.

The Option Offer will be extended to all Optionholders in accordance with the Takeovers Code.

The outstanding Share Options are valid and effective for a period of three years from the date of grant of share options. Pursuant to the terms of the Share Option Scheme, in the event of a general offer becoming or being declared unconditional, the grantee of the Share Options shall be entitled to exercise the Share Options in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the Share Offer becomes or is declared unconditional. Further details of the terms of the Option Offer and the procedures for acceptance are set out in Appendix I to this Composite Offer Document and the accompanying Form of Option Offer Acceptance.

Comparison of Value

The Offer Price of HK\$0.037 per Offer Share represents:

- (i) a premium of approximately 2.78% to the closing price of HK\$0.036 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 8.82% to the average closing price of HK\$0.034 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 12.12% to the average closing price of approximately HK\$0.033 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 131.25% to the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.016 per Share as at 31 March 2017, based on the Company's audited consolidated net asset value attributable to the owners of the Company of approximately HK\$125,073,000 as at 31 March 2017 and 7,972,194,432 Shares in issue as at the Latest Practicable Date;

LETTER FROM EMPEROR SECURITIES

- (v) a premium of approximately 164.29% to the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.014 per Share as at 30 September 2017, based on the Company's unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$114,457,000 as at 30 September 2017 and 7,972,194,432 Shares in issue as at the Latest Practicable Date; and
- (vi) a premium of approximately 2.78% to the closing price of HK\$0.036 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share prices

During the Relevant Period, the highest closing price per Share as quoted on the Stock Exchange was HK\$0.039 on 14 May 2018, and the lowest closing price per Share as quoted on the Stock Exchange was HK\$0.022 on 19 January 2018, 23 January 2018, 26 January 2018 and 30 January 2018.

Condition of the Offers

The Share Offer is conditional on valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Shares which, together with the Shares acquired or agreed to be acquired before or during the Share Offer, would result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company in accordance with the Takeovers Code.

The Option Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects. Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

Completion of the Offers

The Offeror will issue an announcement in relation to the revision, extension or lapse of the Offers or the fulfilment of the conditions to the Offers in accordance with the Takeovers Code and the Listing Rules. The latest time on which the Offeror can declare the Offers unconditional as to acceptance is 7:00 p.m. on the 60th day after the posting of the Composite Offer Document (or such later date which the Executive may consent).

Effect of accepting the Offers

Subject to the Offers becoming unconditional, by accepting the Share Offer, the Independent Shareholders will sell their Shares free from all Encumbrances and together with all rights attached thereto, including but not limited to the right to receive all dividends and distributions which may be paid, made or declared on or after the date on which the Share Offer is made, being the date of the posting of the Composite Offer Document.

LETTER FROM EMPEROR SECURITIES

Subject to the Offers becoming unconditional, by accepting the Option Offer, the Share Options relating to the relevant Optionholder will be cancelled and renounced together with all rights attaching thereto on or after the date on which the Option Offer is made, being the date of the posting of the Composite Offer Document.

Acceptance of the Offers by any Independent Shareholder and/or Optionholder will be deemed to constitute a warranty by such person that all the Offer Shares and/or Share Options sold and/or tendered for cancellation (as the case may be) by such person under the Offers are free from all Encumbrances and with all rights attached thereto, including but not limited to the right to receive all dividends and distributions which may be paid, made or declared, if any, on or after the date on which the Offers are made, being the date of this Composite Offer Document.

Acceptance of the Offers shall be irrevocable and would not be capable of being withdrawn, except as permitted under the Takeovers Code.

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty on acceptances of the Share Offer at a rate of 0.1% of the consideration payable in respect of the relevant acceptances by the Shareholders or if higher, the market value of the Shares, will be deducted from the amount payable to the Shareholders who accept the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptance of the Option Offer.

Payment

Provided that the Offers have become, or have been declared, unconditional in all respects, settlement of the consideration in respect of acceptances of the Offers will be made as soon as practicable but in any event within seven (7) Business Days of the later of the date of receipt of duly completed and valid acceptances in respect of the Offers and the Unconditional Date.

Taxation advice

The Independent Shareholders and/or the Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror and the parties acting in concert with it, Emperor Securities, Great Wall Corporate Finance, the Company, and their respective directors, officers, agents or associates or any other person involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

LETTER FROM EMPEROR SECURITIES

Overseas Holders

The Offeror intends to make the Offers available to all Independent Shareholders and Optionholders respectively, including those who are not resident in Hong Kong.

As the Offers to persons not residing in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Holders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offers.

It is the responsibility of the Overseas Holders who wish to accept the Share Offer and/or the Option Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer and/or the Option Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

The Offeror will comply with the requirements of the Takeovers Code in respect of the Overseas Holders.

Any acceptance by any Overseas Holder will be deemed to constitute a representation and warranty from such Overseas Holder to the Offeror that the local laws and requirements have been complied with. The Overseas Holders should consult their professional advisers if in doubt.

Total value of the Offers

As at the Latest Practicable Date, the Company has (i) 7,972,194,432 Shares in issue; and (ii) 256,000,000 outstanding Share Options conferring rights to the holders thereof to subscribe for 256,000,000 Shares. As at the Latest Practicable Date, the Offeror held 3,359,980,000 Shares, which represented approximately 42.15% of the issued share capital of the Company. As such, 4,612,214,432 Shares will be subject to the Share Offer.

Other than the Share Options, the Company has no other outstanding shares, options, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) that carry a right to subscribe for or which are convertible into Shares. As at the Latest Practicable Date, the Offeror and parties acting in concert with it did not hold any Share Option.

LETTER FROM EMPEROR SECURITIES

Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Closing Date, (i) based on the Offer Price of HK\$0.037 per Offer Share, the Share Offer is valued at approximately HK\$170,651,933.98; and (ii) based on the Option Offer Price of HK\$0.017 per Share Option, the Option Offer is valued at HK\$4,352,000. Assuming all the outstanding Share Options are exercised in full by the Optionholders from the date of this Composite Offer Document up to the Closing Date, the total number of issued Shares would increase to 8,228,194,432 Shares, of which 4,868,214,432 Shares are subject to the Share Offer and the value of the Share Offer will be approximately HK\$180,123,933.98.

Financial resources available to the Offeror

The Offeror intends to finance the Offers by the Facility granted from Emperor Securities, which is secured by a charge over (i) the Shares held by the Offeror and acquired by the Offeror under the Sale and Purchase Agreement and the Offer Shares which are or will be deposited into a margin account opened with Emperor Securities; (ii) the net sum of available cash balance standing at the relevant margin account of the Offeror; (iii) the issued shares held by the sole shareholder of the Offeror and all further shares of the Offeror at any time beneficially owned by the sole shareholder of the Offeror; (iv) the indebtedness outstanding due by the Company to each of the Offeror and Mr. Song from time to time; and (v) the indebtedness outstanding due by the Offeror to each of Nansha Huiming, the immediate shareholder of the Offeror, and Mr. Song from time to time.

Great Wall Corporate Finance, being the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient resources are available to the Offeror to satisfy the full acceptance of the Offers.

The Offeror confirms that the payment of interest on, repayment of or security for any liability in relation to the Facility will not be dependent on the business of the Group.

INFORMATION OF THE GROUP

Details of the information on the Group are set out in the paragraph headed “Information on the Group” in the “Letter from the Board” in this Composite Offer Document.

INFORMATION OF THE OFFEROR

The Offeror was incorporated in Hong Kong on 29 December 2017, which is principally engaged in investment consulting and business management. It is wholly-owned by Nansha Huiming which is in turn held as to 99.9995% by Huili Jiu Hao Investment, and as to 0.0005% by Mr. Song. Mr. Song is the sole director of the Offeror.

LETTER FROM EMPEROR SECURITIES

Huili Jiu Hao Investment is held as to 0.20% by 龐曉莉 (Pang Xiaoli*), and as to 99.80% by Great Walle Investment which is ultimately controlled by Mr. Song (as to approximately 70.9357% directly, and as to approximately 21.9995% indirectly through a wholly-owned company, Hongde Business Services). The remaining equity interest of approximately 7.0647% in Great Walle Investment is held as to approximately 1.2185% by 龐曉莉 (Pang Xiaoli*), as to approximately 0.4950% by 深圳明鉞科技有限公司 (Shenzhen Mingyue Technology Company Limited*)(a company wholly owned by 龐曉莉 (Pang Xiaoli*)), as to approximately 2.0751% by 深圳凱普隆資產管理有限公司 (Shenzhen Kai Pulong Asset Management Company Limited*) (a company wholly-owned by 李俞霖 (Li Yulin*)), as to approximately 0.2725% by 何寶芸 (He Baoyun*), approximately 1.2573% by 楊興航 (Yang Xinghang*), as to approximately 0.5013% by 古開華 (Gu Kaihua*), as to approximately 0.4150% by 石朝民 (Shi Chaomin*), as to approximately 0.4150% by 羅韜 (Luo Ren*), and as to approximately 0.4150% by 房進賢 (Fang Jinxian*).

龐曉莉 (Pang Xiaoli*), 深圳明鉞科技有限公司 (Shenzhen Mingyue Technology Company Limited*), 深圳凱普隆資產管理有限公司 (Shenzhen Kai Pulong Asset Management Company Limited*), 李俞霖 (Li Yulin*), 何寶芸 (He Baoyun*), 楊興航 (Yang Xinghang*), 古開華 (Gu Kaihua*), 石朝民 (Shi Chaomin*), 羅韜 (Luo Ren*) and 房進賢 (Fang Jinxian*), are together referred to as the “**Minority Shareholders**”.

Due to their respective indirect shareholdings in the Offeror, the Minority Shareholders are deemed to be parties acting in concert with the Offeror. As at the Latest Practicable Date, none of the Minority Shareholders is a Shareholder.

Great Walle Investment and its subsidiaries operate the investment businesses in the PRC. It is also principally engaged in the provision of entrusted asset management services and investment management services through its subsidiaries.

Mr. Song, aged 43, graduated from the Sun Yat-Sen University of China with a bachelor of economics degree in June 1997 and received an executive master of business administration degree from the Tsinghua University of China in January 2014. Mr. Song is the founder of Great Walle Capital Management, which is a company incorporated in May 2013 and principally engaged in the provision of entrusted asset management services. He is the chairman of Great Walle Capital Management since May 2013 and chairman of Great Walle Investment since July 2015. Prior to joining Great Walle Capital Management, from January 2007 to May 2008, Mr. Song was the vice president of 岳陽恒立冷氣設備股份有限公司 (Yueyang Hengli Air-cooling Equipment, Inc.*), a company listed on the Shenzhen stock exchange (stock code: 000622), which is principally engaged in manufacturing, installation, maintenance and sales of car air-conditioning equipment. From May 2012 to May 2013, Mr. Song was the chairman of 杭州天目山藥業股份有限公司 (Hangzhou TianMuShan Pharmaceutical Enterprise Co., Ltd*), a company listed on the Shanghai stock exchange (stock code: 600671), which is principally engaged in the production of Chinese medicine and health food products. Save for the shareholding interest in the Company, Mr. Song is not a substantial shareholder of any other listed companies in Hong Kong as at the Latest Practicable Date.

LETTER FROM EMPEROR SECURITIES

THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

Following the close of the Offers, the Offeror intends that the Group will continue with its existing businesses. Leveraging on the experience of the management team and holding companies of the Offeror in the investment sector, and subject to Completion, the Offeror will explore possible business opportunities in the investment industry for the Group. The Offeror will also conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, the Offeror may explore other business opportunities for the Group and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. Should such corporate actions materialise, further announcement(s) will be made by the Company in accordance with the Listing Rules.

As at the Latest Practicable Date, the Offeror had no intention to redeploy the fixed assets of the Company or to terminate any employment of the employees of the Group or to make significant changes to any employment (except for the proposed change of Board composition as detailed in the section headed “PROPOSED CHANGE OF BOARD COMPOSITION” set out below) other than those in the ordinary and usual course of business, and had no definitive plan or intention for disposal of the existing business of the Group and/or acquisition of business or asset by the Group. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's businesses and operations to optimize the value of the Group.

PROPOSED CHANGE OF BOARD COMPOSITION

The Board is currently made up of seven Directors, comprising four executive Directors and three independent non-executive Directors.

As at the Latest Practicable Date, all the current Directors (other than Mr. Xiong Hong) have tendered their resignation to the Board with effect from the earliest time as allowed under the Takeovers Code.

The Offeror intends to nominate three executive Directors, namely Ms. Pang Xiaoli, Mr. Hon Hoi Chuen and Ms. Lin Shuxian and three independent non-executive Directors, namely Ms. Guan Yan, Mr. Zhao Jinsong and Mr. Li Zhongfei, to the Board after posting of this Composite Offer Document. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules. Further announcement(s) will be made upon any appointment of new Directors.

The biographical details of Ms. Pang Xiaoli, Mr. Hon Hoi Chuen, Ms. Lin Shuxian, Ms. Guan Yan, Mr. Zhao Jinsong and Mr. Li Zhongfei (together, the “**New Directors**”) are set out below:

LETTER FROM EMPEROR SECURITIES

Proposed executive Directors

Ms. Pang Xiaoli* (龐曉莉) (“**Ms. Pang**”), aged 39, is the executive director and chief financial officer of Great Walle Investment. She joined Great Walle Investment in May 2013.

Ms. Pang obtained a bachelor degree in Economics from the Dongbei University of Finance and Economics in July 2002.

Mr. Hon Hoi Chuen (韓海川) (“**Mr. Hon**”), aged 43, is the executive director of Great Walle Investment. In 2017, Mr. Hon was the vice president of First Capital Fund Management Company Limited* (首控基金管理有限公司), a wholly owned subsidiary of China First Capital Group Limited which is listed on the Stock Exchange (stock code: 1269), and from September 2012 to December 2015, he worked for Henan Agri-investment Fund Co., Ltd.* (河南農開投資基金管理有限公司) and his last position was the deputy general manager. From April 1999 to August 2012, he also held positions in various departments of Bank of China Hong Kong, including the Corporate Banking, Financial Institutions and Product Management Department.

Mr. Hon obtained a bachelor degree in International Finance from Sun Yat-sen University in the PRC in June 1997.

Ms. Lin Shuxian* (林淑嫻) (“**Ms. Lin**”), aged 36, is the deputy investment director of the Investment Department at Great Walle Investment. From November 2007 to May 2009, Ms. Lin was the financial analyst at the Business Valuation Department of Shenzhen Branch, Jones Lang LaSalle Sallmanns (Beijing) Consultants Limited* (仲量聯行西門(北京)諮詢有限公司深圳分公司) (currently renamed as Shenzhen Branch, Jones Lang LaSalle (Beijing) Consultants Limited* (仲量聯行(北京)諮詢有限公司深圳分公司)). From November 2009 to September 2015, Ms. Lin was the senior manager at the Investment Banking Department of First Shanghai Venture Capital Management (Shenzhen) Co., Ltd..

Ms. Lin obtained a master of science degree in Financial Decision Analysis from the University of Portsmouth in July 2007.

Proposed independent non-executive Directors

Ms. Guan Yan (管妍) (“**Ms. Guan**”), aged 37, was employed by Peregrine Services Limited, the service company of Herbert Smith Freehills Hong Kong from November 2003 to September 2007 and her last position was legal manager of that company. From January 2008 to March 2018, Ms. Guan held various positions at Shearman & Sterling, Hong Kong Office (including legal assistant, registered foreign lawyer, assistant solicitor and consultant).

Ms. Guan obtained a bachelor degree in Laws from the Peking University in July 2002, a master of Laws from University College London in November 2003 and a master of Laws in corporate law degree from the New York University in May 2006.

LETTER FROM EMPEROR SECURITIES

Mr. Zhao Jinsong* (趙勁松) (“**Mr. Zhao**”), aged 42, worked in 中華人民共和國審計署駐深圳特派員辦事處 (Shenzhen Branch, National Audit Office of the People’s Republic of China*) from July 2000 to June 2017, and his last position was the Commissioner of that office.

Mr. Zhao obtained a bachelor’s degree in International Finance from the Sun Yat-sen University in the PRC in June 1997. He further obtained a master of Finance degree from the Sun Yat-sen University in the PRC in June 2000.

Mr. Zhao was accredited as a member of The Association of Chartered Certified Accountants in November 2006, a fellow member of The Association of Chartered Certified Accountants in April 2012 and was granted the designation of Financial Risk Manager from the Global Association of Risk Professionals in March 2017.

Mr. Li Zhongfei* (李仲飛) (“**Mr. Li**”), aged 54, is currently a professor and executive dean of Sun Yat-sen Business School and dean of Academy of Entrepreneurship of Sun Yat-sen University in the PRC. Mr. Li is also a member of editorial board of Journal of Sun Yat-sen University (Social Science Edition).

Mr. Li obtained a bachelor of science from Lanzhou University in the PRC in July 1985, and then a master of science from Inner Mongolia University in the PRC in June 1990. He further obtained a Ph.D. in Management from the Academy of Mathematics and Systems Science of the Chinese Academy of Sciences in the PRC in August 2000.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange upon closing of the Offers. The sole director of the Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offers.

The Stock Exchange had stated that if, upon closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, it would consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.

Therefore, upon completion of the Offers, there may be insufficient public float of the Shares and trading in the Shares may be suspended until sufficient public float exists for the Shares.

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offers.

LETTER FROM EMPEROR SECURITIES

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and the acceptance period as set out in Appendix I to this Composite Offer Document and the accompanying Forms of Acceptance and Transfer.

GENERAL

To ensure equality of treatment to all Independent Shareholders, those registered Independent Shareholders who hold any Offer Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to accept the Share Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Share Offer. The attention of Independent Shareholders with registered addresses outside Hong Kong is also drawn to the paragraph headed “10. OVERSEAS HOLDERS” in Appendix I to this Composite Offer Document.

To accept the Offers, Independent Shareholders and Optionholders should complete and sign the accompanying Forms of Acceptance and Transfer in accordance with the instructions printed thereon. The Forms of Acceptance and Transfer forms part of the terms of the Offers. The duly completed and signed Forms of Acceptance and Transfer together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) must be sent by post or by hand to the Registrar and marked “King Force Group Holdings Limited – Share Offer” or to the company secretary of the Company and marked “King Force Group Holdings Limited – Option Offer”, as the case may be, on the envelope to be received by the Registrar or the company secretary of the Company, as the case may be, no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror may announce with the consent of the Executive in accordance with the Takeovers Code.

All documents and remittances will be sent to the Independent Shareholders and the Optionholders by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders and the Optionholders at their respective addresses as specified on the relevant Form of Share Offer Acceptance and Form of Option Offer Acceptance (as the case may be) or if no name and address is specified, to such Independent Shareholders and Optionholders or the first named Independent Shareholder or Optionholder (in the case of joint registered holders) at their respective addresses as shown in the register of members of the Company or the register of Optionholders of the Company, as the case may be.

None of the Offeror, and their respective ultimate beneficial owners and parties acting in concert with any of them, Emperor Securities, Great Wall Corporate Finance, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offers will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

LETTER FROM EMPEROR SECURITIES

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offers set out in the Appendices to this Composite Offer Document and the accompanying Form(s) of Acceptance and Transfer, which form part of this Composite Offer Document. You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and other information about the Group, which are set out in this Composite Offer Document before deciding whether or not to accept the Offers.

In considering what action to take in connection with the Offers, you should consider your own tax or financial position and if you are in any doubt, you should consult your professional advisers.

For and on behalf of
Emperor Securities Limited
Wong Chi Hung
Director

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Chen Yunchuo (*Chairman*)

Mr. Li Mingming

Ms. Li Liping

Mr. Cheng Rui

Registered Office:

P.O. Box 1350, Clifton House,

75 Fort Street,

Grand Cayman KY1-1108

Cayman Islands

Independent non-executive Directors:

Mr. Xiong Hong

Mr. Wan Tat Wai David

Mr. Ho Yuk Ming Hugo

Headquarter:

14/F

Harbour Commercial Building

122 Connaught Road Central

Hong Kong

31 May 2018

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFERS BY
EMPEROR SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF THE COMPANY
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE
OFFEROR AND PARTIES ACTING IN CONCERT WITH IT) AND
TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF THE COMPANY**

1. INTRODUCTION

Reference is made to the Joint Announcement and the second joint announcement dated 30 April 2018 in relation to the sale and purchase of the Sale Shares by the Offeror under the Sale and Purchase Agreement. After the Completion and further acquisitions by the Offeror of Shares on the same day, the Offeror (together with parties acting in concert with it) held 3,149,900,000 Shares, representing approximately 39.51% of the issued share capital of the Company as at 30 April 2018.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it held approximately 3,359,980,000 Shares, representing approximately 42.15% of the entire issued share capital of the Company. Pursuant to Rule 26 and Rule 13 of the Takeovers Code, the Offeror is required to make mandatory conditional cash offers for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and to make an appropriate offer or proposal to the Optionholders to ensure that their interests are safeguarded. As at the date of this Composite Offer Document, save for the 256,000,000 outstanding Share Options as mentioned in this

LETTER FROM THE BOARD

letter, there are no outstanding warrants, derivatives or convertible securities issued by the Company which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors, Mr. Xiong Hong, Mr. Wan Tat Wai David and Mr. Ho Yuk Ming Hugo has been established to advise the Independent Shareholders and the Optionholders in respect of the terms of the Offers. The Board has appointed Crescendo Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers and, in particular, as to whether the terms of the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned and as to the acceptance of the Offers, and such appointment has been approved by the Independent Board Committee.

The purpose of this Composite Offer Document is to provide you with, among other matters, information relating to the Group, the Offeror and the Offers, as well as to set out the Independent Board Committee's recommendations to the Independent Shareholders and the Optionholders in respect of the Offers. Crescendo Capital Limited's recommendations to the Independent Board Committee are set out in "Letter from the Independent Financial Adviser". This Composite Offer Document also sets out reports prepared by the Independent Financial Adviser and by BDO Limited on the May 2018 Profit Warning Announcement.

2. THE OFFERS

Emperor Securities is making the mandatory conditional cash offers for and on behalf of the Offeror to: (1) all the Shareholders for all issued Shares (other than those Shares already owned or to be acquired by the Offeror and parties acting in concert with it), and (2) all the Optionholders to cancel all the outstanding Share Options on the terms set out in this Composite Offer Document in compliance with Rule 26.1 and Rule 13.5 of Takeovers Code respectively, on the following basis:

Principal terms of the Offers

A. *Share Offer*

For each Offer Share HK\$0.037 in cash

The Share Offer Price of HK\$0.037 per Offer Share under the Offers equal to the purchase price per Share payable by the Offeror under the Sale and Purchase Agreement.

The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances and together with all rights attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date on which the Share Offer is made, being the date of this Composite Offer Document.

As at the Latest Practicable Date, the Company has a total of 7,972,194,432 Shares in issue. Further details of the Share Offer including, among other things, the terms and conditions and the procedures for acceptance and settlement, are set out in "Letter from Emperor Securities", Appendix I to this Composite Offer Document and the accompanying Form of Share Offer Acceptance.

LETTER FROM THE BOARD

B. Option Offer

For cancellation of each Share Option HK\$0.017 in cash

As at the Latest Practicable Date, a total of 256,000,000 outstanding Share Options conferring rights to the holders of these Share Options to subscribe for 256,000,000 Shares at the exercise price of HK\$0.02 per Share, which were granted under the Share Option Scheme. Further details of the Option Offer including, among others, the terms and conditions and the procedures for acceptance and settlement are set out in “Letter from Emperor Securities”, Appendix I to this Composite Offer Document and the accompanying Form of Option Offer Acceptance.

The Option Offer Price of HK\$0.017 for cancellation of each Share Option under the Option Offer represents the difference between the exercise price of HK\$0.02 per Share Option and the Offer Price.

Comparison of value

The Offer Price of HK\$0.037 per Offer Share represents:

- (1) a premium of approximately 2.78% to the closing Price of HK\$0.036 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (2) a premium of approximately 8.82% to the average closing price of HK\$0.034 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (3) a premium of approximately 12.12% to the average closing price of approximately HK\$0.033 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (4) a premium of approximately 2.78% to the closing price of HK\$0.036 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (5) a premium of approximately 131.25% to the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.016 per Share as at 31 March 2017, based on the Company’s audited consolidated net asset value attributable to the owners of the Company of approximately HK\$125,073,000 as at 31 March 2017 and 7,972,194,432 Shares in issue on the Latest Practicable Date; and
- (6) a premium of approximately 164.29% to the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.014 per Share as at 30 September 2017, based on the Company’s unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$114,457,000 as at 30 September 2017 and 7,972,194,432 Shares in issue as at the Latest Practicable Date.

LETTER FROM THE BOARD

Conditions of the Offers

The Share Offer will be conditional upon the Offeror having received valid acceptances of the Offer Shares which, together with the Shares acquired or to be acquired by the Offeror and the parties acting concert with it before or during the Offer Period, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company.

The Option Offer will be conditional upon the Share Offer becoming or being declared unconditional in all respects. Following acceptance of the Option Offer, the relevant Share Option(s) together with all rights attaching thereto will be entirely cancelled.

3. INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability and its shares are listed on GEM. The Group is principally engaged in the provision of manned security guarding service, mobile games through an associated company of the Group, mobile games to the overseas markets and e-Education and security services.

As disclosed in the May 2018 Profit Warning Announcement, the Group is expected to record a significant loss attributable to owners of the Company for the financial year ended 31 March 2018 as compared with the profits recorded in the same period last year, such loss being primarily attributable to: (i) the decrease in the Group's revenue; (ii) the Group's share of loss of its associated company during the financial year ended 31 March 2018 as compared with the share of profits in the same period last year, which was due to a drop in turnover and higher operating costs of the associated company during the financial year ended 31 March 2018; (iii) the increase in administrative expenses, including the increase in amortisation of intangible assets and staff costs (including share option expenses recognised) during the financial year ended 31 March 2018; (iv) the decrease in other incomes during the year ended 31 March 2018, which was due to an absence of the recognition of fair value gain of approximately HK\$13 million on contingent consideration payable (representing the consideration shares to be issued to Magn Group Limited); and (v) the recognition of written off and/or impairment loss of certain intangible assets (including the franchise of Bei Dou Civil Operation Services Branch Qualification and certain mobile game licenses) (the "**Profit Estimate**").

The Profit Estimate is regarded as a profit forecast under Rule 10 of the Takeovers Code and the Company is required to comply with the reporting requirement as set out in Rule 10.4 of the Takeovers Code with respect to the Profit Estimate. BDO Limited, the auditor and reporting accountant of the Company, is of the opinion that, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2017, which are set out in section 2 of Appendix II to the Composite Offer Document. The Independent Financial Adviser is satisfied that the Profit Estimate, for which the Directors are solely responsible for, has been made with due care and consideration. Your attention is drawn to the reports issued by BDO Limited and the Independent Financial Adviser on the Profit Estimate set out in Appendix III and Appendix IV to this Composite Offer Document, respectively.

LETTER FROM THE BOARD

4. SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (1) as at the date of the Joint Announcement, (2) as at the date of the Completion, and (3) as at the Latest Practicable Date:

	As at the date of the Joint Announcement		As at the date of Completion		As at the Latest Practicable Date		As at the Latest Practicable Date (Assuming all of the outstanding Share Options are exercised in full) (Note 1)	
	Number of Shares	Approximate % (Note 2)	Number of Shares	Approximate % (Note 2)	Number of Shares	Approximate % (Note 2)	Number of Shares	Approximate % (Note 2)
Shareholders								
The Vendor	1,304,000,000	16.36	-	-	-	-	-	-
The Offeror and parties acting in concert with it	1,786,000,000	22.40	3,149,900,000	39.51	3,359,980,000	42.15	3,359,980,000	40.83
Directors								
- Ms. Li Liping	-	-	-	-	-	-	64,000,000	0.78
- Mr. Li Mingming	-	-	-	-	-	-	64,000,000	0.78
- Mr. Ho Yuk Ming Hugo	-	-	-	-	-	-	6,400,000	0.08
- Mr. Wan Tat Wai David	-	-	-	-	-	-	6,400,000	0.08
- Mr. Xiong Hong	-	-	-	-	-	-	6,400,000	0.08
Other public Shareholders	4,882,194,432	61.24	4,822,294,432	60.49	4,612,214,432	57.85	4,721,014,432	57.38
Total	7,972,194,432	100.00	7,972,194,432	100.00	7,972,194,432	100.00	8,228,194,432	100.00

Notes:

- As at the Latest Practicable Date, there were 256,000,000 outstanding Share Options. Each of Ms. Li Liping and Mr. Li Mingming, being the executive Directors, held 64,000,000 Share Options and each of Mr. Ho Yuk Ming Hugo, Mr. Wan Tat Wai David and Mr. Xiong Hong, being the independent non-executive Directors, held 6,400,000 Share Options. The remaining 108,800,000 outstanding Share Options were held by the employees of the Group.
- The aggregate of the percentage figures in the table above may not add up to the relevant sub-total or total percentage figures shown due to rounding of the percentage figures to two decimal places.

5. INFORMATION ON THE OFFEROR AND INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to “Information of the Offeror” and “The Offeror’s intention in relation to the Group” in “Letter from Emperor Securities” on pages 7 to 19 of this Composite Offer Document for disclosure on the Offeror and the Offeror’s intentions in relation to the Group.

LETTER FROM THE BOARD

The Board considers that with the Offeror's and its holding companies' management team in the investment sector, the Offeror may be able to explore possible business opportunities in the investment industry for the Group. The Board also understands that the Offeror will also conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. As at the Latest Practicable Date, the Board understood that the Offeror had no intention to redeploy the fixed assets of the Company or to terminate any employment of the employees of the Group or to make significant changes to the employment (except for the proposed change of Board composition) other than those in the ordinary course of business, and the Offeror has stated that it had no definitive plan or intention for disposal of the existing business of the Group and/or acquisition of business or asset by the Group. The Directors are willing to render reasonable co-operation with the Offeror and will continue to act in the interests of the Company and the Shareholders as a whole.

6. MAINTAINING THE LISTING STATUS OF THE COMPANY

As stated in "Letter from Emperor Securities", (i) the Offeror intends to maintain the listing status of the Company on the Stock Exchange upon closing of the Offers; and (ii) the sole director of the Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offers.

The Stock Exchange has stated that if, upon closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (1) a false market exists or may exist in the trading of the Shares; or (2) that there are insufficient Shares in public hands to maintain an orderly market, it would consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.

Therefore, upon the completion of the Offers, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

7. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Independent Board Committee

Pursuant to Rule 2.1 of the Takeovers Code, a board which receives an offer, or is approached with a view to an offer being made, must, in the interest of shareholders, establish an independent committee of the board to make a recommendation (1) as to whether the offer is fair and reasonable, and (2) as to the acceptance of the offer. Therefore, the Independent Board Committee, comprising all independent non-executive Directors, namely, Mr. Xiong Hong, Mr. Wan Tat Wai David and Mr. Ho Yuk Ming Hugo, has been established by the Company to advise the Independent Shareholders and the Optionholders in relation to the terms and conditions of the Offers, in particular as to whether the Offers are fair and reasonable and as to the acceptance of the Offers. As at the Latest Practicable Date, each of the independent non-executive Directors has 6,400,000 Share Options, which confers rights to each of the independent non-executive Directors to subscribe for 6,400,000 Shares at the exercise price of HK\$0.02

LETTER FROM THE BOARD

per Share, representing approximately 0.08% of the issued share capital of the Company assuming all the outstanding Share Options of the Company are exercised. Save for the foregoing, none of the independent non-executive Directors has any conflict of interest in respect of the Offers or had involvement in the Offers. The Board therefore considers that the members of the Independent Board Committee are independent and are able to consider the terms of the Offers and make recommendations to the Independent Shareholders.

As at the Latest Practicable Date, save for Mr. Ho Yuk Ming Hugo and Mr. Wan Tat Wai David, who are independent non-executive Directors and had informed the Company of their intention to accept the Option Offer, none of the other Directors had informed the Company of their intentions whether to accept or not accept the Option Offer.

Independent Financial Adviser

Crescendo Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers. The full text of the letter from Crescendo Capital to the Independent Board Committee is set out in “Letter from the Independent Financial Adviser” of this Composite Offer Document.

8. RECOMMENDATIONS

Your attention is drawn to (1) the letter from the Independent Board Committee set out on pages 27 to 28 of this Composite Offer Document, which contains its recommendation to the Independent Shareholders and the Optionholders in respect of the Offers; and (2) the letter from the Independent Financial Adviser to the Independent Board Committee set out on pages 29 to 49 of this Composite Offer Document, which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the Offers and the principal factors it had considered in arriving at its opinions and recommendations.

9. ADDITIONAL INFORMATION

You are urged to carefully read this Composite Offer Document together with the accompanying Form(s) of Acceptance and Transfer for information relating to the Offers, taxation matters and procedures for acceptance and settlement of the Offers.

Your attention is also drawn to “Letter from Emperor Securities” and the additional information contained in the appendices to this Composite Offer Document.

Yours faithfully,
By order of the Board
Chen Yunchuo
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

31 May 2018

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

**MANDATORY CONDITIONAL CASH OFFERS BY
EMPEROR SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF THE COMPANY
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE
OFFEROR AND PARTIES ACTING IN CONCERT WITH IT) AND
TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF THE COMPANY**

INTRODUCTION

We refer to the composite offer document dated 31 May 2018 issued jointly by the Company and the Offeror to the Independent Shareholders and Optionholders (the “**Composite Offer Document**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined elsewhere in this Composite Offer Document unless the context requires.

We have been appointed to form the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned and acceptances to the Offers.

Crescendo Capital Limited has been appointed as the Independent Financial Adviser to advise us in respect of the Offers. Your attention is drawn to the “Letter from the Independent Financial Adviser” on pages 29 to 49 of the Composite Offer Document containing its advice to us and the principal factors and reasons taken into account by it in arriving at such advice.

We also wish to draw your attention to the “Letter from the Board” as set out on pages 20 to 26 of the Composite Offer Document, the “Letter from Emperor Securities” as set out on pages 7 to 19 of the Composite Offer Document and the additional information set out in the appendices to the Composite Offer Document and the accompanying Forms of Acceptance and Transfer.

RECOMMENDATION

Having considered the terms of the Offers and the letter of advice and recommendation from Crescendo Capital Limited, we consider that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and Optionholders are concerned. Accordingly, we recommend the Independent Shareholders and the Optionholders to accept the Share Offer and the Option Offer, respectively.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

However, Independent Shareholders and Optionholders who intend to accept the Offers are reminded to closely monitor the market price and liquidity of the Shares during the Offer Period, and consider selling their Shares or exercising their Share Options and selling their Shares in the open market rather than accepting the Offers if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offers.

The Independent Shareholders and Optionholders are also reminded that the decision to realise or to hold your investment in the Shares is subject to individual circumstances and investment objectives and they should consider carefully the terms of the Offers. If in doubt, the Independent Shareholders and Optionholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders and Optionholders who wish to accept the Offers are recommended to read carefully the procedures for accepting the Offers as detailed in this Composite Offer Document.

Yours faithfully,

For and on behalf of
the Independent Board Committee
King Force Group Holdings Limited

Mr. Xiong Hong

Mr. Wan Tat Wai David
Independent Non-executive Directors

Mr. Ho Yuk Ming Hugo

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee regarding its advice on the Offers prepared for the purpose of incorporation into this Composite Offer Document.



1506 Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

31 May 2018

King Force Group Holdings Limited
14/F, Harbour Commercial Building
122 Connaught Road Central
Hong Kong

To the Independent Board Committee

Dear Sirs,

**MANDATORY CONDITIONAL CASH OFFERS BY
EMPEROR SECURITIES LIMITED
FOR AND ON BEHALF OF THE OFFEROR
TO ACQUIRE ALL THE ISSUED SHARES IN THE SHARE CAPITAL OF
KING FORCE GROUP HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)
AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF
KING FORCE GROUP HOLDINGS LIMITED**

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee with respect to the Offers, details of which are set out in the Letter from Emperor Securities and the Letter from the Board contained in the Composite Offer Document dated 31 May 2018 to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined elsewhere in the Composite Offer Document unless the context requires otherwise.

In compliance with Rule 26.1 and Rule 13 of the Takeovers Code, subsequent to the Completion of the acquisition of the Sale Shares by the Offeror, Emperor Securities is, on behalf of the Offeror, making the Offers for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and cancellation of all outstanding Share Options.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Xiong Hong, Mr. Wan Tat Wai David and Mr. Ho Yuk Ming Hugo, has been established by the Company in accordance with Rule 2.1 of the Takeovers Code to advise the Independent Shareholders and the Optionholders in relation to the terms and conditions of the Offers. We, Crescendo Capital Limited, have been appointed, with the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code, to advise the Independent Board Committee as to whether the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned and whether the Independent Shareholders and the Optionholders (as the case may be) should accept the Offers.

We are not associated with the Company, the Offeror, the Vendor or their respective associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Save for acting as an independent financial adviser in this appointment, we have not acted as a financial adviser or an independent financial adviser to the Company and its associates in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Company, the Offeror, the Vendor or their respective associates. We are not aware of any relationship or interest between us and the Company or other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors, management of the Company and the Offeror and have assumed that such information and statements, and representations made to us or referred to in the Composite Offer Document are true, accurate and complete in all material respects as of the Latest Practicable Date. Should there be any material change in such information, statements or representations after the Latest Practicable Date (up to the end of the Offer Period), the Shareholders would be notified of such changes as soon as possible. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Composite Offer Document (other than the information relating to the Offeror, its associates and parties acting in concert with it (including the present and future intentions of the Offeror relating to the Group)), and confirmed, after having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Offer Document (other than those expressed by the Offeror, its associates or parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts that are not contained in the Composite Offer Document, the omission of which would make any such statement contained in the Composite Offer Document misleading. The sole director of the Offeror, Mr. Song, also has accepted full responsibility for the accuracy of the information contained in the Composite Offer Document (other than the information relating to the Group and the Vendor), and confirmed, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Composite Offer Document (other than those expressed by the Group and the Vendor) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Offer Document, the omission of which would make any statement in the Composite Offer Document misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Composite Offer Document and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors, management of the Company or the Offeror, or is misleading, untrue or inaccurate, and consider that the information provided to us may be relied upon in formulating our opinion. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the Sale and Purchase Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion and the Shareholders will be notified of any material change as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We have not considered the tax implications on the Independent Shareholders and/or the Optionholders arising from acceptances or non-acceptances of the Offers as these depend on their individual circumstances. It is emphasized that we will not accept responsibility for any tax effect on, or liability of, any person resulting from his or her acceptance or non-acceptance of the Offers. Independent Shareholders and/or Optionholders who are in any doubt as to their tax position, or who are subject to overseas tax or Hong Kong taxation on securities dealings, should consult their own professional advisers without delay.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Offers, we have considered the following principal factors and reasons:

1. Background to, and principal terms of, the Offers

On 25 April 2018 (after trading hours of the Stock Exchange), the Offeror and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Offeror conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares, representing approximately 16.36% of the entire issued share capital of the Company as at the Latest Practicable Date. The Consideration for the Sale Shares pursuant to the Sale and Purchase Agreement is HK\$48,248,000, equivalent to HK\$0.037 per Sale Share.

Completion took place on 30 April 2018. Immediately before the Completion, the Offeror directly held 1,786,000,000 Shares, representing approximately 22.40% of the issued share capital of the Company. Immediately after the Completion, the Offeror was interested in a total of 3,090,000,000 Shares, representing approximately 38.76% of the entire issued share capital of the Company. Pursuant to Rule 26.1 and Rule 13 of the Takeovers Code, the Offeror was obliged to make mandatory conditional cash offers for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and all outstanding Share Options immediately after Completion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the period from 30 April 2018 to 11 May 2018, the Offeror further acquired an aggregate of 269,980,000 Shares on the market. As at the Latest Practicable Date, the Offeror held 3,359,980,000 Shares, representing approximately 42.15% of the issued share capital of the Company.

Emperor Securities is, on behalf of the Offeror and in compliance with the Takeovers Code, making the mandatory conditional general cash offers for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) and cancellation of all outstanding Share Options on the following basis:

The Share Offer

For each Offer Share HK\$0.037 in cash

The Offer Price of HK\$0.037 per Offer Share under the Share Offer is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement. The Offer Shares to be acquired under the Share Offer shall be fully paid and free from all Encumbrances, and together with all rights attached thereto, including but not limited to the right to receive all dividends and distributions which may be paid, made or declared on or after the date on which the Share Offer is made, being the date of the posting of the Composite Offer Document.

The Option Offer

For cancellation of each Share Option HK\$0.017 in cash

The Option Offer Price of HK\$0.017 for cancellation of each Share Option under the Option Offer represents the difference between the exercise price of the Share Option of HK\$0.02 and the Offer Price of HK\$0.037.

The Option Offer extends to all Optionholders in accordance with the Takeovers Code. The outstanding Share Options are valid and effective for a period of three years from the date of grant of the Share Options. Pursuant to the terms of the Share Option Scheme, in the event of a general offer becoming or being declared unconditional, the grantee of the Share Options shall be entitled to exercise the Share Options in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the Share Offer becomes or is declared unconditional.

As at the Latest Practicable Date, the Company had 7,972,194,432 Shares in issue and 256,000,000 outstanding Share Options conferring rights to the holders thereof to subscribe for 256,000,000 Shares at the exercise price of HK\$0.02 per Share. The Offeror and parties acting in concert with it held 3,359,980,000 Shares as at the Latest Practicable Date. As such, 4,612,214,432 Shares will be subject to the Share Offer. Save for the Share Options, the Company had no other outstanding shares, options, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) that carry a right to subscribe for or which are convertible into Shares as at the Latest Practicable Date. Assuming there are no changes in the issued share capital of the Company from the Latest Practicable Date up to the Closing Date, (i) based on the Offer Price of HK\$0.037 per Offer Share, the Share Offer is valued at approximately HK\$170,651,934; and (ii) based on the Option Offer Price of HK\$0.017 per

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Share Option, the Option Offer is valued at HK\$4,352,000. Assuming all the outstanding Share Options are exercised in full by the Optionholders from the Latest Practicable Date up to the Closing Date, the total number of issued Shares will increase to 8,228,194,432 Shares, of which 4,868,214,432 Shares will be subject to the Share Offer and the value of the Share Offer will be approximately HK\$180,123,934.

The Share Offer is conditional on valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers code, decide) in respect of such number of Shares which, together with the Shares acquired or agreed to be acquired before or during the Share Offer, would result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company in accordance with the Takeovers Code. The Option Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects. Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

Further details of the terms and conditions of the Offers, including the procedures for acceptance, are set out in the Letter from Emperor Securities contained in, and Appendix I to, the Composite Offer Document.

2. Information on the Group

The Company is a company incorporated in Cayman Islands with limited liability, the issued shares of which are listed on GEM. The Group is principally engaged in the provision of manned security guarding services (the “Manned Security Guarding Business”), mobile gaming business (the “Mobile Gaming Business”) and e-Education and security services (the “e-Education Business”).

The Group is licensed to provide security guarding services in Hong Kong under Security Company Licence (Type I Security Work) in accordance with the Security Company License regime. The Group operates its Manned Security Guarding Business under the brand name of “King Force”. Guarding services offered by the Group include patrolling, access control at the lobby entrance, making entrance records of visitors and stopping trespassers, and handling and reporting complaints. The Group also provides guarding and personal escorting services and crowd management services for events, occasions, exhibitions, ceremonies and press conferences.

The Group is engaged in the Mobile Gaming Business through MAGN Investment Limited, an associated company whose equity interest was held as to 45% by the Group. MAGN Investment Limited and its subsidiaries are principally engaged in the research and development of computer and mobile software, including security software, advertisement sale management software, gaming platform operation software, payment software and office software and operation of gaming products in the PRC. Meanwhile, Guanhui Huyu Technology (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company which is also engaged in mobile gaming business, mainly focuses on publishing mobile games in overseas markets.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's e-Education Business mainly involves the provision of students' e-education and security services. 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.

Set out in Table 1 below is a summary of the audited consolidated financial information of the Group for the two years ended 31 March 2016 and 2017 as extracted from the annual report of the Company, and the unaudited consolidated financial information of the Group for the six months ended 30 September 2017 and the nine months ended 31 December 2016 and 2017 as extracted from the interim report and the third quarterly report of the Company respectively.

Table 1: Consolidated financial information of the Group

	For the nine months ended 31 December		For the year ended 31 March	
	2017	2016	2017	2016
	unaudited	unaudited	audited	audited
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	89,688	112,510	146,212	146,224
(Loss)/Profit before income tax	(20,231)	814	7,360	1,302
(Loss)/Profit for the period/year attributable to owners of the Company	<u>(18,848)</u>	<u>(593)</u>	<u>6,197</u>	<u>(55)</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 September 2017 unaudited HK\$'000	As at 31 March 2017 audited HK\$'000
Non-current assets	114,348	116,324
Current assets	46,640	56,812
Current liabilities	(17,913)	(19,239)
	<hr/>	<hr/>
Net current assets	28,727	37,573
	<hr/>	<hr/>
Non-current liabilities	(21,397)	(20,909)
	<hr/>	<hr/>
Net assets	121,678	132,988
	<hr/> <hr/>	<hr/> <hr/>
Equity attributable to owners of the Company	114,457	125,073
	<hr/> <hr/>	<hr/> <hr/>

(a) Financial performance of the Group

For the year ended 31 March 2016

For the year ended 31 March 2016, the Group was principally engaged in the Manned Security Guarding Business and the Mobile Gaming Business. The Group's revenue, which was solely generated from the Manned Security Guarding Business, increased by approximately HK\$15.9 million (or 12.2%) from approximately HK\$130.3 million for the year ended 31 March 2015 to approximately HK\$146.2 million for the year ended 31 March 2016. The increase in revenue was mainly due to the general increase in the service fees of fixed-term contracts of manned security guarding services charged by the Group in response to the increase in guard costs triggered by the amendment of the Minimum Wage Ordinance effective in May 2015 and the increase in administrative expenses due to general inflation. The gross profit of the Group also increased by approximately HK\$2.8 million (or 11.2%) for the year ended 31 March 2016 as compared to the prior year. However, with the increases in administrative expenses and other operating expenses totaling approximately HK\$7.2 million (or 35.2%) resulted from the legal and professional fees incurred for the acquisition of MAGN Investment Limited, an associated company of the Group, during the year ended 31 March 2016, the financial performance of the Group changed from profit attributable to owners of the Company of approximately HK\$2.9 million for the year ended 31 March 2015 to loss attributable to owners of the Company of approximately HK\$55,000 for the year ended 31 March 2016 although the Group recorded a share of profit of an associated company of approximately HK\$1.1 million for the year ended 31 March 2016.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 March 2017

For the year ended 31 March 2017, the Group was principally engaged in the Manned Security Guarding Business and the Mobile Gaming Business. The revenue of the Group for the year ended 31 March 2017, which was solely generated from the Manned Security Guarding Business, amounted to approximately HK\$146.2 million, representing a slight decrease of approximately 0.01% as compared to the previous year. The gross profit of the Group increased by approximately HK\$3.3 million (or 11.9%) for the year ended 31 March 2017 as compared to the prior year as the Group entered into a manned security guarding service contract with a relatively high margin during the year ended 31 March 2017. For the year ended 31 March 2017, the Group recognized a fair value gain on contingent consideration payable of approximately HK\$13.2 million for the acquisition of MAGN Investment Limited. As a result, the financial performance of the Group turned around from loss attributable to owners of the Company of approximately HK\$55,000 for the year ended 31 March 2016 to profit attributable to owners of the Company of approximately HK\$6.2 million for the year ended 31 March 2017 despite the administrative expenses of the Group increased by approximately HK\$10.7 million (or 38.5%) for the year ended 31 March 2017, as compared to the last year, as the staff costs, property rental, amortization of intangible assets and depreciation of property, plant and equipment increased significantly during the year. Had the fair value gain on contingent consideration payable, being non-recurring in nature and not generated from ordinary and usual course of business of the Group, of approximately HK\$13.2 million been excluded, the Group would have recorded a loss for the year ended 31 March 2017.

For the nine months ended 31 December 2017

For the nine months ended 31 December 2017, the Group was principally engaged in the Manned Security Guarding Business, the Mobile Gaming Business and the e-Education Business. The Group's revenue, which was solely generated from the Manned Security Guarding Business, decreased by approximately HK\$22.8 million (or 20.3%) from approximately HK\$112.5 million for the nine months ended 31 December 2016 to approximately HK\$89.7 million for the nine months ended 31 December 2017. The decrease in revenue was mainly attributable to the decrease in the number of manned security guarding service contracts and the general decrease in the service fees charged by the Group as a result of keen competition in the market. The Group's gross profit also decreased by approximately HK\$9.8 million (or 44.0%) from approximately HK\$22.3 million for the nine months ended 31 December 2016 to approximately HK\$12.5 million for the nine months ended 31 December 2017 owing to the lowered revenue and the general increase in the guard costs in the market. Together with the increase in administrative expenses by approximately HK\$9.2 million (or 37.8%) as a result of the increases in amortisation of intangible assets, depreciation of property, plant and equipment and staff costs including share option expenses recognized for the nine months ended 31 December 2017 and the decrease in the Group's share of profit of an associated company by approximately HK\$2.2 million resulting from lowered revenue with intense market competition in the PRC and high operating costs of the associated company, the loss attributable to owners of the Company increased by approximately HK\$18.2 million from approximately HK\$0.6 million for the nine months ended 31 December 2016 to approximately HK\$18.8 million for the nine months ended 31 December 2017.

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For the year ended 31 March 2018

On 16 May 2018, the Company published the May 2018 Profit Warning Announcement, which stated that the Group was expected to record (i) a decrease in revenue of approximately 24% for the year ended 31 March 2018 as compared to the same period last year and such decrease was mainly due to the decrease in number of manned security guarding service contracts that had been entered into by the Group as a result of keen market competition; and (ii) a significant loss attributable to owners of the Company for the year ended 31 March 2018 as compared with the profits recorded in the same period last year. Such loss was primarily attributable to (i) the decrease in the Group's revenue; (ii) the Group's share of loss of its associated company for the year ended 31 March 2018 as compared with the share of profits in the same period last year, which was due to a drop in turnover and higher operating costs of the associated company for the year ended 31 March 2018; (iii) the increase in administrative expenses, including increases in amortization of intangible assets and staff costs (including share option expenses) recognized for the year ended 31 March 2018; (iv) the decrease in other incomes for the year ended 31 March 2018, which was due to an absence of the recognition of fair value gain of approximately HK\$13 million on contingent consideration payable, representing the consideration shares to be issued to Magn Group Limited; and (v) the recognition of written off and/or impairment loss of certain intangible assets including the franchise of 北斗民用分理服務試驗資質 (Bei Dou Civil Management Services Provisional Qualification*) and certain mobile game licenses.

(b) Financial position of the Group

As at 30 September 2017, the non-current assets of the Group amounted to approximately HK\$114.3 million, which mainly comprised property, plant and equipment of approximately HK\$14.1 million, goodwill of approximately HK\$36.3 million, other intangible assets of approximately HK\$37.7 million and interests in associates of approximately HK\$15.8 million. The current assets of the Group as at 30 September 2017 amounted to approximately HK\$46.6 million, which mainly consisted of trade receivables of approximately HK\$18.5 million, cash at banks and in hand of approximately HK\$15.6 million and prepayments, deposits and other receivables of approximately HK\$7.2 million. The current liabilities of the Group as at 30 September 2017 amounted to approximately HK\$17.9 million, which mainly included accrued expenses and other payables of approximately HK\$15.0 million and trade payables of approximately HK\$1.4 million. As at 30 September 2017, the non-current liabilities of the Group amounted to approximately HK\$21.4 million, which mainly represented promissory note payable of approximately HK\$20.9 million. As at 30 September 2017, net current assets and equity attributable to owners of the Company amounted to approximately HK\$28.7 million and approximately HK\$114.5 million respectively. As at 30 September 2017, the gearing of the Group, which was calculated based on the total debt of the Group, being the promissory note payable, to the total equity of the Group, was approximately 17.2%.

On 26 March 2018, the Group entered into a non-legally binding memorandum of understanding pursuant to which the Group may subscribe for the shares of a company principally engaged in managing the operation platform of big data of health and medical industry in the PRC, details of which are set out in the announcement of the Company dated 26 March 2018.

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3. Future prospect of the Group**(a) Manned Security Guarding Business**

The Security Service Training Board of the Vocational Training Council (the “SSTB”), a training board set up by the Hong Kong government responsible for determining the manpower situation and training needs in the security services industry, conducts full manpower survey once every four years, supplemented by manpower update through desk research and focus group meetings. According to the SSTB’s latest available manpower survey report, namely “2015 Manpower Survey Report – Security Services” published in July 2016, which summarised the findings of the survey conducted by the SSTB (the “2015 SSTB Survey”), the manpower of the security service industry had a steady growth from 110,437 employees in 2013 to 115,026 employees in 2015, contributing a compound annual increase of 2.1%. Employees participated in the survey forecasted that there would be 118,334 posts in 2016, representing an increase of 0.05% as compared to the number of posts in 2015. The figures revealed that the industry had a conservative attitude towards the business growth of the industry, especially companies might take a straddle attitude towards competition of the industry as a result of modest growth of the manpower. Meanwhile, the SSTB noted from the 2015 SSTB Survey that the employers of the security services industry came across difficulty in the recruitment of staff, particularly at security guard level, mainly caused by general labour shortage. The employers considered that this phenomenon would not be improved in a short period of time. A manpower update, namely “2017 Manpower Update Report – Security Services Industry” published by the SSTB in May 2018 stated that in view of the rapid real estate development, there are plenty of rooms for development of the security services industry. However, the manpower is anticipated to be unable to meet the current and future demand and the industry has encountered difficulties in recruiting and retaining talent although the upper age limit for Type I security personnel has been relaxed from 65 to 70 years, which in general perceived as a short-time relief to the labour shortage situation of the industry as the underlying problem of falling employment population has not yet been addressed.

According to the Labour Department of the Hong Kong government, Statutory Minimum Wage (the “SMW”) has come into force since 1 May 2011 and the SMW rate is reviewed at least every two years in accordance with the Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong). With effect from 1 May 2017, the SMW rate raised from \$32.5 per hour to \$34.5 per hour. Given this policy trend, the Company expects that the SMW rate would further increase after the next review. In addition, the Standard Working Hours Committee has proposed in its report to the Government to regulate working hours by mandatorily requiring employers to enter written employment contract with all employees, of which details on working hours arrangement (i.e. hours of work, overtime arrangement and compensation) should be covered. The 2015 SSTB Survey stated that if working hours are eventually regulated to say between 44 to 48 hours per week, it will result in a greater demand for manpower for industries like security services industry. Overtime pay triggered by shortened working hours may further increase the cost of the security service providers.

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Given the potential increase in the SMW and shortage of labour, which may pose an upward cost pressure to the Group, and keen competition in the security service industry, it is expected that there would be limited room for improvement in profit margin of the Group in the foreseeable future. In view of the survey participants' conservative attitude towards the business growth of the industry and the track record of slowing or negative growth of revenue of the Group in recent years, we are of the view that the business environment of manned security guarding service industry will be challenging in the coming years.

(b) Mobile Gaming Business

According to the report namely "The 41st China Statistical Report on Internet Development" issued in January 2018 by China Internet Network Information Center, the administrative agency responsible for internet affairs under the Ministry of Information Industry of the PRC, the number of mobile game users in the PRC were 279 million as at December 2015, 352 million as at December 2016 and 407 million as at December 2017, representing an increase of 26.2% and 15.6% as compared to the respective prior year while the number of mobile game users in the PRC accounted for 45.1%, 50.6% and 54.1% of total mobile internet users in the PRC.

In view of the increasing number of mobile game users in the PRC, we consider that the mobile gaming industry in the PRC will continue to grow in the coming years while the decrease in growth rate may pose pressure to the development of the industry.

(c) e-Education Business

A circular named "關於加強中小學幼兒園安全風險防控體系建設的意見 (Opinions on Strengthening the Construction of Security Risk Prevention and Control System for Kindergartens, Primary and Secondary Schools*)" published by the General Office of the State Council of the PRC on 28 April 2017 emphasized the importance of campus security in the PRC and provided opinions on how to improve the campus security risk control management, such as setting up monitoring systems. We consider that the circular may encourage and foster the use of e-security system for schools in the PRC and the demand on e-education and security services may increase in the future.

However, having considered that the operating history of the Group in e-Education Business is short and no revenue and profit have been contributed to the Group since its commencement of the e-Education Business, we are of the view that it is uncertain as to the future prospects of the e-Education Business of the Group.

In light of (i) the limitation on profitability and growth of the Group's Manned Security Guarding Business, which is the core business of the Group that contributed 100% of the Group's total revenue for the years ended 31 March 2016 and 2017 and nine months ended 31 December 2017, posed by the rising labour costs in respect of security guarding and keen competition in the market; (ii) the uncertainty of the future financial performance of the loss-making Mobile Gaming Business and e-Education Business despite the general growing prospects of the industries; (iii) the

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loss-making records of the Group for the year ended 31 March 2016 and nine months ended 31 December 2017 and that the profit recorded for the year ended 31 March 2017 was mainly due to the recognition of a non-recurring fair value gain on contingent consideration payable, the exclusion of which would lead to a loss for the year ended 31 March 2017; and (iv) the expected significant loss attributable to owners of the Company for the year ended 31 March 2018 as disclosed in the May 2018 Profit Warning Announcement, we consider that in the course of the Group's business development in a competitive environment, it is uncertain as to whether the Group will be able to maintain its competitiveness by promptly reacting to the ever-changing market conditions and be profitable in the near future.

4. Offer Price

The Offer Price of HK\$0.037 per Offer Share, which is equal to the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement, represents:

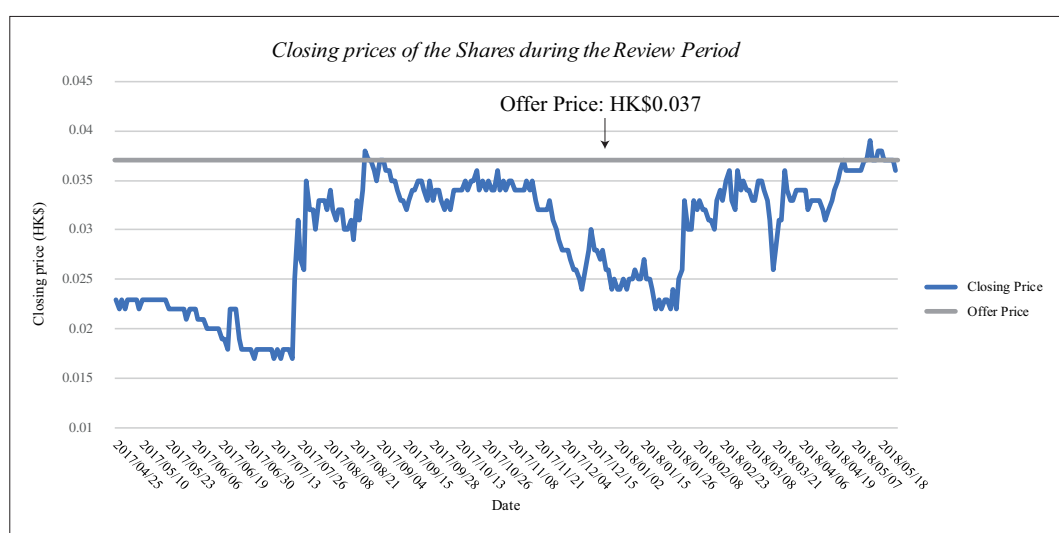
- (i) a premium of approximately 2.78% over the closing price of HK\$0.036 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 8.82% over the average closing price of HK\$0.034 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 12.12% over the average closing price of approximately HK\$0.033 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 2.78% over the closing price of HK\$0.036 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a premium of approximately 131.25% over the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.016 per Share as at 31 March 2017, based on the Company's audited consolidated net asset value attributable to the owners of the Company of approximately HK\$125,073,000 as at 31 March 2017 and 7,972,194,432 Shares in issue as at the Latest Practicable Date; and
- (vi) a premium of approximately 164.29% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.014 per Share as at 30 September 2017, based on the Company's unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$114,457,000 as at 30 September 2017 and 7,972,194,432 Shares in issue as at the Latest Practicable Date.

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(a) *Historical trading prices of the Shares*

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the movements in trading prices of the Shares during the period from 25 April 2017, being twelve months immediately preceding the Last Trading Day, to the Latest Practicable Date (the “Review Period”). We consider that a period of twelve months is adequate to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the closing prices of the Shares and the Offer Price. The closing prices of the Shares during the Review Period are depicted in Chart 1 below:

Chart 1: Closing prices of the Shares during the Review Period



As illustrated in the above chart, the Shares were traded at or below the Offer Price throughout the Review Period, except for 28 August 2017, 14 May 2018, 17 May 2018 and 18 May 2018, with an average closing price of approximately HK\$0.029 and the highest and lowest closing prices of HK\$0.017 and HK\$0.039 respectively. The Offer Price represents a premium of approximately 117.6% over the lowest closing price, a discount of approximately 5.1% to the highest closing price and a premium of approximately 27.6% over the average closing price for the Review Period.

The closing prices of the Shares showed a downward trend by dropping from HK\$0.023 on 25 April 2017 to HK\$0.02 on 16 June 2017. After the trading hours of the Stock Exchange on 16 June 2017, the Company published an announcement regarding the legal proceedings commenced by the Group against Bei Dou Jiuyi Information Technology Industry (Beijing) Limited in relation to its breach of the business cooperation agreement (the “Legal Proceedings”). Subsequently, the closing price of the Shares further decreased to HK\$0.018 on 21 June 2017. On the same day, the Company published two announcements regarding the entering into of a cooperation agreement with an independent third party in relation to the use of its 北斗民用分理服務試驗資質 (Bei Dou Civil Management Services Provisional Qualification*) for the e-Education Business and the

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annual results of the Group for the year ended 31 March 2017, which indicated that the results of the Group turned around from loss attributable to owners of the Company of approximately HK\$55,000 for the year ended 31 March 2016 to profit attributable to owners of the Company of approximately HK\$6.2 million for the year ended 31 March 2017, respectively. The closing price of the Shares rose to HK\$0.022 on the next trading day but then decreased gradually to HK\$0.017, the lowest level of the Review Period, on 4 July 2017. The closing prices of the Shares remained stable at the level between HK\$0.017 and HK\$0.018 until 21 July 2017 when it regained the momentum for an upward trend. The closing prices of the Shares started to rebound on 24 July 2017 and reached HK\$0.035 on 28 July 2017. We were advised that the Company did not aware of any reason for the increase in the closing prices of the Shares during the aforesaid period.

The Company published an announcement regarding the profit warning for its first quarterly results for the three months ended 30 June 2017 on 31 July 2017 but there were no significant movements in the trading prices of the Shares after the publication of such announcement. The closing prices of the Shares fluctuated narrowly between HK\$0.032 and HK\$0.034 during 1 August 2017 and 9 August 2017. Subsequent to the publication of the first quarterly results for the three months ended 30 June 2017 on 9 August 2017, the closing price of the Shares dropped from HK\$0.034 on 9 August 2017 to HK\$0.029 on 21 August 2017. Without any specific reason that could be identified by the Company for the price movement, the closing prices of the Shares rebounded on 22 August 2017 and continued to soar to HK\$0.038 on 28 August 2017. Since then, the closing prices of the Shares decreased gradually and fluctuated in the range of HK\$0.032 and HK\$0.037 during the period from 29 August 2017 to 27 November 2017. The closing prices of the Shares showed a downward trend thereafter and reached HK\$0.022 on 19 January 2018. On the same day, the Company published an announcement in relation to the judgement in favour of the Group regarding the Legal Proceedings. Since then, the closing prices of the Shares increased gradually to HK\$0.036 on the Last Trading Day. The trading of the Shares was halted during the period from 26 April 2018 to 29 April 2018 (both days inclusive) pending the release of the Joint Announcement. Subsequent to the publication of the Joint Announcement on 29 April 2018, the closing price of the Shares increased to HK\$0.039, the highest closing price for the Review Period, on 14 May 2018. After that, the closing price of the Shares decreased slightly to HK\$0.036 on the Latest Practicable Date.

Given that the Offer Price is (i) higher than the average closing price of the Shares for the Review Period; and (ii) higher than the closing price of the Shares for over 98% of the number of trading days in the Review Period, we consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

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(b) Historical trading volume of the Shares

We have also reviewed the historical trading volume of the Shares during the Review Period. The average daily trading volume of the Shares and the percentages of average daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Review Period are shown in Table 2 below:

Table 2: Historical average daily trading volume of the Shares

Month	Number of trading days	Average daily trading volume <small>(Note 1)</small>	% of average daily trading volume to the total number of issued Shares <small>(Note 2)</small>	% of average daily trading volume to the total number of Shares in public hands <small>(Note 3)</small>
2017				
April <small>(Note 4)</small>	4	44,297,500	0.56%	0.96%
May	20	11,845,220	0.15%	0.26%
June	22	26,410,000	0.33%	0.57%
July	21	86,941,905	1.09%	1.89%
August	22	45,819,545	0.57%	0.99%
September	21	18,845,714	0.24%	0.41%
October	20	18,344,875	0.23%	0.40%
November	22	13,794,773	0.17%	0.30%
December	19	20,094,737	0.25%	0.44%
2018				
January	22	13,467,727	0.17%	0.29%
February	18	31,760,556	0.40%	0.69%
March	21	44,424,286	0.56%	0.96%
April <small>(Note 5)</small>	17	42,763,447	0.54%	0.93%
May <small>(Note 6)</small>	18	30,486,300	0.38%	0.66%

Source: the website of the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the relevant month/period which excludes any trading day on which trading of Shares on the Stock Exchange was halted for the whole trading day.
2. Calculated based on 7,972,194,432 Shares in issue as at the Latest Practicable Date.
3. Calculated based on 4,612,214,432 Shares held in public hands (calculated by deducting 3,359,980,000 Shares held by the Offeror and parties acting in concert with it from the 7,972,194,432 Shares in issue) as at the Latest Practicable Date.

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4. Represents trading volume for the period from 25 April 2017 to 30 April 2017.
5. Trading of the Shares was halted from 26 April 2018 to 29 April 2018 (both days inclusive) pending the release of the Joint Announcement.
6. Represents trading volume for the period from 1 May 2018 to the Latest Practicable Date.

Table 2 demonstrates that during the Review Period, the average daily trading volume of the Shares was in the range of approximately 0.15% to approximately 1.09% of the total number of issued Shares as at the Latest Practicable Date and approximately 0.26% to approximately 1.89% of the total number of Shares held in public hands as at the Latest Practicable Date. The above statistics show that the liquidity of the Shares was relatively low during the Review Period.

Given the thin trading volume of the Shares in the Review Period, a sufficiently active market may not exist to enable the Independent Shareholders to sell the Shares in bulk quantity in the short term without exerting a downward pressure on the price of the Shares. Therefore, we anticipate that the Independent Shareholders may have difficulties in selling a significant number of Shares in the open market within a short period of time if the same trading pattern of the Shares persists during and after the Offer Period, and we consider that the Independent Shareholders should accept the Offers if they wish to realise their investments in a large number of Shares within a short period of time.

(c) Comparison with market comparables

In further assessing the fairness and reasonableness of the Offer Price, we have considered to carry out a comparative analysis to compare the Offer Price against the market valuation of other comparable companies using the commonly adopted valuation methods, including price-to-earnings ratio and price-to-book ratio. Taking into account that 100% of the revenue of the Group for the year ended 31 March 2017 was generated from the provision of manned security guarding services in Hong Kong, we have attempted to identify companies which (i) are listed on the Stock Exchange; and (ii) over 50% of the revenue were derived from the provision of manned security guarding services in Hong Kong for the latest financial year, for comparison purpose. However, we are, at our best endeavor, unable to identify any suitable comparable company which meets the aforesaid criteria.

(d) Valuation by income approach

We have also considered assessing the value of the Group by income approach. However, given that valuation using income approach involves various subjective assumptions and parameters in preparing the profit forecast and discounted cash flow such as growth rate beyond the forecast period for calculation of the terminal value, discount rate and revenue and expenses projections, which may largely affect the value of the subject, we consider that it is inappropriate to use income approach to assess the value of the Group.

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(e) Conclusion

Based on the above analysis and taking into consideration that (i) the Offer Price is the same as the purchase price per Sale Share paid by the Offeror under the Sales and Purchase Agreement; (ii) the Offer Price represents a premium of approximately 27.6% over the average closing price of the Shares for the Review Period and a premium of approximately 164.29% over the unaudited consolidated net asset value attributable to the owners of the Company of approximately HK\$0.014 per Share as at 30 September 2017; (iii) the Offer Price is higher than/equal to the closing prices of the Shares in 263 trading days out of 267 trading days during the Review Period; and (iv) the liquidity of the Shares during the Review Period was thin and it is uncertain whether the liquidity of the Shares could be improved to allow the Independent Shareholders to dispose of their holding in the Shares in the market within a short period of time without exerting downward pressure on the price of the Shares, we consider that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

The Independent Shareholders who wish to realise their investments in the Company are reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period.

5. Option Offer Price

As at the Latest Practicable Date, there were 256,000,000 outstanding Share Options conferring rights to the holders thereof to subscribe for 256,000,000 Shares at the exercise price of HK\$0.02 per Share.

The Option Offer Price of HK\$0.017 for cancellation of each Share Option under the Option Offer was determined using a “see through” approach and represents the difference between the exercise price of the Share Options of HK\$0.02 per Share and the Offer Price. The consideration of accepting the Option Offer is equivalent to exercising the Share Options and selling the Shares subscribed under the Share Options at the Offer Price. Despite the fact that the outstanding Share Options are in-the-money, the Optionholders, after exercising their rights to purchase the Shares, may have difficulties in selling a significant number of Shares in the open market within a short period of time to realise their profits given the low liquidity of trading of the Shares as mentioned in the section headed “Historical trading volume of the Shares” above. As such, we are of the view that the basis of determining the Option Offer Price is acceptable and in line with market practice and the Option Offer Price is fair and reasonable so far as the Optionholders are concerned.

6. Information on the Offeror and its intention regarding the Group

As disclosed in the Letter from Emperor Securities, the Offeror was incorporated in Hong Kong on 29 December 2017 and is principally engaged in investment consulting and business management. It is wholly-owned by Nansha Huiming which is in turn owned as to 99.9995% by Huili Jiu Hao Investment and as to 0.0005% by Mr. Song, who is the sole director of the Offeror.

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Huili Jiu Hao Investment is held as to 0.20% by 龐曉莉 (Pang Xiaoli*), and as to 99.80% by Great Walle Investment, which together with its subsidiaries operate investment businesses in the PRC and is principally engaged in the provision of entrusted asset management services and investment management services through its subsidiaries. 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, namely Hongde Business Services). The remaining equity interest of approximately 7.0647% in Great Walle Investment is held as to approximately 1.2185% by 龐曉莉 (Pang Xiaoli*), as to approximately 0.4950% by 深圳明鉞科技有限公司 (Shenzhen Mingyue Technology Company Limited*) (a company wholly-owned by 龐曉莉 (Pang Xiaoli*)), as to approximately 2.0751% by 深圳凱普隆資產管理有限公司 (Shenzhen Kai Pulong Asset Management Company Limited*) (a company wholly-owned by 李俞霖 (Li Yulin*)), as to approximately 0.2725% by 何寶芸 (He Baoyun*), as to approximately 1.2573% by 楊興航 (Yang Xinghang*), as to approximately 0.5013% by 古開華 (Gu Kaihua*), as to approximately 0.4150% by 石朝民 (Shi Chaomin*), as to approximately 0.4150% by 羅韜 (Luo Ren*), and as to approximately 0.4150% by 房進賢 (Fang Jinxian*). Due to their respective indirect shareholdings in the Offeror, 龐曉莉 (Pang Xiaoli*), 深圳明鉞科技有限公司 (Shenzhen Mingyue Technology Company Limited*), 深圳凱普隆資產管理有限公司 (Shenzhen Kai Pulong Asset Management Company Limited*), 李俞霖 (Li Yulin*), 何寶芸 (He Baoyun*), 楊興航 (Yang Xinghang*), 古開華 (Gu Kaihua*), 石朝民 (Shi Chaomin*), 羅韜 (Luo Ren*) and 房進賢 (Fang Jinxian*) (together referred to as the “Minority Shareholders”) are deemed to be parties acting in concert with the Offeror. As at the Latest Practicable Date, none of the Minority Shareholders is a Shareholder.

Mr. Song, aged 43, graduated from the Sun Yat-Sen University of China with a bachelor of economics degree in June 1997 and received an executive master of business administrative degree from the Tsinghua University of China in January 2014. Mr. Song is the founder and chairman of Great Walle Capital Management, which is a company incorporated in May 2013 and principally engaged in the provision of entrusted asset management services. He has also been the chairman of Great Walle Investment since July 2015. Prior to joining Great Walle Capital Management, from January 2007 to May 2008, Mr. Song was the vice president of 岳陽恒立冷氣設備股份有限公司 (Yueyang Hengli Air-cooling Equipment, Inc.*), a company listed on the Shenzhen stock exchange (stock code: 000622), which is principally engaged in manufacturing, installation, maintenance and sales of car air-conditioning equipment. During the period from May 2012 to May 2013, Mr. Song was the chairman of 杭州天目山藥業股份有限公司 (Hangzhou TianMuShan Pharmaceutical Enterprise Co., Ltd*), a company listed on the Shanghai stock exchange (stock code: 600671), which is principally engaged in the production of Chinese medicine and health food products. Save for the shareholding interest in the Company, Mr. Song was not a substantial shareholder of any other listed companies in Hong Kong as at the Latest Practicable Date.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it held 3,359,980,000 Shares, representing approximately 42.15% of the issued share capital of the Company. As disclosed in the Letter from Emperor Securities, the Offeror intends that the Group will continue with its existing businesses following the close of the Offers. Leveraging on the experience of the management team and holding companies of the Offeror in the investment sector, the Offeror will explore possible business opportunities in the investment industry for the Group. The Offeror will also conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the results of the review, the Offeror may explore other business opportunities for the Group and consider whether any

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asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. As at the Latest Practicable Date, the Offeror had no intentions to re-deploy the fixed assets of the Company or to terminate any employment of the employees of the Group or to make significant changes to any employment (except for the proposed change of Board composition as set out in the Letter from Emperor Securities) other than those in the ordinary and usual course of business, and had no definitive plans or intentions for disposal of the existing business of the Group and/or acquisition of business or asset by the Group. However, the Offeror reserves the right to make any change that it deems necessary or appropriate to the Group's businesses and operations to optimise the value of the Group.

As at the Latest Practicable Date, the board comprised four executive Directors (namely Mr. Li Mingming, Mr. Cheng Rui, Ms. Li Liping and Mr. Chen Yunchuo) and three independent non-executive Directors (namely Mr. Xiong Hong, Mr. Wan Tat Wai David and Mr. Ho Yuk Ming Hugo). All the current Directors (other than Mr. Xiong Hong) have tendered their resignations to the Board with effect from the earliest time as allowed under the Takeovers Code. The Offeror intends to nominate three executive Directors, namely Ms. Pang Xiaoli, Mr. Hong Hoi Chuen and Ms. Lin Shuxian and three independent non-executive Directors, namely Ms. Guan Yan, Mr. Zhao Jinsong and Mr. Li Zhongfei, to the Board after posting of the Composite Offer Document. Any such resignation and appointment will be made in compliance with the Takeovers Code and the Listing Rules. The biographical details of the new Directors are set out in the Letter from Emperor Securities.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange upon closing of the Offers. The sole director of the Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offers. The Stock Exchange had stated that if, upon closing of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, it would consider exercising its discretion to suspend dealings in the Shares until the prescribed level of public float is restored.

Given that (i) the Offeror intends to continue the existing businesses of the Group; (ii) neither concrete investments or business opportunities had been identified by the Offeror nor any agreement, arrangement, understanding or negotiation in relation to the injection of any asset or business into the Group had been entered into by the Offeror as of the Latest Practicable Date; (iii) the Offeror intends to maintain the listing status of the Company on the Stock Exchange after the close of the Offers; and (iv) the Offeror had no intentions to terminate any employment of the employees of the Group or to make significant changes to any employment (except for the proposed change of Board composition as detailed in the Letter from Emperor Securities) or to re-deploy the fixed assets of the Group other than those in the ordinary course of business of the Group, and had no definitive plans or intentions for disposal of the existing business of the Group and/or acquisition of business or asset by the Group, we do not expect that there would be any material change in the Group's business in the near future.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons stated above, in particular (i) the Offer Price is the same as the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement; (ii) the Offer Price represents a premium over the average closing price of the Shares of the Review Period and the unaudited consolidated net asset value of the Group attributable to the Shareholders per Share as at 30 September 2017; (iii) the closing price of the Shares in 263 trading days out of 267 trading days in the Review Period was below/equal to the Offer Price; (iv) the liquidity of the Shares during the Review Period was thin and it is uncertain whether the liquidity of the Shares could be improved to allow the Independent Shareholders to dispose of their holdings in the Shares in the market within a short period of time without exerting downward pressure on the price of the Shares; and (v) the future prospects of the Group remain uncertain in view of the unstable and loss-making track records of the Group and the short operating history of its Mobile Gaming Business and e-Education Business, we are of the view that the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned. As such, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Share Offer.

In respect of the Option Offer, given the Option Offer Price of HK\$0.017 was determined using a “see through” approach such that the Offeror is effectively offering to pay the Offer Price of HK\$0.037 per Share that would have been issued under the Share Options, we consider that the Option Offer Price of HK\$0.017 for cancellation of each Share Option is fair and reasonable so far as the Optionholders are concerned. Accordingly, we also recommend the Independent Board Committee to advise the Optionholders to accept the Option Offer.

Independent Shareholders and Optionholders should note that although the Offer Price represents a premium over the historical closing price of the Shares in most of the time of the Review Period, the Shares have been trading at a level close to the Offer Price lately. Therefore, opportunities may exist for Independent Shareholders, or Optionholders to exercise the Share Options and, to sell their Shares in the open market above the Offer Price and thus the Independent Shareholders and the Optionholders are reminded that they should carefully and closely monitor the market price and the liquidity of the Shares before the end of the Offer Period and, having regard to their own circumstances and investment objectives, consider selling their Shares in the open market rather than accepting the Offers if the net proceeds from the market sale of their Shares after deducting all transaction costs and exercise price of the Share Options (in the case of the Share Options) are more than the net amount to be received under the Offers. Those Independent Shareholders and Optionholders who wish to retain some or all of their investments in the Shares and/or are confident in the future prospects of the Group or otherwise are reminded to closely monitor the development of the Group and any announcement of the Company in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Independent Shareholders and Optionholders are strongly recommended to read carefully the terms and the procedures for acceptance of the Offers which are set out in the Letter from Emperor Securities contained in, and Appendix I to, the Composite Offer Document and the accompanying Form of Acceptance despatched to the Shareholders on 31 May 2018. The latest time for acceptance of the Offers (unless extended by the Offeror) is 4:00 p.m. on Thursday, 21 June 2018. Independent Shareholders are urged to act according to the timetable if they wish to accept the Offers.

Yours faithfully,
For and on behalf of
Crescendo Capital Limited

Amilia Tsang
Managing Director

Helen Fan
Associate Director

Notes:

1. Ms. Amilia Tsang is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has approximately 14 years of experience in corporate finance.
2. Ms. Helen Fan is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has approximately 10 years of experience in corporate finance.

To accept the Offers, you should complete and sign the accompanying Form(s) of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms of the Offers. The instructions set out in this Composite Offer Document should be read together with the instructions printed on the Form(s) of Acceptance and Transfer which form part of the terms of the Offers.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

1.1. The Share Offer

- (a) To accept the Share Offer, you should complete and sign the Form of Share Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer in respect of your Shares (whether in full or in part), you must send the duly completed and signed Form of Share Offer Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand, to the Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, in an envelope marked "**King Force Group Holdings Limited – Share Offer**", as soon as possible, and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer (whether in full or in part), you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver in an envelope marked "**King Force Group Holdings Limited – Share Offer**" the duly completed and signed Form of Share Offer Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked “**King Force Group Holdings Limited – Share Offer**” the duly completed and signed Form of Share Offer Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant’s account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (d) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer in respect of your Shares, the Form of Share Offer Acceptance should nevertheless be duly completed and signed and delivered in an envelope marked “**King Force Group Holdings Limited – Share Offer**” to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the Form of Share Offer Acceptance and deliver it in an envelope marked “**King Force Group Holdings Limited – Share Offer**” to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to each of Emperor Securities and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it/they were delivered to the Registrar with the Form of Share Offer Acceptance.
- (f) Acceptance of the Share Offer will be treated as valid only if the duly completed and signed Form of Share Offer Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (subject to the Offers becoming unconditional) or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the Takeovers Code and the Registrar has recorded that the Form of Share Offer Acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
 - (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other subparagraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.

If the Form of Share Offer Acceptance and Transfer is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.

- (g) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholder accepting the Share Offer (where the amount of stamp duty is a fraction of a dollar, the stamp duty will be rounded up to the nearest dollar). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (h) No acknowledgement of receipt of any Form of Share Offer Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.2. The Option Offer

- (a) To accept the Option Offer, you should complete and sign the Form of Option Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Option Offer.
- (b) If you are an Optionholder and you wish to accept the Option Offer in respect of your Share Options (whether in full or in part), you must send duly completed and signed Form of Option Offer Acceptance, together with the relevant certificate(s) of the Share Options (if applicable) and/or other document(s) of title or entitlement (and/or satisfactory indemnity or indemnities required in respect thereof) for the aggregate number of Share Options which you hold that you wish to tender to the Option Offer, by post or by hand, in an envelope marked "**King Force Group Holdings Limited – Option Offer**", to the company secretary of the Company, at Unit 1101, No.118, Connaught Road West, Sai Ying Pun, Hong Kong as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code.
- (c) No stamp duty is payable in connection with the acceptances of the Option Offer.

- (d) No acknowledgement of receipt of any Form of Option Offer Acceptance, certificate(s) of the Share Options (if applicable) and/or any other documents of title (and/or any satisfactory indemnity/indemnities required in respect thereof) will be given.

1.3. Return of documents

If the Offers do not become, or are not declared, unconditional within the time permitted by the Takeovers Code, the share certificate(s) and/or certificate(s) of Share Options and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Registrar (in the case of the Share Offer) and the company secretary of the Company (in the case of the Option Offer) will be returned to the Independent Shareholders and Optionholders who have accepted the Offers by ordinary post at the Independent Shareholders' and Optionholders' own risk as soon as possible but in any event within ten (10) days after the Offers have lapsed.

2. SETTLEMENT UNDER THE OFFERS

2.1. The Share Offer

Provided that a valid Form of Share Offer Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Shares as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order and in all respects and have been received by the Registrar by 4:00 p.m. on the Closing Date, a cheque or a banker's cashier order for the amount due to each of the Independent Shareholders, who accept the Share Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him/her/it under the Share Offer, will be despatched to such Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days following the later of the date on which the duly completed acceptances of the Share Offer and the relevant documents of title in respect of such acceptances are received by the Registrar to render each such acceptance complete and valid and the date the Offers become, or are declared, unconditional.

2.2. The Option Offer

Provided that a valid Form of Option Offer Acceptance and the relevant certificate(s) of Share Option or other documents (if any) evidencing the grant of the Share Options and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Share Options are complete and in good order and in all respects and have been received by the company secretary of the Company by 4:00 p.m. on the Closing Date, a cheque or a banker's cashier order for the amount due to each of the Optionholders who accept the Option Offer in respect of the Share Options tendered by him/her under the Option Offer will be despatched to such Optionholder by ordinary post at his/her own risk as soon as possible but in any event within seven (7) Business Days following the later of the date on which the duly completed acceptances of the Option Offer and the relevant documents of title in respect

of such acceptances are received by the company secretary of the Company to render each such acceptance complete and valid and the date the Offers become, or are declared, unconditional in all respects.

Settlement of the consideration to which any Independent Shareholder or Optionholder is entitled under the Share Offer or the Option Offer, as the case may be, will be implemented in full in accordance with its terms (save in respect of the payment of the seller's ad valorem stamp duty in respect of the Share Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder or Optionholder.

No fraction of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder or Optionholder who accepts the Share Offer or the Option Offer will be rounded up to the nearest cent.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) In order for the Offers to be valid, the Form of Share Offer Acceptance and Form of Option Offer Acceptance must be received by the Registrar and the company secretary of the Company respectively (as the case may be), by 4:00 p.m. on the Closing Date in accordance with the instructions printed thereon or have been extended or revised with the consent of the Executive and in accordance with the Takeovers Code. The Offers are conditional upon the Offeror having received acceptances in respect of the Offer Shares which, together with the Shares acquired or to be acquired by the Offeror and the parties acting in concert with it before or during the Offer Period, will result in the Offeror and parties acting in concert with it holding more than 50% of the total issued shares capital of the Company by 4:00 p.m. on the Closing Date.
- (b) The Offeror reserves the right to revise the terms of the Offers after the despatch of this Composite Offer Document until such day as it may determine and in accordance with the Takeovers Code. If the Offeror revises the terms of the Offers, all the Independent Shareholders and the Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.
- (c) If the Offers are extended or revised, announcement of such extension or revision will state the next closing date or, if the Offers have become unconditional, the announcement may contain a statement that the Offers will remain open until further notice. In the latter case, at least fourteen (14) days' notice in writing will be given before the Offers are closed to the Independent Shareholders and the Optionholders who have not accepted the Offers, and an announcement will be released. The revised Offers will be kept open for at least fourteen (14) days thereafter.
- (d) Any acceptance of the relevant revised Offers shall be irrevocable unless and until the Independent Shareholders and the Optionholders who accept the Offers become entitled to withdraw their acceptance under the paragraphs headed "8. Right of Withdrawal" of this Appendix below and duly do so.

4. EXERCISE OF OPTIONS

Optionholders who wish to accept the Share Offer may (i) exercise his/her/its Share Options (to the extent exercisable) by completing, signing and delivering a notice for exercising the Share Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Share Options to the company secretary of the Company before the Offers close; and (ii) at the same time, or in any event no later than 4:00 p.m. on the Closing Date, complete and sign the Form of Share Offer Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to the Company for exercising the Share Options. Exercise of the Share Options is subject to the respective terms and conditions of the Share Option Scheme and the terms attaching to the grant of the relevant Share Options. Delivery of the completed and signed Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the Share Options but will only be deemed to be an irrevocable authority to the Offeror and/or Emperor Securities and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Registrar on his/her/its behalf the relevant share certificate(s) when issued on exercise of the Share Options as if it/they were delivered to the Registrar with the Form of Share Offer Acceptance. If the Optionholder fails to exercise his/her/its Share Options as aforesaid and in accordance with the respective terms and conditions of the Share Option Scheme, there is no guarantee that the Company may issue the relevant share certificate in respect of the Shares allotted pursuant to his/her/its exercise of the Share Option(s) to such Optionholder in time for it to accept the Share Offer as a Shareholder of such Shares under the terms of the Share Offer.

5. LAPSE OF OPTIONS

Nothing in this Composite Offer Document or the Option Offer will serve to extend the life of any Option which lapses under the Share Option Scheme. No exercise of Options or acceptance of the Option Offer may be made in relation to any Option that has lapsed.

6. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owner of the Shares whose investments are registered in the names of a nominee to provide instructions to their nominee of their intentions with regards to the Share Offer.

7. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the expiry, revision or extension of the Offers. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offers and whether, amongst other information required under Rule 19.1 of the Takeovers Code, the Offers have been revised, extended, or have expired or have become or been declared unconditional.

The announcement must state the following:

- (i) the total number of Offer Shares for which acceptances for the Share Offer have been received;
- (ii) the total number of Share Options for which acceptances of the Option Offer have been received;
- (iii) the number of Shares and Share Options held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
- (iv) the total number of Shares acquired or to be acquired by the Offeror and persons acting in concert with it, and the number of Share Options tendered for cancellation under the Option Offer during the Offer Period.

The announcement must also include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent (save for any borrowed Shares which have been either on-lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (b) In computing the total number of Shares and Share Options represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in section 1 of this Appendix, and which have been received by the Registrar (in respect of the Share Offer) or the company secretary of the Company (in respect of the Option Offer) respectively no later than 4:00 p.m. on the Closing Date shall be included.
- (c) As required under the Takeovers Code, all announcements in relation to the Offers which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the Listing Rules.

8. RIGHT OF WITHDRAWAL

- (a) The Offers are conditional upon fulfillment of the conditions set out in the letter from Emperor Securities. Acceptance of the Offers tendered by any Independent Shareholders and Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out below in sub-paragraph (b) below or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offers shall be entitled to withdraw its/his/her acceptance after twenty one (21) days from the first Closing Date if the Share Offer has not by then become unconditional as to acceptances. An acceptor of the Offers may withdraw its/his/her acceptance by lodging a notice in writing signed by the acceptor (or its/his/her agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar or the company secretary of the Company, as the case may be.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraphs headed “7. Announcements” of this Appendix above, as set out in Rule 19.2 of the Takeovers Code, the Executive may require the Independent Shareholders and Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that rule are met.
- (c) In such case, when any Independent Shareholder(s) and Optionholder(s) withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten (10) days thereof, procure for return by ordinary post of the share certificate(s), and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares and the Share Options lodged with the Form(s) of Acceptance and Transfer to the relevant Independent Shareholder(s) and to the company secretary of the Company for collection of such Optionholder(s) (as the case may be).

9. STAMP DUTY

The seller’s Hong Kong ad valorem stamp duty arising in connection with the acceptance of the Share Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, will be deducted from the amount payable to the Independent Shareholders who accept the Share Offer. The Offeror will arrange for payment of the seller’s ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Share Offer and will pay its portion of the buyer’s *ad valorem* stamp duty (being 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares) in connection with the acceptance of the Share Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No stamp duty is payable in connection with the acceptance of the Option Offer.

10. OVERSEAS HOLDERS

As the Offers to persons not residing in Hong Kong might be affected by the laws of the relevant jurisdictions in which they are resident, Overseas Holders should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offers. It is the responsibility of the Overseas Holders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance by any Overseas Holders will be deemed to constitute a representation and warranty from such Overseas Holders to the Offeror that the local laws and requirements have been complied with. Overseas Holders should consult their professional advisers if in doubt.

11. TAXATION ADVICE

Independent Shareholders and Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. None of the Offeror and/or parties acting in concert with it, the Company, Emperor Securities, Great Wall Corporate Finance, nor their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offers accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

12. GENERAL

- (a) All communications, notices, Form(s) of Acceptance and Transfer, share certificate(s), transfer receipts(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and/or Optionholders will be delivered by or sent to or from them, or their designated agents by post at their own risk, and the Offeror, its beneficial owners, the Company, Emperor Securities, Great Wall Corporate Finance, the Independent Financial Adviser, the Registrar or any of their respective directors and professional advisers or the company secretary of the Company, and any other parties involved in the Offers and any of their respective agents do not accept any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Share Offer Acceptance and Form of Option Offer Acceptance form part of the terms and conditions of the Share Offer and Option Offer, respectively.
- (c) The accidental omission to despatch this Composite Offer Document and/or Form(s) of Acceptance and Transfer or any of them to any person to whom the Offers are made will not invalidate either the Share Offer or the Option Offer in any way.

- (d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance and Transfer will constitute an irrevocable authority to the Offeror, Emperor Securities, Great Wall Corporate Finance or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares or effecting the cancellation of the Share Options in respect of which such person or persons has/have accepted the Offers.
- (f) Acceptance of the Offers by any Independent Shareholders or Optionholders will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that their Shares or Share Options under the Offers (as the case may be) are free from all third party rights and Encumbrances whatsoever and together with all rights accruing or attaching thereto including in the case of the Shares, the right to receive in full all dividends and distributions recommended, declared, made or paid on or after the date of this Composite Offer Document.
- (g) References to the Offers in this Composite Offer Document and the Form(s) of Acceptance and Transfer shall include any revision and/or extension thereof.
- (h) The making of the Offers to the Overseas Holders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Holders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Holders who wishes to accept the Offers to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Holders shall be fully responsible for the payment of any transfer or cancellation or other taxes and duties due by such Overseas Holders in respect of the relevant jurisdictions. The Overseas Holders are recommended to seek professional advice on deciding whether or not to accept the Offers.
- (i) Acceptances of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Company that the number of the Shares or Share Options in respect of which as indicated in the Form(s) of Acceptance and Transfer is the aggregate number of Shares or Share Options held by such nominee for such beneficial owner who is accepting the Offers.
- (j) If you have signed and tendered a Form of Share Offer Acceptance and no number of Share(s) is inserted or a number inserted is greater than your registered holding of Share(s), the Form of Share Offer Acceptance and those physical Share(s) tendered for acceptance of Share Offer will be returned to you for correction and resubmission. Any corrected form must be resubmitted and received by the Registrar on or before 4:00 p.m. on the Closing Date.

- (k) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offers) to all or any Independent Shareholders and Optionholders and with registered address(es) outside Hong Kong or whom the Offeror, Emperor Securities or Great Wall Corporate Finance knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders and Option holders to receive or see such notice, and all references in this Composite Offer Document to notice in writing shall be construed accordingly.
- (l) In making their decision, Independent Shareholders and Optionholders must rely on their own examination of the Offeror, the Group and the terms of the Share Offer and the Option Offer, including the merits and risks involved. The contents of this Composite Offer Document, including any general advice or recommendation contained herein together with the Form(s) of Acceptance and Transfer shall not be construed as any legal or business advice on the part of the Offeror, its beneficial owners, the Company, Emperor Securities, Great Wall Corporate Finance or the Independent Financial Adviser or their respective professional advisers. Independent Shareholders and Optionholders should consult their own professional advisers for professional advice.
- (m) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders and Optionholders in the Form(s) of Acceptance and Transfer shall be irrevocable except as permitted under the Takeovers Code.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is (i) a summary of the audited financial information of the Group for each of the three financial years ended 31 March 2015, 2016 and 2017 as extracted from the annual reports of the Company for the year ended 31 March 2015, 2016 and 2017 and (ii) the unaudited condensed consolidated statement of profit or loss and other comprehensive income as extracted from the third quarterly report of the Company for the nine months ended 31 December 2017, respectively.

	For the nine months ended 31 December 2017 <i>HK\$'000</i> (Unaudited)	For the year ended 31 March 2017 <i>HK\$'000</i> (Audited)	2016 <i>HK\$'000</i> (Audited)	2015 <i>HK\$'000</i> (Audited)
Revenue	89,688	146,212	146,224	130,302
Share of result of an associate	663	1,127	1,058	–
Profit (loss) before income tax	(20,231)	7,360	1,302	4,394
Taxation	–	(1,804)	(1,357)	(1,468)
Profit (loss) for the period/year	(20,231)	5,556	(55)	2,926
Attributable to:				
Owners of the Company	(18,848)	6,197	(44)	2,926
Non-controlling interests	(1,383)	(641)	–	–
Dividend	–	–	–	–
Earnings (loss) per Share (<i>HK\$ cents</i>)				
Basic	(0.245)	0.094	(0.001)	0.05
Diluted	(0.245)	0.078	(0.001)	0.05
Dividend per Share (<i>HK\$ cents</i>)	–	–	–	–

The audited consolidated financial statements of the Group for each of three years ended 31 March 2015, 2016 and 2017 did not contain any qualified opinion expressed by the Company's auditors, BDO Limited. There were no extraordinary items which were exceptional because of size, nature or incidence recorded on the financial statements of the Company during each of the three years ended 31 March 2015, 2016 and 2017 and during the nine months ended 31 December 2017.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Set out below is a reproduction of the text of the audited consolidated financial statements of the Group together with the accompanying notes contained in the annual report of the Company for the year ended 31 March 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	7	146,212	146,224
Cost of services rendered		(115,346)	(118,650)
Gross profit		30,866	27,574
Other income	8	14,751	474
Administrative expenses		(38,502)	(27,804)
Share of result of associates	17	1,127	1,058
Finance costs	9	(882)	–
Profit before income tax	10	7,360	1,302
Income tax expense	11	(1,804)	(1,357)
Profit/(Loss) for the year		5,556	(55)
Other comprehensive income that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of foreign operations		286	–
Share of exchange difference on translation of foreign associates		60	11
Other comprehensive income for the year		346	11
Total comprehensive income for the year		5,902	(44)

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit/(Loss) for the year attributable to:			
Owners of the Company		6,197	(55)
Non-controlling interests		(641)	—
		<u>5,556</u>	<u>(55)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		6,441	(44)
Non-controlling interests		(539)	—
		<u>5,902</u>	<u>(44)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(Loss) per share for profit/(loss) attributable to owners of the Company	13		
– Basic		<u>0.094</u>	<u>(0.001)</u>
– Diluted		<u>0.078</u>	<u>(0.001)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 31 March 2017*

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	15,522	9,513
Goodwill	15	36,255	–
Other intangible assets	16	36,068	1,006
Interests in associates	17	18,183	20,464
Investment in a life insurance policy	18	1,148	1,126
Financial asset at fair value through profit or loss	19	2,200	–
Loan to an associate	20	5,000	–
Amount due from a non-controlling equity holder of a subsidiary	20	1,948	–
		<u>116,324</u>	<u>32,109</u>
Current assets			
Trade receivables	21	18,309	17,750
Prepayments, deposits and other receivables	21	3,108	2,498
Amount due from an associate	20	208	–
Amount due from a related party	20	4,705	–
Cash at banks and in hand		<u>30,482</u>	<u>36,457</u>
		<u>56,812</u>	<u>56,705</u>
Current liabilities			
Trade payables	22	2,116	–
Accrued expenses and other payables	22	16,111	27,887
Amount due to an associate	20	363	–
Amount due to a director	20	169	–
Amount due to a related party	20	247	–
Tax payables		<u>233</u>	<u>671</u>
		<u>19,239</u>	<u>28,558</u>
Net current assets		<u>37,573</u>	<u>28,147</u>
Total assets less current liabilities		<u>153,897</u>	<u>60,256</u>

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities	23	527	478
Promissory note payable	24	20,382	—
		<u>20,909</u>	<u>478</u>
Net assets		<u><u>132,988</u></u>	<u><u>59,778</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	7,680	6,400
Reserves	26	117,393	53,378
		<u>125,073</u>	<u>59,778</u>
Non-controlling interests		<u>7,915</u>	<u>—</u>
Total equity		<u><u>132,988</u></u>	<u><u>59,778</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	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>	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2015	6,400	39,008	(5,270)	–	–	15,630	55,768	–	55,768
Loss for the year	–	–	–	–	–	(55)	(55)	–	(55)
<i>Other comprehensive income:</i>									
Share of exchange difference on translation of foreign associates	–	–	–	11	–	–	11	–	11
Total comprehensive income for the year	–	–	–	11	–	(55)	(44)	–	(44)
Share of an associate's capital reserve	–	–	–	–	4,054	–	4,054	–	4,054
At 31 March 2016 and 1 April 2016	6,400	39,008	(5,270)	11	4,054	15,575	59,778	–	59,778
Issue of consideration shares (<i>note 25 (ii)</i>)	727	49,426	–	–	–	–	50,153	–	50,153
Issue of shares upon placing (<i>note 25(iii)</i>)	553	11,616	–	–	–	–	12,169	–	12,169
Arising from acquisition of subsidiaries (<i>note 30</i>)	–	–	–	–	–	–	–	8,454	8,454
Transactions with owners	1,280	61,042	–	–	–	–	62,322	8,454	70,776
Profit for the year	–	–	–	–	–	6,197	6,197	(641)	5,556
<i>Other comprehensive income:</i>									
Exchange difference on translation of financial statements of foreign operations	–	–	–	184	–	–	184	102	286
Share of exchange difference on translation of foreign associates	–	–	–	60	–	–	60	–	60
Total comprehensive income for the year	–	–	–	244	–	6,197	6,441	(539)	5,902
Share of an associate's capital reserve	–	–	–	–	(3,468)	–	(3,468)	–	(3,468)
At 31 March 2017	7,680	100,050	(5,270)	255	586	21,772	125,073	7,915	132,988

* The total of these accounts represents “Reserves” in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS*For the year ended 31 March 2017*

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cash flows from operating activities		
Profit before income tax	7,360	1,302
Adjustments for:		
Amortisation of other intangible assets	2,829	894
Bad debts written-off	58	2
Depreciation of property, plant and equipment	2,678	2,054
Bank interest income	(1)	(1)
Gain on disposal of property, plant and equipment	(50)	(6)
Imputed interest income on amount due from a non-controlling equity holder of a subsidiary	(32)	–
Interest income of a life insurance policy	(39)	(40)
Interest income from loan to an associate	(208)	–
Fair value gain on financial asset at fair value through profit of loss	(600)	–
Fair value gain on contingent consideration payable	(13,235)	–
Premium charged on a life insurance policy	17	17
Share of result of associates	(1,127)	(1,058)
Interest charges on promissory note	882	–
Write-off of property, plant and equipment	875	588
Operating (loss)/profit before working capital changes	(593)	3,752
Increase in trade receivables	(617)	(189)
Increase in prepayments, deposits and other receivables	(147)	(923)
Increase in trade payables	2,116	–
(Decrease)/Increase in accrued expenses and other payables	(108)	2,329
Increase in amount due to an associate	363	–
Increase in amount due to a director	169	–
Increase in amount due to a related party	247	–
Cash generated from operations	1,430	4,969
Net income tax (paid)/refunded	(2,193)	158
Interest received	1	1
<i>Net cash (used in)/generated from operating activities</i>	(762)	5,128

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cash flows from investing activities		
Purchase of other intangible assets	(18,548)	–
Proceeds from disposal of property, plant and equipment	50	6
Purchase of property, plant and equipment	(8,807)	(499)
Payment for acquisition of associates	–	(2,000)
Loan to an associate	(5,000)	–
Increase in amount due from a related party	(4,705)	–
Cash and cash equivalents acquired from the acquisition of a subsidiary (<i>note 30</i>)	94	–
	<u>(36,916)</u>	<u>(2,493)</u>
<i>Net cash used in investing activities</i>		
Cash flows from financing activities		
Proceeds from issue of shares upon placing, net of share issue expense	12,169	–
Proceeds from issuance of promissory note	19,500	–
	<u>31,669</u>	<u>–</u>
<i>Net cash generated from financing activities</i>		
Net (decrease)/increase in cash and cash equivalents	(6,009)	2,635
Cash and cash equivalents at beginning of year	36,457	33,822
Effect of foreign exchange rates change	34	–
Cash and cash equivalents at end of year	<u>30,482</u>	<u>36,457</u>
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	<u>30,482</u>	<u>36,457</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. GENERAL INFORMATION

King Force Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability on 2 January 2014. The Company’s registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. Its 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 Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 20 August 2014.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company hereinafter referred to as the “Group”) are set out in note 29 to the consolidated financial statements.

The consolidated financial statements for the year ended 31 March 2017 were approved for issue by the board of directors on 21 June 2017.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new or amended HKFRSs – effective 1 April 2016

In the current year, the Group has applied for the first time the following new or amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are relevant to and effective for the Group’s financial statements for the annual year beginning on 1 April 2016:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The adoption of these amendments has no material impact on the Group’s financial statements.

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions ²
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ²
HKFRS 16	Leases ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Effective for annual periods beginning on or after a date to be determined

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

The Group is in the process of making an assessment of the impact of these new or amended HKFRSs upon initial application but is not yet in a position to state whether these new or amended HKFRSs would have a significant impact on the Group’s accounting policies and financial statements.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective terms include all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The consolidated financial statements have been prepared under historical cost convention, except for the financial asset at fair value through profit or loss, available-for-sale financial assets and contingent consideration payable which are stated at fair value. All value are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and judgements are used in the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**4.1 Business combination and basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

The carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4.4 Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as joint ventures where the Group has rights to only the net assets of the joint arrangements.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as interests in associates (i.e. using the equity method – see note 4.3).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4.5 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4.6 Foreign currencies translation

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company.

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Company (i.e. HK\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of the reporting period. Exchange differences arisen, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve.

4.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost over their estimated useful lives on a straight-line basis. The estimated useful lives are, at the following rates per annum:

Leasehold land and buildings	4%
Leasehold improvements	4% to 12% or over the lease term, whichever is shorter
Furniture and equipment	20% – 33%
Motor vehicles	25%

The assets' depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at the end of reporting date.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.8 Other intangible assets

Other intangible assets acquired separately are initially recognised at cost. Subsequently, other intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses (note 4.14). The costs of other intangible assets under development are not subject to amortisation until they are completed and available for use. Intangible

Other intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Amortisation on other intangible assets with finite useful life is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Computerised operating and guarding system	33%
Mobile game licenses	25%-50% or over the license term, whichever is shorter
e-Education and security platform	11%
Franchise of Bei Dou Qualification	20%

4.9 Financial instruments

(i) Financial assets

The Group's financial assets mainly comprise financial asset at fair value through profit or loss which is a contingent consideration receivable arising from a profit guarantee, available-for-sale financial assets which is an investment in a life insurance policy, and loans and receivables including loans to an associate, amounts due from a non-controlling equity holder of a subsidiary/an associate/a related party, trade and other receivables, deposits and cash at banks and in hand.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequently to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial asset includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of the debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Financial assets other than trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of receivables is remote, the amount considered irrecoverable is written off against receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities measured at amortised cost

Financial liabilities at amortised cost including accrued expenses and other payables are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) **Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4.10 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair values of the leased assets, or, if lower, the present value of the minimum lease payments (the “initial value”), of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance lease charges, are recorded as finance lease liabilities.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

Finance lease charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the finance lease liabilities for each accounting period.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the period in which they are incurred.

4.11 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand as well as short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.12 Revenue and other income recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services and the use by others of the Group’s assets yielding interest, net of discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue from provision of security guarding services are recognised in the accounting period in which the services are rendered.

Interest income is accrued on a time apportionment basis using the effective interest method.

4.13 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

4.14 Impairment of non-financial assets

Property, plant and equipment, goodwill, other intangible assets and interests in associates and subsidiaries are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the assets.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.15 Employee benefits*Short term employee benefits*

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Defined contribution retirement plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. Contributions are made based on a percentage of the employees’ basic salaries to the maximum mandatory contributions as required by the MPF Scheme. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets, respectively, as they are normally of a short-term nature. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

4.16 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.17 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.18 Related parties

A party is considered to be related to the Group if:

- (a) A person or a close member of that person’s family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company’s parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

- (v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4.19 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of receivables

The policy for the impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

(b) Depreciation and amortisation

The Group depreciated the property, plant and equipment and amortised the other intangible assets on a straight-line basis over their estimated useful lives, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and other intangible assets.

(c) Impairment of goodwill and other intangible assets

Determining whether goodwill and other intangible assets are impaired requires an estimation of the value-in-use of the cash generation units ("CGUs") to which the goodwill and other intangible assets have been allocated. Value-in-use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing the goodwill and other intangible assets using suitable discount rates. Where the expected future cash flows arising from the relevant CGUs differ from the original estimation, an impairment loss may arise.

(d) Estimate of current tax and deferred tax

The Group is subject to income taxes in Hong Kong. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such final tax liabilities determination is made.

(e) Contingent consideration receivable

The consideration of the acquisition of China Bei Dou Communications Technology Group Limited ("China Bei Dou") as set out in note 30 contains a profit guarantee measured at fair value at the acquisition date with the best estimates of the outcome of the future events, such as earn-out arrangement. As the profit guarantee meets the definition of a financial asset at fair value through profit or loss, it is subsequently remeasured to fair value at the end of each reporting period. The determination of the fair value is based on the expected compensation in cash. One of the key assumptions estimating the fair value is the probability that China Bei Dou meeting the profit target for two years ending 31 December 2017 and 2018.

(f) Contingent consideration payable

The consideration of the acquisition of Magn Investment Limited ("Magn Investment") is measured at fair value at the acquisition date with the best estimates of the outcome of the future events, such as earn-outs arrangement. As the contingent consideration payable meets the definition of a financial liability, it is subsequently remeasured to fair value at the end of each reporting period. The estimation of the fair value is based on the expected adjustment on consideration shares to be issued. One of the key assumptions that has been taken into consideration is the probability that Magn Investment meeting the profit target for the six months ended 31 March 2016 and the year ended 31 March 2017.

6. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

- (a) "Security Guarding" segment involves provision of security guarding services;
- (b) "Mobile Game" segment involves provision of mobile game business;
- (c) "e-Education" segment involves provision of students' e-education and security services

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group use for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that interest income from loan to an associate, fair value gain of contingent consideration payable, finance costs, share of results of associates, corporate income, corporate expense and income tax expense are excluded from segment results.

No asymmetrical allocations have been applied to reportable segments.

The executive directors have identified the Group's three service lines as reportable segments. These segments are monitored and strategic decisions are made on the basis of adjusted segment operating result.

Revenue generated, profit/(loss) incurred from operations, total assets and liabilities by each of the Group's operating segments are summarised as follows:

	Security Guarding		Mobile Game		e-Education		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	146,212	146,224	–	–	–	–	146,212	146,224
Total segment profit/(loss) from operations	7,674	7,276	(3,977)	–	(1,006)	–	2,691	7,276
Interest income from loan to an associate							208	–
Fair value gain on contingent consideration payable							13,235	–
Share of results of associates							1,127	1,058
Finance costs							(882)	–
Unallocated corporate income							1	1
Unallocated corporate expenses							(9,020)	(7,033)
Profit before income tax							7,360	1,302
Income tax expense							(1,804)	(1,357)
Profit/(Loss) for the year							5,556	(55)

There were no inter-segment transfers during the years ended 31 March 2017 and 2016.

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

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

	Security Guarding		Mobile Game		e-Education		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information								
Depreciation of property, plant and equipments	2,444	2,054	17	–	30	–	2,491	2,054
Unallocated depreciation with head office and corporate assets							187	–
Total depreciation							2,678	2,054
Amortisation of other intangible assets	1,661	894	–	–	1,168	–	2,829	894
Income tax expense	1,804	1,357	–	–	–	–	1,804	1,357
Capital expenditure	10,786	499	16,017	–	56,175	–	82,978	499
Unallocated capital expenditure associated with head office and corporate assets							497	–
Total capital expenditure*							83,475	499

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

All assets are allocated to operating segments other than unallocated assets (mainly comprising interests in associates, investment in a life insurance policy, loan to an associate, amount due from an associate, certain other receivables and certain cash and cash equivalents).

	Security Guarding		Mobile Game		e-Education		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	55,517	49,903	23,935	–	59,974	–	139,426	49,903
Interests in associates							18,183	20,464
Investment in a life insurance policy							1,148	1,126
Loan to an associate							5,000	–
Amount due from an associate							208	–
Other corporate assets							9,171	17,321
Total assets							173,136	88,814

All liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising promissory note payable, contingent consideration payable, tax payables and deferred tax liabilities).

	Security Guarding		Mobile Game		e-Education		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment liabilities	13,202	13,953	2,074	–	2,120	–	17,396	13,953
Contingent consideration payable							106	13,341
Tax payables							233	671
Deferred tax liabilities							527	478
Promissory note payable							20,382	–
Other corporate liabilities							1,504	593
Total liabilities							<u>40,148</u>	<u>29,036</u>

Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and interests in associates ("Specified non-current assets").

	Revenue from external customers		Specific non-current assets	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	146,212	146,224	68,883	10,519
The People's Republic of China ("PRC")	–	–	18,962	–
	<u>146,212</u>	<u>146,224</u>	<u>87,845</u>	<u>10,519</u>

Information about major customers

There is no single customer contributed to 10% or more revenue to the Group's revenue for the years ended 31 March 2017 and 2016.

7. REVENUE

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

8. OTHER INCOME

	2017	2016
	HK\$'000	HK\$'000
Bank interest income	1	1
Gain on disposal of property, plant and equipment	50	6
Imputed interest income on amount due from a non-controlling equity holder of a subsidiary	32	–
Interest income of a life insurance policy	39	40
Interest income from loan to an associate	208	–
Fair value gain on financial asset at fair value through profit or loss	600	–
Fair value gain on contingent consideration payable (note 22)	13,235	–
Sundry income	586	427
	<u>14,751</u>	<u>474</u>

9. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest charges on promissory note repayable within two years	882	–

10. PROFIT BEFORE INCOME TAX

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

	2017 HK\$'000	2016 HK\$'000
Auditor's remuneration	1,010	1,090
Amortisation of other intangible assets ¹	2,829	894
Bad debts written-off (<i>note 21</i>)	58	2
Cost of services rendered	115,346	118,650
Depreciation of property, plant and equipment	2,678	2,054
Fair value gain on financial asset at fair value through profit or loss	(600)	–
Fair value gain on contingent consideration payable (<i>note 22</i>)	(13,235)	–

Employee benefits expenses (including directors' emoluments in note 31):

Salaries, allowances and benefits in kind included in:

– Cost of services rendered	109,131	113,188
– Administrative expenses	10,771	3,524

Retirement benefits – Defined contribution plans² included in:

– Cost of services rendered	5,119	5,462
– Administrative expenses	155	116

	125,176	122,290
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Legal and professional fees	4,727	5,501
Gain on disposal of property, plant and equipment	(50)	(6)

Operating lease charges in respect of:

– Rented premises	2,682	973
– Office equipment	1,037	1,324
	3,719	2,297

Write-off of property, plant and equipment	875	588
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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 year

11. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax		
– Tax for the year	1,851	1,694
– (Over)/Under provision in prior years	(96)	70
	<u>1,755</u>	<u>1,764</u>
Deferred tax		
– Charged/(Credited) for the year (<i>note 23</i>)	49	(407)
	<u>1,804</u>	<u>1,357</u>

The Company was incorporated in the Cayman Islands that is tax-exempted as no business is carried out in the Cayman Islands under the laws of the Cayman Islands.

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits of subsidiaries operating in Hong Kong for the year. Income tax expense for other jurisdictions is calculated at the rates of taxation prevailing in the relevant jurisdictions.

The income tax expense for the year can be reconciled to the profit before income tax expense per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit before income tax	<u>7,360</u>	<u>1,302</u>
Tax calculated at the statutory tax rate applicable to profits in the respective jurisdictions	971	215
Tax effect on non-deductible expenses	1,971	1,213
Tax effect on non-taxable income	(2,475)	(175)
Tax effect of temporary difference not recognised	305	34
Tax effect of tax losses not recognised	1,128	–
(Over)/Under provision in prior years	(96)	70
Income tax expense	<u>1,804</u>	<u>1,357</u>

12. DIVIDEND

No dividend has been paid or declared by the Company during the year (2016: Nil).

13. EARNINGS/(LOSS) PER SHARE

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

Earnings/(Loss)	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Earnings/(Loss) for the purposes of basic earnings/(loss) per share	<u>6,197</u>	<u>(55)</u>
Effect of dilutive potential ordinary shares:		
Fair value gain on contingent consideration payable	<u>(994)</u>	<u>—</u>
Earnings/(Loss) for the purposes of diluted earnings/(loss) per share	<u><u>5,203</u></u>	<u><u>(55)</u></u>
Number of shares	2017 <i>'000</i>	2016 <i>'000</i>
Weighted average number of ordinary shares for the purposes		
of basic earnings/(loss) per share	6,625,763	6,400,000
Effect of dilutive potential ordinary shares:		
Consideration shares to be issued on contingent consideration payable	<u>4,419</u>	<u>—</u>
Weighted average number of ordinary shares for		
the purposes of diluted earnings per share	<u><u>6,630,182</u></u>	<u><u>6,400,000</u></u>

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1 April 2015	6,293	1,770	2,240	3,965	14,268
Additions	–	–	99	400	499
Disposal/write off	–	(688)	(138)	(1)	(827)
At 31 March 2016 and 1 April 2016	6,293	1,082	2,201	4,364	13,940
Additions	–	6,280	1,375	1,152	8,807
Acquisition of subsidiaries (<i>note 30</i>)	–	747	–	–	747
Disposal/write off	–	(1,082)	(338)	(795)	(2,215)
Exchange realignment	–	8	(1)	–	7
At 31 March 2017	6,293	7,035	3,237	4,721	21,286
Accumulated depreciation					
At 1 April 2015	755	130	564	1,163	2,612
Depreciation	252	249	559	994	2,054
Disposal/write off	–	(206)	(32)	(1)	(239)
At 31 March 2016 and 1 April 2016	1,007	173	1,091	2,156	4,427
Depreciation	252	504	894	1,028	2,678
Disposal/write off	–	(216)	(329)	(795)	(1,340)
Exchange realignment	–	(1)	–	–	(1)
At 31 March 2017	1,259	460	1,656	2,389	5,764
Net book value					
At 31 March 2017	5,034	6,575	1,581	2,332	15,522
At 31 March 2016	5,286	909	1,110	2,208	9,513

15. GOODWILL

The amount of goodwill capitalised as an asset recognised in the consolidated statement of financial position, arising from business combination is as follows:

	<i>HK\$'000</i>
Cost	
Acquisition of subsidiaries (<i>note 30</i>)	36,255
At 31 March 2017	36,255

Goodwill acquired through business combination has been allocated to the cash generating unit of developing and manufacturing of education security system for protection of the students' safety in the PRC ("e-Education CGU") for impairment testing.

The recoverable amount for the e-Education CGU was determined based on value-in-use calculations, covering a period estimated by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on a detailed five-year budget plan approved by the management, the average growth rate beyond five years of 3%, which does not exceed the long-term growth rate of the industry in the PRC, and pre-tax discount rate of 33.8% estimated by the management with reference to the valuation performed by an independent firm of professional valuers.

Should the discount rate increase by 3.3%, the recoverable amount of the e-Education CGU would equal its carrying amount.

The key assumptions were determined by the management based on its expectations for the business development. The discount rate used is pre-tax and reflect specific risks relating to the segment.

On 15 June 2015, Zhongshan Bei Dou Education Technology Limited* ("Bei Dou Zhongshan"), which became an indirectly owned subsidiary of the Company on 16 December 2016, entered into a business cooperation agreement with, an independent third party, Bei Dou Jiuyi Information Technology Industry (Beijing) Limited ("Bei Dou Jiuyi"), pursuant to which Bei Dou Jiuyi had agreed to franchise Bei Dou Zhongshan to conduct relevant Bei Dou services under its Branch Services Trial Qualification ("Bei Dou Qualification"), subject to the terms and conditions therein.

On 27 January 2017, the Company found that there are changes to information in relation to Bei Dou Qualification on the official website of China National Administration of GNSS and Application ("CNAGA") (the "Website") on 25 January 2017, which includes a word of suspension and a notice that Bei Dou Jiuyi did not pass the annual inspection and qualification renewal check, the Bei Dou Qualification has been suspended (the "Suspension"), and Bei Dou Jiuyi was required to carry out remedial works within six months. If Bei Dou Jiuyi successfully carries out the rectifications required, the Bei Dou Qualification will be renewed, otherwise, the Bei Dou Qualification would be revoked by CNAGA.

The Company has made telephone enquiry with the managing center of China National Administration of GNSS and Application after being aware of the suspension of the Bei Dou Qualification. The Company was informed that:

- (a) the period of validity of the Bei Dou Qualification is four years, but its yearly renewal is subject to the annual inspection check (the "Annual Check");
- (b) during the period of rectification and improvement (the "Period"), although the Bei Dou Qualification is currently suspended, it is not withdrawn and still remains in force. As such, Bei Dou Jiuyi is entitled to operate relevant business and co-operate with its business partners under the Bei Dou Qualification; and
- (c) after Bei Dou Jiuyi has submitted all the documents required by the Annual Check during the Period, the suspension will be lifted.

On 12 June 2017, the Group has filed a civil petition statement 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 with Bei Dou Zhongshan, a subsidiary of the Company on 15 June 2015 and seeking the court for an order against that Bei Dou Jiuyi to, inter alia, return the consideration under the agreement amounted to RMB15,000,000 together with interests. On 15 June 2017, the Group received the notice of acceptance of the case issued by Zhongshan First People's Court.

Details are disclosed in the Company's announcements dated 27 January 2017, 14 February 2017 and 16 June 2017.

On 21 June 2017, the Group entered into an agreement with Guangdong Bei Dou Platform Technology Company Limited ("Guangdong Bei Dou"), which has the same qualification as that of Bei Dou Jiuyi, to grant the franchise of the Bei Dou Qualification to Bei Dou Zhongshan, a subsidiary of the Company, in its e-Education business. Details are disclosed in the Company's announcement dated 21 June 2017.

Apart from the considerations described in determining the value in use of the cash-generating unit above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

16. OTHER INTANGIBLE ASSETS

	Computerised operating and guarding system <i>HK\$'000</i>	Mobile game licenses* <i>HK\$'000</i>	e-Education and security platform <i>HK\$'000</i>	Franchise of Bei Dou Qualification <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1 April 2015, 31 March 2016 and 1 April 2016	2,683	–	–	–	2,683
Additions	2,555	15,993	–	–	18,548
Acquisition of subsidiaries (<i>note 30</i>)	–	–	5,318	13,800	19,118
Exchange realignment	–	–	55	144	199
At 31 March 2017	5,238	15,993	5,373	13,944	40,548
Accumulated amortisation					
At 1 April 2015	783	–	–	–	783
Charge for the year	894	–	–	–	894
At 31 March 2016 and 1 April 2016	1,677	–	–	–	1,677
Charge for the year	1,661	–	277	891	2,829
Exchange realignment	–	–	(6)	(20)	(26)
At 31 March 2017	3,338	–	271	871	4,480
Net book value					
At 31 March 2017	1,900	15,993	5,102	13,073	36,068
At 31 March 2016	1,006	–	–	–	1,006

* The mobile game licenses represented licenses fee for games under development, which are mobile games being licensed from developers and under modification. Upon completion of the significant modification and successful test for commercial production, the mobile games with finite useful life being measured initially at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The balances recognised in the consolidated statement of financial position are as follows:

	Notes	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Associates	a	18,183	20,464
Joint venture	b	–	–
As at 31 March		18,183	20,464

The amounts recognised in the profit or loss are as follows:

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Associates	a	1,127	1,058
Joint venture	b	—	—
For the year ended 31 March		<u>1,127</u>	<u>1,058</u>

(a) Interests in associates

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Share of net assets	33	2,314
Goodwill	<u>18,150</u>	<u>18,150</u>
	<u>18,183</u>	<u>20,464</u>

Particulars of associates as at 31 March 2017 are as follows:

Name of companies	Place of incorporation/ operations	Percentage of interest held		Principal activities
		Directly	Indirectly	
Magn Investment Limited ("Magn Investment")	Hong Kong	25%	20%	Investment holding
Magn Media (China) Holdings Limited [#] ("Magn Media (China)")	PRC	-	45%	Investment holding
Shenzhen Timing Advertisement Co., Limited [#] ("Timing Advertisement")	PRC	—	45%	Investment holding
Shenzhen Magn Classic Technology Co., Limited [#] ("Magn Classic Technology")	PRC	-	45%	Investment holding
Shenzhen Magn Cultural Media Co., Limited [#] ("Magn Cultural Media")	PRC	-	45%	Game publishing business
Shenzhen Magn Interactive Entertainment Cultural Media Co., Limited [#]	PRC	-	45%	Dormant
Shenzhen Magn FirmsCo., Limited [#]	PRC	-	45%	Dormant
Shenzhen Weiyohui Information Technology Co., Limited [#]	PRC	-	45%	Investment holding

[#] English name for identification purpose only

The mobile game business of Magn Investment is operated through controlling Timing Advertisement and its subsidiaries in the PRC (the “VIE Group”) through VIE Contracts.

VIE Contracts included (i) Exclusive Consulting Service Agreement, (ii) Exclusive Call Option Agreement, (iii) Shareholders’ Voting Right Entrustment Agreement, and (iv) Equity Pledge Agreement.

The above VIE Contracts enable Magn Classic Technology, a wholly-owned subsidiary of Magn Investment to:

- exercise effective financial and operational control over the VIE Group;
- exercise shareholders’ voting rights of the VIE Group;
- receive substantially all of the economic interest and returns generated by the VIE Group in consideration for the business support, technical and consulting services provided by Magn Classic Technology, at Magn Classic Technology’s discretion;
- obtain an exclusive right to purchase the entire equity interest in the VIE Group from the registered equity owners; and
- obtain a pledge over the entire equity interest of the VIE Group from the registered equity owners as collateral security to guarantee performance of all of the obligations of registered equity owners and the VIE Group under the VIE Contracts.

As a result of the VIE Contracts, Magn Investment has rights to variable returns from its involvement with the VIE Group, has the ability to affect those returns through its power over the VIE Group, and is considered to have control over the VIE Group. Consequently, the VIE Group is considered to be subsidiaries of Magn Investment.

However, the PRC government may determine that the VIE Contracts do not comply with the applicable laws and regulations. There can be no assurance that the VIE Contracts will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the VIE Contracts will be deemed to be in compliance of the PRC laws and regulations.

The insurance of the Group does not cover the risks relating to the VIE Contracts and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the VIE Contracts in the future, such as those affecting the enforceability of the VIE Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of Timing Advertisement, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, the Group will implement relevant internal control measures to reduce the operational risk.

Summarised financial information for associates

Set out below is the summarised consolidated financial information for Magn Investment which is accounted for using the equity method.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
As at 31 March		
Non-current assets	9,297	22,075
Current assets	90,385	23,218
Current liabilities	(94,609)	(40,151)
Non-current liabilities	(5,000)	–
	<u>73</u>	<u>5,142</u>
Net assets		
	<u>73</u>	<u>5,142</u>
Proportion of the Group's ownership	45.0%	45.0%
Group's share of net assets of associates	<u>33</u>	<u>2,314</u>
Year ended 31 March		
Revenue	82,664	16,958
Profit/(Loss) for the year	2,504	(1,225)
Other comprehensive income for the year	<u>133</u>	<u>25</u>
Total comprehensive income for the year	<u>2,637</u>	<u>(1,200)</u>
Aggregate amount of the Group's share of associates		
Profit or loss	1,127	1,058
Other comprehensive income	<u>60</u>	<u>11</u>
Total comprehensive income	<u><u>1,187</u></u>	<u><u>1,069</u></u>

(b) Investment in a joint venture

The primary business of this joint venture is research and development of security system software for intelligence building automatic system. This joint venture is of small scale and, accordingly, the directors considered it is immaterial to the Group.

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Shenzhen Guanhui Xindong Technology Development Co., Limited. Under HKFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

Joint venture is accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the joint venture's net assets except that losses in excess of the Group's interest in the joint venture is not recognised unless there is an obligation to make good those losses.

For the year ended 31 March 2017, the unrecognised share of losses and accumulated unrecognised share of losses of a joint venture was amounted to HK\$1,000 (2016: nil) and HK\$1,000 (2016: nil) respectively.

Particulars of a joint venture as at 31 March 2017 are as follows:

Name of company	Place of incorporation/ operations	Percentage of interest held	Principal activities
Shenzhen Guanhai Xindong Technology Development Co., Limited [#]	PRC	50%	Research and development of security system software for intelligence building automatic system

[#] English name for identification purpose only

Commitment in respect of joint venture

	2017 RMB'000	2016 RMB'000
Commitment to provide funding	5,000	5,000

18. INVESTMENT IN A LIFE INSURANCE POLICY

The Group entered into a life insurance policy with an insurance company to insure a former director of the Company, Mr. Fu Yik Lung (the "Insured"). Under the policy, the beneficiary and policy holder is the Group and the total insured sum is US\$550,000 (equivalent to HK\$4,290,000). The Group was required to pay a one-off premium payment of US\$145,217 (equivalent to HK\$1,132,693). The Group can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the premium payment plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge ("Cash Value").

For the maturity date of the life insurance policy, the policy provides for continuation of the policy until the death of the Insured, unless there is full cash surrender or a loan causes the policy to lapse. The insurance charge is the cost of insurance that the insurance company charged for provision of the insurance benefits on the death of the Insured at range from 0.084% to 35.93% per annum throughout the policy. In addition, if withdrawal and termination of the policy are made between the 1st to 15th policy year, there is a specified amount of surrender charge. The surrender charge on full or partial termination would be calculated based on the number of years the policy has been in force which is charged at the range from 0.9% to 13.5% of the premium.

The surrender charge of withdrawal is calculated by the insurance company based on the Insured's age and the number of years the policy has been in force and will be deducted from the Cash Value if withdrawal is made within the 1st to 15th policy year which is charged at the range from 1% to 4% of the withdrawal amount. The insurance company will pay the Group an interest on the outstanding Cash Value of the policy at the prevailing interest rate fixed by the insurance company. Commencing on the 2nd policy year, a minimum guaranteed interest of 1.8% per annum is guaranteed by the insurance company.

The investment in the life insurance policy is denominated in US\$, a currency other than the functional currency of the Group.

The directors consider that the carrying amount of the investment in the life insurance policy approximate its fair value.

The fair value of the investment in a life insurance policy is provided by the insurance company which is determined with reference to the Cash Value.

19. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial asset at fair value through profit or loss is a contingent consideration receivable arising from the acquisition of 100% equity interest of China Bei Dou. Fair value of the financial asset at fair value through profit or loss has been determined by the income approach and the probability of the weighted average estimated profit under discounted cash flow method related to the profit guarantee disclosed in note 30.

20. LOAN TO AN ASSOCIATE/AMOUNTS DUE FROM/(TO) NON-CONTROLLING EQUITY HOLDER OF A SUBSIDIARY/A RELATED PARTY/AN ASSOCIATE/A DIRECTOR

Disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

Borrower	Notes	As at	As at	Maximum balance
		31 March 2017	31 March 2016	outstanding during the year ended 31 March 2017
		HK\$'000	HK\$'000	HK\$'000
Loan to an associate	(i)	5,000	—	5,000
Amount due from an associate	(i)	208	—	208
Amount due from a related party	(ii)	4,705	—	4,705

Notes:

- (i) The director of the Company, Mr. Chen Yunchuo, has interest in the associate.
- (ii) The balance is due from a director of a subsidiary.
- (iii) There was no amount due for repayment but has not been paid and no provision has been made against the loan or interest on the loan.

(a) Loan to an associate/amount due from an associate

On 22 July 2016, Guanhui Huyu Technology (Hong Kong) Limited (“Guanhui Huyu”), a subsidiary of the Company, as lender, entered into a loan agreement with Magn Investment, as borrower. Pursuant to the loan agreement, Guanhui Huyu has agreed to grant the loan facility to Magn Investment 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. Given that there is no demand clause and the loan to an associate is repayable on 21 July 2018, the loan is classified as non-current assets. The loan is facilitating the business development of Magn Investment.

The amount due from an associate represented interest receivable arising from the loan to an associate and is repayable on 22 July 2017.

(b) Amounts due from/(to) a non-controlling equity holder of a subsidiary/a related party/a director

The amounts due are unsecured, interest-free and repayable on demand except for the amount due from a non-controlling equity holder of a subsidiary with carrying amount of HK\$1,948,000 which is unsecured, interest-free and repayable on 30 May 2035. The effective interest rate of the amount due from a non-controlling equity holder of a subsidiary is 4.9% per annum.

21. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	18,309	17,750
Prepayments	2,023	880
Deposits	478	1,618
Other receivables	607	–
	<u>3,108</u>	<u>2,498</u>
Total trade receivables, prepayments, deposits and other receivables	<u>21,417</u>	<u>20,248</u>

Trade receivables generally have credit terms of 7 to 30 days (2016: 7 to 30 days).

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

	2017 HK\$'000	2016 HK\$'000
Not more than 30 days	9,406	9,816
30-90 days	8,634	7,372
Over 90 days	269	562
	<u>18,309</u>	<u>17,750</u>

The ageing analysis of trade receivables (net of impairment loss), based on past due date, as of the end of the reporting period is as follows:

	2017 HK\$'000	2016 HK\$'000
Neither past due nor impaired	12,937	11,676
Not more than 30 days past due	2,280	2,469
30-90 days past due	2,935	3,265
Over 90 days past due	157	340
	<u>18,309</u>	<u>17,750</u>

At the end of the reporting period, the Group reviews receivables for evidence of impairment on both individual and collective basis. During the year ended 31 March 2017, the Group has written off trade receivables of HK\$58,000 (2016: HK\$2,000) directly to the profit or loss for the year (note 10).

The below table reconciled the allowance for impairment loss of trade receivables for the year:

	2017 HK\$'000	2016 HK\$'000
At 1 April	–	541
Written off during the year as uncollectible	–	(541)
At 31 March	<u>–</u>	<u>–</u>

Trade receivables that were past due but not impaired related to a number of customers that the Group had continuing business relationships with these customers including services to and settlements from these customers in general, which in the opinion of the directors, have no indication of default. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

22. TRADE PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES

	2017 HK\$'000	2016 HK\$'000
Trade payables	2,116	–
Accrued expenses and other payables	16,111	27,887
Total trade payables, accrued expenses and other payables	18,227	27,887

The ageing analysis of the Group's trade payables, based on invoice dates, is as follows:

	2017 HK\$'000	2016 HK\$'000
Not more than 30 days	731	–
30-90 days	–	–
Over 90 days	1,385	–
	2,116	–

Included in other payables is a contingent consideration payable by the Group of HK\$106,000 (2016: HK\$13,341,000) for the acquisition of 45% equity interest of Magn Investment (note 17(a)).

The contingent consideration payable represented the consideration shares to be issued to Magn Group Limited subject to the profit guarantee of Magn Investment for the six months ended 31 March 2016 and the year ended 31 March 2017.

23. DEFERRED TAX LIABILITIES

Details of deferred tax liabilities recognised and the movements during the current and prior years are as follows:

	Accelerated tax depreciation HK\$'000
At 1 April 2015	885
Credited to profit or loss (note 11)	(407)
At 31 March 2016 and 1 April 2016	478
Charged to profit or loss (note 11)	49
At 31 March 2017	527

At 31 March 2017, the Group did not recognise deferred income tax assets in respect of tax losses of HK\$5,361,000 (2016: nil) that can be carried forward against future taxable income, of which, tax losses of HK\$2,499,000 (2016: nil) can be carried forward indefinitely. The remaining balances of tax losses will expire on within five years.

24. PROMISSORY NOTE PAYABLE

On 6 May 2016, the Company issued a promissory note to a former director of the Company, Mr. Fu Yik Lung to raise funding for the Group's working capital on the daily operation and the development of its existing businesses and any other future development opportunities.

The amount is unsecured and interest-bearing at 5% per annum. The principal sum of HK\$19,500,000 together with its interest accrued are to be repaid on the date falling two years from 6 May 2016. The fair value of HK\$19,500,000 on initial recognition is measured by computing the present value of estimated future cash flows at the effective interest rate of 5% per annum.

During the year, imputed interest expense of HK\$882,000 was charged to the profit or loss.

25. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
<i>Ordinary shares of HK\$0.001 each</i>		
At 1 April 2015	2,000,000,000	20,000
Share subdivision (<i>note (i)</i>)	18,000,000,000	—
At 31 March 2016 and 31 March 2017	20,000,000,000	20,000
Issued:		
<i>Ordinary shares of HK\$0.001 each</i>		
At 1 April 2015	640,000,000	6,400
Share subdivision (<i>note (i)</i>)	5,760,000,000	—
At 31 March 2016 and 1 April 2016	6,400,000,000	6,400
Issue of consideration shares (<i>note (ii)</i>)	726,846,591	727
Issue of shares upon placing (<i>note (iii)</i>)	553,153,409	553
At 31 March 2017	7,680,000,000	7,680

Notes:

- (i) On 17 August 2015, pursuant to the written resolutions passed by the shareholders of the Company, each authorised share capital of HK\$0.01 each was subdivided into ten subdivided shares of HK\$0.001 each. All subdivided shares rank pari passu with each other in all respects with the shares in issue prior to the share subdivision.
- (ii) On 16 December 2016, 726,846,591 new shares of HK\$0.001 each of the Company were issued to satisfy the Share Consideration on the acquisition of China Bei Dou (*note 30*) at a fair value of HK\$50,153,000 of an issue price of HK\$0.069 each. The premium received was credited to the share premium account.
- (iii) On 20 March 2017, 553,153,409 new shares of HK\$0.001 each of the Company were issued to the public by way of placing at HK\$0.022 each (the "Placing"). The net proceeds were used in the Group's mobile gaming business and the Group's general working capital. The premium received was credited to the share premium account.

26. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity of the financial statements. The natures and purposes of reserves within equity are as follows:

Share premium

The share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

Merger reserve

It represents the difference between the nominal value of the share capital of the subsidiary held by the Group and the nominal value of the share capital of the Company issued pursuant to the group reorganisation prior to the listing of the Company's shares.

27. SHARE OPTION SCHEME

A share option scheme (the "Scheme") adopted by the Company was approved by the shareholders on 31 July 2014.

A summary of the Scheme is set out below:

The Scheme became effective for a period of 10 years commencing on 31 July 2014. Under the Scheme, the directors shall, in its absolute discretion select, make an offer to any eligible participants to subscribe for shares of the Company at a subscription price being not less than the highest of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option, which must be a business day; or (ii) the average closing prices of the shares of the Company 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 the share on the date of grant of the option. The offer of a grant of options may be accepted within seven days inclusive of the day on which such offer was made.

The options granted shall be exercisable in whole or in part in the effective option period. The exercise period of the options granted is determined and notified by the directors to the grantee thereof at the time of making an offer provided that such period shall not exceed the period of 10 years from the date of the grant of the option is made, subject to the provisions for early termination thereof.

The maximum number of shares to be issued upon the exercise of all outstanding options granted at any time under the Scheme together with options which may be granted under any other share option schemes for the time being of the Company must not in aggregate exceed 10% of all the shares of the Company in issue as at the listing date being 640,000,000 shares.

No share options were granted under the Scheme in both years. At 31 March 2017 and 2016, there were no outstanding options granted under the Scheme. Share options do not confer rights to the holders to dividend or to vote at shareholders' meetings.

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current asset			
Investments in subsidiaries		58,148	7,996
Current assets			
Prepayments		229	339
Amount due from an associate		2	–
Amounts due from subsidiaries		52,853	31,946
Cash at bank		8,551	3,985
		61,635	36,270
Current liabilities			
Accrued expenses		1,388	438
Amounts due to subsidiaries		5,911	5,911
		7,299	6,349
Net current assets		54,336	29,921
Total assets less current liabilities		112,484	37,917
Non-current liability			
Promissory note payable		20,382	–
Net assets		92,102	37,917
EQUITY			
Share capital	25	7,680	6,400
Reserves	28(b)	84,422	31,517
Total equity		92,102	37,917

On behalf of the directors

Chen Yunchuo
Director

Li Mingming
Director

(b) Reserves of the Company

	Share premium HK\$'000	Contributed surplus HK\$'000 (note)	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2015	39,008	7,996	(4,016)	42,988
Loss for the year	—	—	(11,471)	(11,471)
At 31 March 2016 and 1 April 2016	39,008	7,996	(15,487)	31,517
Issue of consideration shares (note 25(ii))	49,426	—	—	49,426
Issue of shares upon placing (note 25(iii))	11,616	—	—	11,616
Loss for the year	—	—	(8,137)	(8,137)
At 31 March 2017	100,050	7,996	(23,624)	84,422

Note:

The contributed surplus of the Company represented the difference between the net asset value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the group reorganisation prior to the listing of the Company's shares.

29. SUBSIDIARIES**(a) General information of subsidiaries**

At 31 March 2017, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out as follows:

Name of subsidiaries	Place of incorporation/ operations	Issued and paid-up share/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Million Joyce Global Limited	BVI/Hong Kong	1,000 shares of US\$1 each	100%	—	Investment holding
King Force Service Limited	Hong Kong	HK\$1	—	100%	Inactive
King Force Security Limited	Hong Kong	HK\$10,000	—	100%	Provision of security guarding services
Golden Cross Trading Limited	BVI/Hong Kong	1 share of US\$1 each	100%	—	Investment holding
Macro Getter Limited	Hong Kong	HK\$1	—	100%	Investment holding
Loyal Salute Limited	BVI/Hong Kong	1 share of US\$1 each	100%	—	Investment holding
Billion Getting Limited	Hong Kong	HK\$1	—	100%	Inactive

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Name of subsidiaries	Place of incorporation/ operations	Issued and paid-up share/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Directly	Indirectly	
Shiny Lotus Global Limited	BVI/Hong Kong	1 share of US\$1 each	100%	–	Investment holding
Wise Creator Limited	Hong Kong	HK\$1	–	100%	Inactive
King Force Star Technology Limited	BVI/Hong Kong	1 share of US\$1 each	100%	–	Investment holding
King Force Star Technology (Hong Kong) Limited	Hong Kong	HK\$1	–	100%	Inactive
Guanhui Huyu Technology Limited	Samoa	1 share of US\$1 each	100%	–	Investment holding
Guanhui Huyu Technology (Hong Kong) Limited	Hong Kong/PRC	HK\$1	–	100%	Provision of mobile game business
Shenzhen Jiahonglitian Technology Development Co. Ltd [#]	PRC	RMB2,000,000	–	100%	Investment holding
Shenzhen Qianhai Guanhui Huyu Technology Limited ^{##}	PRC	HK\$3,000,000	–	100%	Software development
China Bei Dou Communications Technology Group Limited	Hong Kong	HK\$24,117,049	–	100%	Investment holding
Bei Dou Internet Education Technology (Shen Zhen) Limited [#]	PRC	RMB30,000,000	–	70%	Investment holding
Zhongshan Bei Dou Education Limited [#] (“Bei Dou Zhongshan”)	PRC	RMB25,800,000	–	59.5%	Provision of students’ e-education and e-security services

* These subsidiaries were incorporated during the year.

[#] English name for identification purpose only.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

(b) Material non-controlling interests

Bei Dou Zhongshan, a 59.5% owned subsidiary of the Company, has material non-controlling interests ("NCI"). The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the NCI of Bei Dou Zhongshan, before intra-group eliminations, is presented below:

	Bei Dou Zhongshan <i>HK\$'000</i>
NCI percentage	40.5%
As at 31 March 2017	
Current assets	254
Non-current assets	20,361
Current liabilities	(1,193)
	<hr/>
Net assets	19,422
	<hr/> <hr/>
Carrying amount of NCI	7,866
	<hr/> <hr/>
For the period from 16 December 2016 (date of acquisition) to 31 March 2017	
Revenue	–
Loss for the period	(1,483)
Other comprehensive income	(182)
	<hr/>
Total comprehensive income	(1,665)
	<hr/> <hr/>
Loss allocated to NCI	(601)
	<hr/> <hr/>
Dividends paid to NCI	–
	<hr/> <hr/>
For the year ended 31 March 2017	
Cash flows from operating activities	47
Cash flows from investing activities	(55)
Cash flows from financing activities	–
	<hr/>
Net cash outflows	(8)
	<hr/> <hr/>

Bei Dou Zhongshan was acquired by the Group on 16 December 2016 (note 30).

30. BUSINESS COMBINATION

On 18 October 2016, the Group entered into a sale and purchase agreement (the “S&P Agreement”) with Zheng Gang (“Mr. Zheng”), an independent third party, pursuant to which the Group acquired 100% of the issued share capital of China Bei Dou at a consideration of HK\$51,170,000 (the “Share Consideration”), subject to a profit guarantee that the total audited consolidated net profit after taxation of China Bei Dou, prepared in accordance with HKFRSs and audited by auditors, shall not be less than HK\$18 million for the two financial years ending 31 December 2017 and 2018 (the “Profit Guarantee”). In the event that the Profit Guarantee is not met, Mr. Zheng shall compensate China Bei Dou on a dollar-for-dollar basis on the shortfall by cash (the “Contingent Consideration Receivable”). If China Bei Dou records a loss for the two financial years ending 31 December 2017 and 2018, the compensation amount will be the same as the consideration, HK\$51,170,000 and Mr. Zheng shall pay the compensation within one month after the issue date of the audited report for the two financial years ending 31 December 2017 and 2018.

On 16 December 2016, the Company issued 726,846,591 shares at a price of HK\$0.069 per share to satisfy the Share Consideration. The acquisition was completed on 16 December 2016. Accordingly, the Group owns 100% of the issued share capital of China Bei Dou and which has become a subsidiary of the Group thereafter. China Bei Dou is principally engaged in investment holding and its major subsidiary, Bei Dou Zhongshan, 59.5% interest indirectly held by China Bei Dou, is principally engaged in developing and manufacturing of education security system to protect the safety of students.

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

	<i>HK\$'000</i>
Other intangible assets (<i>note 16</i>)	19,118
Property, plant and equipment (<i>note 14</i>)	747
Amount due from a non-controlling equity holder	1,897
Other receivables and prepayments	463
Cash and cash equivalents	94
Trade and other payables	(1,567)
Less: non-controlling interests	(8,454)
	<u>12,298</u>
The provisional fair value of consideration transfer:	
Share Consideration issued	50,153
Contingent Consideration Receivable, at fair value (<i>note 19</i>)	(1,600)
	<u>48,553</u>
Total purchase consideration	<u>48,553</u>
Goodwill arising on the acquisition of China Bei Dou (<i>note 15</i>)	<u>36,255</u>
Net cash inflow arising from the acquisition:	
	<i>HK\$'000</i>
Cash and bank balances acquired	<u>94</u>

The above consideration transferred includes a performance-based contingent consideration adjustment, which is principally based on the Profit Guarantee in a two-year period after acquisition on a dollar-for-dollar basis. The adjustment will be settled in cash after the end of the two-year period. The potential undiscounted amount of the contingent consideration adjustment that the Group could receive or be required to make under this arrangement is between nil and HK\$51,170,000. At the acquisition date, the fair value of the Contingent Consideration Receivable of HK\$1,600,000 was estimated by applying the income approach and the probability of the weighted average estimated profit at a post-tax discount rate of 35% and the estimated profit of China Bei Dou for the two-year period in the range of HK\$7,618,000 to HK\$21,859,000. As of 31 March 2017, the fair value of the Contingent Consideration Receivable was increased by HK\$600,000 as the estimated profit of China Bei Dou was recalculated to be in the range HK\$6,532,000 to HK\$23,188,000 and the increase was recognised in current year's profit or loss.

The fair value of other receivables and prepayments amounted to HK\$463,000 and amount due from a non-controlling equity holder amounted to HK\$1,897,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The fair value of the shares issued was determined by reference to their quoted market price of HK\$0.069 per share at the date of acquisition.

The goodwill of HK\$36,255,000, which is not deductible for tax purposes, comprises the acquired reputation, the expected future profitability and the benefits from diversifying the revenue stream of the Group.

The Group has elected to measure the non-controlling interests in Bei Dou Zhongshan at the non-controlling interests' proportionate share of identifiable net assets. The amount of the non-controlling interests at the acquisition date amounted to HK\$8,454,000.

The deferred tax liabilities arising on the acquisition is minimal.

Since the acquisition, China Bei Dou contributed nil to the Group's revenue and a loss of HK\$1,606,000 to the consolidated profit for the year ended 31 March 2017.

Had the combination been taken place at the beginning of the year, on 1 April 2016, the Group's revenue would be unchanged and the Group's profit for the year would have been decreased by HK\$12,581,000. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on the beginning of the year, nor is it intended to be a projection of future performance.

31. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

For the year ended 31 March 2017

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive directors				
Chen Yunchuo	–	600	–	600
Li Mingming	–	240	–	240
Li Liping (appointed on 7 December 2016)	–	76	–	76
Cheng Rui (appointed on 8 February 2017)	–	35	–	35
Liu Lai Ying (resigned on 24 June 2016)	–	69	3	72
Chung Pui Yee Shirley (resigned on 8 August 2016)	–	106	5	111
Fu Yik Lung (resigned on 12 January 2017)	–	681	14	695
Independent non-executive directors				
Ho Yuk Ming Hugo (appointed on 19 September 2016)	64	–	–	64
Xiong Hong (appointed on 24 June 2016)	92	–	–	92
Wan Tat Wai David (appointed on 19 September 2016)	64	–	–	64
Professor Lam Sing Kwong Simon (resigned on 24 June 2016)	28	–	–	28
Au Man Yi (resigned on 19 September 2016)	56	–	–	56
Ong Chi King (resigned on 19 September 2016)	56	–	–	56
Total	360	1,807	22	2,189

For the year ended 31 March 2016

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive directors				
Fu Yik Lung	–	720	18	738
Liu Lai Ying	–	300	15	315
Chung Pui Yee, Shirley	–	313	14	327
Li Ming Ming (appointed on 24 September 2015)	–	125	–	125
Chen Xiaoting (appointed on 22 October 2015 and resigned on 18 January 2016)	–	144	–	144
Chen Yunchuo (appointed on 1 February 2016)	–	100	–	100
Zhang Chengzhou (appointed on 21 April 2015 and resigned on 27 November 2015)	–	368	–	368
Non-executive director				
Zhang Chengzhou (resigned on 12 March 2015)	7	–	–	7
Independent non-executive directors				
Law Yiu Sing (resigned on 1 July 2015)	30	–	–	30
Lam Sing Kwong, Simon	120	–	–	120
Ong Chi King	120	–	–	120
Au Man Yi (appointed on 1 July 2015)	90	–	–	90
Total	367	2,070	47	2,484

No directors waived any emoluments in the year ended 31 March 2017 (2016: Nil).

Notes:

1. Mr. Fu Yik Lung had resigned as executive Director on 12 January 2017. Upon his resignation, he remained as a senior management of the Group and the remuneration attributable to such position is HK\$583,000 for the year ended 31 March 2017.
2. Ms. Liu Lai Ying had resigned as executive Director on 24 June 2016. Upon her resignation, she remained as a senior management of the Group and the remuneration attributable to such position is HK\$669,000 for the year ended 31 March 2017.
3. Ms. Chung Pui Yee Shirley had resigned as executive Director on 8 August 2016. Upon her resignation, she remained as a senior management of the Group and the remuneration attributable to such position is HK\$242,000 for the year ended 31 March 2017.

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2016: two) are directors of the Company whose emoluments are included in the disclosure of directors' emoluments above. The emoluments of the remaining three individuals (2016: three individuals) were as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Salaries and other emoluments	1,503	1,365
Retirement scheme contributions	48	53
	<u>1,551</u>	<u>1,418</u>

Their emoluments were within the following bands:

	2017 <i>Number of individuals</i>	2016 <i>Number of individuals</i>
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>

During both years ended 31 March 2017 and 2016, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group as compensation for loss of office.

Senior management emoluments

The emoluments paid or payable to members of senior management fell within the following:

	2017 <i>Number of individuals</i>	2016 <i>Number of individuals</i>
Nil to HK\$1,000,000	<u>2</u>	<u>1</u>

32. OPERATING LEASE COMMITMENTS

Future minimum lease payments under non-cancellable operating leases in respect of rented premises are payable as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	2,203	2,220
In the second to fifth year	<u>555</u>	<u>774</u>
	<u>2,758</u>	<u>2,994</u>

The Group leases a number of premises and office equipment under operating leases. The leases run for an initial period of one year to five years (2016: one year to five years). The above lease commitments only include commitments for basic rental and none of the lease includes any contingent rental.

33. RELATED PARTY TRANSACTIONS

- (i) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions carried out with related parties during the year:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
	<i>Notes</i>	
Operating lease and related charges paid to a former director, Ms. Liu Lai Ying	600	50
Interest income received from an associate, Magn Investment	(a) 208	–
Interest paid to a former director of the Company / a director of a subsidiary, Mr. Fu Yik Lung	(a) 882	–
	<u> </u>	<u> </u>

Note:

- (a) The transactions above were carried out on the terms agreed between the relevant parties.
- (ii) Compensation of key management personnel

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Short-term employee benefits	5,171	4,122
Post employment benefits	<u>115</u>	<u>114</u>
	<u>5,286</u>	<u>4,236</u>

(iii) Balances with related parties

Receivable from/(payable to)	Notes	2017 HK\$'000	2016 HK\$'000
Ms. Liu Lai Ying, a former director of the Company	(a)	100	100
A director of a subsidiary	(b)	4,705	—
	(b)	(247)	—
Magn Investment, an associate	(c)	5,208	—
	(c)	(363)	—
Mr. Li Mingming, a director of the Company	(d)	(169)	—
Mr. Fu Yik Lung, a former director of the Company/ a director of a subsidiary	(e)	(20,382)	—
		<u> </u>	<u> </u>

- (a) Balance with Ms. Liu Lai Ying, a former director of the Company represented rental deposit paid to her. She has resigned as a director of the Company on 24 June 2016.
- (b) Balances with a director of a subsidiary, represented the amount due from a related party of HK\$4,705,000 and amount due to a related party of HK\$247,000.
- (c) Balance with Magn Investment, an associate of the Group, represented the loan to an associate and amount due from/to an associate.
- (d) Balance with Mr. Li Mingming, a director of the Company, represented the amount due to a director.
- (e) Balance with Mr. Fu Yik Lung, a former director of the Company and a director of a subsidiary, represented promissory note payable and its accrued interests of HK\$20,382,000 in total.

34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	2017 HK\$'000	2016 HK\$'000
Financial assets		
Non-current		
Available-for-sale financial assets:		
– Investment in a life insurance policy	1,148	1,126
Financial asset measured at fair value through profit or loss:		
– Contingent consideration receivable	2,200	–
Loans and receivables		
– Loan to an associate	5,000	–
– Amount due from a non-controlling equity holder of a subsidiary	1,948	–
	<u>10,296</u>	<u>1,126</u>
Current		
Loans and receivables (including cash and cash equivalents):		
– Trade receivables	18,309	17,750
– Deposits and other receivables	1,085	1,618
– Amount due from an associate	208	–
– Amount due from a related party	4,705	–
– Cash at banks and in hand	30,482	36,457
	<u>54,789</u>	<u>55,825</u>
	<u>65,085</u>	<u>56,951</u>
Financial liabilities		
Non-current		
Financial liabilities measured at amortised cost:		
– Promissory note payable	20,382	–
Current		
Financial liabilities measured at amortised cost:		
– Trade payables	2,116	–
– Accrued expenses and other payables	16,005	14,546
– Amount due to an associate	363	–
– Amount due to a director	169	–
– Amount due to a related party	247	–
	<u>18,900</u>	<u>14,546</u>
Financial liabilities measured at fair value through profit or loss:		
– Contingent consideration payable	106	13,341
	<u>19,006</u>	<u>27,887</u>
	<u>39,388</u>	<u>27,887</u>

35. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which result from the use of financial instruments in its ordinary course of operations. The financial risks include market risks (mainly foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The directors meet regularly to identify and evaluates risks and formulates strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

Foreign currency risk

The Group has transactional and translational currency exposures. These exposures arise from expenses incurred by operating units in currencies other than the units' functional currencies. The Group's monetary assets, monetary liabilities, financing and transactions are principally denominated in RMB and HK\$. The Group is exposed to the foreign exchange risk arising from changes in the exchange rate of HK\$ against RMB. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RMB rate %	(Decrease)/ increase in profit before tax HK\$'000	Increase/ (decrease) in equity HK\$'000
2017			
If Hong Kong dollar weakens against RMB	5	(143)	229
If Hong Kong dollar strengthens against RMB	(5)	143	(229)
2016			
If Hong Kong dollar weakens against RMB	5	–	120
If Hong Kong dollar strengthens against RMB	(5)	–	(120)

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At the end of the reporting period, the Group's exposure to interest rate risk mainly arises from bank deposits which earn interests at floating rates, a fixed rate loan to an associate (note 20), a fixed rate amount due from a non-controlling equity holder of a subsidiary and a fixed rate promissory note payable (note 24). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk. The directors considered that the Group's exposure to interest rate risk is not significant.

Credit risk

The Group's exposure to credit risk related to the financial assets summarised in the note 34. Details of the Group's exposures to credit risk on loan to an associate, trade receivables, and amounts due from a related party/an associate/a non-controlling equity holder of a subsidiary are disclosed in notes 20 and 21.

The Group's trade receivables are actively monitored to avoid concentration of credit risk with exposure spread over a number of customers.

The Group continuously evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit terms are extended to certain customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade debt at that reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the year and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. The Group's bank balances are all deposited with licensed banks in Hong Kong and the PRC.

The management considers the credit risk on a related party/an associate is not significant as a director of the associate/a director of the Company has provided the financial guarantee to undertake the liabilities from a related party an associate. The credit risk from a non-controlling equity holder of a subsidiary is not significant as the equity holder has adequate assets, its interests in that subsidiary, to recover the amount due from.

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables, accrued liabilities, other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The liquidity policies have been followed by the Group during the year and are considered by the directors to have been effective in managing liquidity risk.

Analysed below is the Group's remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group are required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group are committed to pay.

	Within 1 year or on demand <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	Total contractual undiscounted cash flows <i>HK\$'000</i>	Carrying amounts <i>HK\$'000</i>
As at 31 March 2017				
Non-derivatives:				
Trade payables	2,116	–	2,116	2,116
Accrued expenses and other payables	16,005	–	16,005	16,005
Amount due to an associate	363	–	363	363
Amount due to a director	169	–	169	169
Amount due to a related party	247	–	247	247
Promissory note payable	–	21,450	21,450	20,382
	<u>18,900</u>	<u>21,450</u>	<u>40,350</u>	<u>39,282</u>
As at 31 March 2016				
Non-derivatives:				
Accrued expenses and other payables	14,546	–	14,546	14,546
	<u>14,546</u>	<u>–</u>	<u>14,546</u>	<u>14,546</u>

Fair values of the Group's financial assets and liabilities measured at amortised cost are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2: Fair value measured based on valuation techniques using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs; and

Level 3: Fair value measured based on valuation techniques using significant unobservable inputs (i.e. not derived from market data).

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Information about level 2 for fair value measurements

The fair value of the investment in a life insurance policy is determined by the insurance company with reference to the Cash Value.

Information about level 3 for fair value measurements*Contingent consideration payable*

The consideration shares to be issued to Magn Group Limited in relation to the acquisition of Magn Investment, are subject to the performance requirement as set out in the adjustment mechanism stipulated in the supplemental agreement. Pursuant to the supplemental agreement, Magn Group Limited undertakes that Magn Investment shall achieve the “Guaranteed Profit” as below:

Magn Group Limited guaranteed to the Company that the audited consolidated net profit after tax of Magn Investment for the financial year ended 31 March 2017 (the “2017 Actual Profit”) shall be not less than HK\$45,000,000 (the “2017 Guaranteed Profit”).

In the event that the 2017 Actual Profit fails to meet the 2017 Guaranteed Profit, Magn Group Limited shall indemnify the Company the amount of the 2017 Compensated Amount (as defined below) by deducting the 2017 Compensated Amount from the consideration shares.

The “2017 Compensated Amount” = (2017 Guaranteed Profit – 2017 Actual Profit) x 0.4425

The fair value of the consideration shares was estimated by management of the Company after considering the probability that Magn Investment could meet the 2017 Guaranteed Profit and the market price of the shares of the Company.

The key unobservable inputs in calculating the fair value of the contingent consideration payable were the assumptions used in Magn Investment’s profit forecast for the year ended 31 March 2017 which were the estimated number of active paying players of mobile games and the estimated average monthly spending on the mobile games by them, and the estimated market price of the consideration shares to be issued. For the year ended 31 March 2016, with all other variables held constant, an increase/(decrease) in the expected profit by 5% would have increased/(decreased) the Group’s loss by HK\$667,000. For the year ended 31 March 2017, with all other variables held constant, an increase/(decrease) in the estimated share price by 5% would have decreased/(increased) the Group’s profit by HK\$5,000 (2016: increase/(decrease) the Group’s loss by HK\$667,000).

Contingent consideration receivable

The fair value of the contingent consideration receivable on the Profit Guarantee of China Bei Dou was based on the income approach and the probability of the weighted average estimated profit under discounted cash flow method.

The contingent consideration receivable is subject to the performance requirement as stipulated in the S&P Agreement. Pursuant to the S&P Agreement, Mr. Zheng undertakes China Bei Dou shall achieve the Profit Guarantee that the total audited consolidated net profit after taxation of China Bei Dou, prepared in accordance with HKFRSs and audited by auditors, shall not be less than HK\$18 million for the two financial years ending 31 December 2017 and 2018. In the event that the Profit Guarantee is not achieved, Mr. Zheng shall compensate China Bei Dou on a dollar-for-dollar basis on the shortfall by cash. If China Bei Dou records a total loss for the two financial years ending 31 December 2017 and 2018, the compensation amount will be the same as the consideration of HK\$51,170,000.

The fair value of the contingent consideration receivable was estimated by the management with the assistance of a firm of professional valuers after considering the probability that China Bei Dou could meet the Profit Guarantee.

The significant unobservable input used in calculating the fair value measurement of the contingent consideration receivable is the present value of the expected profits. For the year ended 31 March 2017, with all other variables held constant, an increase/(decrease) in the estimated profits by 5% would have decreased/(increased) the Group’s profit by HK\$110,000.

There were no changes in valuation techniques during the period.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2017 HK\$'000	2016 HK\$'000
<i>Contingent consideration receivable</i>		
At 1 April	–	–
Arising from acquisition of subsidiaries (<i>note 30</i>)	1,600	–
Fair value gain on contingent consideration receivable recognised in profit or loss during the year	600	–
	<u>2,200</u>	<u>–</u>
At 31 March	<u>2,200</u>	<u>–</u>
<i>Contingent consideration payable</i>		
At 1 April	13,341	–
Arising from acquisition of interests in associates	–	13,341
Fair value gain on contingent consideration payable recognised in profit or loss during the year	(13,235)	–
	<u>106</u>	<u>13,341</u>
At 31 March	<u>106</u>	<u>13,341</u>

There were no transfers between level during the period.

37. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts.

Management of the Company regards total equity as capital. The amount of capital as at 31 March 2017 and 2016 amounted to HK\$132,988,000 and HK\$59,778,000 respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity attributable to owners of the Company. Net debt includes promissory note payable less cash and cash equivalents. The Group's policy is to maintain a gearing ratio at a reasonable level.

The gearing ratios as at the end of the reporting periods were as follows:

	2017 HK\$'000	2016 HK\$'000
Promissory note payable	20,382	–
Total debt	20,382	–
Less: Cash and cash equivalents	(30,482)	(36,457)
Net debt	N/A	N/A
Total equity attributable to owners of the Company	125,073	59,778
Gearing ratio	N/A	N/A

38. MAJOR NON-CASH TRANSACTION

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following major non-cash transaction:

On 16 December 2016, the Group acquired 100% of the issued share capital of China Bei Dou at a consideration of HK\$50,153,000 satisfied by issuance of shares and subject to the Profit Guarantee. Details are disclosed in note 30.

39. EVENTS AFTER THE REPORTING DATE

- (a) As disclosed in note 15, the renewal of the Bei Dou Qualification by Bei Dou Jiuyi is in progress. On 12 June 2017, the Group has filed a civil petition statement at the Zhongshan First People's Court against Bei Dou Jiuyi, claiming that Bei Dou Jiuyi has breached the business cooperation agreement entered with Bei Dou Zhongshan, a subsidiary of the Company on 15 June 2015 and seeking the court for an order against Bei Dou Jiuyi to, inter alia, return the consideration under the agreement amounted to RMB15,000,000 together with interests. On 15 June 2017, the Group received the notice of acceptance of the case issued by Zhongshan First People's Court. Details are disclosed in the Company's announcements dated 16 June 2017.
- (b) As disclosed in note 15, on 21 June 2017, the Group entered into an agreement with Guangdong Bei Dou, which has the same qualification as that of Bei Dou Jiuyi to grant the franchise of the Bei Dou Qualification to Bei Dou Zhongshan, a subsidiary of the Company, in its e-Education business. Details are disclosed in the Company's announcement dated 21 June 2017.

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

For the three months and nine months ended 31 December 2017

The following is the unaudited consolidated financial information of the Group for the three months ended 31 December 2016 and 2017 and the nine months ended 31 December 2016 and 2017 together with the accompanying notes contained in the Company's third quarterly report for the nine months ended 31 December 2017.

		For three months ended		For nine months ended	
		31 December	31 December	31 December	31 December
		2017	2016	2017	2016
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	28,151	35,589	89,688	112,510
Cost of services rendered		(24,509)	(29,479)	(77,224)	(90,251)
Gross profit		3,642	6,110	12,464	22,259
Other income	3	261	248	1,111	842
Administrative expenses		(9,868)	(10,334)	(33,734)	(24,486)
Share of result of an associate		2,930	(1,814)	663	2,842
Finance costs	4	(246)	(248)	(735)	(643)
Loss before income tax	5	(3,281)	(6,038)	(20,231)	814
Income tax expense	6	–	(343)	–	(1,583)
Loss for the period		(3,281)	(6,381)	(20,231)	(769)
Other comprehensive income that may be reclassified subsequently to profit or loss:					
Exchange difference on translation of financial statements of foreign operations		491	22	1,040	22
Share of exchange difference on translation of foreign associates		118	(87)	47	(136)
Other comprehensive income for the period		609	(65)	1,087	(114)
Total comprehensive income for the period		(2,672)	(6,446)	(19,144)	(883)

	For three months ended		For nine months ended	
	31 December		31 December	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to:				
Owners of the Company	(2,793)	(6,205)	(18,848)	(593)
Non-controlling interests	(488)	(176)	(1,383)	(176)
	<u>(3,281)</u>	<u>(6,381)</u>	<u>(20,231)</u>	<u>(769)</u>
Total comprehensive income for the period attributable to:				
Owners of the Company	(2,343)	(6,279)	(18,121)	(716)
Non-controlling interests	(329)	(167)	(1,023)	(167)
	<u>(2,672)</u>	<u>(6,446)</u>	<u>(19,144)</u>	<u>(883)</u>
	HK cents	HK cents	HK cents	HK cents
Loss per share for loss attributable to owners of the Company				
– Basic and diluted	(0.036)	(0.095)	(0.245)	(0.009)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the nine months ended 31 December 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
Loss for the period	-	-	-	-	-	-	(593)	(593)	(176)	(769)
Other comprehensive income:										
Share of exchange difference on translation of foreign operations	-	-	-	-	(123)	-	-	(123)	9	(114)
Total comprehensive income for the period	-	-	-	-	(123)	-	(593)	(123)	9	(114)
Transactions with owners:										
Issue of consideration shares	727	49,426	-	-	-	-	-	50,153	-	50,153
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	3,171	3,171
Total transactions with owners	727	49,426	-	-	-	-	-	50,153	3,171	52,441
At 31 December 2016 (unaudited)	7,127	88,434	-	(5,270)	(112)	4,054	14,982	109,215	3,004	112,219
At 1 April 2017 (audited)	7,680	100,050	-	(5,270)	255	586	21,772	125,073	7,915	132,988
Loss for the period	-	-	-	-	-	-	(18,848)	(18,848)	(1,383)	(20,231)
Other comprehensive income:										
Exchange difference on translation of financial statements of foreign operations	-	-	-	-	680	-	-	680	360	1,040
Share of exchange difference on translation of foreign operations	-	-	-	-	47	-	-	47	-	47
Total comprehensive income for the period	-	-	-	-	727	-	(18,848)	(18,121)	(1,023)	(19,144)
Transactions with owners:										
Share-based payment expenses of options granted by the Company during the period	-	-	4,009	-	-	-	-	4,009	-	4,009
Issue of shares upon exercise of share options	122	3,196	(885)	-	-	-	-	2,433	-	2,433
Total transactions with owners	122	3,196	3,124	-	-	-	-	6,442	-	6,442
At 31 December 2017 (unaudited)	7,802	103,246	3,124	(5,270)	982	586	2,924	113,394	6,892	120,286

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 31 December 2017

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

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

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

The 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 2017 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 31 December		Nine months ended 31 December	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	—*	—*	1	1
Imputed interest income on amount due from a non-controlling equity holder of a subsidiary	32	—	75	—
Interest income from a loan to an associate	75	75	225	133
Interest income of a life insurance policy	9	9	29	40
Sundry income	145	164	781	668
	<u>261</u>	<u>248</u>	<u>1,111</u>	<u>842</u>

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

4. FINANCE COSTS

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

5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Three months ended 31 December		Nine months ended 31 December	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of intangible asset ¹	1,068	926	3,238	1,592
Cost of services rendered	24,509	29,479	77,224	90,251
Depreciation of property, plant and equipment	810	1,212	2,360	2,232
Employee benefits expenses (including directors' emoluments):				
Salaries, allowances and benefits in kind included in:				
– Cost of services rendered	21,201	27,475	66,628	83,891
– Administrative expenses	2,560	2,925	8,105	7,242
– Share option expenses	–	–	4,009	–
Retirement benefits – Defined contribution plans ² included in:				
– Cost of services rendered	946	1,309	2,961	3,974
– Administrative expenses	70	174	288	299
	24,777	31,883	81,991	95,406
Legal and professional fees	379	1,201	1,710	2,921
Operating lease charges in respect of:				
– Rented premises	544	648	1,890	1,941
– Office equipment	18	333	53	998
	562	981	1,943	2,939

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		Nine months ended	
	31 December		31 December	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
– Hong Kong Profits Tax				
– charged for the period	–	393	–	1,240

Hong Kong Profits Tax has been provided at the rate of 16.5% (nine months ended 31 December 2016: 16.5%) on the Group's estimated assessable profits for the period. Income tax expense for other jurisdictions is calculated at the rates of taxation prevailing in the relevant jurisdictions.

No provision of Hong Kong Profits Tax has been made as the Group has no assessable profit arising in Hong Kong during the period.

No provision for enterprise income tax of the PRC has been made as the associates incorporated in the PRC have estimated tax losses for the periods ended 31 December 2017 and 2016.

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

7. 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:

	Three months ended		Nine months ended	
	31 December		31 December	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss				
Loss attributable to owners of the Company	(2,793)	(6,205)	(18,848)	(593)

	Three months ended		Nine months ended	
	31 December		31 December	
	2017	2016	2017	2016
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	7,747,413	6,400,000	7,703,324	6,400,000

The assumed exercise of the outstanding share options and the consideration shares to be issued on contingent consideration payable for the nine months ended 31 December 2017 have anti-dilutive effect and have therefore been excluded from the above calculation.

8. DIVIDENDS

The Board did not recommend a payment of dividend for the nine months ended 31 December 2017 (nine months ended 31 December 2016: nil).

9. COMPARATIVE FIGURES

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

4. STATEMENT OF INDEBTEDNESS

As at the close of business of 30 April 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this Composite Offer Document, the Company had a promissory note outstanding in the principal sum of HK\$19,500,000, which is unsecured and interest-bearing at 5% per annum.

Save as aforesaid, the Group did not have, as at the close of business of 30 April 2018, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, other debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills and payables) or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

The Directors confirm that save for the extension of the term of the above promissory note for a period of 15 months and the amendment of (i) the principal amount of the promissory note to HK\$19,950,000, and (ii) the amendment of interest payable under the promissory note to HK\$200,000 per month, there has not been any material change in the indebtedness or contingent liabilities of the Group since 30 April 2018 and up to the Latest Practicable Date.

5. MATERIAL CHANGE

The Directors confirm that save as disclosed below, there had been no material changes in the financial or trading position or outlook of the Group subsequent to 31 March 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date:

- (i) as disclosed in the announcement of the Company dated 16 June 2017, 中山北斗教育科技有限公司 (Zhongshan Bei Dou Education Technology Limited*) ("**Bei Dou Zhongshan**"), a subsidiary of the Company, has filed a civil petition statement on 12 June 2017 at the First People's Court in Zhongshan City, Guangdong Province ("**Zhongshan First People's Court**") against 北斗九億信息科技產業(北京)有限公司 (Bei Dou Jiuyi Information Technology Industry (Beijing) Limited*) ("**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 "**Bei Dou Jiuyi Agreement**"), and seeking the court for an order against Bei Dou Jiuyi to, inter alia, return the consideration under the Bei Dou Jiuyi Agreement in the amount of RMB15,000,000 paid by Bei Dou Zhongshan together with the interests accrued thereon. On 18 January 2018, the Company received a judgement granted by the Zhongshan First People's Court in favour of Bei Dou Zhongshan, which ordered (a)

the Bei Dou Jiuyi Agreement to be rescinded; (b) Bei Dou Jiuyi to return, within seven days from the effective date of the judgement, the consideration under the Bei Dou Jiuyi Agreement in the amount of RMB15,000,000 together with the interests accrued thereon to Bei Dou Zhongshan; and (c) the court fees in the amount of RMB111,800 to be borne by Bei Dou Jiuyi. Further details of the judgement are set out in the announcement of the Company dated 19 January 2018. As at the Latest Practicable Date, Bei Dou Zhongshan has not received the above-mentioned amounts from Bei Dou Jiuyi yet and Bei Dou Zhongshan has instructed its legal adviser to follow up the payment from Bei Dou Jiuyi;

- (ii) because Bei Dou Jiuyi's 北斗民用分理服務試驗資質 (Bei Dou Civil Management Services Provisional Qualification*) (the "**Bei Dou Qualification**"), which was granted by China National Administration of GNSS and Applications, was suspended since January 2017 and therefore could not be used by the Group in its business activities, as disclosed in the announcement of the Company dated 21 June 2017, Bei Dou Zhongshan and 廣東北斗平台科技有限公司 (Guangdong Bei Dou Platform Technology Limited*) ("**Guangdong Bei Dou**"), a third party independent of the Company, entered into a cooperation agreement, pursuant to which Bei Dou Zhongshan would provide Guangdong Bei Dou with dynamic face recognition technology and the terminal hardware regarding the safety service of school bus, and Guangdong Bei Dou would support and coordinate with Bei Dou Zhongshan to legally carry out business activities in the education field based on its Bei Dou Qualification in lieu of the qualification held by Bei Dou Jiuyi;
- (iii) as disclosed in the announcements of the Company dated 29 January 2018 and 14 February 2018, the vendor in respect of the acquisition of 25% equity interest in MAGN Investment Limited by the Company failed in fulfilling the profit guarantees for the six months ended 31 March 2016 and the year ended 31 March 2017 given to the Company and therefore the first tranche of consideration shares to be issued to the vendor was adjusted to nil and the second tranche of consideration shares to be issued to the vendor was reduced to 4,194,432 consideration shares. The allotment and issue of the consideration shares was completed on 12 March 2018 as disclosed in the announcement of the Company dated 12 March 2018;
- (iv) as disclosed in the third quarterly report of the Company for the nine months ended 31 December 2017,
 - (a) the Group's revenue decreased by approximately HK\$22,822,000 from approximately HK\$112,510,000 for the nine months ended 31 December 2016 to approximately HK\$89,688,000 for the nine months ended 31 December 2017. The decrease in revenue was mainly attributable to the decrease in number of manned security guarding service contracts and the general decrease in the service fees charged by the Group; and
 - (b) loss attributable to owners of the Company for the nine months ended 31 December 2017 increased by approximately HK\$18,255,000 from approximately HK\$593,000 for the nine months ended 31 December 2016 to approximately HK\$18,848,000 for the nine months ended 31 December 2017 due to the decrease in gross profit resulting from the reduced revenue and general increase in the guard costs, the decrease in the

Group's share of profit of its associated company and the increase in administrative expenses, including increases in amortization of intangible assets, depreciation of property, plant and equipment and staff costs, recognized for the nine months ended 31 December 2017;

- (v) as disclosed in the announcement of the Company dated 26 March 2018, a subsidiary of the Company and 深圳北斗信息科技有限公司 (Shenzhen Bei Dou Information Technology Co., Ltd*), a company principally engaged in managing the operation platform of big data of health and medical industry in the PRC, entered into a non-legally binding memorandum of understanding, pursuant to which the Group might consider subscribing for the shares of Shenzhen Bei Dou Information Technology Co., Ltd.;
- (vi) as disclosed in the May 2018 Profit Warning Announcement in relation to the profit warning on the annual results of the Group for the year ended 31 March 2018,
 - (a) the Group was expected to record a decrease in revenue of approximately 24% for the year ended 31 March 2018 as compared with the same period last year and such decrease was mainly due to the decrease in number of manned security guarding service contracts that had been entered into by the Group as a result of keen market competition; and
 - (b) the Group was also expected to record a significant loss attributable to owners of the Company for the year ended 31 March 2018 as compared with the profits recorded in the same period last year. Such loss was primarily attributable to (i) the decrease in the Group's revenue; (ii) the Group's share of loss of its associated company for the year ended 31 March 2018 as compared with the share of profits in the same period last year, which was due to a drop in turnover and higher operating costs of the associated company for the year ended 31 March 2018; (iii) the increase in administrative expenses, including increases in amortization of intangible assets and staff costs (including share option expenses) recognized for the year ended 31 March 2018; (iv) the decrease in other incomes for the year ended 31 March 2018, which was due to an absence of the recognition of fair value gain of approximately HK\$13 million on contingent consideration payable (representing the consideration shares to be issued to Magn Group Limited); and (v) the recognition of written off and/or impairment loss of certain intangible assets (including the franchise of Bei Dou Civil Management Services Provisional Qualification granted under the Bei Dou Jiuyi Agreement and certain mobile game licenses).

LETTER FROM BDO LIMITED

The following is the text of a report on the Statement prepared for sole purpose of inclusion in the Composite Offer Document, received from the reporting accountant of the Company, BDO Limited.



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The Board of Directors
King Force Group Holdings Limited
Room 1101
118 Connaught Road West
Sai Ying Pun
Hong Kong

For the attention of Mr. Chen Yunchuo

28 May 2018

Dear Sirs

**KING FORCE GROUP HOLDINGS LIMITED (the “Company”)
AND ITS SUBSIDIARIES (collectively referred to as the “Group”)
PROFIT ESTIMATE FOR THE YEAR ENDED 31 MARCH 2018**

We refer to the following profit warning statement (the “Profit Estimate”) made by the Company in its announcement dated 16 May 2018, which is also set forth in the section headed “INFORMATION ON THE GROUP” of the letter from the board of the Company included in and the section headed “MATERIAL CHANGE” in Appendix II to the composite offer document relating to the mandatory conditional cash offer by Emperor Securities Limited for and on behalf of Greatwalle Holding Limited to acquire all the issued shares in the share capital of the Company (other than those already owned or agreed to be acquired by Greatwalle Holding Limited and parties acting in concert with it) and to cancel all outstanding share options of the Company to be dated 31 May 2018 (the “Composite Offer Document”), for which the directors of the Company are solely responsible.

“The board (the “Board”) of directors (the “Directors”) of the Company wishes to inform the shareholders (the “Shareholders”) of the Company and potential investors that, based on the information currently available to the Board, the preliminary review of the latest unaudited consolidated management accounts of the Company for the year ended 31 March 2018 (the “Reporting Period”), the Group is expected to record a decrease in revenue of approximately 24% as compared with the same period last year. The Board considers the primary reason for such decrease was a decrease in the number of manned security guarding service contracts that had been entered into by the Group as a result of keen competition in the market.

In addition, the Group is also expected to record a significant loss attributable to owners of the Company for the Reporting Period as compared with the profits recorded in the same period last year, such loss being primarily attributable to: (i) the decrease in the Group's revenue; (ii) the Group's share of loss of its associated company during the Reporting Period as compared with the share of profits in the same period last year, which was due to a drop in turnover and higher operating costs of the associated company during the Reporting Period; (iii) the increase in administrative expenses, including the increase in amortisation of intangible assets and staff costs (including share option expenses recognised) during the Reporting Period; (iv) the decrease in other incomes during the Reporting Period, which was due to an absence of the recognition of fair value gain of approximately HK\$13 million on contingent consideration payable (representing the consideration shares to be issued to Magn Group Limited); and (v) the recognition of written off and/or impairment loss of certain intangible assets (including the franchise of Bei Dou Qualification and certain mobile game licenses)."

Pursuant to Rule 10 of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"), the Profit Estimate constitutes a profit forecast which is required to be reported on under the Takeovers Code.

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the unaudited consolidated results from the management accounts of the Group for the year ended 31 March 2018.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial

Information issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2017, which are set out in section 2 of Appendix II to the Composite Offer Document. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2017, which are set out in section 2 of Appendix II to the Composite Offer Document.

Yours faithfully
BDO Limited



1506 Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

28 May 2018

The Board of Directors
King Force Group Holdings Limited
14/F, Harbour Commercial Building
122 Connaught Road Central
Hong Kong

Dear Sirs,

We refer to the announcement dated 16 May 2018 in relation to profit warning (the “May 2018 Profit Warning Announcement”) issued by King Force Group Holdings Limited. Capitalised terms used in this letter shall have the same meanings as defined in the May 2018 Profit Warning Announcement and the Composite Offer Document to be dated 31 May 2018 to the Shareholders, of which this letter forms part, unless otherwise specified.

It was mentioned in the May 2018 Profit Warning Announcement, that, based on the preliminary review of the latest unaudited consolidated management accounts of the Company for the year ended 31 March 2018, the Group was expected to record a decrease in revenue of approximately 24% in the Reporting Period as compared with the same period last year, and the Group was also expected to record a significant loss attributable to owners of the Company for the Reporting Period as compared with the profits recorded in the same period last year (the “Profit Estimate”). The information provided in the May 2018 Profit Warning Announcement is regarded as a profit forecast under the Takeovers Code and therefore, is required to be reported on pursuant to Rule 10 of the Takeovers Code.

We have reviewed the information in the May 2018 Profit Warning Announcement, for which you as the Directors are solely responsible for, and have discussed with you and management of the Company the bases upon which the Profit Estimate was prepared. We have also considered the letter dated 28 May 2018 issued by BDO Limited, the auditors of the Company, addressed to you, the text of which is set out in Appendix III to the Composite Offer Document, which stated that, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2017.

Based on the above, we are satisfied that the Profit Estimate, for which you as the Directors are solely responsible for, has been made with due care and consideration.

Yours faithfully,
For and on behalf of
Crescendo Capital Limited

Amilia Tsang
Managing Director

Helen Fan
Associate Director

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document (other than the information relating to the Offeror, its associates and parties acting in concert with it (including the present and future intentions of the Offeror relating to the Group)) and confirm, after having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Offer Document (other than those expressed by the Offeror, its associates or parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts that are not contained in this Composite Offer Document, the omission of which would make any such statement contained in this Composite Offer Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$20,000,000 divided into 20,000,000,000 Shares, of which 7,972,194,432 Shares had been issued and were fully paid or credited as fully paid.

All the existing issued Shares are fully paid up and rank pari passu in all respects including all rights as to dividends, voting and capital. Since 31 March 2017, being the date to which the latest audited financial statements of the Company were made up and up to the Latest Practicable Date, 292,194,432 Shares were issued.

As at the Latest Practicable Date, a total of 256,000,000 Share Options, which were outstanding and conferred rights to the holders of these Share Options to subscribe for 256,000,000 Shares at the exercise price of HK\$0.02 per Share, which were granted under the Share Option Scheme. Save for the above, as at the Latest Practicable Date there were no other convertible securities, warrants, options, derivatives or other securities issued by the Company that are convertible or exchangeable in Shares or other types of equity interest of the Company in issue.

3. DISCLOSURE OF INTERESTS

Interests and short positions of the Directors and chief executive in the Shares, the underlying shares and debentures of the Company

As at the Latest Practicable Date, 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 SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 and 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 which were otherwise 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 to 5.68 of the Listing Rules, were as follows:

Name of Director	Capacity/nature	Shares/ underlying Shares held/ interested	Approximate percentage of issued share capital
Ms. Li Liping	Beneficial owner (<i>Note 1</i>)	64,000,000	0.80%
Mr. Li Mingming	Beneficial owner (<i>Note 2</i>)	64,000,000	0.80%
Mr. Ho Yuk Ming Hugo	Beneficial owner (<i>Note 3</i>)	6,400,000	0.08%
Mr. Wan Tat Wai David	Beneficial owner (<i>Note 4</i>)	6,400,000	0.08%
Mr. Xiong Hong	Beneficial owner (<i>Note 5</i>)	6,400,000	0.08%

Notes:

1. 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.
2. 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.
3. 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.
4. 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.
5. 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 the Latest Practicable Date, 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 Listing Rules or which were required to be disclosed under the Takeovers Code.

Interests and short positions of substantial shareholders in the Shares and underlying Shares

As at the Latest Practicable Date, persons (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity/nature	Number of Shares held/ interested	Approximate percentage of issued share capital
The Offeror	Beneficial Owner	3,359,980,000	42.15%
Song Xiaoming	Interest of corporation controlled by substantial shareholder (<i>Note</i>)	3,359,980,000	42.15%
Nansha Huiming	Interest of corporation controlled by substantial shareholder (<i>Note</i>)	3,359,980,000	42.15%
Huili Jiu Hao Investment	Interest of corporation controlled by substantial shareholder (<i>Note</i>)	3,359,980,000	42.15%
Great Walle Investment	Interest of corporation controlled by substantial shareholder (<i>Note</i>)	3,359,980,000	42.15%

Note:

According to information available to the Company, 3,359,980,000 Shares are held by the Offeror in the capacity of beneficial owner. The Offeror is wholly-owned by Nansha Huiming. Nansha Huiming was held as to approximately 99.9995% by Huili Jiu Hao Investment, and as to 0.0005% by Mr. Song. Huili Jiu Hao Investment was held as to 0.20% by 龐曉莉 (Pang Xiaoli*), and as to 99.80% by 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, Hongde Business Services). As such, each of Nansha Huiming, Huili Jiu Hao Investment, Great Walle Investment and Mr. Song is deemed to be interested in 3,359,980,000 Shares held by the Offeror under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had an interest or short position in the Shares or underlying Shares which would fall 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, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. DEALING IN SECURITIES OF THE COMPANY

During the Relevant Period,

- (a) save for the disposal by the Vendor of the Sale Shares to the Offeror pursuant to the Sale and Purchase Agreement as disclosed in the Joint Announcement and the announcement dated 30 April 2018 issued by the Company, the Directors did not have any dealings for value in the Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;
- (b) no subsidiaries of the Company, pension funds of any member of the Group or any advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code had any dealings for value in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares;
- (c) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code; and
- (d) no fund managers (other than exempt fund manager) connected with the Company who managed funds on a discretionary basis had any dealings for value in any Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into Shares.

5. OTHER DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (a) no Shares or any convertible securities, warrants, options or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of “associate” (other than exempt principal traders) under the Takeovers Code;
- (b) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code exists between a person who owned or controlled Shares or any convertible securities, warrants, options or derivatives issued by the Company and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (c) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Company;

- (d) none of the Directors had irrevocably committed himself to accept or reject the Offers in respect of his own beneficial shareholdings or Share Options that he/she holds;
- (e) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares;
- (f) no benefit was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (g) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offer; and
- (h) no material contracts had been entered into by the Offeror in which any Director had a material personal interest.

6. SERVICE CONTRACTS

Details of in-force service agreements or letters of appointment with the Directors are set out in the table below:

	Current contract duration	Current contract	
		Base annual remuneration (Excluding arrangements for pension payments) HK\$'000	Variable remuneration
Li Liping	3 years from 7 December 2016	240	64,000,000 Share Options
Cheng Rui	3 years from 8 February 2017	240	Nil
Ho Yuk Ming Hugo	3 years from 19 September 2016	180 ^(Note)	6,400,000 Share Options
Wan Tat Wai David	3 years from 19 September 2016	180 ^(Note)	6,400,000 Share Options
Xiong Hong	3 years from 24 June 2016	180 ^(Note)	6,400,000 Share Options

Note: The base annual remuneration of the independent non-executive Directors were adjusted from HK\$120,000 per annum to HK\$180,000 per annum effective 1 July 2017.

Save as disclosed above, as at the Latest Practicable Date, none of the other Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the commencement of the Offer Period; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. MATERIAL CONTRACTS

Save as disclosed below, no contract (not being contracts in the ordinary course of business) had been entered into by any member of the Group after the date two years before the commencement of the Offer Period and was or might be material:

- a. (i) the promissory note issued by the Company to Mr. Fu Yik Lung dated 6 May 2016 in the principal amount of HK\$19,500,000, details of which can be found in the announcement of the Company dated 6 May 2016, and (ii) the promissory note extension agreement dated 10 May 2018 extending the term of the promissory note and amending the principal amount and the interest payable during the extended term;
- b. the sale and purchase agreement entered into between Loyal Salute Limited, a wholly-owned subsidiary of the Company, as the purchaser and the vendors (comprising a Hong Kong resident and a PRC resident, each holding 50% of the issued share capital of General Venture Enterprises Limited) in connection with the acquisition of 60% of the issued share capital of General Venture Enterprises Limited on 27 May 2016 at a maximum consideration of HK\$80,000,000 (subject to downward adjustment) settled by way of issue of consideration shares by the Company, details of which can be found in the announcement of the Company dated 27 May 2016;
- c. a loan agreement dated 22 July 2016 entered into between Guanhui Huyu Technology (Hong Kong) Limited, a wholly-owned subsidiary of the Company as the lender, and Magn Investment Limited, an associate of the Company as the borrower in the principal amount of HK\$5 million;
- d. three loan agreements dated 28 September 2016, 29 December 2016 and 29 March 2017 entered into between Mr. Xie Zhong Ming as the borrower and Shenzhen Qianhai Guanhui Huyu Technology Limited*, a wholly owned subsidiary of the Company as the lender in the principal amount of RMB2.5 million, RMB2 million and RMB1.5 million, respectively;
- e. the placing agreement (the “**Cinda Placing Agreement**”) entered into between the Company and Cinda International Securities Limited (“**Cinda Securities**”) dated 18 October 2016 in connection with the proposed placing of 553,000,000 new Shares of the Company at a price of HK\$0.0704 per placing Share, details of which can be found in the announcement of the Company dated 19 October 2016;
- f. the supplemental agreement entered into between the Company and Cinda Securities dated 31 October 2016 for postponing the long stop date of the Cinda Placing Agreement, details of which can be found in the announcement of the Company dated 31 October 2016;
- g. the second supplemental agreement entered into between the Company and Cinda Securities dated 2 November 2016 for further postponing the long stop date of the Cinda Placing Agreement, details of which can be found in the announcement of the Company dated 2 November 2016;

- h. the termination agreement entered into between the Company and Cinda Securities dated 15 November 2016 terminating the Cinda Placing Agreement, details of which can be found in the announcement of the Company dated 15 November 2016;
- i. the sale and purchase agreement entered into between Loyal Salute Limited as the purchaser and Mr. Zheng Gang as the seller in relation to the acquisition of 100% of the issued share capital of China Bei Dou Communication Technology Group Limited dated 18 October 2016 (the “**Bei Dou SPA**”), details of which can be found in the announcement of the Company dated 19 October 2016;
- j. a supplemental agreement dated 16 December 2016 entered into between Loyal Salute Limited and Mr. Zheng Gang, amending the number of shares to be transferred and the issued share capital of the target under the Bei Dou SPA; and
- k. the placing agreement entered into between the Company and Gransing Securities Co., Limited dated 7 March 2017 in connection with the placing of up to 553,153,409 new Shares of the Company at a price of HK\$0.022 per placing Share, details of which can be found in the announcement of the Company dated 7 March 2017.

8. LITIGATION

As at the Latest Practicable Date, save for the ongoing enforcement of judgement granted by the Zhongshan First People’s Court in favour of a subsidiary of the Company against Bei Dou Jiuyi Information Technology Industry (Beijing) Limited (北 斗 九 億 信 息 科 技 產 業 (北 京) 有 限 公 司), the details of which are disclosed in the announcement of the Company dated 19 January 2018, no member of the Group was engaged in any litigation or arbitration or claims which would materially or adversely affect the operations of the Company and no litigation, arbitration or claim which would materially or adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any member of the Group.

9. EXPERTS’ QUALIFICATION AND CONSENT

The following is the qualification of the experts who have given opinion or advice which are contained or referred to in this Composite Offer Document:

Name	Qualification
Crescendo Capital Limited	a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity
BDO Limited	Certified public accountants

Each of the Independent Financial Adviser and BDO Limited has given and has not withdrawn its respective written consent to the issue of this Composite Offer Document with the inclusion the text of its respective letter, report, recommendations, opinions, and/or references to its name in the form and context in which it respectively appears.

As at the Latest Practicable Date, neither the Independent Financial Adviser nor BDO Limited has any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interest in any assets which had been, since 31 March 2017, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. GENERAL

The registered office of the Company is situated at P.O. Box 1350, Clifton House, 75 Fort Street, 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 Hong Kong branch share registrar and transfer office is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The registered office of the Independent Financial Adviser is situated at 1506 Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays) at the offices of the Company in Hong Kong at Unit 1101, No. 118, Connaught Road West, Sai Ying Pun, Hong Kong; (ii) on the website of the SFC at <http://www.sfc.hk>; and (iii) on the website of the Company at <http://www.kingforce.com.hk> from the date of this Composite Offer Document up to and including the Closing Date:

- (a) the amended and restated memorandum and articles of association of the Company;
- (b) the annual report of the Company for each of the two years ended 31 March 2016 and 2017, the first quarterly report of the Company for the three months ended 30 June 2017, the interim report of the Company for the six months ended 30 September 2017 and the third quarterly report of the Company for the nine months ended 31 December 2017;
- (c) the letter from the Board as set out on pages 20 to 26 of this Composite Offer Document;
- (d) the letter from the Independent Board Committee as set out on pages 27 to 28 of this Composite Offer Document;
- (e) the letter from the Independent Financial Adviser as set out on pages 29 to 49 of this Composite Offer Document;
- (f) the report from BDO Limited on the May 2018 Profit Warning Announcement as set out in Appendix III to this Composite Offer Document;

- (g) the report issued by the Independent Financial Adviser on the May 2018 Profit Warning Announcement as set out in Appendix IV to this Composite Offer Document;
- (h) the written consents referred to in the paragraph headed “9. Expert’s qualification and consent” in this Appendix V;
- (i) the material contracts referred to in the paragraph headed “7. Material Contracts” in this Appendix V;
- (j) service contracts entered into between the Company and each of the Directors who are named in “6. Service Contracts” in this Appendix V; and
- (k) this Composite Offer Document and the accompanying Forms of Acceptance and Transfer.

1. RESPONSIBILITY STATEMENT

This Composite Offer Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders and Optionholders with regard to the Offeror and the Offers.

The sole director of the Offeror, Mr. Song, accepts full responsibility for the accuracy of the information contained in this Composite Offer Document (other than the information relating to the Group and the Vendor), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Composite Offer Document (other than those expressed by the Group and the Vendor) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document, the omission of which would make any statement in this Composite Offer Document misleading.

2. MARKET PRICE

The table below shows, based on publicly available information of the Company, the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

	Closing prices per Share (HK\$)
31 October 2017	0.034
30 November 2017	0.029
29 December 2017	0.025
31 January 2018	0.025
28 February 2018	0.033
29 March 2018	0.033
25 April 2018 (the Last Trading Day)	0.036
30 April 2018	0.037
28 May 2018 (the Latest Practicable Date)	0.036

The highest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.039 on 14 May 2018, and the lowest closing price per Share as quoted on the Stock Exchange was HK\$0.022 on 19 January 2018, 23 January 2018, 26 January 2018 and 30 January 2018.

3. DISCLOSURE OF INTEREST

As at the Latest Practicable Date, the Offeror held 3,359,980,000 Shares, representing approximately 42.15% of the total issued share capital of the Company. Save as disclosed below, the Offeror, the sole director of the Offeror and parties acting in concert with the Offeror do not have any other interests in the share capital or voting rights of the Company:

Name	Type of Interest	Capacity	Number of Shares held	Approximate% of interest of issued share capital of the Company
The Offeror	Long position	Beneficial owner	3,359,980,000	42.15%
Mr. Song (<i>Note 1</i>)	Long position	Interest of a controlled corporation	3,359,980,000	42.15%
Nansha Huiming (<i>Note 1</i>)	Long position	Interest of a controlled corporation	3,359,980,000	42.15%
Huili Jiu Hao Investment (<i>Note 1</i>)	Long position	Interest of a controlled corporation	3,359,980,000	42.15%
Great Walle Investment (<i>Note 1</i>)	Long position	Interest of a controlled corporation	3,359,980,000	42.15%

Note:

The Offeror is wholly-owned by Nansha Huiming. Nansha Huiming was held as to approximately 99.9995% by Huili Jiu Hao Investment, and as to 0.0005% by Mr. Song. Huili Jiu Hao Investment was held as to 0.20% by 龐曉莉 (Pang Xiaoli*), and as to 99.80% by 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, Hongde Business Services). As such, each of Nansha Huiming, Huili Jiu Hao Investment, Great Walle Investment and Mr. Song is deemed to be interested in 3,359,980,000 Shares held by the Offeror under the SFO.

4. DEALINGS IN SECURITIES

During the Relevant Period, save for the purchase of the Sale Shares under the Sale and Purchase Agreement and the transactions as set out below, none of the Offeror, its directors and the parties acting in concert with it had dealt in any Shares, options, derivatives, warrants, other securities convertible into Shares, or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

Date or the relevant period of transaction(s)/ date of agreement	Relevant party	Purchase/sale	Number of Shares involved	Highest price per Share (HK\$)	Lowest price per Share (HK\$)
Prior to the Relevant Period					
24 July 2017 to 26 October 2017	Bohou Investment Limited ("Bohou Investment") (Note 1)	Purchase Sale	790,260,000 136,770,000	0.0366 0.04	0.0223 0.032
The Relevant Period					
27 October 2017 to 31 October 2017	Bohou Investment (Note 1)	Sale	9,000,000	0.035	0.035
1 November 2017 to 7 November 2017	Bohou Investment (Note 1)	Purchase Sale	29,310,000 6,050,000	0.034 0.036	0.034 0.035
8 November 2017 to 14 November 2017	Bohou Investment (Note 1)	Purchase	2,000,000	0.034	0.034
15 November 2017 to 21 November 2017	Bohou Investment (Note 1)	Purchase	21,250,000	0.034	0.0339
22 November 2017 to 28 November 2017	Bohou Investment (Note 1)	Purchase	3,000,000	0.031	0.031
13 December 2017 to 19 December 2017	Bohou Investment (Note 1)	Purchase	10,640,000	0.0242	0.0242
20 December 2017 to 26 December 2017	羅韜 (Luo Ren*)	Purchase	2,000,000	0.027	0.027
3 January 2018 to 9 January 2018	Bohou Investment (Note 1)	Purchase	4,360,000	0.025	0.025
24 January 2018 to 30 January 2018	Offeror	Purchase	27,000,000	0.024	0.023
31 January 2018 to 6 February 2018	Offeror	Purchase	122,000,000	0.033	0.024
7 February 2018 to 13 February 2018 (Note 2)	Offeror Bohou Investment (Note 1)	Purchase Sale	429,110,000 266,000,000	0.033 0.032	0.030 0.032
21 February 2018 to 27 February 2018	Offeror	Purchase	55,890,000	0.035	0.031
28 February 2018	Offeror	Purchase	7,000,000	0.035	0.034

APPENDIX VI
GENERAL INFORMATION OF THE OFFEROR

Date or the relevant period of transaction(s)/ date of agreement	Relevant party	Purchase/sale	Number of Shares involved	Highest price per Share (HK\$)	Lowest price per Share (HK\$)
2 March 2018	Offeror	Purchase	72,000,000	0.037	0.032
12 March 2018	Offeror	Purchase	13,000,000	0.034	0.032
13 March 2018	Offeror	Purchase	29,690,000	0.036	0.035
14 March 2018	Offeror	Purchase	15,930,000	0.035	0.034
15 March 2018	Offeror	Purchase	15,380,000	0.035	0.033
16 March 2018	Offeror	Purchase	7,460,000	0.032	0.032
19 March 2018	Offeror	Purchase	4,540,000	0.031	0.030
20 March 2018	Offeror	Purchase	52,400,000	0.031	0.028
22 March 2018 (<i>Note 3</i>)	Offeror	Purchase	443,000,000	0.032	0.032
22 March 2018	Bohou Investment (<i>Note 1</i>)	Purchase	15,000,000	0.031	0.031
22 March 2018 (<i>Note 3</i>)	Bohou Investment (<i>Note 1</i>)	Sale	443,000,000	0.032	0.032
23 March 2018	Bohou Investment (<i>Note 1</i>)	Purchase	13,820,000	0.0313	0.0313
26 March 2018	Bohou Investment (<i>Note 1</i>)	Purchase	72,180,000	0.0347	0.0347
27 March 2018	Bohou Investment (<i>Note 1</i>)	Purchase	177,450,000	0.034	0.034
28 March 2018	Bohou Investment (<i>Note 1</i>)	Purchase	4,230,000	0.0348	0.0348
29 March 2018	Bohou Investment (<i>Note 1</i>)	Purchase	20,180,000	0.0331	0.0331
3 April 2018	Bohou Investment (<i>Note 1</i>)	Purchase	71,020,000	0.033	0.033
3 April 2018	Bohou Investment (<i>Note 1</i>)	Purchase	22,520,000	0.034	0.034
4 April 2018	Bohou Investment (<i>Note 1</i>)	Purchase	7,000,000	0.033	0.033
4 April 2018	Bohou Investment (<i>Note 1</i>)	Purchase	14,000,000	0.034	0.034
6 April 2018	Bohou Investment (<i>Note 1</i>)	Purchase	4,680,000	0.033	0.033
6 April 2018	Bohou Investment (<i>Note 1</i>)	Purchase	9,600,000	0.034	0.034
9 April 2018	Bohou Investment (<i>Note 1</i>)	Purchase	25,540,000	0.033	0.033
9 April 2018	Bohou Investment (<i>Note 1</i>)	Purchase	10,000,000	0.034	0.034

Date or the relevant period of transaction(s)/ date of agreement	Relevant party	Purchase/sale	Number of Shares involved	Highest price per Share (HK\$)	Lowest price per Share (HK\$)
10 April 2018	Bohou Investment (Note 1)	Purchase	11,000,000	0.034	0.034
11 April 2018	Bohou Investment (Note 1)	Purchase	820,000	0.033	0.033
11 April 2018	Bohou Investment (Note 1)	Purchase	12,560,000	0.034	0.034
11 April 2018 (Note 4)	Offeror	Purchase	491,600,000	0.033	0.033
11 April 2018 (Note 4)	Bohou Investment (Note 1)	Sale	491,600,000	0.033	0.033
13 April 2018	羅韜 (Luo Ren*)	Sale	2,000,000	0.033	0.033
30 April 2018 (Note 5)	Offeror	Purchase	6,640,000	0.035	0.035
30 April 2018 (Note 5)	Offeror	Purchase	53,260,000	0.036	0.036
2 May 2018 (Note 5)	Offeror	Purchase	5,770,000	0.036	0.036
9 May 2018 (Note 5)	Offeror	Purchase	29,310,000	0.036	0.036
10 May 2018 (Note 5)	Offeror	Purchase	85,000,000	0.037	0.037
11 May 2018 (Note 5)	Offeror	Purchase	90,000,000	0.037	0.037

Notes:

- Bohou Investment is wholly-owned by 上海則理投資有限公司(Shanghai Zeli Investment Company Limited*), which is in turn wholly-owned by Great Walle Capital Management. Great Walle Capital Management is owned as to 99.95% and 0.05% by Great Walle Investment and Mr. Song, respectively. Great Walle Investment is owned as to approximately 70.9357% and 21.9995% by Mr. Song and Hongde Business Services, which is wholly owned by Mr. Song, respectively. The remaining equity interests of approximately 7.0647% in Great Walle Investment are owned by the Minority Shareholders whose details are set out in the section headed "INFORMATION OF THE OFFEROR" on page 14 of this Composite Offer Document. Prior to the Relevant Period, Bohou Investment acquired 790,260,000 Shares and disposed 136,770,000 Shares during the period from 24 July 2017 to 26 October 2017.
- On 14 February 2018, 266,000,000 Shares were transferred from the securities account of Bohou Investment to the securities account of the Offeror at the consideration of HK\$8,512,000, equivalent to HK\$0.032 per Share, pursuant to the sale and purchase agreement entered into between the Offeror and Bohou Investment on 9 February 2018.
- On 26 March 2018, 443,000,000 Shares were transferred from the securities account of Bohou Investment to the securities account of the Offeror at the consideration of HK\$14,176,000, equivalent to HK\$0.032 per Share, pursuant to the sale and purchase agreement entered into between the Offeror and Bohou Investment on 22 March 2018.
- On 13 April 2018, 491,600,000 Shares were transferred from the securities account of Bohou Investment to the securities account of the Offeror at the consideration of HK\$16,222,800, equivalent to HK\$0.033 per Share, pursuant to the sale and purchase agreement entered into between the Offeror and Bohou Investment on 11 April 2018.
- The acquisition of an aggregate of 269,980,000 Shares by the Offeror during the period from 30 April 2018 to 11 May 2018 on the market was financed by a revolving margin loan facility granted by Emperor Securities to the Offeror pursuant to a margin loan facility letter dated 30 April 2018 (as supplemented by a supplemental facility letter dated 10 May 2018) in relation to a revolving margin loan facility line of up to a limit of HK\$10 million (the "Margin Loan Facility"). The Margin Loan Facility was secured by a personal guarantee from Mr. Song, being the sole director of the Offeror, and by a first fixed charge on all monies and securities of the Offeror which are now or which shall at any time be deposited with, transferred or caused to be transferred to or held by Emperor Securities or its affiliates or nominees.

5. OTHER ARRANGEMENTS

The Offeror confirms that as at the Latest Practicable Date:

- (a) save for the 3,359,980,000 Shares held by the Offeror, none of the Offeror, its directors, or parties acting in concert with it owned, had control, or direction over any voting rights or rights over Shares or convertible securities, warrants, options of the Company or derivatives of the Company;
- (b) none of the Offeror or parties acting in concert with it has borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (c) there is no outstanding derivatives in respect of securities in the Company which has been entered into by the Offeror and parties acting in concert with it;
- (d) there is no arrangement of kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Offeror or any person acting in concert with it, and any other person;
- (e) there is no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a precondition or condition to the Offers;
- (f) none of the Offeror or parties acting in concert with it has received any irrevocable commitment(s) to accept or reject the Offers;
- (g) save as disclosed in the paragraph headed “Financial resources available to the Offeror” under the section headed “Letter from Emperor Securities” in this Composite Offer Document and the Margin Loan Facility, the Offeror had no intention, nor had it entered into any agreement, arrangement or understanding to transfer, charge or pledge the Shares acquired pursuant to the Share Offer to any other person;
- (h) no benefit (other than statutory compensation required under the applicable laws) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offers; and
- (i) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror and parties acting in concert with it, and any of the Directors, recent Directors, and Shareholders or recent Shareholders which had any connection with or dependence upon the Offers.

6. CONSENTS AND QUALIFICATIONS

- (a) The following are the qualification of the experts who have given opinion or advice contained in this Composite Offer Document:

Name	Qualification
Emperor Securities	a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being the agent making the Offers on behalf of the Offeror
Great Wall Corporate Finance	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser of the Offeror in respect of the Offers

- (b) Each of Emperor Securities and Great Wall Corporate Finance has given and has not withdrawn its written consent to the issue of this Composite Offer Document with the inclusion of its advice, letter and/or report (as the case may be) and reference to its name and logo in the form and context in which they respectively appear.

7. GENERAL

- (a) The registered office of the Offeror is situated at 7/F, SPA Centre, No.53-55 Lockhart Road, Wan Chai, Hong Kong.
- (b) The Offeror is a company incorporated in Hong Kong on 29 December 2017 with limited liability. As at the Latest Practicable Date, the Offeror held a total of 3,359,980,000 Shares, representing approximately 42.15% of the entire issued share capital of the Company.
- (c) The principal members of the Offeror's concert group are the Offeror, Nansha Huiming, Huili Jiu Hao Investment, Great Walle Investment, Hongde Business Services and Mr. Song. Each of the Offeror, Nansha Huiming, Huili Jiu Hao Investment, Great Walle Investment and Hongde Business Services is ultimately controlled by Mr. Song.
- (d) As at the date of this Composite Offer Document, the sole director of the Offeror, Nansha Huiming, and Hongde Business Services is Mr. Song; and the sole representative of Huili Jiu Hao Investment appointed by Great Walle Investment, the executive partner of Huili Jiu Hao Investment, is Mr. Song. As confirmed by Mr. Song, save for the shareholding interest in the Company, Mr. Song is not a substantial shareholder of any other listed companies in Hong Kong as at the Latest Practicable Date. The correspondence address of Mr. Song is Room 4E, Nuode Financial Centre, No. 1006 Fuzhong Road, Futian District, Shenzhen, the PRC* (深圳市福田區蓮花街道福中三路1006號諾德金融中心4層E單元).

- (e) The directors of Great Walle Investment are Mr. Song, 龐曉莉 (Pang Xiaoli*), 房進賢 (Fang Jinxian*), 石朝民 (Shi Chaomin*) and 楊穎 (Yang Ying*).
- (f) The registered office of Nansha Huiming is situated at No. 106 Fengze East Road, Nansha District, Guangzhou (self-designated building No.1) X1301-A4347 (clustered registration)* (廣州南沙區豐澤東路106號(自編1號樓)X1301-A4347(集群註冊)).
- (g) The registered office of Huili Jiu Hao Investment is situated at Room 4E, Nuode Financial Centre, No. 1006 Fuzhong Road, Futian District, Shenzhen, the PRC* (深圳市福田區蓮花街道福中三路1006號諾德金融中心4層E單元).
- (h) The registered office of Great Walle Investment is situated at Room 201, Building A, No. 1 Qianwan First Road, Shenzhen – Hong Kong Cooperation District, Qianhai, Shenzhen, the PRC* (深圳市前海深港合作區前灣一路1號A棟201室).
- (i) The registered office of Hongde Business Services is situated at Room 4E, Nuode Financial Centre, No. 1006 Fuzhong Road, Futian District, Shenzhen, the PRC* (深圳市福田區蓮花街道福中三路1006號諾德金融中心4層E單元).
- (j) The registered office of Great Wall Corporate Finance is situated at Units 03, 05-06, 65/F., The Center, 99 Queen's Road Central, Hong Kong.
- (k) The registered office of Emperor Securities is situated at 23-24/F, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong.
- (l) The English texts of this Composite Offer Document and the Forms of Acceptance and Transfer shall prevail over the Chinese translations in the case of inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays) at the offices of the Company in Hong Kong at Unit 1101, No.118, Connaught Road West, Sai Ying Pun, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (www.kingforce.com.hk) from the date of this Composite Offer Document onwards for so long as the Offer remains open for acceptance:

- (a) the articles of association of the Offeror;
- (b) the letter from Emperor Securities, the text of which is set out in this Composite Offer Document;
- (c) the written consents referred to in the paragraph headed “6. Consents and qualifications” in Appendix VI to this Composite Offer Document; and
- (d) a full list of dealings of Shares by the Offeror and parties acting in concert with it.