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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)

DISCLOSEABLE TRANSACTION

IN RELATION TO

(1) SUBSCRIPTION OF SHARES IN MAGN INVESTMENT LIMITED

AND

(2) PROPOSED FORMATION OF JOINT VENTURE

Financial adviser to the Company



The Board is pleased to announce that on 16 April 2015 (after trading hours), the Subscriber, a wholly-owned subsidiary of the Company, entered into the Agreement, with the Issuer, pursuant to which the Subscriber conditionally agreed to subscribe, and the Issuer conditionally agreed to issue the New Shares, representing 20% of the Enlarged Issued Shares of the Issuer, at a Consideration of HK\$2,000,000 in cash, subject to the terms and conditions of the Agreement. The Issuer is an investment holding company which indirectly holds the entire equity interest of Shenzhen Weiyouthui. Shenzhen Weiyouthui is principally engaged in the research and development and sales of computer and mobile software and other IT solution.

As a condition precedent to completion of the transactions contemplated under the Agreement, each of the Subscriber and the Issuer agreed to establish the Joint Venture through the WOFE. The Joint Venture will be owned as to 50% by Shenzhen Weiyouthui and 50% by a wholly-owned subsidiary of the WOFE. Each of the WOFE and Shenzhen Weiyouthui shall contribute RMB5,000,000 to the registered capital of the Joint Venture pursuant to the Agreement.

The proposed principal business of the Joint Venture will be to research and develop security system software for intelligence building automation system.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Chapter 19 of the GEM Listing Rules) for the transactions contemplated under the Agreement (including the contribution of the WOFE in the establishment of the Joint Venture pursuant to the Joint Venture Agreement to be entered into), is more than 5% but less than 25%, the Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under the GEM Listing Rules and are subject to, among other things, the reporting and announcement requirements but are exempt from Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

THE AGREEMENT

The Board wishes to announce that after trading hours on 16 April 2015, the Subscriber and the Issuer entered into the Agreement and the principal terms of the Agreement are set out below:

Date: 16 April 2015

Parties: Subscriber: Golden Cross Trading Limited, a wholly-owned subsidiary of the Company

Issuer: MAGN Investment Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Issuer is principally engaged in investment holding, and each of the Issuer and its ultimate beneficial owners is an Independent Third Party to the Company.

SUBSCRIPTION OF SHARES IN MAGN INVESTMENT LIMITED

Pursuant to the Agreement, the Subscriber conditionally agreed to subscribe, and the Issuer conditionally agreed to issue, the New Shares, representing 20% of the Enlarged Issued Shares, at a Consideration of HK\$2,000,000 in cash, subject to the terms and conditions of the Agreement.

Consideration

The Consideration for the Subscription shall be paid by the Subscriber to the Issuer in cash on Completion. The Consideration will be funded by internal resources of the Company.

The Consideration was arrived at after arm's length negotiations between the Subscriber and the Issuer on normal commercial terms with reference to, among others, the sum of the net asset values as at 31 December 2014 of the Issuer (being RMB147,593) and Shenzhen Weiyouhui (being RMB8,014,468), totally approximately RMB8.16 million (equivalent to approximately HK\$10.2 million).

Therefore, the Directors (including the independent non-executive Directors) are of the view that the Consideration is on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Subscription is conditional upon the following conditions precedent being fulfilled on or before 31 December 2015:

1. the Subscriber having notified the wholly-owned subsidiary of the Subscriber and Shenzhen Weiyouhui that the Joint Venture Agreement is in form and substance satisfactory to the Subscriber in its absolute discretion;
2. the subsidiary of the Subscriber being duly incorporated in accordance with the relevant laws;
3. the Joint Venture being duly incorporated in accordance with the Joint Venture Agreement and the relevant laws;
4. no material adverse change in the financial condition, commerce, trade, asset, corporation, taxation, operation or other conditions each of the Issuer and its subsidiaries has occurred since the date of this Agreement to the date of Completion;
5. the Subscriber, in its absolute discretion, being satisfied with the results of the due diligence review on, the financial condition, commerce, trade, asset, corporation, taxation, operation and other conditions of each of the Issuer and its subsidiaries;
6. the Subscriber having obtained a legal opinion on, among others, the subsidiaries of the Company incorporated in the PRC (including the Joint Venture) and the transactions contemplated under the transaction document in relation to the Subscription, issued by a PRC law firm authorised by the Subscriber, in form and substance satisfactory to the Subscriber in its absolute discretion;
7. all necessary consents, authorisations, permits and approvals in respect of the execution of the Agreement and the transactions contemplated thereunder having been obtained by the Subscriber; and
8. the warranties in the Agreement shall continue to be true, correct and not misleading up to the date of Completion with the same force and effect as if they had been repeated as of the date of Completion and throughout the period between the date of the Agreement and the date of Completion.

Completion

Completion shall take place on the second Business Day after the day on which all of the conditions precedent stipulated in the Agreement have been fulfilled or otherwise waived by the Company (or such other date as may be agreed by the Issuer and the Subscriber).

PROPOSED FORMATION OF THE JOINT VENTURE

As one of the condition precedent to completion of the transactions contemplated under the Agreement, each of the Subscriber and the Issuer agreed to establish the Joint Venture through the WOFE in the following manners:

- (1) The Subscriber will set up the WOFE in the PRC, which shall be its wholly-owned subsidiary, for the purpose of the establishment of the Joint Venture.
- (2) The Joint Venture will be owned as to 50% by the Issuer and 50% by the Subscriber.
- (3) The board of directors of the Joint Venture will comprise 6 directors, 3 of the directors shall be nominated by the Subscriber and 3 by the Issuer. The chairperson of the Joint Venture will be nominated by the Subscriber.
- (4) The total registered capital of the Joint Venture will be RMB10 million. Each of the Subscriber and the Issuer shall contribute RMB5,000,000 to the registered capital of the Joint Venture in cash.

The capital contribution by the Group will be funded by internal financial resources.

The proposed registered capital of the Joint Venture is determined after arm's length negotiations between the parties to the Agreement with referencing to the expected funding need of the Joint Venture.

The Company will make further announcement as and when required under the GEM Listing Rules in respect of the Joint Venture Agreement to be entered into.

INFORMATION ON THE ISSUER AND SHENZHEN WEIYOUHUI

The Issuer is a company incorporated in Hong Kong with limited liability on 11 April 2008. It is an investment holding company which indirectly holds the entire equity interest of Shenzhen Weiyouthui since 16 March 2015. The audited FY2013 and FY2014 financial information of the Issuer are as follow:

	Year ended 31 December 2013 <i>RMB</i>	Year ended 31 December 2014 <i>RMB</i>
Consolidated total assets	31,858,557	35,424,360
Net assets value	1,893,382	147,593
Net profit/(loss) before taxation	(242,229)	(994,157)
Net profit/(loss) after taxation	(242,229)	(994,157)

Note: The above has not consolidated the financial information of Shenzhen Weiyouthui since it was wholly-owned by MAGN Investment Limited indirectly only since 16 March 2015.

Shenzhen Weiyouthui was established in the PRC on 28 April 2014. It is principally engaged in the research and development and sales of computer and mobile software and other information technology solution.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shenzhen Weiyohui has a team of more than ten programmers/technicians led by management team with over 10 years of experience. Although none of its products have reached the revenue-generating stage, two of its security guarding and property management software are being practically tested in Shenzhen, the PRC.

The audited FY2014 financial information of Shenzhen Weiyohui is as follow:

	Since its incorporation till 31 December 2014 RMB
Total assets	11,180,957
Net assets value	8,014,468
Net profit/(loss) before taxation	(1,985,532)
Net profit/(loss) after taxation	(1,985,532)

Upon Completion, the Subscriber shall own 20% of the Enlarged Issued Shares of the Issuer.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shenzhen Weiyohui, the Issuer and their respective ultimate beneficial owners are Independent Third Parties.

INFORMATION OF THE COMPANY AND REASONS FOR AND BENEFITS OF THE ENTERING OF THE AGREEMENT

The Company is principally engaged in the provision of security guarding services.

The Directors are of the view that intelligence building automation system is a growing trend in Hong Kong and more and more software and information technology system are required to be utilized when providing security guarding services to the clients. Therefore it is essential for the Company to have support from a strong team of programmers in order to further grow our business. The Directors believe that forming a joint venture with a software company is the quickest and most cost-efficient way to achieve this. The proposed principal business of the Joint Venture will be to research and develop security system software for intelligence building automation system.

Since many of the security system software and systems to be developed by the Joint Venture may be sensitive to the clients and confidentiality is a key consideration, the Company needs to ensure that the Joint Venture has sufficient and adequate measures in place to safeguard its intellectual properties. In addition, the Company wishes to have a larger control on the software and systems to be developed by the Joint Venture. Therefore, the Company intends subscribe a 20% stake in the Issuer to achieve these purposes.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are on normal commercial terms and fair and reasonable and the Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Chapter 19 of the GEM Listing Rules) for the transactions contemplated under the Agreement (including the contribution of the WOFE in the establishment of the Joint Venture pursuant to the Joint Venture Agreement to be entered into), is more than 5% but less than 25%, the Agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company under the GEM Listing Rules and are subject to, among other things, the reporting and announcement requirements but are exempt from Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

The following terms have the following meanings when used in this announcement, unless the context otherwise requires:

“Agreement”	the agreement dated 16 April 2015 entered into by the Subscriber and the Issuer in respect to the Subscription and proposed formation of the Joint Venture
“Board”	the board of Directors
“Business Day”	a day (other than Saturday, Sunday and public holiday) when normal commercial banks in Hong Kong are opened for general banking business
“BVI”	the British Virgin Islands
“Company”	King Force Security Holdings Limited, a company incorporated in the Cayman Islands and the issued shares of which are listed on the GEM
“Completion”	completion of the Subscription in accordance with terms and conditions of the Agreement
“Connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	HK\$2,000,000 in cash, being the consideration for the Subscription
“Director(s)”	the director(s) of the Company
“Enlarged Issued Shares”	20 shares in the Issuer, being the total number of issued shares in the Issuer immediately after the allotment and issue of New Shares

“FY2013”	the financial year ended 31 December 2013
“FY2014”	the financial year ended 31 December 2014
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of the Securities on the GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	person(s) or company(ies) which is/are independent of and not connected with any member of the Company, the Directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates (as defined in the GEM Listing Rules)
“Issuer”	MAGN Investment Limited, a company incorporated in Hong Kong
“Joint Venture”	a joint venture company with limited liability to be established in the PRC contemplated under the Agreement
“Joint Venture Agreement”	the agreement to be entered into among the WOFE and Shenzhen Weiyouhui in respect of the establishment of the Joint Venture
“New Shares”	4 shares of the Issuer, representing 20% of the Enlarged Issued Shares of the Issuer
“PRC”	the People’s Republic of China, and for the purpose of this announcement excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of share(s) of the Company
“Shenzhen Weiyouhui”	深圳市微游滙信息科技有限公司 (Shenzhen Weiyouhui Information Technology Co., Limited*), a company established in the PRC with limited liability, the entire equity interest of which is indirectly held by the Issuer as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Golden Cross Trading Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company

“Subscription”	the subscription of the New Shares by the Subscriber pursuant to the Agreement
“WOFE”	a wholly foreign owned enterprise to be established in the PRC with limited liability and will be a wholly-owned subsidiary of the Subscriber
“%”	per cent.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

In this announcement, unless the context requires otherwise, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.25. The exchange rate has been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 16 April 2015

As at the date of this announcement, the executive Directors are Mr. Fu Yik Lung, Ms. Liu Lai Ying and Ms. Chung Pui Yee; the non-executive Director is Mr. Zhang Chengzhou and the independent non-executive Directors are Mr. Law Yiu Sing, Professor Lam Sing Kwong, Simon and Mr. Ong Chi King.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 document misleading.

* for identification purpose only