

KSL Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8170

Interim Report 2015/2016

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. 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 KSL Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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.

This report will remain on the “Latest Company Report” page of the GEM website at www.hkexnews.hk for at least seven days from the date of its publication and the Company’s website at www.kslholdings.com.

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Dr. Li Kai Shun (Chairman)
Mr. Tam Yi Shek (Chief Executive Officer)
Mr. Chan Kin Pong
Mr. Tsang Siu Wah (resigned on 15 December 2015;
effective from 14 February 2016)
Ms. Au Man Yi (with effect from 15 October 2015)
Ms. Tong Jiangxia (with effect from 15 December 2015)

Independent Non-executive Directors:

Mr. Ho Ho Ming
Mr. Ko Chi Keung
Mr. Ong Chi King
Ms. Kwong Ka Ki (with effect from 15 March 2016)

AUDIT COMMITTEE

Mr. Ong Chi King (Chairman)
Mr. Ho Ho Ming
Mr. Ko Chi Keung
Ms. Kwong Ka Ki (with effect from 15 March 2016)

REMUNERATION COMMITTEE

Mr. Ko Chi Keung (Chairman)
Mr. Tam Yi Shek
Mr. Ong Chi King

NOMINATION COMMITTEE

Dr. Li Kai Shun (Chairman)
Mr. Ho Ho Ming
Mr. Ko Chi Keung
Ms. Kwong Ka Ki (with effect from 15 March 2016)

LEGAL COMPLIANCE COMMITTEE

Dr. Li Kai Shun (Chairman)
Mr. Leung Cheuk Hei
Mr. Ong Chi King

COMPANY SECRETARY

Mr. Leung Cheuk Hei
(resigned with effect from 18 April 2016)
Ms. Au Man Yi
(appointed with effect from 18 April 2016)

AUTHORISED REPRESENTATIVES

Dr. Li Kai Shun
Mr. Tam Yi Shek

INDEPENDENT AUDITORS

HLB Hodgson Impey Cheng Limited

COMPLIANCE ADVISER

Messis Capital Limited (terminated with effect from 25
February 2016 upon mutual agreement)
Dakin Capital Limited (appointed with effect from 25
February 2016)

LEGAL ADVISER

As to Hong Kong Law
Loong & Yeung

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Clifton House
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KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office A and Office B, 12th Floor
Billion Plaza 2
10 Cheung Yue Street
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
PO 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

**The Hong Kong and Shanghai Banking
Corporation Limited**
673 Nathan Road
Mongkok
Kowloon, Hong Kong

Bank of China (Hong Kong) Limited

1 Garden Road
Hong Kong

COMPANY WEBSITE

www.kslholdings.com
(information of this website does not
form part of this report)

STOCK CODE

08170

FINANCIAL HIGHLIGHTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 January 2016 (“Relevant Period”), together with the unaudited comparative figures for the corresponding period in 2015, as follows:

	For the six months ended		Change %
	31 January		
	2016	2015	
	HK\$' 000	HK\$' 000	
Revenue	96,493	69,578	38.7
Gross profit	28,277	29,967	-5.6
Profit attributable to owners of the Company	17,234	17,145	0.5
Earnings per share	HK4.2 cents	HK4.6 cents	-9

- The Group’s revenue amounted to approximately HK\$96.5 million for the Relevant Period, representing an increase of approximately HK\$26.9 million or approximately 38.7% as compared with the six months ended 31 January 2015, which is mainly due to the increase in revenue from the provision of project management services and from undertaking foundation and related geotechnical works as contractor during the Relevant Period.
- The profit attributable to owners of the Company is approximately HK\$17.2 million for the Relevant Period, representing an increase of approximately HK\$0.1 million or approximately 0.5% as compared with the six months ended 31 January 2015, which is mainly due to the increase in income from our contracting business with the increase in the contract size of the contracting projects undertaken by the Group during the Relevant Period compared with the six months ended 31 January 2015, partially offset by the increase in subcontracting charges incurred during the Relevant Period.
- The Board does not recommend the payment of an interim dividend for the Relevant Period.

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

For the three and six months ended 31 January 2016

	Notes	Three months ended 31 January		Six months ended 31 January	
		2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)
Revenue	4	60,885	39,042	96,493	69,578
Cost of sales		(45,208)	(24,197)	(68,216)	(39,611)
Gross profit		15,677	14,845	28,277	29,967
Other income	5	293	121	626	155
Administrative and other operating expenses		(4,645)	(4,360)	(8,260)	(8,813)
Operating profit		11,325	10,606	20,643	21,309
Finance costs	7	(1)	(4)	(3)	(48)
Profit before income tax	6	11,324	10,602	20,640	21,261
Income tax expense	8	(1,869)	(1,794)	(3,406)	(4,116)
Profit and total comprehensive income for the period attributable to owners of the Company		9,445	8,808	17,234	17,145
		HK cents	HK cents	HK cents	HK cents
Basic and diluted earnings per share	10	2.3	2.3	4.2	4.6

Details of dividends are disclosed in Note 9 to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 January 2016 HK\$' 000 (Unaudited)	As at 31 July 2015 HK\$' 000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	2,545	3,553
Investment properties	12	17,700	17,700
		20,245	21,253
Current assets			
Trade and other receivables	13	66,747	23,043
Amounts due from customers for contract work	14	295	769
Cash and cash equivalents		71,476	70,822
		138,518	94,634
Total assets		158,763	115,887
EQUITY			
Capital and reserves			
Share capital	17	4,112	4,112
Share premium	17	24,394	24,394
Merger reserve	18	(494)	(494)
Revaluation reserve		4,360	4,360
Retained earnings		77,389	60,155
Total equity		109,761	92,527
LIABILITIES			
Non-current liabilities			
Trade and other payables	16	159	159
		159	159

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 January 2016 HK\$' 000 (Unaudited)	As at 31 July 2015 HK\$' 000 (Audited)
Current liabilities			
Trade and other payables	16	5,159	14,857
Amounts due to customers for contract work		41,059	78
Borrowings	15	—	171
Tax payable		2,625	8,095
		<u>48,843</u>	<u>23,201</u>
Total liabilities		<u>49,002</u>	<u>23,360</u>
Total equity and liabilities		<u>158,763</u>	<u>115,887</u>
Net current assets		<u>89,675</u>	<u>71,433</u>
Total assets less current liabilities		<u>109,920</u>	<u>92,686</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2016

	Share capital HK\$' 000	Share premium HK\$' 000	Merger reserve HK\$' 000 (Note 1)	Revaluation reserve HK\$' 000	Retained earnings HK\$' 000	Total equity HK\$' 000
Balance at 1 August 2014 (Note 2)	20	—	—	—	52,810	52,830
Profit and total comprehensive income for the period	—	—	—	—	17,145	17,145
Dividend (Note 9)	—	—	—	—	(22,590)	(22,590)
Reorganisation	494	—	(494)	—	—	—
Shares issued pursuant to the capitalisation issue	3,084	(3,084)	—	—	—	—
Proceeds from placing of shares	514	30,326	—	—	—	30,840
Share issuance costs	—	(2,868)	—	—	—	(2,868)
Balance at 31 January 2015 (unaudited)	4,112	24,374	(494)	—	47,365	75,357
Balance at 1 August 2015	4,112	24,394	(494)	4,360	60,155	92,527
Profit and total comprehensive income for the period	—	—	—	—	17,234	17,234
Balance at 31 January 2016 (unaudited)	4,112	24,394	(494)	4,360	77,389	109,761

Notes:

1. Merger reserve represents the difference between the share capital issued by the Company for acquisition of the subsidiaries pursuant to a reorganisation (the "Reorganisation") for the listing and the aggregate capital of the subsidiaries being acquired at the time of the Reorganisation.
2. For the purpose of the preparation of the unaudited condensed consolidated statement of changes in equity, the balance of the share capital at 1 August 2014 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the Reorganisation.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2016

	Six months ended	
	31 January	
	2016	2015
	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	598	18,261
Net cash generated form/(used in) investing activities	133	(1,920)
Net cash (used in)/generated from financing activities	(77)	22,178
Net increase in cash and cash equivalents	654	38,519
Cash and cash equivalents at beginning of the period	70,822	7,724
Cash and cash equivalents at end of the period, represented by cash at banks and on hand	71,476	46,243

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2016

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 July 2014. The registered office of the Company is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The headquarters and principal place of business in Hong Kong is located at Office A and Office B, 12th Floor, Billion Plaza 2, 10 Cheung Yue Street, Kowloon, Hong Kong. The Company's issued ordinary shares of HK\$0.01 each have been listed and traded on the GEM since 5 December 2014 (the "Listing Date").

The principal activity of the Company is investment holding. The Group's principal activities are the provision of engineering consulting, contracting and project management services in Hong Kong with a focus on geotechnical engineering works.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 31 January 2016 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective terms include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinances and GEM Listing Rules.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The principal accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 July 2015 except for the adoption of the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA for the first time for the current period's financial statements. The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated financial statements.

The Group has not yet adopted any new and revised HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the impact of the adoption of such new and revised HKFRSs on the Group's results and financial position.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Group's functional and presentation currency.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2016

4. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents receipts from provision of engineering consulting, contracting and project management services in the ordinary course of business. Revenue recognised during the three months and six months ended 31 January 2016 are as follows:

	Three months ended		Six months ended	
	31 January		31 January	
	2016	2015	2016	2015
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Engineering consulting	10,361	9,045	20,198	19,455
Contracting	48,006	28,341	68,239	46,934
Project management	2,000	1,500	7,500	3,000
Others	518	156	556	189
	<u>60,885</u>	<u>39,042</u>	<u>96,493</u>	<u>69,578</u>

The management of the Company has determined the operating segments based on the reports reviewed by the Directors, the chief operating decision-maker, that are used to make strategic decisions. The Directors consider the business from a product/service perspective. Principal activities of the segments are as follows:

Engineering consulting: Provision of developing cost-effective engineering designs and obtaining necessary approvals in respect of the engineering designs developed by the Group from the relevant government authorities or their appointed consultants.

Revenue from engineering consulting increased from approximately HK\$19.5 million for the six months ended 31 January 2015 to approximately HK\$20.2 million for the six months ended 31 January 2016, representing an increase of approximately 3.8%, as a result of the increase in the number of engineering consulting projects undertaken by the Group during the Relevant Period.

Contracting: Provision of undertaking foundation and related geotechnical works as contractor.

Revenue from contracting increased from approximately HK\$46.9 million for the six months ended 31 January 2015 to approximately HK\$68.2 million for the six months ended 31 January 2016, representing an increase of approximately 45.4%, as a result of the increase in the contract size of contracting projects undertaken by the Group during the Relevant Period compared with the six months ended 31 January 2015.

Project management: Provision of overall planning, management, technical advice and supervision of site works.

Revenue from project management increased from approximately HK\$3.0 million for the six months ended 31 January 2015 to approximately HK\$7.5 million for the six months ended 31 January 2016, representing an increase of approximately 150%, as a result of the Group's strategy on focusing on its project management business during the relevant period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2016

4. REVENUE AND SEGMENT INFORMATION – *continued*

Others: Organisation of continuing professional development courses, seminars and conferences, provision of related administration services and sales of technical books in Hong Kong.

The Directors assessed the performance of the operating segments based on a measure of segment results. Unallocated corporate expenses, finance costs, income tax expenses and other major items that are isolated and non-recurring in nature are not included in segment results.

Segment assets mainly consist of current assets and non-current assets as disclosed in the unaudited condensed consolidated statement of financial position except unallocated property, plant and equipment and investment properties.

Segment liabilities mainly consist of current liabilities and non-current liabilities as disclosed in the unaudited condensed consolidated statement of financial position except current income tax liabilities and borrowings.

The following is an analysis of the Group's revenue and results by operating segments.

	Engineering consulting HK\$' 000	Contracting HK\$' 000	Project management HK\$' 000	Others HK\$' 000	Total HK\$' 000
For the six months ended 31 January 2016 (unaudited)					
Revenue					
Total revenue	20,198	68,239	7,500	756	96,693
Inter-segment revenue	—	—	—	(200)	(200)
External revenue	20,198	68,239	7,500	556	96,493
Segment results	16,042	4,520	6,349	46	26,957
Unallocated corporate expenses					(6,790)
Rental income					476
Finance costs					(3)
Profit before income tax					20,640
Income tax expense					(3,406)
Profit for the period					17,234
Included in segment results are:					
Depreciation of property, plant and equipment	47	4	41	—	92

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2016

4. REVENUE AND SEGMENT INFORMATION – *continued*

	Engineering consulting HK\$' 000	Contracting HK\$' 000	Project management HK\$' 000	Others HK\$' 000	Total HK\$' 000
For the six months ended 31 January 2015 (unaudited)					
Revenue					
Total revenue	19,455	46,934	3,000	454	69,843
Inter-segment revenue	—	—	—	(265)	(265)
External revenue	19,455	46,934	3,000	189	69,578
Segment results	12,157	13,659	2,113	(225)	27,704
Unallocated corporate expenses					(6,395)
Finance costs					(48)
Profit before income tax					21,261
Income tax expense					(4,116)
Profit for the period					17,145
Included in segment results are:					
Depreciation of property, plant and equipment	72	42	3	—	117

5. OTHER INCOME

	Three months ended 31 January		Six months ended 31 January	
	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)
Rental income	238	79	476	79
Government grants	—	39	95	73
Others	55	3	55	3
	293	121	626	155

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2016

6. PROFIT BEFORE INCOME TAX

	Three months ended 31 January		Six months ended 31 January	
	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)
Profit before income tax is stated after charging the following items:				
Operating lease rental on premises	358	358	715	596
Depreciation of property, plant and equipment	401	500	833	946
Staff costs (including directors' remuneration)				
– Salaries and allowances	4,409	5,489	8,784	9,742
– Mandatory provident fund contributions	128	138	253	267
Subcontracting charges	42,782	19,429	62,517	31,044
Listing expenses	—	358	—	2,329
	<u>42,782</u>	<u>19,429</u>	<u>62,517</u>	<u>31,044</u>

7. FINANCE COSTS

	Three months ended 31 January		Six months ended 31 January	
	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)
Interest on bank borrowing	—	—	—	40
Interest on finance lease	1	4	3	8
	<u>1</u>	<u>4</u>	<u>3</u>	<u>48</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2016

8. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	31 January		31 January	
	2016	2015	2016	2015
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong profits tax	<u>1,869</u>	<u>1,794</u>	<u>3,406</u>	<u>4,116</u>

Hong Kong profits tax is calculated at 16.5% (six months ended 31 January 2015: 16.5%) of the estimated assessable profit of the Group for the period as stated above.

No deferred tax assets and liabilities have been provided in the financial statements as there is no material temporary differences arising between tax bases of assets and liabilities and their carrying amounts as at the reporting dates.

9. DIVIDEND

The Board did not recommend a payment of an interim dividend for the six months ended 31 January 2016 (six months ended 31 January 2015: nil).

No dividend was paid or proposed to the owners of the Company since its incorporation and up to 31 January 2015. In September 2014, Victor Li & Associates Limited, KSL Engineering Limited and Centre For Research & Professional Development Limited, all being subsidiaries of the Company, declared and paid dividends of an aggregate amount of HK\$22,590,000 to their respective then shareholder.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2016

10. EARNINGS PER SHARE

The calculations of basic earnings per share for the three months and six months ended 31 January 2016 are based on the followings:

	Three months ended 31 January		Six months ended 31 January	
	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)
Earnings:				
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	<u>9,455</u>	<u>8,808</u>	<u>17,234</u>	<u>17,145</u>
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>411,200,000</u>	<u>392,204,348</u>	<u>411,200,000</u>	<u>376,002,174</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and capitalisation issue as described in the Prospectus had been effective on 1 August 2014.

No diluted earnings per share was presented as there was no potential ordinary shares in issue during the Relevant Period.

11. PROPERTY, PLANT AND EQUIPMENT

During the Relevant Period, the Group acquired property, plant and equipment amounting to approximately HK\$50,000 (for the six months ended 31 January 2015: HK\$1,919,000).

12. INVESTMENT PROPERTIES

	31 January 2016 HK\$' 000 (Unaudited)	31 July 2015 HK\$' 000 (Audited)
At the beginning of the period/year	17,700	—
Transfer from owner-occupied properties	—	16,600
Net gains from fair value adjustment	—	1,100
At the end of the period/year	<u>17,700</u>	<u>17,700</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2016

13. TRADE AND OTHER RECEIVABLES

	31 January 2016 HK\$' 000 (Unaudited)	31 July 2015 HK\$' 000 (Audited)
Trade receivables (Note (a))	51,787	19,422
Retention receivables (Note (b))	5,868	2,546
Other receivables, deposits and prepayments	9,092	1,075
	<u>66,747</u>	<u>23,043</u>

Notes:

(a) Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. No credit period was granted to customers. Trade receivables are immediately due when the invoices are issued to customers.

The ageing analysis of trade receivables based on invoice date is as follows:

	31 January 2016 HK\$' 000 (Unaudited)	31 July 2015 HK\$' 000 (Audited)
0 – 30 days	17,683	16,480
31 – 60 days	30,702	1,067
61 – 90 days	1,842	260
91 – 365 days	900	1,115
Over 365 days	660	500
	<u>51,787</u>	<u>19,422</u>

(b) Retention receivables were not past due as at 31 January 2016. They are settled in accordance with the terms of respective contracts.

(c) All trade and other receivables are denominated in HK\$.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2016

14. CASH AND CASH EQUIVALENTS

	31 January 2016 HK\$' 000 (Unaudited)	31 July 2015 HK\$' 000 (Audited)
Cash at banks	70,763	70,696
Cash on hand	713	126
Cash and cash equivalents	<u>71,476</u>	<u>70,822</u>

Notes:

- (a) All cash and cash equivalents are denominated in HK\$.
- (b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2016

15. BORROWINGS

	As at 31 January 2016 HK\$' 000 (Unaudited)	As at 31 July 2015 HK\$' 000 (Audited)
Finance lease liabilities (Note (a))	—	171

Notes:

- (a) Finance lease liabilities

	As at 31 January 2016 HK\$' 000 (Unaudited)	As at 31 July 2015 HK\$' 000 (Audited)
Gross finance lease liabilities — minimum lease payments		
Within 1 year	—	174
Future finance charges on finance leases	—	(3)
Present value of finance lease liabilities	—	171

The present value of finance lease liabilities is as follows:

	As at 31 January 2016 HK\$' 000 (Unaudited)	As at 31 July 2015 HK\$' 000 (Audited)
Within 1 year	—	171

The Group's motor vehicle with an aggregate net book value of approximately HK\$270,000 as at 31 July 2015 was secured as the rights to the leased assets revert to the lessors in the event of default. As at 31 January 2016, the Group's motor vehicle has been disposed and there is no outstanding finance lease liabilities. The carrying amounts of all finance lease liabilities are denominated in HK\$.

- (b) As at 31 January 2016, the Group had no committed banking facilities (as at 31 July 2015: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2016

16. TRADE AND OTHER PAYABLES

	31 January 2016 HK\$' 000 (Unaudited)	31 July 2015 HK\$' 000 (Audited)
Non-current		
Rental deposits received	<u>159</u>	<u>159</u>
Current		
Trade payables (Note (a))	2,200	10,393
Retention payables (Note (b))	2,180	2,143
Accruals and other payables	<u>779</u>	<u>2,321</u>
	<u>5,159</u>	<u>14,857</u>
Total trade and other payables	<u>5,318</u>	<u>15,016</u>

Notes:

- (a) During the period, payment terms granted by suppliers are generally 30 days from the invoice date of the relevant purchases.

As at 31 January 2016 and 31 July 2015, the ageing analysis of the Group's trade payables based on invoice date is as follows:

	31 January 2016 HK\$' 000 (Unaudited)	31 July 2015 HK\$' 000 (Audited)
0 – 30 days	1,900	9,852
31 – 60 days	11	192
61 – 90 days	—	80
Over 90 days	<u>289</u>	<u>269</u>
	<u>2,200</u>	<u>10,393</u>

- (b) Retention payables were not past due as at 31 January 2016. They are settled in accordance with the terms of respective contracts.
- (c) All trade and other payables are denominated in HK\$.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2016

17. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Share capital HK\$' 000
<i>Ordinary shares of HK\$0.01 each:</i>		
Authorised:		
On 17 July 2014 (date of incorporation), 31 July 2014 and 1 August 2014 (Note (a))	38,000,000	380
Increase in authorised share capital (Note (b))	<u>1,962,000,000</u>	<u>19,620</u>
As at 31 July 2015 and 31 January 2016	<u>2,000,000,000</u>	<u>20,000</u>
	Number of ordinary shares	Share capital HK\$' 000
	Share premium HK\$' 000	
Issued and fully paid:		
On 17 July 2014 (date of incorporation), 31 July 2014 and 1 August 2014 (Note (a))	1	—
Issuance of shares upon Reorganisation (Note (c))	51,399,999	514
Shares issued pursuant to the capitalisation issue (Note (d))	308,400,000	3,084
Shares issued pursuant to the placing (Note (e))	<u>51,400,000</u>	<u>27,478</u>
As at 31 July 2015 and 31 January 2016	<u>411,200,000</u>	<u>4,112</u>
		<u>24,394</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2016

17. SHARE CAPITAL AND PREMIUM – *continued*

Notes:

- (a) The Company was incorporated on 17 July 2014 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, of which one nil-paid share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, which was later transferred to Sonic Solutions on the same day.
- (b) On 19 November 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.
- (c) On 19 November 2014 pursuant to the Reorganisation, the Company acquired the entire issued share capital of KSL Enterprises and as consideration 1 nil paid share held by Sonic Solutions was credited as fully paid and 51,399,999 shares were allotted and issued to Sonic Solutions, all credited as fully paid.
- (d) Pursuant to a shareholder resolution passed on 19 November 2014, HK\$3,084,000 standing to the credit of the share premium account of the Company was capitalised and appropriated to pay up in full at par 308,400,000 shares for allotment and issue to shareholders appearing on the register of members of the Company at close of business of 19 November 2014 (the “Capitalisation Issue”). Upon the Capitalisation Issue, the issued share capital of the Company would become HK\$3,598,000 divided into 359,800,000 shares of HK\$0.01 each.
- (e) On 5 December 2014, the Company issued 51,400,000 shares pursuant to the Company’s listing on the GEM of the Stock Exchange by way of placing at a price of HK\$0.60 per share.

18. RESERVES

(i) Share premium

Share premium arose from the issue of shares at a price greater than the par value of the shares and can be utilised for future bonus issue.

(ii) Merger reserve

Merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the Reorganisation.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2016

19. COMMITMENTS

(a) Operating lease commitments — The Group as lessee

As at 31 January 2016, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 January 2016 HK\$' 000 (Unaudited)	31 July 2015 HK\$' 000 (Audited)
No later than 1 year	1,585	1,544
Later than 1 year and no later than 5 years	1,076	1,824
	<u>2,661</u>	<u>3,368</u>

The Group is the lessee in respect of office premises and equipment under operating leases. The leases typically run for an initial period of 3 to 5 years, with an option to renew the leases when all terms are negotiated.

(b) Operating lease rental receivables — The Group as lessor

As at 31 January 2016, the total future minimum lease payments under non-cancellable operating leases were receivable as follows:

	31 January 2016 HK\$' 000 (Unaudited)	31 July 2015 HK\$' 000 (Audited)
No later than 1 year	872	951
Later than 1 year and no later than 5 years	—	396
	<u>872</u>	<u>1,347</u>

The Group leases factory building units under an operating lease which will terminate in 2016. The lease does not include contingent rentals.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2016

20. RELATED PARTY TRANSACTIONS

The Group entered into the following significant related party transactions during the period.

(a) Key management personnel remuneration

	For the three months ended 31 January		For the six months ended 31 January	
	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)	2016 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)
Directors' emoluments	<u>1,789</u>	<u>1,277</u>	<u>3,339</u>	<u>2,072</u>

BUSINESS REVIEW AND OUTLOOK

We are principally engaged in the provision of engineering consulting, contracting and project management services in Hong Kong with a focus on geotechnical engineering works. Geotechnical engineering is a branch of civil engineering concerned with the study and modification of soil and rocks. The geotechnical engineering works in which we participated as a consultant, contractor and/or project manager included foundation design and construction works for building construction projects, excavations and structural designs for the construction of underground facilities, site formation works and landslip preventive works.

The Company's shares (the "Shares") were successfully listed on the GEM (the "Listing") on 5 December 2014 by way of placing ("Placing"). 102,800,000 placing shares (comprising 51,400,000 new shares offered by the Company and 51,400,000 sale shares offered by the selling shareholder) were placed at HK\$0.6 per share pursuant to the Placing. The net proceeds from the Placing were about HK\$21.7 million after deduction of listing-related expenses.

The Directors consider that the continued increase in major infrastructure and construction projects in Hong Kong had led to a general increase in the demand for geotechnical engineering services, resulting in more business opportunities being presented to and secured by the Group and thus recording an increase in our revenue for the six months ended 31 January 2016 as compared to the same period in 2015.

On the other hand, the Directors are also cautiously monitoring the overall construction costs with respect to the works undertaken by the Group as contractor which are affected by factors including but not limited to the different geotechnical engineering circumstances pertaining to the different projects undertaken by the Group as well as the overall market conditions and costs in the construction industry as well as the overall economy in Hong Kong. Going forward, in developing the Group's contracting business, the Directors will continue to carefully evaluate the potential costs and the geotechnical engineering circumstances pertaining to different potential projects with a view to controlling the Group's overall costs to an acceptable and satisfactory level. From time to time, the Group will consider different business opportunities to increase shareholders' return.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK\$69.6 million for the six months ended 31 January 2015 to approximately HK\$96.5 million for the six months ended 31 January 2016, representing a growth of approximately 38.7%. Such increase was mainly due to the increase in the Group's revenue derived from the provision of project management services and from undertaking foundation and related geotechnical works as contractor, as a result of the Group's strategies of focusing on its project management business and contracting business, coupled with the overall development of the construction industry in Hong Kong which resulted in more business opportunities in such areas being available in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Our cost of sales increased from approximately HK\$39.6 million for the six months ended 31 January 2015 to approximately HK\$68.2 million for the six months ended 31 January 2016, representing an increase of approximately 72.2%. Such substantial increase was mainly attributable to the increase in our subcontracting charges incurred. The Group experienced a substantial increase in its subcontracting charges incurred during the Relevant Period, which was mainly caused by a significant increase in the overall construction costs with respect to the works undertaken by the Group as contractor during the six months ended 31 January 2016 as compared to the corresponding period in 2015 arising from the different geotechnical engineering circumstances pertaining to the different respective projects. As a result, the Group recorded a higher percentage increase in its cost of sales than the percentage increase in its revenue during the Relevant Period, which led to a decrease in the Group's gross profit margin from approximately 43.1% for the six months ended 31 January 2015 to approximately 29.3% for the six months ended 31 January 2016.

Gross Profit

Our gross profit decreased from approximately HK\$30.0 million for the six months ended 31 January 2015 to HK\$28.3 million for the six months ended 31 January 2016, representing a decrease of approximately 5.6%, as a result of the substantial increase in our cost of sales as discussed above.

Other Income

Our other income amounted to approximately HK\$155,000 and HK\$626,000 for the six months ended 31 January 2015 and 2016 respectively, representing an increase of approximately 303.9%, which was mainly due to the increase in rental income earned from the rental of the investment properties to an independent third party starting from January 2015.

Administrative and Other Operating Expenses

Our administrative and other operating expenses amounted to approximately HK\$8.8 million and HK\$8.3 million for the six months ended 31 January 2015 and 2016 respectively, representing a decrease of approximately 6.3%. Such decrease was primarily due to the listing expenses of approximately HK\$2.3 million incurred during the six months ended 31 January 2015, while there was no such expenses incurred during the Relevant Period, which is partially offset by the increase in administrative and other operating expenses after Listing.

Finance Costs

For the six months ended 31 January 2015 and 2016, our finance costs amounted to approximately HK\$48,000 and HK\$3,000 respectively, representing a decrease of approximately 93.8%. Such decrease was mainly due to the reduction in our interest expense on bank borrowing from approximately HK\$40,000 for the six months ended 31 January 2015 to nil as a result of the full repayment of bank borrowing in October 2014.

Income Tax Expense

For the six months ended 31 January 2015 and 2016, our income tax expense amounted to approximately HK\$4.1 million and HK\$3.4 million respectively, representing a decrease of approximately 17.3%. Such decrease was primarily due to the decrease in gross profit as explained above as well as the tax effect of non-deductible expenses for tax purpose such as listing expenses, which was incurred in the corresponding period in last year but not in the Relevant Period.

Profit for the Period

Our profit and total comprehensive income for the Relevant Period attributable to owners of our Company increased from approximately HK\$17.1 million for the six months ended 31 January 2015 to approximately HK\$17.2 million for the six months ended 31 January 2016, representing an increase of approximately 0.5%, as a result of the increase in revenue which is partially offset by the increase in cost of sales for the Relevant Period as discussed above.

Interim Dividend

The Board did not recommend a payment of an interim dividend for the six months ended 31 January 2016 (six months ended 31 January 2015: nil).

Liquidity and Financial Resources

The Group maintained a sound financial position during the Relevant Period. As at 31 January 2016, the Group had a cash and bank balance of approximately HK\$71.5 million (31 July 2015: approximately HK\$70.8 million). The total interest-bearing loans of the Group as at 31 January 2016 was nil (31 July 2015: approximately 0.2 million), and current ratio as at 31 January 2016 was approximately 2.8 (31 July 2015: approximately 4.1).

The Group's borrowings and bank balances are denominated in Hong Kong Dollar and there was no significant exposure to foreign exchange rate fluctuations during the Relevant Period.

For further details regarding to the borrowings of the Group, please refer to note 15 to the unaudited condensed consolidated financial statements.

Gearing Ratio

The gearing ratio of the Group as at 31 January 2016 was approximately 0 (31 July 2015: approximately 0.002), which remained low as the Group was not in need of any material debt financing during the Relevant Period.

The gearing ratio is calculated as total borrowings divided by total equity as at the respective periods.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Relevant Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

As at 31 January 2016, the Group did not have any charges on its assets (31 July 2015: Nil).

Foreign Exchange Exposure

All of the revenue-generating operations and borrowings of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. For the Relevant Period, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

Capital Structure

The shares of the Company were listed on the Stock Exchange on 5 December 2014. There has been no change in capital structure of the Company since 5 December 2014. The capital of the Company comprises ordinary shares and capital reserves.

As at 31 January 2016, the share capital and equity attributable to owners of the Company amounted to approximately HK\$4.1 million and HK\$109.8 million respectively (31 July 2015: approximately HK\$4.1 million and HK\$92.5 million respectively).

Capital Commitments

As at 31 January 2016, the Group did not have any capital commitments (31 July 2015: Nil).

Human Resources Management

As at 31 January 2016, the Group had 37 (31 July 2015: 37) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$9.0 million for the six months ended 31 January 2016 as compared to approximately HK\$10.0 million for the six months ended 31 January 2015. The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses.

The emoluments of the Directors were reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance, and approved by the Board.

Significant Investments Held

Except for investment in its subsidiaries during the six months ended 31 January 2016, the Group did not hold any significant investment in equity interest in any other company.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

For the Relevant Period, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Contingent Liabilities

As at 31 January 2016, the Group did not have any material contingent liability (31 July 2015: Nil).

Future Plans for Material Investments or Capital Assets

Save as disclosed in the Company's Prospectus, the Group did not have other plans for material investments and capital assets.

Comparison of Business Objectives with Actual Business Progress

	Business objectives up to 31 January 2016 as stated in the Prospectus	Actual business progress up to 31 January 2016
Further developing our contracting business	Undertake more geotechnical engineering projects for our contracting business should we able to identify and secure suitable business opportunities, with HK\$10.0 million earmarked for satisfying potential customers' requirements for surety bonds	The Group is in the progress of identifying suitable business opportunities with potential customers and the Group has also committed to undertake a new construction project in late July 2015 for which a deposit of approximately HK\$7.4 million is required (which was to be financed as to HK\$5.0 million by the proceeds from the placing and as to the remaining HK\$2.4 million by the Group's internal resources)
Further strengthening our in-house team of engineering staff	Recruit 2 additional middle to senior level engineering staff to cope with our business development and our plan to further develop our contracting business	The Group recruited two middle level engineering staff and is in the progress of recruiting more experienced and high caliber engineering staff
	Continue to sponsor our engineering staff to attend technical seminars and occupational health and safety courses organized by third parties	The Group sponsored our engineering staff to attend technical seminars and occupational health and safety courses organized by third parties
	Organise our own technical seminars as part of our marketing activities while allowing our engineering staff to participate and enhance their technical competence	The Group organised seminars in which the Group's engineering staff participated

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison of Business Objectives with Actual Business Progress

	Business objectives up to 31 January 2016 as stated in the Prospectus	Actual business progress up to 31 January 2016
Developing more efficient in-house computer programs	Upgrade our engineering computer programs by purchasing new software from third-party providers	The Group purchased several engineering software programs
	Recruit 1 information technology officer to develop in-house engineering computer programs and to continuously maintain and refine such computer programs	The Group has appointed an external consultant and is in the progress of recruiting one information technology officer
	Develop in-house engineering computer programs and continuously maintain and refine such computer programs by our information technology officer	The Group is in the progress of recruiting one information technology officer

Use of Proceeds

During the six months ended 31 January 2016, the net proceeds from placing were applied as follows:

	Planned use of proceeds as stated in the Prospectus up to 31 January 2016 HK\$' 000	Actual use of proceeds up to 31 January 2016 HK\$' 000
Further developing our contracting business	10,000	5,000
Further strengthening our in-house team of engineering staff	2,300	600
Developing more efficient in-house computer programs	1,100	412

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 January 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings 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 any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long Position in the Company's Shares

Name of Director	Capacity/Nature	Number of share held/ interested in	Approximate percentage of shareholding
Dr. Li Kai Shun (Note 1)	Interest in controlled corporation	210,400,000	51.17%

Note:

- Dr. Li Kai Shun ("Dr. Li") beneficially owns the entire issued share capital of Sonic Solutions Limited ("Sonic Solutions") and is deemed, or taken to be, interested in all the Shares by Sonic Solutions for the purposes of the SFO. Dr. Li is an executive Director, the chairman of the Company and the sole director of Sonic Solutions.

(ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature	Number of share held/ interested in	Percentage of shareholding
Dr. Li	Sonic Solutions	Beneficial owner	1	100%

Save as disclosed above, as at 31 January 2016, none of the Directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept under Section 352 of the SFO; or was required as otherwise to notify the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

DISCLOSURE OF INTERESTS – *continued*

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 January 2016, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/ interested in	Long/short position	Approximate percentage of total issued share capital of the Company
Dr. Li (Note 1)	Interest in controlled corporation	210,400,000	Long	51.17%
Sonic Solutions (Note 1)	Beneficial owner	210,400,000	Long	51.17%
Ms. Lam Joley (Note 2)	Interest of spouse	210,400,000	Long	51.17%

Notes:

1. Dr. Li beneficially owns the entire issued share capital of Sonic Solutions and is deemed, or taken to be, interested in all the Shares held by Sonic Solutions for the purposes of the SFO. Dr. Li is an executive Director, the chairman of the Company and the sole director of Sonic Solutions.
2. Ms. Lam Joley is the spouse of Dr. Li and is deemed, or taken to be, interested in all the Shares in which Dr. Li is interested for the purposes of the SFO.

Save as disclosed above, as at 31 January 2016, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

COMPETITION AND CONFLICT OF INTEREST

During the Relevant Period, according to the GEM Listing Rules, the following Directors have interests in the following business which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or the Group:

Name of Director:	Name of entity which are considered to compete or likely to compete with the business of the Group:	Description of business:	Nature of interests:
Ong Chi King	Deson Construction International Holdings Limited (“Deson”)	Principally engaged in (i) building construction works; (ii) electrical and mechanical engineering works; and (iii) fitting out works	Executive director and interests in approximately 0.98% of issued share capital of Deson
	WLS Holdings Limited	Principally engaged in (i) provision of management contracting services, and (ii) other services for construction and building work	Independent non-executive director
	Wan Kei Group Holdings Limited	Principally engaged in (i) foundation works; and (ii) ground investigation field work	Independent non-executive director
Ho Ho Ming	Wan Kei Group	Principally engaged in (i) foundation works; and (ii) ground investigation field work	Independent non-executive director
	LEAP Holdings Group Limited	Principally engaged in the provision of (i) foundation works and ancillary services; and (ii) construction wastes handling at the public fill reception facilities manage by the Government in Hong Kong	Independent non-executive director

MANAGEMENT DISCUSSION AND ANALYSIS

COMPETITION AND CONFLICT OF INTEREST – *continued*

As the Board of Directors of the Company is independent of the boards of the above-mentioned entities and none of the above Directors can control the Board of the Company, the Group is therefore capable of carrying its business independently of and at arm's length from the businesses of these entities.

Save as disclosed, during the six months ended 31 January 2016, none of the Directors, the controlling shareholders and substantial shareholders, neither themselves nor their respective associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests.

COMPLIANCE ADVISER'S INTERESTS

As at 31 January 2016, as notified by the Company's then compliance adviser, Messis Capital Limited ("MCL"), except for the compliance adviser agreement entered into between the Company and MCL dated 18 September 2014 (the "Compliance Adviser Agreement"), neither MCL nor its directors, employees or close associates had any interest in the securities of the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

As at the date of this interim report, as notified by the Company's current compliance adviser, Dakin Capital Limited ("DCL"), except for the compliance adviser agreement entered into between the Company and DCL dated 24 February 2016, neither DCL nor its directors, employees or close associates had any interests in the securities of the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

CHANGE OF COMPLIANCE ADVISER

The Company and MCL have mutually agreed to terminate the Compliance Adviser Agreement with effect from 25 February 2016 due to the consideration of fee levels. Dakin Capital Limited has been appointed as the new compliance adviser to the Company pursuant to Rule 6A.27 of the GEM Listing Rules with effect from 25 February 2016. For further details, please refer to the announcement of the Company dated 24 February 2016.

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

During the six months ended 31 January 2016 and up to the date of the report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the six months ended 31 January 2016 and up to the date of the report, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors (“the Code of Conduct”) on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the six months ended 31 January 2016 and up to the date of the report.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 19 November 2014 (“the Scheme”). The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

No share options has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 January 2016.

AUDIT COMMITTEE

The Company established an audit committee (“Audit Committee”) on 19 November 2014 with its written terms of reference in compliance with paragraphs C3.3 and C3.7 of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control system of the Group, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, namely Mr. Ong Chi King, Mr. Ho Ho Ming and Mr. Ko Chi Keung, all being independent non-executive Directors. Mr. Ong Chi King currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 31 January 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 17.50A(1) OF THE GEM LISTING RULES

Mr. Ong Chi King was appointed as an executive director of Deson Construction International Holdings Limited (stock code: 8268), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange with effect from 21 December 2015.

By order of the Board
KSL Holdings Limited
Li Kai Shun
Chairman and Executive Director

Hong Kong, 15 March 2016

As at the date of this report, the executive Directors are Dr. LI Kai Shun, Mr. TAM Yi Shek, Mr. CHAN Kin Pong, Ms. AU Man Yi and Ms. TONG Jiangxia; and the independent non-executive Directors are Mr. HO Ho Ming, Mr. KO Chi Keung, Mr. ONG Chi King and Ms. Kwong Ka Ki.