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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

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

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

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

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

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 March 2017 (the "Reporting Period") amounted to approximately HK$146,212,000 (2016: approximately HK$146,224,000).

- Profit attributable to the owners of the Company for the year ended 31 March 2017 amounted to approximately HK$6,197,000 (2016: loss of approximately HK$55,000).

- Basic and diluted earnings per share for the year ended 31 March 2017 amounted to approximately HK0.094 cents and HK0.078 cents, respectively (basic and diluted loss per share for the year ended 31 March 2016: approximately HK0.001 cents).

- The board of directors (the "Board") does not recommend the payment of any dividend for the year ended 31 March 2017 (2016: nil).

ANNUAL RESULTS

The Board presents the audited consolidated results of the Company for the year ended 31 March 2017, together with the comparative figures for the year ended 31 March 2016 as follows:

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	5	**146,212**	146,224
Cost of services rendered		**(115,346)**	(118,650)
Gross profit		**30,866**	27,574
Other income	6	**14,751**	474
Administrative expenses		**(38,502)**	(27,804)
Share of result of associates		**1,127**	1,058
Finance costs		**(882)**	–
Profit before income tax		**7,360**	1,302
Income tax expense	7	**(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)
Profit/(Loss) for the year attributable to:			
Owners of the Company		**6,197**	(55)
Non-controlling interests		**(641)**	–
		5,556	(55)
Total comprehensive income for the year attributable to:			
Owners of the Company		**6,441**	(44)
Non-controlling interests		**(539)**	–
		5,902	(44)
		HK cents	*HK cents*
Earnings/(Loss) per share for profit/(loss) attributable to owners of the Company	9		
– Basic		**0.094**	(0.001)
– Diluted		**0.078**	(0.001)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**15,522**	9,513
Goodwill	10	**36,255**	–
Other intangible assets	11	**36,068**	1,006
Interests in associates		**18,183**	20,464
Investment in a life insurance policy		**1,148**	1,126
Financial asset at fair value through profit or loss		**2,200**	–
Loan to an associate		**5,000**	–
Amount due from a non-controlling equity holder of a subsidiary		**1,948**	–
		116,324	32,109
Current assets			
Trade receivables	12	**18,309**	17,750
Prepayments, deposits and other receivables		**3,108**	2,498
Amount due from an associate		**208**	–
Amount due from a related party		**4,705**	–
Cash at banks and in hand		**30,482**	36,457
		56,812	56,705
Current liabilities			
Trade payables	13	**2,116**	–
Accrued expenses and other payables		**16,111**	27,887
Amount due to an associate		**363**	–
Amount due to a director		**169**	–
Amounts due to related parties		**247**	–
Tax payables		**233**	671
		19,239	28,558
Net current assets		**37,573**	28,147
Total assets less current liabilities		**153,897**	60,256
Non-current liabilities			
Deferred tax liabilities		**527**	478
Promissory note payable		**20,382**	–
		20,909	478
Net assets		**132,988**	59,778

	Notes	**2017**	2016
		HK$'000	*HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**7,680**	6,400
Reserves		**117,393**	53,378
		125,073	59,778
Non-controlling interests		**7,915**	–
Total equity		**132,988**	59,778

NOTES

1. GENERAL INFORMATION

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 GEM of the Stock Exchange on 20 August 2014.

The principal activity of the Company is investment holding. The principal activities of the Group are provision of manned security guarding services 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, provision of mobile game business and provision of students' e-education and e-security services.

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

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.

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.

4. **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 e-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/(losses) 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.

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	**2,444**	2,054	**17**	–	**30**	–	**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*	**10,786**	499	**16,017**	–	**56,175**	–	**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							**40,148**	29,036

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**	–
	146,212	146,224	**87,845**	10,519

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.

5. REVENUE

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

6. 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	**13,235**	–
Sundry income	**586**	427
	14,751	474

7. INCOME TAX EXPENSE

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

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

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	2016
	HK$'000	*HK$'000*
Profit before income tax	**7,360**	1,302
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	**1,804**	1,357

8. DIVIDEND

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

9. 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** *HK$'000*	2016 *HK$'000*
Earnings/(Loss) for the purposes of basic earnings/(loss) per share	**6,197**	(55)
Effect of dilutive potential ordinary shares:		
Fair value gain on contingent consideration payable	**(994)**	–
Earnings for the purposes of diluted earnings per share	**5,203**	(55)

Number of shares	**2017** *'000*	2016 *'000*
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	**4,419**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**6,630,182**	6,400,000

10. GOODWILL

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

	HK$'000
Cost	
Acquisition of subsidiaries	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 calculation, 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 co-operation 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 noted 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, and 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. 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 has sought PRC legal opinion on the above issues.

The Company updated the latest developments in relation to the suspension of Bei Dou Qualification.

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.

The Company has urged Bei Dou Jiuyi to submit the required documents as soon as possible.

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, to claim that Bei Dou Jiuyi has breached the business cooperation agreement entered with a subsidiary of the Group on 15 June 2015 and to sue that Bei Dou Jiuyi shall compensate 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 please refer to 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 with 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. Further details please refer to 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.

11. OTHER INTANGIBLE ASSETS

	Computerised operating and guarding system HK$'000	Mobile game licenses HK$'000	e-Education and security platform HK$'000	Franchise of Bei Dou Qualification HK$'000	Total HK$'000
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	–	–	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.

12. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**18,309**	17,750

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	2016
	HK$'000	*HK$'000*
Not more than 30 days	**9,406**	9,816
30-90 days	**8,634**	7,372
Over 90 days	**269**	562
	18,309	17,750

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	2016
	HK$'000	*HK$'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
	18,309	17,750

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.

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

	2017	2016
	HK$'000	*HK$'000*
At 1 April	**–**	541
Written-off during the year as uncollectible	**–**	(541)
At 31 March	**–**	–

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.

13. TRADE PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**2,116**	–

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

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

14. 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 Communications Technology Group Limited ("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 became 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:

	HK$'000
Other intangible assets	19,118
Property, plant and equipment	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)
	12,298
The provisional fair value of consideration transfer:	
Share Consideration issued	50,153
Contingent Consideration Receivable, at fair value	(1,600)
Total purchase consideration	48,553
Goodwill arising on the acquisition of China Bei Dou	36,255

Net cash inflow arising from the acquisition:

	HK$'000
Cash and bank balances acquired	94

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 in China Bei Dou for the two-year period 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 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 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 arising on the acquisition is minimal.

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

Had the combination taken place at the beginning of the year, the revenue and the loss of the Group for the year would have been nil and HK$12,581,000, respectively. 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.

15. EVENTS AFTER THE REPORTING DATE

(a) 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, to claim that Bei Dou Jiuyi has breached the business cooperation agreement entered with a subsidiary of the Group on 15 June 2015 and to sue that Bei Dou Jiuyi shall compensate 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.

(b) On 21 June 2017, the Group entered into an agreement with Guangdong Bei Dou, which has the same qualification with 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.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2017, the Group recorded a total revenue of approximately HK$146,212,000 as compared with approximately HK$146,224,000 for the same period of 2016. The slight decrease in revenue was mainly due to (i) the general decrease in the fixed manned security guarding service fees as a result of intense competition in the industry, which was offset by (ii) the increase in the number of temporary manned security guarding service contracts of approximately 48%; and (iii) the increase in the event manned security guarding service fees due to a manned security guarding services contract with relatively high revenue of approximately HK$5,800,000 or accounting for approximately 4.0% of the Group's total revenue during the year. Profit attributable to owners of the Company increased to approximately HK$6,197,000, as compared with the loss of approximately HK$55,000 for the same period in 2016. The increase in profit was mainly attributable to the recognition of estimated changes in fair value of consideration payable for business combination of approximately HK$13,235,000 resulting from the acquisition of Magn Group which took place on 4 December 2016 and was offset by the increase in administrative expenses, mainly comprising the increase in staff costs, property rental, amortisation of intangible assets and depreciation of property, plant and equipment for the year ended 31 March 2017.

BUSINESS REVIEW AND PROSPECTS

For the year ended 31 March 2017, the Group engaged in (i) the provision of manned security guarding service (the "Manned Security Guarding Services"); (ii) the provision of mobile games through Magn Investment, an associated company of the Group (the "Mobile Gaming Business of an Associated Company"); and (iii) through Guanhui Huyu, an indirect wholly-owned subsidiary of the Company, the newly commenced mobile gaming business to the overseas markets (the "Mobile Gaming Business").

Manned Security Guarding Services

The Group is a manned security guarding services provider and it is licensed to provide security guarding services in Hong Kong under Type I security work in accordance with the Security Company License regime. The Group operates under the name "KING FORCE" and the services it offers aim to protect the safety of its customers, properties and assets and to maintain order in private events. The Manned Security Guarding Services offered by the Group include patrolling, access control at the lobby entrance, making entrance records of visitors and stopping trespassers, handling and reporting complaints. The Group also provides guarding and personal escorting services and crowd management services in various events, occasions, exhibitions, ceremonies and press conferences. With over ten years' of experience in providing manned security guarding services, the Group has established goodwill in its security guarding services. The Group is dedicated to providing quality manned security guarding services and it is accredited with ISO 9001:2008 (quality management system standard) for its design and provision of security guarding services awarded by the Hong Kong Quality Assurance Agency. To ensure its quality of services, the Group provides guidance and trainings to its security guards and conducts supervision on its security guards. With continued effort, the Group has established a broad customer base. For the year ended 31 March 2017, the Group had 479 customers, including property management companies, schools, warehouse operators, property redevelopers and construction companies.

Mobile Gaming Business of an Associated Company

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

The completion of acquisition of 45% equity interest in Magn Investment in 2015 helped to diversify the Group's business and broaden its profit base. The associate of the Group commenced the mobile gaming business in 2015 while its first mobile game was launched in April 2015. The associate of the Group commenced to generate more profit from its mobile gaming business as a result of the launch of more well received mobile games in 2016. The Group's share of profit of its associated company for the year ended 31 March 2017 was approximately HK$1,127,000. Building on the momentum, we expect the mobile gaming industry will continue to grow strongly. It is expected that Magn Investment will launch more popular games in the near future.

Mobile Gaming Business

Guanhui Huyu, engaged in the newly commenced mobile gaming business to the overseas markets, has executive teams based in Hong Kong, Shanghai, Beijing and Shenzhen. It adheres to the idea of launching prime games for players globally, focuses on the internet-based mobile online gaming 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.

For details of the business review of the "e-education" business of the Group, please refer to the paragraph headed "Material acquisition, disposal and significant investment" of this section of this announcement.

SIGNIFICANT EVENTS DURING THE YEAR ENDED 31 MARCH 2017

On 6 May 2016, the Company 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 "Cinda"), 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 "Cinda Placing"). On 31 October 2016, Cinda 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 Cinda 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 Cinda Placing Agreement with immediate effect and all rights, obligations and liabilities of the Parties under the Cinda Placing Agreement have ceased and determined and neither Party shall have any claim against the others in respect of the Cinda Placing. Further details of the Cinda 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.

On 7 March 2017, the Company entered into a placing agreement with Gransing Securities Co., Limited as the placing agent ("Gransing"), pursuant to which Gransing would place, on a best effort basis, to independent places for up to 553,153,409 ordinary shares of HK$0.001 each of the Company (the "Placing Shares") at a price of HK$0.022 per Placing Share (the "Gransing Placing"). The completion of the Gransing Placing took place on 20 March 2017. An aggregate of 553,153,409 Gransing Placing Shares were alloted and issued pursuant to the general mandate granted to the Directors at the annual general meeting held on 24 August 2016. The aggregate nominal value of the Placing Shares was HK$553,000. The net proceeds from the Placing were approximately HK$11,733,000 and the net issue price was approximately HK$0.0212 per Gransing Placing Share. The proceeds has been used for the develop and promote the Group's mobile gaming business and also to replenish the general working capital of the Group. Details of the Gransing Placing were set out in the Company's announcements dated 7 March 2017 and 20 March 2017.

Saved as disclosed in this announcement, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2017 and up to the date of this announcement.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

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, which is principally engaged in the business of developing and manufacturing of education security system to protect the safety of students and e-education, 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.

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"), the franchisor that grant the license to China Bei Dou to use the Bei Dou civil operation services branch qualification required for the e-education and e-security business, on the official website of China National Administration of GNSS and Application (CNAGA) (the "Website") on 25 January 2017, which included 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 was actively conducting investigation and verification regarding the reasons and effects of such Suspension and was still waiting for results. Meanwhile, the Company is sought PRC legal opinion on the above issues.

The Company had made telephone enquiry with the managing center of China National Administration of GNSS and Application (中國衛星導航定位應用管理中心) after being aware of the suspension of the Qualification. The Company was informed that:

(a) the period of validity of the 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 Qualification of Bei Dou Jiuyi 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 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.

According to the explanation provided by the Vendor, Bei Dou Jiuyi was unable to provide relevant documents required to perform the Annual Check due to internal administrative delays. The Company was informed by the Vendor that Bei Dou Jiuyi was preparing the required documents and intends to submit the necessary documents for the renewal of the Qualification before late March 2017.

The Company had urged Bei Dou Jiuyi to submit the required documents as soon as possible.

Further details of the Suspension were disclosed in the announcement dated 27 January 2017 and 14 February 2017 issued by the Company.

After the end of the Reporting Period, on 16 June 2017, Bei Dou Jiuyi had still failed to provide the Company with the documents showing its successful pass of the annual inspection and qualification renewal check regarding its Qualification. As such, Bei Dou Zhongshan had filed a civil petition statement (the "Petition") on 12 June 2017 at the First People's Court in Zhongshan City, Guangdong Province ("Zhongshan First People's Court") against Bei Dou Jiuyi, claiming that Bei Dou Jiuyi had breached the business cooperation agreement entered into by Bei Dou Zhongshan and Bei Dou Jiuyi on 15 June 2015 (the "Agreement"), and sought an order from the court against Bei Dou Jiuyi to, inter alia, return the consideration under the Agreement in the amount of RMB15,000,000 paid by Bei Dou Zhongshan together with interests. The Company had received the notice of acceptance of a case issued by Zhongshan First People's Court on 15 June 2017.

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

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

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

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

Save as disclosed in this announcement, the Group did not have any other material acquisition or disposal and significant investment during the year ended 31 March 2017.

OUTLOOK

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

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

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

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

FINANCIAL REVIEW

Revenue

Manned security guarding services

For the years ended 31 March 2016 and 2017, the Group's revenue was principally generated from the provision of manned security guarding services in Hong Kong. The following table sets forth the breakdown of the Group's revenue by types of contracts for the years ended 31 March 2016 and 2017:

	Year ended 31 March			
	2017		2016	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Manned security guarding services				
– Fixed	**118,273**	**80.9%**	126,398	86.4%
– Temporary	**6,892**	**4.7%**	3,571	2.4%
– Event	**21,047**	**14.4%**	16,255	11.2%
Total	**146,212**	**100%**	146,224	100%

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 decreased by approximately HK$12,000 or 0.1% from approximately HK$146,224,000 for the year ended 31 March 2016 to approximately HK$146,212,000 for the year ended 31 March 2017. The slight decrease in revenue was mainly due to (i) the general decrease in the fixed manned security guarding service fees as a result of intense competition in the industry, which was offset by (ii) the increase in the number of temporary manned security guarding service contracts of approximately 48%; and (iii) the increase in the event manned security guarding service fees due to a manned security guarding services contract with relatively high revenue represents approximately HK$5.8 million or accounting for approximately 4.0% of the Group's total revenue was entered during the year.

Cost of Services Rendered

For the year ended 31 March 2016 and 2017, cost of services rendered, which mainly consists of direct guard cost, was approximately HK$118,650,000 and HK$115,346,000, respectively, representing approximately 81.1% and 78.9% 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 year ended 31 March 2017.

As at 31 March 2017, the Group had a total of 1,134 employees, of which 1,071 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$3,292,000 or 11.9% from approximately HK$27,574,000 for the year ended 31 March 2016 to approximately HK$30,866,000 for the year ended 31 March 2017 while the Group's gross profit margin increased from approximately 18.9% for the year ended 31 March 2016 to approximately 21.1% for the year ended 31 March 2017. The increase in gross profit margin was mainly due to a manned security guarding services contract with relatively higher profit was entered during the year ended 31 March 2017 as discussed above.

Other Income

The Group's other income increased by approximately HK$14,277,000 or 30.1 times from approximately HK$474,000 for the year ended 31 March 2016 to HK$14,751,000 for the year ended 31 March 2017. The increase in the other income was mainly due to the recognition of estimated changes in fair value of consideration payable for business combination of approximately HK$13,235,000 for the year ended 31 March 2017.

Administrative Expenses

The Group's administrative expenses increased by approximately HK$10,698,000 or 38.5% from approximately HK$27,804,000 for the year ended 31 March 2016 to HK$38,502,000 for the year ended 31 March 2017. The increase in the Group's administrative expenses was mainly due to the increase in the staff costs, property rental, amortisation of intangible assets and depreciation of property, plant and equipment for the year ended 31 March 2017.

Finance Costs

The Group's finance costs increased from nil for the year ended 31 March 2016 to approximately HK$882,000 for the year ended 31 March 2017. The increase in the finance costs was mainly due to the accrued interest on the Promissory Note for the year ended 31 March 2017.

Share of Result of an Associate

The Group's share of profit of its associated company for the year ended 31 March 2017 was approximately HK$1,127,000. Due to more well received mobile games were launched in the year, the mobile gaming business commenced to generate more profit during the year ended 31 March 2017.

Profit for the Year

Profit attributable to owners of the Company increased to approximately HK$5,556,000, as compared with the loss of approximately HK$55,000 for the same period in 2016. The increase in profit was mainly attributable to (i) the recognition of estimated changes in fair value of consideration payable for business combination of approximately HK$13,235,000 relating to the acquisition of Magn Group completed on 4 December 2016 which offset by the increase in an administrative expenses, mainly comprising the increase in staff costs, property rental, amortisation of intangible assets and depreciation of property, plant and equipment for the year ended 31 March 2017.

Services Contracts

During the year ended 31 March 2017, the Group had entered into 362 new or renewed contracts, of which 236, 56 and 70 were fixed, temporary and event security guarding services contracts respectively. As at 31 March 2017, the Group had a total number of 187 unexpired security guarding services contracts.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital Structure

As at 31 March 2017, the share capital and equity attributable to owners of the Company amounted to approximately HK$7,680,000 and HK$132,988,000 respectively (as at 31 March 2016: approximately HK$6,400,000 and HK$59,778,000 respectively).

Cash Position

As at 31 March 2017, the cash at banks and in hand of the Group amounted to approximately HK$30,482,000 (2016: approximately HK$36,457,000), representing a decrease of approximately HK$5,975,000 as compared to that as at 31 March 2016.

Bank Borrowings

As at 31 March 2016 and 2017, the Group did not have any bank borrowings.

Charges over Assets of the Group

As at 31 March 2016 and 2017, none of the Group's leasehold land and buildings under property, plant and equipment was pledged.

Gearing Ratio

As at 31 March 2017, the gearing ratio of the Group was 15.4% (as at 31 March 2016: nil). The gearing ratio is calculated based on the total debt at the end of the Reporting Period divided by the total equity at the end of the respective period. Total debt includes the promissory note. As at 31 March 2016, the Group did not have any bank borrowings, promissory note, bank overdrafts and obligations under finance leases. The Directors will continue to take measures to improve the gearing position of the Group.

Capital Expenditure

The Group acquired property, plant and equipment amounted to approximately HK$9,554,000 from direct purchases amounted to approximately HK$8,807,000 and acquisition of subsidiaries amounted to approximately HK$747,000 for the year ended 31 March 2017 which mainly comprises of addition of leasehold improvements and acquisition of furniture and equipment (for the year ended 31 March 2016: approximately HK$499,000). The Group also acquired goodwill and intangible assets amounted to approximately HK$36,255,000 and approximately HK$37,666,000 respectively through direct purchases amounted to approximately HK$18,548,000 and acquisition of subsidiaries amounted to approximately HK$55,373,000.

Capital Commitments

As at 31 March 2017, the Group did not have any capital commitments (2016: nil).

Foreign Exchange Risk

The Group's business operations are primarily conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollar. During the year ended 31 March 2017, there was no material impact to the Group arising from the fluctuation in the foreign exchange rates between the currencies.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 March 2017.

Contingent Liabilities

As at 31 March 2016 and 2017, the Group had no material contingent liabilities.

Employees and Remuneration Policies

The Group had 1,134 employees (including Directors) as at 31 March 2017 (as at 31 March 2016: 1,209 employees). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages were subject to review on a regular basis. The emoluments of the Directors and senior management were reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 March 2017 (for the year ended 31 March 2016: Nil).

EVENTS AFTER THE REPORTING PERIOD

Details of events after the Reporting Period are set out in the note 15 to this announcement.

Saved as otherwise disclosed, the Group does not have any material subsequent event after the Reporting Period and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 15 of the Rules (the "GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 March 2017, except the CG Code provision A.2.1.

Under the CG Code provision A.2.1, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of Chief Executive Officer ("CEO") and is currently of the view that there is no immediate need to set up of this post within the Group in consider of the size, nature and complexity of the Group's business. However, the Company has appointed several staffs at subsidiary level for each business segments, who will be held responsible for the oversight of each business segments' operations. The situation will be reviewed from time to time.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares of the Company (the "Code of Conduct"). Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the Reporting Period.

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

Save for (1) the issue of 726,846,591 consideration shares in connection with the acquisition of China Bei Dou and (2) the planing of 553,153,409 Placing Shares under the Gransing Placing, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE CODE

During the Reporting Period, 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 (the "Code").

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information that is publicly available to the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this result announcement.

REVIEW BY AUDIT COMMITTEE

The Company has established an Audit Committee on 31 July 2014 with its written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, namely Mr. Ho Yuk Ming Hugo (Chairman), Mr. Wan Tat Wai David and Mr. Xiong Hong.

The Audit Committee had reviewed the audited annual result of the Group for the financial year ended 31 March 2017, and was of the opinion that the audited consolidated financial statements had been prepared in compliance with the applicable accounting standards and the GEM Listing Rules.

SCOPE OF WORK OF AUDITOR

The financial figures in respect of this announcement of the Group's results for the year ended 31 March 2017 have been agreed by the Group's auditor, BDO Limited ("BDO"), to the amounts set out in the Company's consolidated financial statements for the year ended 31 March 2017. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO on this announcement.

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser, TC Capital International Limited (the "Compliance Adviser"), save for the compliance adviser agreement entered into between the Company and the Compliance Adviser, 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.

DIRECTORS' INTEREST IN COMPETING INTERESTS

As at 31 March 2017, none of the Directors or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any business that competes or may compete with the business of the Group, or have any other conflict of interests with the Group.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "Scheme") on 31 July 2014 which will remain in force for a period of 10 years from the effective date of the Scheme. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. The principal terms of the Scheme are summarised in the section headed "Share Option Scheme" in Appendix V to the prospectus (the "Prospectus") on 13 August 2014.

For the year ended 31 March 2017, no share options were granted, exercised, expired or lapsed and there was no outstanding share options under the Scheme.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting ("AGM") of the Company will be held on 18 August 2017 (Friday) at Room 1101, 11/F, 118 Connaught Road West, Hong Kong.

In order to determine the entitlement of the shareholder to attend the AGM, the register of members of the Company will be closed from 15 August 2017 (Tuesday) to 18 August 2017 (Friday) (both days inclusive) for the said AGM or any adjournment thereof. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 14 August 2017 (Monday).

PUBLICATION OF 2017 ANNUAL REPORT

The 2017 annual report of the Company containing all the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at www.kingforce.com.hk and the "HKExnews" website of the Stock Exchange at www.hkexnews.hk in due course and in accordance with the requirements under the GEM Listing Rules.

By order of the Board
King Force Group Holdings Limited
Chen Yunchuo
Chairman and Executive Director

Hong Kong, 21 June 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. Ho Yuk Ming Hugo, Mr. Wan Tat Wai David and Mr. Xiong Hong.

This announcement will remain on the "Latest Company Announcements" page of the Stock Exchange's website at www.hkexnews.hk for 7 days from the date of its posting. This announcement will also be posted on the Company's website at www.kingforce.com.hk.

* *English name for identification purpose only*