

King Force Security Holdings Limited

冠輝保安控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 08315)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

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.

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This announcement, for which the directors (the “Directors”) of King Force Security 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 six months ended 30 September 2015 amounted to approximately HK\$73.0 million (for the six months ended 30 September 2014: HK\$61.0 million).
- Profit attributable to the owners of the Company for the six months ended 30 September 2015 amounted to approximately HK\$0.05 million (profit attributable to the owners of the Company for the six months ended 30 September 2014: approximately HK\$0.6 million).
- Basic and diluted earnings per share for the six months ended 30 September 2015 amounted to approximately HK cents 0.008 (basic and diluted earnings per share for the six months ended 30 September 2014: HK cents 0.11).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2015 (for the six months ended 30 September 2014: nil).

The board of Directors (the “**Board**”) of the Company announces the unaudited condensed consolidated results of the Group for the six months ended 30 September 2015, together with the unaudited comparative figures for the respective corresponding periods in 2014 as follows:

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

		For three months ended 30 September		For the six months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	Notes				
Revenue	4	36,049	31,068	73,026	61,044
Cost of services rendered		(29,364)	(25,246)	(59,537)	(49,478)
Gross profit		6,685	5,822	13,489	11,566
Other income	5	11	159	69	368
Administrative expenses		(5,850)	(4,661)	(13,197)	(6,800)
Other operating expenses		—	—	—	(3,569)
Operating profit		846	1,320	361	1,565
Finance costs		—	(73)	—	(187)
Profit before income tax	6	846	1,247	361	1,378
Income tax expense	7	(310)	(190)	(310)	(790)
Profit for the period		536	1,057	51	588
Other comprehensive income for the period		—	—	—	—
Total comprehensive income for the period attributable to owners of the Company		536	1,057	51	588
Earnings per share for profit attributable to owners of the Company – Basic and Diluted (HK cents)	8	0.08	0.18	0.008	0.11

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015

		As at 30 September 2015 (Unaudited) <i>HK\$'000</i>	As at 31 March 2015 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>10</i>	10,838	11,656
Intangible assets/an intangible asset under development	<i>11</i>	1,453	1,900
Investment in a life insurance policy		1,115	1,104
		<hr/>	<hr/>
		13,406	14,660
Current assets			
Trade receivables	<i>12</i>	21,525	17,563
Prepayments and deposits	<i>12</i>	2,847	1,575
Tax recoverable		742	1,250
Cash at banks and in hand		33,271	33,822
		<hr/>	<hr/>
		58,385	54,210
Current liabilities			
Accrued expenses and other payables		15,285	12,217
		<hr/>	<hr/>
		15,285	12,217
Net current assets		43,100	41,993
Total assets less current liabilities		56,506	56,653
Non-current liabilities			
Deferred tax liabilities		687	885
		<hr/>	<hr/>
Net assets		55,819	55,768
		<hr/>	<hr/>
EQUITY			
Equity attributable to the Company's owners			
Share capital		6,400	6,400
Reserves		49,419	49,368
		<hr/>	<hr/>
Total equity		55,819	55,768
		<hr/>	<hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Six months ended	
	30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(299)	2,745
Net cash used in investing activities	(252)	(2,856)
Net cash generated from financing activities	–	36,908
Net (decrease)/increase in cash and cash equivalents	(551)	36,797
Cash and cash equivalents at beginning of period	33,822	3,415
Cash and cash equivalents at end of period	33,271	40,212
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	33,271	40,212

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Share capital HK\$'000	Share premium* HK\$'000	Merger reserves* HK\$'000	Retained earnings* HK\$'000	Total HK\$'000
At 1 April 2014	8	—	2	19,704	19,714
Transactions with owners:					
Issue of shares by the Company pursuant to the reorganization	5,272	—	(5,272)	—	—
Issue of shares upon placing	1,120	42,000	—	—	43,120
Expenses incurred in connection with the issue of shares during the period	—	(2,992)	—	—	(2,992)
Dividend declared and paid during the period	—	—	—	(7,000)	(7,000)
	<u>6,392</u>	<u>39,008</u>	<u>(5,272)</u>	<u>(7,000)</u>	<u>33,128</u>
Profit and total comprehensive income for the period	—	—	—	588	588
At 30 September 2014 (unaudited)	<u>6,400</u>	<u>39,008</u>	<u>(5,270)</u>	<u>13,292</u>	<u>53,430</u>
At 1 April 2015	6,400	39,008	(5,270)	15,630	55,768
Profit and total comprehensive income for the period	—	—	—	51	51
At 30 September 2015 (unaudited)	<u>6,400</u>	<u>39,008</u>	<u>(5,270)</u>	<u>15,681</u>	<u>55,819</u>

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION AND BASIS OF PREPARATION

King Force Security 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 Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.

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

Pursuant to the reorganisation of the Group in connection with the listing of the Shares on the GEM (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 29 July 2014. The Shares were listed on the GEM on 20 August 2014. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 13 August 2014 ("Prospectus").

Since the companies now comprising the Group were under the common control of the controlling shareholder both before and after the Reorganisation, the interim financial information of the Group has been prepared using the principles of merger accounting.

The unaudited condensed consolidated statements of profit or loss and other comprehensive income, unaudited condensed consolidated statements of changes in equity and unaudited condensed consolidated statements of cash flows of the Group for the six months ended 30 September 2014, include the results and cash flows of all companies now comprising the Group as if the current structure had been in existence throughout the respective periods. The unaudited consolidated statement of financial position of the Group as at 31 March 2014 and the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2014 have been prepared to present the state of affairs of the Group as if the current group structure had been in existence as at the respective dates.

No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Basis of preparation

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" 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 applied are consistent with those of the accountant's report included in the Prospectus for the year ended 31 March 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2.1 below.

The Directors, taking into account of the net proceeds from the Placing, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the unaudited condensed consolidated interim financial information.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

These unaudited condensed consolidated interim financial statements have been prepared under historical cost convention, except for certain financial instruments which are measured fair value. These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”).

These unaudited condensed consolidated interim financial statements have not been audited and were approved for issue by the Board of the Company on 14 November 2014.

2. NEW AND REVISED HKFRSS ISSUED

2.1 Adoption of new and revised HKFRSs effective in current period

The Group has adopted the following new and revised HKFRSs which are effective during the current accounting period:

HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> – <i>Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> – <i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

The adoption of the above new and revised HKFRSs has had no significant financial impact on the Group’s results and financial position.

2.2 New and revised HKFRSs issued but not yet effective

The following new and revised 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.

HKFRS 9	<i>Financial Instrument</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁴
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle ³
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle ²

¹ Effective for periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 July 2014

³ Effective for annual periods beginning or transactions occurring, on or after 1 July 2014

⁴ Effective for annual periods beginning on or after 1 January 2016

The Group is in the process of assessing the impact of these new and revised HKFRSs on the financial performance and financial position of the Group.

3. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors in order to allocate resources and assess performance of the segment. During the period, executive directors regularly review revenue and operating results derived from provision of security guarding services and consider as one single operating segment.

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Hong Kong as its country of domicile. All the Group's non-current assets are principally attributable to Hong Kong, being the single geographical region.

The geographical location of customers is based on the location at which the services are provided. The total revenue from external customers is wholly sourced from Hong Kong.

Information about major customers

There is no single customer contributed to 10% or more revenue to the Group's revenue for the periods ended 30 September 2014 and 2015.

4. REVENUE

Revenue, which is also the Group's turnover, represents the invoiced value of service rendered, after the allowance for discounts from the principal activity of the Group during the period.

5. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	—*	—	—*	—*
Bank loan interest recharged to a director	—	—	—	—
Other interest income	11	53	69	53
Sundry income	—	106	—	315
	<u>11</u>	<u>159</u>	<u>69</u>	<u>368</u>

* Represents amount less than HK\$1,000

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Three months ended 30 September		Six months ended 30 September	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation and amortisation:				
– Owned assets	763	357	1,527	592
– Leased assets	–	63	–	175
	<u>763</u>	<u>420</u>	<u>1,527</u>	<u>767</u>
Write-off of property, plant and equipment	–	23	–	27
Listing expense ²	–	–	–	3,569
Operating lease charges in respect of:				
– Rented premises	143	24	286	48
– Office equipment	330	9	660	18
	<u>473</u>	<u>33</u>	<u>946</u>	<u>66</u>
Employee benefits expenses (including directors' remuneration):				
Salaries, allowances and benefits in kind included in				
– Cost of services rendered	28,630	24,059	56,290	47,164
– General and administrative expenses	2,332	1,824	3,559	2,624
Retirement benefits-Defined contribution plans ¹ included in				
– Cost of services rendered	1,294	1,177	2,682	2,286
– General and administrative expenses	26	31	51	61
	<u>32,282</u>	<u>27,091</u>	<u>62,582</u>	<u>52,135</u>

¹ no forfeited contributions available for offset against existing contributions during the period

² included in “other operating expenses” in the unaudited condensed consolidated statement of profit or loss and other comprehensive income

7. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
– Hong Kong Profits Tax				
– charged for the period	<u>310</u>	<u>190</u>	<u>310</u>	<u>790</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2014: 16.5%) on the Group'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.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2015 is based on the profit attributable to the owners of the Company amounting to HK\$51,000 (six months ended 30 September 2014: HK\$588,000), and on the basis of the weighted average number of shares of 640,000,000 in issue (six months ended 30 September 2014: 553,704,918 Shares in issue, being the number of shares in issue immediately after Share Transfer (as defined in note 17) as if these shares had been issued) throughout the period.

The calculation of basic earnings per share for the three months ended 30 September 2015 is based on the profit attributable to the owners of the Company amounting to HK\$536,000 (three months ended 30 September 2014: HK\$1,057,000), and on the basis of the weighted average number of shares of 640,000,000 in issue (three months ended 30 September 2014: 579,130,435 shares) of the Company in issue, being the number of shares in issue immediately after Share Transfer as if these shares had been issued) throughout the period.

No diluted earnings per share is calculated for the three months and six months ended 30 September 2015 and 2014 as there were no dilutive potential ordinary shares in existence.

9. DIVIDENDS

The Board did not recommend a payment of interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Six months ended					
30 September 2015 (Unaudited)					
Opening net carrying amount	5,538	1,640	1,676	2,802	11,656
Additions	—	—	24	239	263
Depreciation	(126)	(196)	(285)	(474)	(1,081)
Disposal/write off	—	—	—	—	—
	<u>5,412</u>	<u>1,444</u>	<u>1,415</u>	<u>2,567</u>	<u>10,838</u>
At 30 September 2014 (Unaudited)					
Cost	6,293	1,770	2,264	4,204	14,531
Accumulated depreciation	<u>(881)</u>	<u>(326)</u>	<u>(849)</u>	<u>(1,637)</u>	<u>(3,693)</u>
Net book value	<u>5,412</u>	<u>1,444</u>	<u>1,415</u>	<u>2,567</u>	<u>10,838</u>

As at 30 September 2015, the carrying amount of the Group's leasehold land and buildings amounting to HK\$5,664,000 (as at 31 March 2015: HK\$5,790,000) were pledged to secure general banking facilities granted to the Group.

All leasehold land and buildings are held on medium term leases between 10 to 50 years in Hong Kong.

11. INTANGIBLE ASSETS/AN INTANGIBLE ASSET UNDER DEVELOPMENT

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Intangible assets/an intangible asset under development	<u>1,453</u>	<u>1,900</u>

12. TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Trade receivables	<u>21,525</u>	<u>17,563</u>
Prepayments	1,957	748
Deposits	<u>890</u>	<u>827</u>
	<u>2,847</u>	<u>1,575</u>

Trade receivables generally have credit terms of 7 to 30 days (as at 31 March 2015: 7 to 30 days). The Directors consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

At the end of each reporting date, the Group reviews trade receivables for evidence of impairment on both individual and collective basis.

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

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Not more than 30 days	15,023	9,658
30-90 days	5,919	7,747
Over 90 days	<u>583</u>	<u>158</u>

The ageing analysis of trade receivables (net of impairment loss) by past due date as of the end of the reporting periods are as follows:

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Neither past due nor impaired	10,496	12,967
Not more than 30 days past due	9,621	2,495
30-90 days past due	1,092	1,974
Over 90 days past due	316	127
	<u>11,029</u>	<u>4,596</u>
	<u>21,525</u>	<u>17,563</u>

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. None of the trade receivables as at 30 September 2015 have been identified by the Group as having an impairment issue.

The Directors consider that the carrying amounts of trade receivables approximate their fair values.

13. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Compensation of key management personnel

	Six months ended 30 September 2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Total remuneration of directors during the periods were as follows:		
Short-term employee benefits	1,108	705
Contributions to pension scheme	24	20
	<u>1,132</u>	<u>725</u>

(ii) During the period, the Group entered into the following connected transactions:

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
	(Note)	
Realife Insurance Advisors Limited	4	4
Realife Insurance Brokers Limited	122	918
Realife Insurance Services Limited	6	42
	<u> </u>	<u> </u>

Note: The above figures included figures from 1 April 2015 to 28 April 2015 as Mr. Chiu ceased to be a connected person of the Company as he disposed his shares in the Company on 28 April 2015.

Either Mr. Chiu, the sole shareholder of Gloria Power, a substantial shareholder of the Company, or his spouse is a director or has beneficial interests in the above related companies for provision of insurance consultation and brokerage services to the Group during the period. The insurance services have been entered into in the ordinary and usual business of the Group, and are on normal commercial terms.

(iii) Balances with related parties

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Amount due from/(to):		
Realife Insurance Advisors Limited ¹	—	20
Realife Insurance Brokers Limited ¹	—	405
Realife Insurance Services Limited ²	—	44
	<u> </u>	<u> </u>

Above balances are unsecured, interest free and repayable on demand.

¹ balances are included in prepayment.

² balance of Nil (as at 31 March 2015: HK\$33,000) is included in prepayment and Nil (as at 31 March 2015: nil) is included in accruals.

14. CAPITAL COMMITMENTS

	As at 30 September 2015 (Unaudited) HK\$'000	As at 31 March 2015 (Audited) HK\$'000
Contracted but not provided for:		
Acquisition of motor vehicles	262	—
	<u> </u>	<u> </u>
	262	—
	<u> </u>	<u> </u>

15. SUBSEQUENT EVENT

On 19 October 2015, the Company, entered into an equity transfer agreement with Magn Group Limited, pursuant to which the Company conditionally agreed to acquire and Magn Group Limited conditionally agreed to sell 80% equity interest in Magn Investment Limited for a maximum consideration of HK\$92,000,000 (subject to downward adjustment depending on the performance of the Magn Investment Limited for the six month period ending 31 March 2016 and the financial year ending 31 March 2017). The Consideration shall be settled by way of issue of the Consideration Shares at the Issue Price of HK\$0.262 each.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

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 nine 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 six months ended 30 September 2015, the Group had 395 customers, including property management companies, schools, warehouse operators, property redevelopers and construction companies.

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2014 and 2015, 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 six months ended 30 September 2014 and 2015:

	Six months ended 30 September			
	2015		2014	
	<i>HK\$'000</i>	<i>Percentage</i>	<i>HK\$'000</i>	<i>Percentage</i>
Manned security guarding services				
– Fixed	62,860	86.1%	49,989	81.9%
– Temporary	1,672	2.3%	2,239	3.7%
– Event	8,494	11.6%	8,816	14.4%
Total	<u>73,026</u>	<u>100.0%</u>	<u>61,044</u>	<u>100.0%</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 overall revenue increased by approximately HK\$12.0 million or 19.6% from approximately HK\$61.0 million for the six months ended 30 September 2014 to approximately HK\$73.0 million for the six months ended 30 September 2015. The increase in revenue is mainly due to (i) the increase in the number of fixed manned security guarding service contracts of 1.9%; 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.

Cost of services rendered

For the six months ended 30 September 2014 and 2015, cost of services rendered, which mainly consists of direct guard cost, was approximately HK\$49.5 million and HK\$59.5 million, respectively, representing approximately 81.1% and 81.5% of the Group's revenue, respectively. Such increase was primarily attributable to the expansion of the Group with more guards as well as the increase in salaries to attract staff in view of the shortage of guards and high staff turnover rate in the security guarding service industry. Meanwhile, the size of the Group's operation department was also expanded by hiring additional patrol officers and control officers.

As at 30 September 2015, the Group had a total of 1,170 employees, of which 1,131 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\$1.9 million or 16.6% from approximately HK\$11.6 million for the six months ended 30 September 2014 to approximately HK\$13.5 million for the six months ended 30 September 2015 while the Group's gross profit margin decreased from approximately 18.9% for the six months ended 30 September 2014 to approximately 18.4% for the six months ended 30 September 2015. The decrease in gross profit margin was mainly due to (i) The presence of a particular manned security services contract with relatively high margin for the six months ended 30 June 2014; and (ii) the service fees charged in 2015 was relatively stable while the average actual hourly wage of guards kept growing.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$6.4 million or 94.1% from approximately HK\$6.8 million for the six months ended 30 September 2014 to HK\$13.2 million for the six months ended 30 September 2015. The increase in the Group's administrative expenses were mainly due to the increase in the operation scale, advertisement expenses and legal and professional fee upon the listing of the shares of the Company (the "Shares") on the GEM (the "Listing").

Other operating expenses

Other operating expenses for the six months ended 30 September 2015 amounted to approximately nil (For the six months ended 30 September 2014: HK\$3.6 million).

Finance costs

The Group's finance costs decreased by approximately HK\$0.2 million or 100% from approximately HK\$0.2 million for the six months ended 30 September 2014 to nil for the six months ended 30 September 2015. The decrease in the finance costs was mainly due to the repayment of the Group's bank borrowing during the six months ended 30 September 2015.

Profit for the period

Profit attributable to owners of the Company for the period decreased by approximately HK\$0.55 million or 91.6% from approximately HK\$0.6 million for the six months ended 30 September 2014 to HK\$0.05 million for the six months ended 30 September 2015. The Group's net profit margin decreased from approximately 1.0% for the six months ended 30 September 2014 to approximately 0.07% for the same period of 2015. The decrease in the Group's profit for the period was mainly due to the increase in administrative expenses while partly offset by the increase in gross profit as discussed above.

Services Contracts

During the six months ended 30 September 2015, the Group had entered into 329 new or renewed contracts, of which 270, 25 and 34 are fixed, temporary and event security guarding services contracts respectively. As at 30 September 2015, the Group had a total number of 257 unexpired security guarding services contracts.

OUTLOOK

The Listing of the Company on 20 August 2014 (the “Listing Date”) marked an important milestone in the history of the Group and opened up new opportunities for the Group’s development in the future.

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 better pricing due to higher service quality.

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, and increasing of operational efficiency and enhancing quality of service.

To cope with the business objective and expansion of the Group, the Group has expanded its operation team by having additional general manager, patrol officers and control officers and recruited an in-house trainer in 2014, who is mainly responsible for the internal training of its guard. Meanwhile, the Group plans to recruit additional operation managers to supervise its guards and to strengthen and expand its business in the security services industry.

In 2014, the Group has commenced the operation of its new recruitment centre in Wanchai to facilitate the recruitment of guards for the guarding post located in the Hong Kong Island in view of the difficulties in recruiting guards according to the Group’s experience. Further, the Group also plans to invest more resources in job advertisements, participation in employment fairs, recruitment websites and referrals from external training centre to facilitate the recruitment of staff.

In April 2015, the Group has entered into a software leasing agreement with an independent third party to develop and lease the using right of a mobile app system with global positioning system and radio-frequency identification technology that can be used for the purpose of keeping track of security guards, reporting complaints and incidents, and allowing employees to check their own rosters and salary payment records. The Directors consider the system will allow the Group to keep track of and manage the sizeable work force more efficiently and reduce the manpower for administrative purpose. As at the date of this announcement, the function of keeping track of security guards has commenced.

In April 2015, the Group entered into a subscription agreement with MAGN Investment Limited (“MAGN Investment”), wherein the Group conditionally agreed to subscribe 20% of the enlarged issued shares of MAGN Investment. MAGN Investment is an investment holding company of Shenzhen Weiyohui Information Technology Co., Limited, which is principally engaged in the research and development and sales of computer and mobile software and other information technology solution. As a condition precedent, the Group agreed to establish a joint venture with MAGN Investment for the purpose of research and develop security system software for intelligence building automation system. The aforesaid subscription and establishment of the joint venture were completed on 2 October 2015. In October 2015, the Group entered into an equity transfer agreement with MAGN Group Limited (“MAGN Group”), pursuant to which the Company conditionally agreed to acquire and the MAGN Group conditionally agreed to sell the 80% equity interest in MAGN Investment. As at the date of this announcement, the said acquisition has not been completed. Upon completion of the acquisition, the Group will hold the entire issued share capital and MAGN Investment. With such move, the Group will be able to cope with the growing trend of intelligence building automation system in Hong Kong. In addition, the Board considers that the acquisition will diversify the Group’s businesses and broaden its revenue base. For further details of the aforesaid subscription and acquisition, please refer to the announcements of the Company dated 16 April 2015 and 19 October 2015.

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.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 30 September 2015, the share capital and equity attributable to owners of the Company amounted to approximately HK\$6.4 million and HK\$49.4 million respectively (as at 31 March 2015: approximately HK\$6.4 million and HK\$49.4 million respectively).

Cash position

As at 30 September 2015, the cash at banks and in hand of the Group amounted to approximately HK\$33.3 million (as at 31 March 2015: approximately HK\$33.8 million), representing a decrease of approximately HK\$0.5 million as compared to 31 March 2015.

Charges over Assets of the Group

As at 30 September 2015, none of the Group’s leasedhold land and buildings under property, plant and equipment were pledged.

Gearing ratio

The gearing ratio of the Group was both nil as at 30 September 2014 and 2015 as the Group did not have any bank borrowings, bank overdrafts and obligations under finance leases as at the relevant times.

Capital Expenditure

The Group purchased property, plant and equipment amounting to approximately HK\$0.3 million for the six months ended 30 September 2015 which mainly comprises of acquisition of vehicles (for the six months ended 30 September 2014: approximately HK\$2.0 million).

Capital Commitments

As at 30 September 2015, the Group had no capital commitments (as at 31 March 2015: nil).

Foreign Exchange Risk

The Group's business operations were conducted in Hong Kong. The transactions, monetary assets and liabilities of the Group were mainly denominated in Hong Kong dollar. During the six months ended 30 September 2015, 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 six months ended 30 September 2015.

Significant Investments Held, Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies, and Plans for Material Investments or Capital Assets

As disclosed above, in April 2015, the Group entered into a subscription agreement with MAGN Investment, wherein the Group conditionally agreed to subscribe 20% of the enlarged issued shares of MAGN Investment. As a condition precedent, the Group agreed to establish a joint venture with MAGN Investment for the purpose of research and develop security system software for intelligence building automation system. The aforesaid subscription and establishment of the joint venture were completed on 2 October 2015. In October 2015, the Group entered into an equity transfer agreement with MAGN Group, pursuant to which the Company conditionally agreed to acquire the remaining 80% equity interest in MAGN Investment. As at the date of this announcement, the said acquisition has not been completed. Upon completion of the acquisition, the Group will hold the entire issued share capital of MAGN Investment.

Apart from the reorganisation in relation to the listing of the Shares, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2015. Save for the business plan as disclosed in the prospectus of the Company dated 13 August 2014 (the "Prospectus") and as disclosed, there is no plan for material investments or capital assets as at 30 September 2015.

Contingent Liabilities

As at 30 September 2015, the Group had no material contingent liabilities (as at 31 March 2015: nil).

Employees and Remuneration Policy

The Group had 1,170 employees (including the Directors) as at 30 September 2015 (as at 31 March 2015: 1,141 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.

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.

For the six months ended 30 September 2015, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: Nil).

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

None of the Directors, management, controlling shareholders or substantial shareholders of the Company or any of their respective associates (as defined under the GEM Listing Rules) is engaged in any business which competes or is likely to compete with the business of the Group, and none of them has any other conflicts of interests with the Group.

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 for the six months ended 30 September 2015.

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 from the Listing Date up to the date of this announcement.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that for the six months ended 30 September 2015, the Company has applied the principles and complied with the requirements under the code provisions set out in Appendix 15 – Corporate Governance Code (the “Code”) to the GEM Listing Rules or the continuing obligations requirements of a listed issuer pursuant to the GEM Listing Rules.

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Group's compliance adviser, TC Capital Asia Limited (the “Compliance Adviser”), save as the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 11 August 2014 and being the financial adviser to the Company in relation to a major transaction as disclosed in the announcement of the Company dated 19 October 2015, 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 and internal control procedures of the Group. As at the date of this announcement, the Audit Committee comprises Ms. Au Man Yi (chairman of the Audit Committee), Professor Lam Sing Kwong Simon and Mr. Ong Chi King, all of which are independent non-executive Directors.

The Audit Committee met with the external auditors of the Company to discuss the review process and accounting issues of the Audit Committee. The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, this announcement and the interim results of the Group for the six months ended 30 September 2015. The condensed consolidated financial results for the six months ended 30 September 2015 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.

PUBLICATION OF 2015 INTERIM REPORT

The 2015 interim 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 <http://www.kingforce.com.hk/> and the "HKExnews" website of the Stock Exchange at <http://www.hkexnews.hk>.

By order of the Board
King Force Security Holdings Limited
Fu Yik Lung
Chairman and Executive Director

Hong Kong, 6 November 2015

As at the date of this announcement, the executive Directors are Mr. Fu Yik Lung, Ms. Liu Lai Ying, Ms. Chung Pui Yee Shirley, Mr. Zhang Chengzhou, Mr. Li Mingming and Ms. Chen Xiaoting; and the independent non-executive Directors are Professor Lam Sing Kwong, Simon, Mr. Ong Chi King and Ms. Au Man Yi.