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KING FORCE GROUP HOLDINGS LIMITED

冠輝集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 08315)

ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2016

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

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

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

The board of Directors (the “**Board**”) announces the unaudited condensed consolidated results of the Group for the three months and nine months ended 31 December 2016, together with the unaudited comparative figures for the respective corresponding periods in 2015 as follows:

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

For the three months and nine months ended 31 December 2016

		For three months ended 31 December		For nine months ended 31 December	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
	Notes				
Revenue	2	35,637	37,947	112,558	110,973
Cost of services rendered		(29,479)	(30,444)	(90,251)	(89,981)
Gross profit		6,158	7,503	22,307	20,992
Other income	3	200	252	794	321
Administrative expenses		(10,334)	(7,705)	(24,486)	(20,902)
Share of result of an associate		(1,814)	(2,000)	2,842	(2,000)
Operating (loss)/profit		(5,790)	(1,950)	1,457	(1,589)
Finance costs	4	(248)	–	(643)	–
(Loss)/profit before income tax	5	(6,038)	(1,950)	814	(1,589)
Income tax expense	6	(343)	–	(1,583)	(310)
Loss for the period		(6,381)	(1,950)	(769)	(1,899)
Other comprehensive loss for the period		(65)	–	(114)	–
Total comprehensive loss for the period		(6,446)	(1,950)	(883)	(1,899)
Loss for the period attributable to:					
Owners of the Company		(6,205)	(1,950)	(593)	(1,899)
Non-controlling interests		(176)	–	(176)	–
		(6,381)	(1,950)	(769)	(1,899)
Total comprehensive loss for the period attributable to:					
Owners of the Company		(6,279)	(1,950)	(716)	(1,899)
Non-controlling interests		(167)	–	(167)	–
		(6,446)	(1,950)	(883)	(1,899)
Loss per share for the loss attributable to owners of the Company – Basic and Diluted (HK cents)	8	(0.095)	(0.03) (restated)	(0.009)	(0.03) (restated)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2016

	Share capital HK\$'000	Share premium 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 2015	6,400	39,008	(5,270)	–	–	15,630	55,768	–	55,768
Loss for the period	–	–	–	–	–	(1,899)	(1,899)	–	(1,899)
At 31 December 2015 (unaudited)	<u>6,400</u>	<u>39,008</u>	<u>(5,270)</u>	<u>–</u>	<u>–</u>	<u>13,731</u>	<u>53,869</u>	<u>–</u>	<u>53,869</u>
At 1 April 2016	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 (loss)/income:									
Share of exchange difference on translation of foreign operations	–	–	–	(123)	–	–	(123)	9	(114)
Issue of consideration shares	727	49,426	–	–	–	–	50,153	–	50,153
Acquisition of subsidiaries	–	–	–	–	–	–	–	3,171	3,171
Change in equity for the period	<u>727</u>	<u>49,426</u>	<u>–</u>	<u>(123)</u>	<u>–</u>	<u>(593)</u>	<u>49,437</u>	<u>3,004</u>	<u>52,441</u>
At 31 December 2016	<u>7,127</u>	<u>88,434</u>	<u>(5,270)</u>	<u>(112)</u>	<u>4,054</u>	<u>14,982</u>	<u>109,215</u>	<u>3,004</u>	<u>112,219</u>

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine months ended 31 December 2016

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

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

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

BASIS OF PREPARATION

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

These unaudited condensed consolidated financial statements for the nine months ended 31 December 2016 have been prepared under historical cost convention, except for certain financial instruments which are measured fair value. These condensed consolidated financial statements for the nine months ended 31 December 2016 are presented in Hong Kong dollars ("HK\$").

These unaudited condensed consolidated financial statements for the nine months ended 31 December 2016 have not been audited by the auditors of the Company, but have been reviewed by the Company's audit committee and were approved for issue by the Board on 8 February 2017.

2. REVENUE

Revenue, which is also the Group's turnover, represents (i) the invoiced value of service rendered, after the allowance for discounts from the provision of manned security guarding services, and (ii) provision of mobile game publishing services during the period.

	Three months ended 31 December		Nine months ended 31 December	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision of manned security guarding services	35,589	37,947	112,510	110,973
Mobile game publishing income	48	—	48	—
	<u>35,637</u>	<u>37,947</u>	<u>112,558</u>	<u>110,973</u>

3. OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	—*	—*	1	—*
Interest income from a loan to an associate	75	—	133	—
Gain on disposals of property, plant and equipment	50	—	50	—
Other interest income	9	20	29	40
Sundry income	66	232	581	281
	<u>200</u>	<u>252</u>	<u>794</u>	<u>321</u>

* Represents amount less than HK\$1,000

4. FINANCE COSTS

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

5. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Three months ended 31 December		Nine months ended 31 December	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of intangible asset included in:				
– Cost of services rendered	475	–	475	–
– Administrative expenses	451	224	1,117	671
	<u>926</u>	<u>224</u>	<u>1,592</u>	<u>671</u>
Cost of services rendered	29,479	30,444	90,251	89,981
Depreciation of property, plant and equipment	1,212	503	2,232	1,583
Employee benefits expenses (including directors' emoluments):				
Salaries, allowances and benefits in kind included in:				
– Cost of services rendered	27,475	28,849	83,891	85,139
– Administrative expenses	2,925	1,591	7,242	5,150
Retirement benefits – Defined contribution plans' included in:				
– Cost of services rendered	1,309	1,421	3,974	4,103
– Administrative expenses	174	20	299	71
	<u>31,883</u>	<u>31,881</u>	<u>95,406</u>	<u>94,463</u>
Legal and professional fees	1,201	1,685	2,921	3,851
Operating lease charges in respect of:				
– Rented premises	648	183	1,941	469
– Office equipment	333	436	998	1,096
	<u>981</u>	<u>619</u>	<u>2,939</u>	<u>1,565</u>

6. INCOME TAX EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
– Hong Kong Profits Tax				
– charged for the period	<u>343</u>	<u>–</u>	<u>1,583</u>	<u>310</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 16.5%) on the Company's estimated assessable profits for the period.

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

7. DIVIDEND

The Board did not recommend a payment of dividend for the nine months ended 31 December 2016 (nine months ended 31 December 2015: nil).

8. LOSS PER SHARE

The calculation of basic loss per share for the nine months ended 31 December 2016 is based on the loss attributable to the owners of the Company amounting to approximately HK\$593,000 (loss of nine months ended 31 December 2015: approximately HK\$1,899,000), and on the basis of the weighted average number of shares of 6,443,610,795 in issue (nine months ended 31 December 2015 (restated): 6,400,000,000 shares in issue) throughout the period.

The calculation of basic loss per share for the three months ended 31 December 2016 is based on the loss attributable to the owners of the Company amounting to approximately HK\$6,205,000 (loss of three months ended 31 December 2015: approximately HK\$1,950,000), and on the basis of the weighted average number of shares of 6,523,563,920 in issue (three months ended 31 December 2015 (restated): 6,400,000,000 shares in issue) throughout the period.

The weighted average number of shares for the purpose of calculating the basic earnings per share has been retrospectively adjusted for the effect of the share subdivision completed on 17 August 2015 and has been adjusted for the consideration shares issued for the acquisition completed on 16 December 2016.

No diluted loss per share is calculated for the three months and nine months ended 31 December 2016 and 2015 as there were no dilutive potential ordinary shares in existence.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the nine months ended 31 December 2016, the Group recorded a total revenue of approximately HK\$112,558,000 as compared with approximately HK\$110,973,000 for the same period of 2015. The increase in revenue was mainly due to contribution of the revenue of approximately HK\$112,510,000 from the provision of manned security guarding service. Loss attributable to owners of the Company decreased to approximately HK\$593,000, as compared with that of approximately HK\$1,899,000 for the same period in 2015. The decrease in loss was mainly attributable to (i) the Group's share of profit of its associated company as a result of more well received mobile games being in 2016; and (ii) the increase in the Group's gross profit as a result of a manned security guarding services contract with relatively high margin was entered during the nine months ended 31 December 2016.

For the three months ended 31 December 2016, the Group recorded a total revenue of approximately HK\$35,637,000 as compared with approximately HK\$37,947,000 for the same period of 2015. The decrease in revenue was mainly due to (i) the decrease in revenue from a major customer as compared with the same period in 2015; and (ii) the decrease in the number of security guarding services contracts as compared with the same period in 2015. Loss attributable to owners of the Company increased to approximately HK\$6,205,000, as compared with that of approximately HK\$1,950,000 for the same period in 2015. The increase in loss was mainly attributable to (i) the increase in administrative expenses, including staff costs, property rentals, amortization of intangible assets and depreciation of fixed assets for the three months ended 31 December 2016; and (ii) the decrease in Group's gross profit by approximately 17.9% as compared with the same period in 2015.

BUSINESS REVIEW AND PROSPECTS

For the nine months ended 31 December 2016, the Group engaged in (i) the provision of manned security guarding service (the "Manned Security Guarding Services"); (ii) the publishing of mobile game through Magn Investment Limited ("Magn Investment"), an associated company of the Group (the "Mobile Gaming Business of an Associated Company"); and (iii) through Guanhui Huyu Technology (Hong Kong) Limited ("Guanhui Huyu"), an indirect wholly-owned subsidiary of the Company, the newly commenced mobile game publishing business to markets outside PRC (the "Mobile Gaming Business").

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

Manned Security Guarding Services

The Group is a manned security guarding services provider and it is licensed to provide security guarding services in Hong Kong under Type I security work in accordance with the Security Company License regime. The Group operates under the name “KING FORCE” and the services it offers aim to protect the safety and assets of its customers, and to prevent crime and offence and maintain order. The security guarding services offered by the Group include patrolling, access control at the lobby entrance, making entrance records of visitors and stopping trespassers, handling and reporting complaints. The Group also provides guarding and personal escorting services and crowd management services in various events, occasions, exhibitions, ceremonies and press conferences. With over ten years’ experience in manned security guarding services, the Group has established goodwill in its security guarding services. The Group is dedicated to providing quality manned security guarding services and it is accredited with ISO 9001:2008 (quality management system standard) for its design and provision of security guarding services awarded by the Hong Kong Quality Assurance Agency. To ensure its quality of services, the Group provides guidance and trainings to its security guards and conducts supervision on its security guards. With continued effort, the Group has established a broad customer base. For the nine months ended 31 December 2016, the Group had 439 customers, including property management companies, schools, warehouse operators, property redevelopers and construction companies.

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

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

Mobile Gaming Business of an Associated Company

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

The completion of acquisition of 45% equity interest in Magn Investment in 2015 helped to diversify the Group's business and broaden its profit base. The associate of the Group commenced the mobile game business in 2015 while the first mobile game of such business was released in April 2015. The associate of the Group commenced to generate more profit from its mobile game business as a result of more well received mobile games were launched in 2016. The Group's share of profit of its associated company for the nine months period ended 31 December 2016 was approximately HK\$2.8 million. Building on the momentum, we expect the mobile games industry will continue to grow strongly. It is expected that Magn Investment will launch more prime games in the near future.

Mobile Gaming Business

Guanhui Huyu, engaged in the newly commenced mobile game publishing business to markets outside PRC, has executive teams in Hong Kong, Shanghai, Beijing and Shenzhen. It adheres to the idea of publishing prime games for players globally, focuses on the internet-based mobile online game business and is committed to developing as a popular brand for game publishing among global players. Leveraging on the accumulated technologies and experience for game operation platforms of the experienced management team over the years, and it emphasizes the idea of prime mobile games and will be committed to achieving the strategy of globalization of games industry so as to create an international layout for pan-entertainment in the industry.

SIGNIFICANT EVENTS DURING THE NINE MONTHS ENDED 31 DECEMBER 2016

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

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

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

On 18 October 2016, the Company and Cinda International Securities Limited as placing agent (the “Placing Agent”), entered into the placing agreement (the “Placing Agreement”), on a best effort basis, to place up to 553,000,000 ordinary shares of HK\$0.001 each of the Company (the “Placing Shares”) at a price of HK\$0.0704 per Placing Share (the “Placing”). On 31 October 2016, the Placing Agent and the Company (the “Parties”) entered into a supplemental agreement (the “Supplemental Agreement”) in relation to the Placing Agreement to postpone the Long Stop Date from 31 October 2016 to 30 November 2016 as additional time is required by the Company for fulfilment of the condition precedent under the Placing Agreement. On 2 November 2016, the Parties entered into a second supplemental agreement to amend the Long Stop Date from 30 November 2016 to 15 November 2016. On 15 November 2016, due to market conditions, the Parties mutually agreed to terminate the Placing Agreement with immediate effect and all rights, obligations and liabilities of the Parties under the Placing Agreement have ceased and determined and neither Party shall have any claim against the others in respect of the Placing. Further details of the Placing and the termination were disclosed in the announcements dated 19 October 2016, 31 October 2016, 2 November 2016 and 15 November 2016 issued by the Company.

MATERIAL ACQUISITION AND DISPOSAL

On 18 October 2016, Loyal Salute (as the purchaser), entered into the sale and purchase agreement with an independent third party, as a vendor, (the “Vendor”), pursuant to Loyal Salute conditionally agreed to acquire and the Vendor conditionally agreed to sell 100% of the issued share capital in China Bei Dou Communications Technology Group Limited (“China Bei Dou”), which is principally engaged in the business of developing and manufacturing of education security system to protect the safety of students, for a maximum consideration of HK\$51,170,000, subject to adjustment on guaranteed profit. On 16 December 2016, the acquisition was completed at the consideration of approximately HK\$51,170,000, which was met by the allotment and issue of 726,846,591 consideration shares at the issue price of HK\$0.0704 each by the Company to the Vendor. Further details of the acquisition and completion were disclosed in the announcements dated 19 October 2016, 9 November 2016, 24 November 2016 and 16 December 2016 issued by the Company.

Save as disclosed in this announcement, the Group did not have any material acquisition or disposal of subsidiaries or associates during the nine months ended 31 December 2016.

EVENT AFTER THE PERIOD

On 27 January 2017, the Company noted that there are changes to information in relation to Bei Dou Jiuyi Information Technology Industry (Beijing) Limited* (“Bei Dou Jiuyi”) on the official website of China National Administration of GNSS and Application (CNAGA) (the “Website”) on 25 January 2017, which includes the following:-

- (a) a word “凍結” (suspended), which was not shown before, appeared after the name of Bei Dou Jiuyi; and
- (b) a notice, which was not shown before, was published thereon and contains the following information:-
 - (i) As Bei Dou Jiuyi, together with three other entities, did not pass the annual inspection and qualification renewal check, the Branch Services Trial Qualifications* (the “Qualification”) granted to Bei Dou Jiuyi has been suspended (the “Suspension”), and Bei Dou Jiuyi was required to carry out remedial works within six months;
 - (ii) if Bei Dou Jiuyi successfully carries out the rectifications required, the Qualification will be renewed, otherwise, the Qualification would be revoked by CNAGA.

Bei Dou Jiuyi entered into a business co-operation agreement dated 15 June 2015 with Zhongshan Bei Dou Education Technology Limited* (“Bei Dou Zhongshan”), an indirectly owned subsidiary of China Bei Dou, pursuant to which Bei Dou Jiuyi had agreed to franchise Bei Dou Zhongshan to conduct relevant Bei Dou services under its Qualification, subject to the terms and conditions therein. As such, the Company is actively conducting investigation and verification regarding the reasons and effects of such Suspension and is still waiting for results. Meanwhile, the Company is seeking PRC legal opinion on the above issues. The Company will make further announcement(s) as and when appropriate to its Shareholders and public for any update(s) in relation to the above matter. Further details of the Suspension were disclosed in the announcement dated 27 January 2017 issued by the Company.

Saved as disclosed in this announcement, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2016 and up to the date of this announcement.

FINANCIAL REVIEW

Revenue

Manned Security Guarding Services

For the nine months ended 31 December 2015 and 2016, the Group's revenue was principally generated from the provision of manned security guarding services in Hong Kong. The following table sets forth the breakdown of the Group's revenue by types of contracts for the nine months ended 31 December 2015 and 2016:

	Nine months ended 31 December			
	2016		2015	
	HK\$'000	Percentage	HK\$'000	Percentage
Manned security guarding services				
– Fixed	90,429	80.4%	95,232	85.8%
– Temporary	4,842	4.3%	2,862	2.6%
– Event	17,239	15.3%	12,879	11.6%
Total	<u>112,510</u>	<u>100%</u>	<u>110,973</u>	<u>100%</u>

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

The Group's revenue generated from the provision of manned security guarding services increased by approximately HK\$1.5 million or 1.4% from approximately HK\$111.0 million for the nine months ended 31 December 2015 to approximately HK\$112.5 million for the nine months ended 31 December 2016. The increase in revenue was mainly due to (i) the increase in the number of temporary manned security guarding service contracts of approximately 32%; and (ii) the general increase in the service fees charged by the Group as a result of the increase in the guard costs and administrative fees as a result of the general inflation.

Mobile Gaming Business

For the nine months ended 31 December 2015 and 2016, the Group's revenue generated from the newly commenced provision of mobile game publishing through its subsidiary was nil and approximately HK\$48,000, respectively.

Cost of services rendered

For the nine months ended 31 December 2015 and 2016, cost of services rendered, which mainly consists of direct guard cost, was approximately HK\$90.0 million and HK\$87.9 million, respectively, representing approximately 81.1% and 78.1% of the Group's revenue, respectively. Such decrease in percentage was primarily attributable to a manned security guarding service contract with relatively high margin was entered during the nine months ended 31 December 2016.

As at 31 December 2016, the Group had a total of 1,379 employees, of which 1,288 were full-time and part-time guards providing manned security guarding and related services.

Gross profit

The Group's gross profit increased by approximately HK\$1.3 million or 6.3% from approximately HK\$21.0 million for the nine months ended 31 December 2015 to approximately HK\$22.3 million for the nine months ended 31 December 2016 while the Group's gross profit margin increased from approximately 18.9% for the nine months ended 31 December 2015 to approximately 19.8% for the nine months ended 31 December 2016. The increase in gross profit margin was mainly due to a manned security guarding services contract with relatively high margin was entered during the nine months ended 31 December 2016 as discussed above.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$3.6 million or 17.1% from approximately HK\$20.9 million for the nine months ended 31 December 2015 to HK\$24.5 million for the nine months ended 31 December 2016. The increase in the Group's administrative expenses was mainly due to the increase in the staff costs, property rental, depreciation of intangible assets and depreciation of property, plant and equipment for the nine months ended 31 December 2016.

Finance costs

The Group's finance costs increased by approximately HK\$643,000 or 100% from nil for the nine months ended 31 December 2015 to HK\$643,000 for the nine months ended 31 December 2016. The increase in the finance costs was mainly due to the accrued interest on the Promissory Note for the nine months ended 31 December 2016.

Share of result of an associate

The Group's share of profit of its associated company for the nine months ended 31 December 2016 was approximately HK\$2.8 million. Due to more well received mobile games were launched in 2016, the mobile gaming business commenced to generate more profit during the nine months ended 31 December 2016.

The Group's share of loss of its associated company for the three months ended 31 December 2016 was approximately HK\$1.8 million. Some mobile games published for the period did not perform well due to the high promotion cost and the lower than expected demands.

Loss for the period

Loss attributable to owners of the Company for the nine months ended 31 December 2016 decreased by approximately HK\$1.3 million or 68.8% from approximately HK\$1.9 million for the nine months ended 31 December 2015 to approximately HK\$593,000 for the nine months ended 31 December 2016. The decrease in the Group's loss for the period was mainly due to the share of profit of an associate as a result of more well received mobile games being launched in 2016 and the increase in gross profit as discussed above.

Loss attributable to owners of the Company for the three months ended 31 December 2016 increased by approximately HK\$4.2 million or 218.2% from approximately HK\$2 million for the three months ended 31 December 2015 to approximately HK\$6.2 million for the three months ended 31 December 2016. The increase in the Group's loss for the period was mainly due to i) the increase in administrative expenses, including staff costs, property rentals, amortization of intangible assets and depreciation of fixed assets for the three months ended 31 December 2016; and ii) the decrease in Group's gross profit by approximately 17.9% as compared with the same period in 2015 as a result of the increase in staff cost.

Services contracts

During the nine months ended 31 December 2016, the Group had entered into 329 new or renewed contracts, of which 232, 50 and 47 were fixed, temporary and event security guarding services contracts respectively. As at 31 December 2016, the Group had a total number of 211 unexpired security guarding services contracts.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the shares of the Company

Name	Capacity/nature	Number of Shares held/ interested	Percentage of shareholding
Mr. Chen Yunchuo (“Mr. Chen”)	Beneficial	1,304,000,000	18.29%

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.47 of the GEM Listing Rules.

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

As at 31 December 2016, the interest and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long position in the shares of the Company

Name	Capacity/nature	Number of Shares held /interested	Percentage of shareholding
Zheng Gang	Beneficial	638,348,186	8.96%

Save as disclosed above, as at 31 December 2016, the Company had not been notified of any interests or short positions of substantial shareholders or other persons in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted written guidelines regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard of dealings and the said guidelines regarding Directors' securities transactions during the nine months ended 31 December 2016.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the nine months ended 31 December 2016, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

INTEREST OF THE COMPLIANCE ADVISER

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

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established an audit committee (the "Audit Committee") with written terms of reference aligned with the provision of the code provisions set out in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control procedures of the Group. As at 31 December 2016, the Audit Committee comprised Mr. Ho Yuk Ming Hugo (chairman of the Audit Committee), Mr. Xiong Hong and Mr. Wan Tat Wai David, all of whom are independent non-executive Directors.

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, this announcement and the third quarterly results report of the Group for the nine months ended 31 December 2016. The condensed consolidated financial results for the nine months ended 31 December 2016 are unaudited, but have been reviewed by the Audit Committee.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

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

DIRECTORS' AND MANAGEMENT SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Each of the Directors and the controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the nine months ended 31 December 2016.

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

Hong Kong, 8 February 2017

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

** for identification purpose only*