

The background of the entire page is a vibrant blue with several large, overlapping, wavy lines that create a sense of motion and depth. The lines are in various shades of blue, from light to dark, and they curve across the page.

# **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: 8315*

**INTERIM REPORT 2014**

## **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 report, 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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## **CORPORATE INFORMATION**

### **DIRECTORS**

#### *Executive Directors:*

Mr. Fu Yik Lung (*Chairman*)

Ms. Liu Lai Ying

Ms. Chung Pui Yee Shirley

#### *Independent Non-executive Directors:*

Mr. Law Yiu Sing

Professor Lam Sing Kwong Simon

Mr. Ong Chi King

### **AUDIT COMMITTEE**

Mr. Law Yiu Sing (*Chairman*)

Professor Lam Sing Kwong Simon

Mr. Ong Chi King

### **REMUNERATION COMMITTEE**

Mr. Ong Chi King (*Chairman*)

Mr. Fu Yik Lung

Mr. Law Yiu Sing

Professor Lam Sing Kwong Simon

### **NOMINATION COMMITTEE**

Mr. Fu Yik Lung (*Chairman*)

Mr. Law Yiu Sing

Professor Lam Sing Kwong Simon

Mr. Ong Chi King

### **COMPANY SECRETARY**

Ms. So Hau Kit

### **AUTHORISED REPRESENTATIVES**

Mr. Fu Yik Lung

Ms. Liu Lai Ying

### **INDEPENDENT AUDITORS**

BDO Limited

### **COMPLIANCE ADVISER**

TC Capital Asia Limited

### **LEGAL ADVISER**

*As to Hong Kong Law*

Loong & Yeung

### **REGISTERED OFFICE IN THE CAYMAN ISLANDS**

Clifton House

75 Fort Street

P.O. Box 1350

Grand Cayman

KY1-1108

Cayman Islands

### **HEADQUARTER**

18th Floor

So Tao Centre

Nos. 11-15 Kwai Sau Road

Kwai Chung

New Territories

Hong Kong

### **PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE**

Suites 2001-2006, 20th Floor

Jardine House

1 Connaught Place

Central

Hong Kong

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS**

Appleby Trust (Cayman) Ltd.

Clifton House

75 Fort Street

P.O. Box 1350

Grand Cayman

KY1-1108

Cayman Islands

### **BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG**

Tricor Investor Services Limited

Level 22

Hopewell Centre

183 Queen's Road East

Hong Kong

### **PRINCIPAL BANKERS**

DBS Bank (Hong Kong) Limited

Kwai Chung Branch

Standard Chartered Bank

Kwai Chung Branch

### **COMPANY WEBSITE**

[www.kingforce.com.hk](http://www.kingforce.com.hk)

### **STOCK CODE**

08315

## **FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the six months ended 30 September 2014 amounted to approximately HK\$61.0 million (for the six months ended 30 September 2013: HK\$53.5 million).
- Profit attributable to the owners of the Company for the six months ended 30 September 2014 amounted to approximately HK\$0.6 million (profit attributable to the owners of the Company for the six months ended 30 September 2013: approximately HK\$4.1 million).
- Basic and diluted earnings per share for the six months ended 30 September 2014 amounted to approximately HK cents 0.11 (basic and diluted earnings per share for the six months ended 30 September 2013: HK cents 0.78).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2014 (for the six months ended 30 September 2013: nil).

## 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 2014, the Group had 381 customers, including property management companies, schools, warehouse operators, property redevelopers and construction companies.

### FINANCIAL REVIEW

#### Revenue

For the six months ended 30 September 2013 and 2014, 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 2013 and 2014:

	Six months ended 30 September			
	2014		2013	
	HK\$'000	Percentage	HK\$'000	Percentage
Manned security guarding services				
– Fixed	49,989	81.9%	44,138	82.6%
– Temporary	2,239	3.7%	923	1.7%
– Event	8,816	14.4%	8,411	15.7%
Total	61,044	100.0%	53,472	100.0%

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\$7.6 million or 14.2% from HK\$53.5 million for the six months ended 30 September 2013 to approximately HK\$61.0 million for the six months ended 30 September 2014. The increase in revenue is mainly due to (i) the increase in the number of fixed manned security guarding service contracts of 2.0%; (ii) the increase in the number of temporary manned security guarding service contracts of 50.0%; and (iii) 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.

The Group's gross profit increased by approximately HK\$1.0 million or 9.2% from approximately HK\$10.6 million for the six months ended 30 September 2013 to approximately HK\$11.6 million for the six months ended 30 September 2014 while the Group's gross profit margin decreased from approximately 19.8% for the six months ended 30 September 2013 to approximately 18.9% for the six months ended 30 September 2014. The decrease in gross profit margin was mainly due to the increase in the service fees is relatively small, when compared to the increase in the cost of services rendered. The Group's cost of services rendered increased by approximately HK\$6.6 million or 15.4% from approximately HK\$42.9 million for the six months ended 30 September 2013 to approximately HK\$49.5 million for the six months ended 30 September 2014. Such increase was primarily attributable to the expansion of the Group with more guards as well as the increase in salaries to attract staffs 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.

### **Cost of services rendered**

As at 30 September 2014, the Group had a total of 1,146 employees, of which 1,102 were full-time and part-time guards providing manned security guarding and related services. For the six months ended 30 September 2013 and 2014, cost of services rendered, which mainly consists of direct guard cost, was approximately HK\$42.9 million and HK\$49.5 million, respectively, representing approximately 80.2% and 81.1% 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.

### **Administrative expenses**

The Group's administrative expenses increased by approximately HK\$1.5 million or 29.5% from approximately HK\$5.3 million for the six months ended 30 September 2013 to HK\$6.8 million for the six months ended September 2014. 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 2014 amounted to approximately HK\$3.6million (For the six months ended 30 September 2013: nil). The Group's other operating expenses primarily consist of listing expenses in relation to the Listing, which is non-recurring in nature and mainly comprises professional fees paid to the parties for their services in connection to such regard.

### **Finance costs**

The Group's finance costs decreased by approximately HK\$0.4 million or 70.5% from HK\$0.6 million for the six months ended 30 September 2013 to HK\$0.2 million for the six months ended September 2014. 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 2014.

### **Profit for the period**

Profit attributable to owners of the Company for the period decreased by approximately HK\$3.5 million or 85.7% from approximately HK\$4.1 million for the six months ended 30 September 2013 to HK\$0.6 million for the six months ended 30 September 2014. The Group's net profit margin decreased from approximately 7.7% for the six months ended 30 September 2013 to approximately 1.0% for the same period of 2014. The decrease in the Group's profit for the period was mainly due to the increase in the listing expenses and administrative expenses while partly offset by the increase in gross profit as discussed above. If the one-off listing expenses are not taken into account, the Group would record a net profit growth (without listing expenses) of approximately 0.8% for the six months ended 30 September 2014, when compared to the same period of the previous year.

## **Services Contracts**

During the six months ended 30 September 2014, the Group had entered into 87 new or renewed contracts, of which 38, 11 and 38 are fixed, temporary and event security guarding services contracts respectively. As at 30 September 2014, the Group had a total number of 257 unexpired security guarding services contracts.

## **OUTLOOK**

The Listing of the Company on the GEM 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.

Looking forward, the Directors consider that ongoing development and hosting of exhibitions, trade fairs and events and the increase in supply of residential properties and hotel properties in Hong Kong will drive the development of security guarding services which allow the Group to achieve sustainable growth in revenue. 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 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 patrol officers and control officers and recruited a trainer in September 2014, who is mainly responsible for the 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 October 2014, the Group entered into a tenancy agreement with a third party independent to the Company in accordance to the GEM Listing Rules to lease a commercial premise in Wanchai for a term of 2 years. The Group intends to use such commercial premise for the establishment of the new recruitment centre. The Directors consider that the establishment of the recruitment centre in Wanchai will facilitate the recruitment of guards for the guarding post located on the Hong Kong Island in view of the difficulties in recruiting them according to the Group's experience. The decoration of the recruitment and training centre is expected to be finished and will commence operation in December 2014. Further, the Group also plans to invest more resources in job advertisements, participation in employment fairs, recruitment websites and referrals from outside training centre to facilitate the recruitment of staff.

The Group will also continue to strengthen its marketing 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 2014, the share capital and equity attributable to owners of the Company amounted to approximately HK\$6.4 million and HK\$53.4 million respectively (as at 31 March 2014: approximately HK\$8,000 and HK\$19.7 million respectively).

### **Cash position**

As at 30 September 2014, the cash at banks and in hand of the Group amounted to approximately HK\$40.2 million (as at 31 March 2014: approximately HK\$3.4 million), representing an increase of approximately HK\$36.8 million as compared to that as at 31 March 2014.

### **Bank borrowings**

As at 30 September 2014, the Group had bank borrowings of approximately HK\$5.2 million. (as at 31 March 2014: approximately HK\$6.3 million) The Group's bank borrowings were primarily used in financing the working capital requirement of its operations and the purchase of the existing premises.

## **Charges over Assets of the Group**

As at 30 September 2014, certain leasedhold land and buildings under property, plant and equipment of approximately HK\$5.7 million were pledged to a bank to secure banking facilities granted to the Group.

## **Gearing ratio**

As at 30 September 2014, the gearing ratio of the Group was approximately 9.7% (as at 31 March 2014: approximately 34.4%). The gearing ratio is calculated based on the total debt at the end of the period divided by the total equity at the end of the respective period. Total debt includes bank borrowings, bank overdrafts and obligations under finance leases. The decrease of the gearing ratio was mainly attributable to the reduced bank borrowings of the Group for the six months ended 30 September 2014.

## **Capital Expenditure**

The Group purchased property, plant and equipment amounting to approximately HK\$2.0 million for the six months ended 30 September 2014 which mainly comprises of acquisition of vehicles (for the six months ended 30 September 2013: approximately HK\$0.6 million).

## **Capital Commitments**

The Group's capital commitments primarily relate to the acquisition of a certain operation system and motor vehicles. As at 30 September 2014, the Group had capital commitments of approximately HK\$0.7 million which mainly comprises of commitments on acquisition of vehicles. (as at 31 March 2014: approximately HK\$0.8 million).

## **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 2014, 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 2014.

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

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 2014. Save for the business plan as disclosed in the prospectus of the Company dated 13 August 2014 (the "Prospectus"), there is no plan for material investments or capital assets as at 30 September 2014.

## **Contingent Liabilities**

As at 30 September 2014, the Group had no material contingent liabilities (as at 31 March 2014: nil).

## **Employees and Remuneration Policy**

The Group had 1,146 employees (including Directors) as at 30 September 2014 (as at 31 March 2014: 1,086 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 2014, 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 2014 (six months ended 30 September 2013: Nil).

## **USE OF PROCEEDS FROM THE LISTING**

The net proceeds from the listing of the Shares by way of placing on the GEM of the Stock Exchange (the "Placing") were approximately HK\$33.0 million, which was based on the final placing price of HK\$0.385 per share and the actual expenses related to the listing. Accordingly, the Group adjusts the use of proceeds in the same manner and proportion as shown in the Prospectus.

The Company intends to use the net proceeds from the Placing for the following purposes:

- (i) Approximately 6.4% is expected to be used for repayment of bank borrowings;
- (ii) Approximately 31.9% is expected to be used for recruiting and expanding the security guarding and patrol team;
- (iii) Approximately 37.8% is expected to be used for strengthening staff recruitment and training;
- (iv) Approximately 7.6% is expected to be used for expanding the sales and marketing department and uplifting marketing effort;
- (v) Approximately 6.7% is expected to be used for continuing to increase operational efficiency and enhance quality of service; and
- (vi) Approximately 9.7% is expected to be used for general working capital.



## DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 September 2014, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

#### *Long positions in the Shares*

Name	Capacity/nature	Number of Shares held/interested	Percentage of shareholding
Mr. Fu Yik Lung ("Mr. Fu") (Note 1)	Interest of controlled corporation	348,000,000	54.375%
Ms. Liu Lai Ying ("Ms. Liu") (Note 2)	Interest of spouse	348,000,000	54.375%

#### *Notes:*

- Optimistic King Limited ("Optimistic King") holds 348,000,000 Shares. Mr. Fu beneficially owns the entire issued share capital of Optimistic King. Therefore, Mr. Fu is deemed, or taken to be, interested in all the Shares held by Optimistic King for the purpose of the SFO. Mr. Fu is the sole director of Optimistic King.
- Ms. Liu is the spouse of Mr. Fu. Accordingly, Ms. Liu is deemed or taken to be interested in all the Shares in which Mr. Fu is interested in for the purpose of the SFO.

#### *Long position in the share of associated corporations*

Name of Director	Name of associated corporation	Capacity/nature	Number of Shares held/interested	Percentage of shareholding
Mr. Fu	Optimistic King	Beneficial owner	1	100%
Ms. Liu (Note)	Optimistic King	Interest of spouse	1	100%

*Note:* Ms. Liu is the spouse of Mr. Fu. Accordingly, Ms. Liu is deemed or taken to be interested in such share in Optimistic King in which Mr. Fu is interested in for the purpose of the SFO.

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

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at 30 September 2014, the interest and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

### *Long position in the Shares*

<b>Name</b>	<b>Capacity/nature</b>	<b>Number of Shares held/interested</b>	<b>Percentage of shareholding</b>
Optimistic King ( <i>Note 1</i> )	Beneficial owner	348,000,000	54.375%
Gloria Power Limited ("Gloria Power")	Beneficial owner	132,000,000	20.625%
Mr. Chiu Chun Keung ("Mr. Chiu") ( <i>Note 2</i> )	Interest of controlled corporation	132,000,000	20.625%
Ms. Yung Wing Tao ("Ms. Yung") ( <i>Note 3</i> )	Interest of spouse	132,000,000	20.625%

### *Notes:*

1. The entire issued share capital of Optimistic King is owned by Mr. Fu. Mr. Fu is also the sole director of Optimistic King.
2. Mr. Chiu beneficially owns the entire issued share capital of Gloria Power. Therefore, Mr. Chiu is deemed, or taken to be, interested in all the Shares held by Gloria Power for the purpose of the SFO. Mr. Chiu is the sole director of Gloria Power.
3. Ms. Yung is the spouse of Mr. Chiu. Accordingly, Ms. Yung is deemed, or taken to be, interested in all the Shares in which Mr. Chiu is interested in for the purpose of the SFO.

Save as disclosed above, as at 30 September 2014, the Company had not been notified of any interests or short positions of substantial shareholders or other persons in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from the Listing Date and up to the date of this report. The Shares were first listed on the GEM of the Stock Exchange on 20 August 2014.

## **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 report.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

As the Company was listed on 20 August 2014, the Company was not required to comply 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 prior to the Listing Date.

The Directors consider that since the Listing Date and up to the date of this report, the Company has applied the principles and complied with all the applicable code provisions set out in the Code.

## **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, 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 report, the Audit Committee comprises Mr. Law Yiu Sing (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 report and the interim results of the Group for the six months ended 30 September 2014. The condensed consolidated financial results for the six months ended 30 September 2014 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.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

	Notes	For three months ended 30 September		For the six months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Revenue</b>	4	<b>31,068</b>	27,849	<b>61,044</b>	53,472
Cost of services rendered		<b>(25,246)</b>	(21,907)	<b>(49,478)</b>	(42,881)
<b>Gross profit</b>		<b>5,822</b>	5,942	<b>11,566</b>	10,591
Other income	5	<b>159</b>	115	<b>368</b>	231
Administrative expenses		<b>(4,661)</b>	(2,794)	<b>(6,800)</b>	(5,252)
Other operating expenses		<b>-</b>	-	<b>(3,569)</b>	-
<b>Operating profit</b>		<b>1,320</b>	3,263	<b>1,565</b>	5,570
Finance costs	6	<b>(73)</b>	(310)	<b>(187)</b>	(633)
<b>Profit before income tax</b>	7	<b>1,247</b>	2,953	<b>1,378</b>	4,937
Income tax expense	8	<b>(190)</b>	(815)	<b>(790)</b>	(815)
<b>Profit for the period</b>		<b>1,057</b>	2,138	<b>588</b>	4,122
<b>Other comprehensive income for the period</b>		<b>-</b>	-	<b>-</b>	-
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>1,057</b>	2,138	<b>588</b>	4,122
<b>Earnings per share for profit attributable to owners of the Company – Basic and Diluted (HK cents)</b>	10	<b>0.18</b>	0.40	<b>0.11</b>	0.78

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2014**

	Notes	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	9,580	8,023
Intangible assets/an intangible asset under development	12	2,282	1,600
Investment in a life insurance policy	14	1,092	1,076
		<b>12,954</b>	10,699
<b>Current assets</b>			
Trade receivables	13	17,401	14,693
Prepayments and deposits	13	1,832	1,838
Amount due from a director	15	–	9,680
Amount due from a shareholder	21	4	–
Cash at banks and in hand		40,212	3,415
		<b>59,449</b>	29,626
<b>Current liabilities</b>			
Accrued expenses and other payables		11,759	12,246
Bank borrowings	16	5,160	6,286
Obligations under finance leases		–	207
Tax payables		2,054	1,578
		<b>18,973</b>	20,317
<b>Net current assets</b>		<b>40,476</b>	9,309
<b>Total assets less current liabilities</b>		<b>53,430</b>	20,008
<b>Non-current liabilities</b>			
Obligations under finance leases		–	294
<b>Net assets</b>		<b>53,430</b>	19,714
<b>EQUITY</b>			
<b>Equity attributable to the Company's owners</b>			
Share capital	17	6,400	8
Reserves		47,030	19,706
<b>Total equity</b>		<b>53,430</b>	19,714

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

	Note	<b>Six months ended 30 September 2014 (Unaudited) HK\$'000</b>	2013 (Unaudited) HK\$'000
<b>Net cash generated from operating activities</b>		<b>2,745</b>	4,980
<b>Net cash (used in)/generated from investing activities</b>		<b>(2,856)</b>	393
<b>Net cash generated from/(used in) financing activities</b>		<b>36,908</b>	(12,593)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>36,797</b>	(7,220)
<b>Cash and cash equivalents at beginning of period</b>		<b>3,415</b>	(871)
<b>Cash and cash equivalents at end of period</b>		<b>40,212</b>	(8,091)
<b>Analysis of the balances of cash and cash equivalents</b>			
Cash at banks and in hand		40,212	749
Bank overdrafts		-	(8,840)
		<b>40,212</b>	(8,091)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014**

	Share capital HK\$'000	Share premium* HK\$'000	Merger reserves* HK\$'000	Retained earnings* HK\$'000	Total HK\$'000
<b>At 1 April 2013</b>	8	–	2	11,341	11,351
Profit and total comprehensive income for the period	–	–	–	4,122	4,122
<b>At 30 September 2013 (unaudited)</b>	8	–	2	15,463	15,473
<b>At 1 April 2014</b>	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)
	6,392	39,008	(5,272)	(7,000)	33,128
Profit and total comprehensive income for the period	–	–	–	588	588
<b>At 30 September 2014 (unaudited)</b>	6,400	39,008	(5,270)	13,292	53,430

\* 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>
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HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
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## 2. NEW AND REVISED HKFRSs ISSUED - Continued

### 2.1 Adoption of new and revised HKFRSs effective in current period - Continued

HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – 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> <sup>1</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>4</sup>
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle <sup>3</sup>
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle <sup>2</sup>

<sup>1</sup> Effective for periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>3</sup> Effective for annual periods beginning or transactions occurring, on or after 1 July 2014

<sup>4</sup> 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 2013 and 2014.

## 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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Bank interest income	—*	—	—*	—*
Bank loan interest recharged to a director	—	64	—	121
Other interest income	53	—	53	—
Sundry income	106	51	315	110
	<b>159</b>	115	<b>368</b>	231

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

## 6. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Interest charges on:</b>				
Bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	73	302	171	617
Finance leases	–	8	16	16
	<b>73</b>	<b>310</b>	<b>187</b>	<b>633</b>

## 7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Three months ended 30 September		Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Cost of services rendered</b>	<b>25,246</b>	<b>21,907</b>	<b>49,478</b>	<b>42,881</b>
Depreciation and amortisation:				
– Owned assets	357	70	592	129
– Leased assets	63	135	175	260
	<b>420</b>	<b>205</b>	<b>767</b>	<b>389</b>
Loss on disposal of property, plant and equipment	24	17	24	17
Write-off of property, plant and equipment	23	–	27	–
Listing expense <sup>2</sup>	–	–	3,569	–
Operating lease charges in respect of:				
– Rented premises	24	106	48	218
– Office equipment	9	9	18	18
	<b>33</b>	<b>115</b>	<b>66</b>	<b>236</b>
Employee benefits expenses (including directors' remuneration):				
Salaries, allowances and benefits in kind included in				
– Cost of services rendered	24,059	20,894	47,164	40,922
– General and administrative expenses	1,824	455	2,624	922
Retirement benefits-Defined contribution plans <sup>1</sup> included in				
– Cost of services rendered	1,177	1,013	2,286	1,959
– General and administrative expenses	31	16	61	32
	<b>27,091</b>	<b>22,378</b>	<b>52,135</b>	<b>43,835</b>

<sup>1</sup> no forfeited contributions available for offset against existing contributions during the period

<sup>2</sup> included in "other operating expenses" in the unaudited condensed consolidated statement of profit or loss and other comprehensive income

## 8. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Current tax				
– Hong Kong Profits Tax				
– charged for the period	190	815	790	815

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2013: 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.

## 9. DIVIDENDS

No dividends has been paid or declared by the Company since its incorporation. On 9 July 2014, Million Joyce Global Limited ("Million Joyce"), a subsidiary of the Company, declared and paid dividends of an aggregate amount of HK\$7,000,000 to the shareholders, for partial through set off of amount due from a director.

The Board did not recommend a payment of interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: nil).

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2014 is based on the profit attributable to the owners of the Company amounting to HK\$588,000 (six months ended 30 September 2013: HK\$4,122,000), and on the basis of the weighted average number of shares of 553,704,918 in issue (six months ended 30 September 2013: 528,000,000 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 2014 is based on the profit attributable to the owners of the Company amounting to HK\$1,057,000 (three months ended 30 September 2013: HK\$2,138,000), and on the basis of the weighted average number of shares of 579,130,435 in issue (three months ended 30 September 2013: 528,000,000 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.

The calculation of the weighted average number of shares outstanding has been adjusted for the effect of the placing of 112,000,000 new shares on 20 August 2014.

No diluted earnings per share is calculated for the three months and six months ended 30 September 2014 and 2013 as there were no dilutive potential ordinary shares in existence.

## 11. 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
<b>Six months ended</b>					
<b>30 September 2014 (Unaudited)</b>					
Opening net carrying amount	5,790	985	594	654	8,023
Additions	–	–	121	1,922	2,043
Depreciation	(126)	(21)	(89)	(192)	(428)
Disposal/write off	–	–	(27)	(31)	(58)
	5,664	964	599	2,353	9,580
<b>At 30 September 2014 (Unaudited)</b>					
Cost	6,293	1,065	944	3,113	11,415
Accumulated depreciation	(629)	(101)	(345)	(760)	(1,835)
Net book value	5,664	964	599	2,353	9,580

As at 30 September 2014, the carrying amount of the Group's leasehold land and buildings amounting to HK\$5,664,000 (as at 31 March 2014: HK\$5,790,000) were pledged to secure general banking facilities granted to the Group (note 18).

## 11. PROPERTY, PLANT AND EQUIPMENT - Continued

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

As at 31 March 2014, the net carrying amount of motor vehicles includes the amount of HK\$452,000 held for motor vehicles under finance leases. As at 30 September 2014, no motor vehicles held under finance leases.

## 12. INTANGIBLE ASSETS/AN INTANGIBLE ASSET UNDER DEVELOPMENT

	<b>As at 30 September 2014 (Unaudited) HK\$'000</b>	As at 31 March 2014 (Audited) HK\$'000
Intangible assets/an intangible asset under development	<b>2,282</b>	1,600

The intangible asset under development represents a computerised operating system being developed by a service provider starting from 1 November 2012. Upon completion of the development and successful test for implementation, the system was transferred to intangible asset during the period with finite useful life being measured initially at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

The Group incurred expenditure of RMB175,000 (equivalent to HK\$221,000) during the six months ended 30 September 2014 (six months ended 30 September 2013: nil) on intangible assets to expand and upgrade the system.

## 13. TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS

	<b>As at 30 September 2014 (Unaudited) HK\$'000</b>	As at 31 March 2014 (Audited) HK\$'000
Trade receivables	<b>17,401</b>	14,693
Prepayments	<b>1,680</b>	1,746
Deposits	<b>152</b>	92
	<b>1,832</b>	1,838

Trade receivables generally have credit terms of 7 to 30 days (as at 31 March 2014: 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:

	<b>As at 30 September 2014 (Unaudited) HK\$'000</b>	As at 31 March 2014 (Audited) HK\$'000
Not more than 30 days	<b>9,527</b>	8,401
30-90 days	<b>6,952</b>	5,694
Over 90 days	<b>922</b>	598
	<b>17,401</b>	14,693

### 13. TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS - Continued

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:

	<b>As at 30 September 2014 (Unaudited) HK\$'000</b>	As at 31 March 2014 (Audited) HK\$'000
Neither past due nor impaired	<b>8,959</b>	10,546
Not more than 30 days past due	<b>5,687</b>	1,732
30-90 days past due	<b>2,382</b>	2,168
Over 90 days past due	<b>373</b>	247
	<b>8,442</b>	4,147
	<b>17,401</b>	14,693

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 2014 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.

### 14. INVESTMENT IN A LIFE INSURANCE POLICY

In prior period, King Force Security Limited ("King Force Security"), a subsidiary of the Company, entered into a life insurance policy with an insurance company to insure an executive Director, Mr. Fu, (the "Insured"). Under the policy, the beneficiary and policy holder is King Force Security and the total insured sum is US\$550,000 (equivalent to HK\$4,290,000). King Force Security is required to pay a one-off premium of US\$145,217 (equivalent to HK\$1,132,693) including an expense charge at inception of the policy amounting to US\$8,713 (equivalent to HK\$67,962). King Force Security can terminate the policy at any time and receive cash back based on the cash value of the policy at the date of withdrawal, which is determined by the premium payment of US\$145,217 (equivalent to HK\$1,132,693) plus accumulated interest earned and minus the accumulated insurance charge and policy expense charge ("Cash Value"). For the maturity date of the life insurance policy, the policy provides for continuation of the policy until the death of the Insured, unless there is full cash surrender or a loan causes the policy to lapse. The insurance charge is the cost of insurance that the insurance company charged for provision of the insurance benefits on the death of the Insured at range from 0.084% to 35.93% per annum throughout the policy. In addition, if withdrawal and termination of the policy are made between the 1st to 15th policy year, there is a specified amount of surrender charge. The surrender charge on full or partial termination would be calculated based on the number of years the policy has been in force which is charged at the range from 0.9% to 13.5% of the premium. The surrender charge of withdrawal is calculated by the insurance company based on the Insured's age and the number of years the policy has been in force and will be deducted from the Cash Value if withdrawal is made between the 1st to 15th policy year which is charged at the range from 1% to 4% of the withdrawal amount. The insurance company will pay King Force Security an interest on the outstanding Cash Value of the policy at the prevailing interest rate fixed by the insurance company. Commencing on the 2nd policy year, a minimum guaranteed interest of 1.8% per annum is guaranteed by the insurance company.

As at 31 March 2014, the life insurance policy was pledged to a bank to secure banking facilities granted to the Group.

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

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

Disclosure on the fair value hierarchy and basis of fair value measurement of the investment in the life insurance policy is as follow:

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

#### 14. INVESTMENT IN A LIFE INSURANCE POLICY - Continued

##### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each six months period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified and is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3: Fair value measured using significant unobservable inputs (i.e. not derived from market data).

At the end of the reporting period, the Group's investment in a life insurance policy is grouped into Level 2 category.

There were no transfers between the three levels during the periods.

#### 15. AMOUNT DUE FROM A DIRECTOR

Particulars of amount due from a director are as follows:

	<b>As at 30 September 2014 (Unaudited) HK\$'000</b>	As at 31 March 2014 (Audited) HK\$'000
Mr. Fu	–	9,680
		<b>Maximum amount outstanding during the period/year HK\$'000</b>
<b>Name of director</b>	<b>Opening outstanding balance HK\$'000</b>	<b>Closing outstanding balance HK\$'000</b>
Six months ended 30 September 2014		
Mr. Fu	9,680	–
Year ended 31 March 2014		
Mr. Fu	21,283	9,680
		30,930

The amount is unsecured, interest-free and repayable on demand.

## 16. BANK BORROWINGS

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
<b>Current</b>		
Secured		
– Bank loans due for repayment within one year	799	1,413
– Bank loans due for repayment after one year which contain a repayment on demand clause	4,361	4,873
	<b>5,160</b>	<b>6,286</b>

The interest-bearing bank borrowings are carried at amortised cost. The current bank borrowings include bank loans that are not fully scheduled for repayment within one year. They are classified as current liabilities as the loan agreements give the lenders an unconditional right to demand repayment at any time at their own discretion. None of the bank borrowings due for repayment after one year, which contains a repayment on demand clause and classified as a current liability, is expected to be settled within one year.

The analysis of bank borrowings by scheduled repayment is as follows:

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Portion due within one year		
– Bank loans	799	1,413
Portion due for repayment after one year		
After one year but within two years		
– Bank loans	826	921
After two years but within five years		
– Bank loans	3,535	2,505
After five years		
– Bank loans	–	1,447
	<b>5,160</b>	<b>6,286</b>

The above amounts are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

The borrowings were secured by the pledge of the Company's leasehold land and buildings under property, plant and equipment with carrying amount of HK\$5,664,000 (as at 31 March 2014: HK\$5,790,000) as at 30 September 2014 (note 11).

Details of the bank borrowings denominated in HK\$ are stated below.

	Amount HK\$'000	Interest rate	Repayment terms
<b>As at 30 September 2014</b>			
		1.75% p.a. below Hong Kong Prime Rate to 3% p.a. over Hong Kong Prime Rate	
Bank loans	5,160		Payable within 12 years
<b>As at 31 March 2014</b>			
		1.75% p.a. below Hong Kong Prime Rate to 3% p.a. over Hong Kong Prime Rate	
Bank loans	6,286		Payable within 12 years

## 17. SHARE CAPITAL

The Company was incorporated on 2 January 2014 with authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. 1 nil-paid share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, and was subsequently transferred to Optimistic King on the same day. On the same date, each of Optimistic King and Gloria Power further subscribed for 749 and 250 nil-paid shares, resulting them holding 750 and 250 nil-paid Shares, respectively, as at the date of incorporation.

Pursuant to a shareholder resolution passed on 29 July 2014, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares of HK\$0.01 each.

On 29 July 2014, Optimistic King and Gloria Power each as a vendor, the Company as purchaser, and Mr. Fu and Mr. Chiu as warrantors entered into a sale and purchase agreement, pursuant to which the Company acquired 750 shares (representing 75% of the issued share capital of Million Joyce) and 250 shares (representing 25% of the issued capital of Million Joyce) in Million Joyce from Optimistic King and Gloria Power, respectively, and as consideration for which (i) the 750 and 250 nil-paid Shares held by Optimistic King and Gloria Power were credited as fully paid respectively, and (ii) 395,999,250 and 131,999,750 Shares were issued and allotted to each of Optimistic King and Gloria Power respectively, all credited as fully paid (the "Share Transfer").

Pursuant to a shareholders' resolution passed on 31 July 2014 and subject to the same conditions to the Placing as set out in the section headed "Structure and Conditions of the Placing" in the Prospectus, the share option scheme of the Company was approved, the principal terms of which are set out in the section headed "Share Option Scheme" in Appendix V to the Prospectus.

On 20 August 2014, 112,000,000 new shares of HK\$0.01 each of the Company were issued to the public by way of placing at HK\$0.385 each (the "Placing"). Upon the Placing, the issued share capital of the Company would become HK\$6,400,000 divided into 640,000,000 shares of HK\$0.01 each.

## 18. BANKING FACILITIES

As at 30 September 2014, the Group had banking facilities of approximately HK\$11,045,000 (as at 31 March 2014: approximately HK\$12,545,000) in aggregate. Total borrowings of HK\$5,160,000 (as at 31 March 2014: HK\$6,286,000) was outstanding as at 30 September 2014 (note 16).

At the reporting date, the Group's general banking facilities were secured by the following:

- (i) legal charges on the Group's leasehold land and buildings (note 11);
- (ii) legal charges on a director's life insurance policy (note 14)\*;
- (iii) joint and several personal guarantees by certain directors of the Company\*\*;
- (iv) unlimited amount guarantee by the Company\*\*\*

\* The charges were released during the period ended 30 September 2014

\*\* These were released upon Listing of the Company on 20 August 2014

\*\*\* It was effective upon Listing of the Company on 20 August 2014

## 19. OPERATING LEASE COMMITMENTS

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

	<b>As at 30 September 2014 (Unaudited) HK\$'000</b>	As at 31 March 2014 (Audited) HK\$'000
Within one year	<b>17</b>	50

The Group leases a number of premises under operating leases. The leases run for an initial period of one year (as at 31 March 2014: one year). The above lease commitments only include commitments for basic rental and none of the lease includes any contingent rental.

## 20. CAPITAL COMMITMENTS

	<b>As at 30 September 2014 (Unaudited) HK\$'000</b>	As at 31 March 2014 (Audited) HK\$'000
Contracted but not provided for:		
Acquisition of an intangible asset	–	800
Acquisition of motor vehicles	<b>694</b>	–
	<b>694</b>	800

## 21. RELATED PARTY TRANSACTIONS AND BALANCES

(i) In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties during the periods:

	<b>Three months ended 30 September</b>		<b>Six months ended 30 September</b>	
	<b>2014 (Unaudited) HK\$'000</b>	2013 (Unaudited) HK\$'000	<b>2014 (Unaudited) HK\$'000</b>	2013 (Unaudited) HK\$'000
Operating lease and related charges paid to a director's spouse	–	90	–	180
Bank loan interest recharged to a director, Mr. Fu	–	(64)	–	(121)

The transactions above were carried out on the terms agreed between the relevant parties.

## 21. RELATED PARTY TRANSACTIONS AND BALANCES - Continued

### (ii) Compensation of key management personnel

	Three months ended 30 September		Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Total remuneration of directors during the periods were as follows:				
Short-term employee benefits	435	180	705	360
Contributions to pension scheme	12	4	20	8
	<b>447</b>	184	<b>725</b>	368

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

	Three months ended 30 September		Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Realife Insurance Advisors Limited	-	-	5	4
Realife Insurance Brokers Limited	612	218	918	1,137
Realife Insurance Services Limited	7	106	42	113

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.

### (iv) Balances with related parties

	As at 30 September 2014 (Unaudited) HK\$'000	As at 31 March 2014 (Audited) HK\$'000
Amount due from/(to):		
Optimistic King – shareholder	4	-
Realife Insurance Advisors Limited <sup>1</sup>	3	3
Realife Insurance Brokers Limited <sup>1</sup>	1,184	117
Realife Insurance Services Limited <sup>2</sup>	1	52

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

<sup>1</sup> balances are included in prepayment.

<sup>2</sup> balance of HK\$74,000 (as at 31 March 2014: HK\$52,000) is included in prepayment and HK\$73,000 (as at 31 March 2014: nil) is included in accruals.

## 22. SUBSEQUENT EVENTS

In October 2014, the Group entered into a tenancy agreement with an independent third party to the Company to lease a commercial premise for a term of 2 years.