KSL Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8170

Annual Report 2016/2017

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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.

CONTENTS

BOARD OF DIRECTORS

Executive Directors:

Ms. Tong Jiangxia *(Chairperson)*
(appointed as chairperson on 1 November 2016)
Mr. Au Siu Chung *(Compliance Officer)*
(appointed as compliance officer on 23 June 2017)
Mr. Long Jie (appointed on 16 March 2017)
Mr. Wang Peng (resigned as vice-chairman and executive Director on 24 August 2017)
Mr. He Jian Wen (resigned on 24 August 2017)
Ms. Au Man Yi (resigned as compliance officer and executive Director on 23 June 2017)
Mr. Chai Nan (resigned on 3 January 2017)

Non-executive Director:

Dr. Li Kai Shun (resigned on 27 April 2017)

Independent Non-executive Directors:

Mr. Tang Yiu Wing (appointed on 17 March 2017)
Ms. Chui Pui Yu (appointed on 1 January 2017)
Ms. Kwong Ka Ki
Mr. Ko Chi Keung (resigned on 17 March 2017)
Prof. Ho Ho Ming (resigned on 1 January 2017)

AUDIT COMMITTEE

Ms. Kwong Ka Ki *(Chairperson)*
Mr. Tang Yiu Wing (appointed on 17 March 2017)
Ms. Chui Pui Yu (appointed on 1 January 2017)
Mr. Ko Chi Keung (resigned on 17 March 2017)
Prof. Ho Ho Ming (resigned on 1 January 2017)

REMUNERATION COMMITTEE

Mr. Tang Yiu Wing *(Chairman)*
(appointed on 17 March 2017)
Mr. Au Siu Chung (appointed on 23 June 2017)
Ms. Kwong Ka Ki
Ms. Au Man Yi (resigned on 23 June 2017)
Mr. Ko Chi Keung (resigned on 17 March 2017)

NOMINATION COMMITTEE

Ms. Kwong Ka Ki *(Chairperson)*
(appointed on 1 November 2016)
Ms. Chui Pui Yu (appointed on 1 January 2017)
Mr. Tang Yiu Wing (appointed on 17 March 2017)
Mr. Ko Chi Keung (resigned on 17 March 2017)
Prof. Ho Ho Ming (resigned on 1 January 2017)
Dr. Li Kai Shun (resigned on 1 November 2016)

LEGAL COMPLIANCE COMMITTEE

Mr. Tang Yiu Wing *(Chairman)*
(appointed on 27 April 2017)
Mr. Au Siu Chung (appointed on 23 June 2017)
Ms. Kwong Ka Ki
Ms. Au Man Yi (resigned on 23 June 2017)
Dr. Li Kai Shun (resigned on 27 April 2017)

COMPANY SECRETARY

Mr. Cheung Yuk Tak

AUTHORISED REPRESENTATIVES

Mr. Au Siu Chung (appointed on 23 June 2017)
Ms. Au Man Yi (appointed on 1 November 2016 and resigned on 23 June 2017)
Dr. Li Kai Shun (resigned on 1 November 2016)
Mr. Cheung Yuk Tak

INDEPENDENT AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

COMPLIANCE ADVISER

Dakin Capital Limited

LEGAL ADVISER

As to Hong Kong Law
Loong & Yeung

CORPORATE INFORMATION

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1501 & 02, 15/F.
Guangdong Finance Building
No. 88 Connaught Road West
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
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

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

Dear Shareholders,

On behalf of the board (the "Board") of Directors of KSL Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I would like to present the annual report of the Group for the year ended 31 July 2017 (the "Relevant Period" or the "Reporting Period") to you.

In the 2016/17 financial year, the Group recorded a decrease in turnover of approximately HK$77.4 million or 62.0% to approximately HK$47.4 million compared with the 2015/16 financial year. Such decrease was mainly due to a tougher competitive condition in the construction business faced by the Group in Hong Kong during the year. In line with such decrease in turnover, the Group has recorded a loss of approximately HK$12.4 million for the 2016/17 financial year, representing a decrease of approximately HK$27.1 million or 184.6% as compared to the profit recorded in the 2015/16 financial year.

Looking ahead, the Group expects that the competition of the market will be continuously intense. In developing the Group's construction 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 control the Group's overall costs to an acceptable and satisfactory level. From time to time, the Group will actively seek for suitable investment opportunities for business diversification to increase shareholders' return.

I would like to take this opportunity to express my sincere gratitude to our shareholders, customers, subcontractors and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

Ms. Tong Jiangxia
Chairperson and Executive Director

Hong Kong, 25 October 2017

BUSINESS REVIEW AND OUTLOOK

We are principally engaged in the provision of engineering consulting, contracting, project management and interior design and decoration 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 Group experienced a decrease in revenue and recorded a loss for the Relevant Period compared with the 2015/16 financial year. The Directors consider that the decrease was mainly due to a decrease in revenue derived from the provision of project management services and from undertaking geotechnical works as contractor as a result of keen competition faced by the Group in obtaining new businesses, which is partially offset by the increase in revenue generated from the provision of interior design services and decoration works since the Group has entered into the interior design and decoration industry during the fourth quarter of the year ended 31 July 2016. The Directors consider that competition in the market has become more intense recently due to the less optimistic outlook of the general economic condition of Hong Kong as well as the slow approval progress of infrastructure projects by the Legislative Council of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong, resulting in more intense competition for private sector projects and only 3 new projects were obtained by the Group during the Relevant Period.

The Directors are also cautiously monitoring the overall construction costs with respect to the works undertaken by the Group as contractor which can be affected by many factors including, but not limited to different geotechnical engineering circumstances pertaining to the different projects undertaken by the Group, the overall market conditions, costs in the construction industry, and overall economy in Hong Kong.

Going forward, in developing the Group's contracting, interior design services and decoration business, the Directors will continue to seek for opportunities to obtain new projects and carefully evaluate the potential costs and the engineering circumstances pertaining to different potential projects with a view to increasing the Group's revenue and 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 decreased from approximately HK$124.8 million for the year ended 31 July 2016 to approximately HK$47.4 million during the Relevant Period, representing a decrease of approximately 62.0%. Such decrease was mainly due to the decrease 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 intense competition faced by the Group.

Cost of Sales

Our cost of sales decreased from approximately HK$92.4 million for the year ended 31 July 2016 to approximately HK$33.9 million for the Relevant Period, representing a decrease of approximately 63.3%. Such substantial decrease was mainly attributable to the decrease in our subcontracting charges incurred. The Group experienced a substantial decrease in its subcontracting charges incurred during the Relevant Period which was mainly due to lack of new projects of geotechnical engineering during the Relevant Period as compared to the year ended 31 July 2016.

Gross Profit

Our gross profit amounted to approximately HK$32.4 million and HK$13.5 million for the years ended 31 July 2016 and 2017 respectively, representing a decrease of approximately 58.4%, as a result of the decrease in our revenue as discussed above.

Other Income and Net Gains

Our other income amounted to approximately HK$3.7 million and HK$3.1 million for the years ended 31 July 2016 and 2017 respectively, representing a decrease of approximately 17.9%, which was primarily because of the recognition of profit from disposal of a subsidiary amounted to approximately HK$404,000 and an interest income from a loan to an independent third party amounted to approximately HK$2.5 million during the Relevant Period, being offset by the decrease in government grants received amounted to approximately HK$40,000, the decrease in rental income of the investment properties amounted to approximately HK$951,000 and the recognition of the gain on disposal of investment properties amounted to approximately HK$2.4 million during the year ended 31 July 2016 as a result of the disposal of the aforesaid investment properties.

Fair Value Changes on Financial Assets at Fair Value through Profit or Loss

For the years ended 31 July 2016 and 2017, the fair value changes on financial assets at fair value through profit or loss amounted to nil and a loss of approximately HK$1.7 million respectively. The loss from change in fair value of financial assets is due to the decrease in fair value of financial assets acquired during the Relevant Period while there was no such financial assets acquired during the year ended 31 July 2016.

Administrative and Other Operating Expenses

Our administrative and other operating expenses amounted to approximately HK$18.2 million and HK$26.6 million for the years ended 31 July 2016 and 2017 respectively, representing an increase of approximately 46.0%. Such increase was primarily due to the increase in staff costs of approximately HK$2.4 million, rental expense of approximately HK$936,000, building management fee of approximately HK$103,000, legal and professional fee of approximately HK$262,000, loss on disposal of property, plant and equipment of approximately HK$497,000, bad debts written off of approximately HK$646,000 and donation of approximately HK$2.4 million. The aforesaid increases in the costs and expenses were the result of the followings: (i) more staff were recruited for overseeing interior design and decoration works; (ii) a new office was rented for the interior design and decoration business which was commenced during the fourth quarter of the year ended 31 July 2016 resulting in the increase in both rent and building management fee; (iii) legal and professional fee paid in respect of a potential acquisition; (iv) several property, plant and equipment were written off due to a relocation of an office; (v) several trade receivables became irrecoverable; and (vi) donations made to several charitable institutions.

Finance Costs

For the Relevant Period, no finance cost was incurred (2016: HK$3,000).

Income Tax Expense

For the years ended 31 July 2016 and 2017, our income tax expense amounted to approximately HK$3.2 million and HK$578,000 respectively, representing a decrease of approximately 81.9%. Such decrease was primarily due to the profit before income tax for the year ended 31 July 2016 turned to the loss before income tax for the Relevant Period which was mainly caused by the substantial decrease in revenue as discussed above.

Loss for the Year

As a result of the aforesaid and in particular the substantial decrease in revenue, the Group has recorded a loss of HK$12.4 million for the Relevant Period attributable to owners of the Company when compared to a profit of approximately HK$14.7 million for the year ended 31 July 2016, representing a substantial decrease of approximately 184.6%.

Final Dividend

The Board did not recommend the payment of a final dividend for the Relevant Period (2016: Nil).

Liquidity and Financial Resources

The Group maintained a healthy financial position during the Relevant Period. As at 31 July 2017, the Group had a cash and bank balance of approximately HK$21.1 million (31 July 2016: approximately HK$103.2 million). The current ratio as at 31 July 2017 was approximately 16.0 (31 July 2016: approximately 8.8).

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.

Gearing Ratio

The gearing ratio of the Group as at 31 July 2017 was nil (31 July 2016: Nil) 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 year. 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.

Pledge of Assets

As at 31 July 2017, the Group did not have any charges on its assets (31 July 2016: Nil).

Foreign Exchange Exposure

All of the revenue-generating operations and borrowings of the Group were transacted in Hong Kong Dollar 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 July 2017, the share capital and equity attributable to owners of the Company amounted to approximately HK$4.1 million and HK$95.9 million respectively (31 July 2016: approximately HK$4.1 million and HK$107.2 million respectively).

Capital Commitments

As at 31 July 2016 and 2017, the Group did not have any capital commitments.

Human Resources Management

As at 31 July 2017, the Group had 39 (31 July 2016: 44) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK$18.7 million for the Relevant Period as compared to approximately HK$20.3 million for the year ended 31 July 2016. 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 with 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 Relevant Period, 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 July 2017, the Group did not have any material contingent liability.

Advance to Entity

On 23 December 2016, Sky Planner Limited (the "Lender"), an indirect wholly-owned subsidiary of the Company, China Assurance Finance Group Limited (the "Borrower") and an individual who is the chairman of the board, an executive director and a controlling shareholder of the Borrower (the "Guarantor") entered into a loan agreement (the "Loan Agreement"), pursuant to which the Lender has agreed to grant the loan (the "Loan") in the principal amount of HK$22,000,000 to the Borrower for a period of 3 months commencing from 28 December 2016 at an interest rate of 1.6% per month.

The Borrower shall repay and/or settle the full amount of the Loan on the maturity date, being the date falling on the three (3) months (or six (6) months if the term is being extended) of the drawdown date (i.e. 28 December 2016) (or, if such date is not a business day, the immediately following business day) and the interest thereon shall be prepaid on the date of the signing of the Loan Agreement.

Advance to Entity – *continued*

The Borrower may, by giving not less than fourteen (14) days' prior written notice to the Lender, prepay before the maturity date all or part of the Loan. As at the date of this report, the outstanding balance of the Loan remained to be HK$22,000,000.

On 24 March 2017, 23 June 2017 and 27 September 2017, the Lender, the Borrower and the Guarantor entered into the first, the second and the third supplemental agreements (together, the "Supplemental Agreements") pursuant to which the parties agreed to extend the repayment date under the Loan Agreement from 27 March 2017 to 27 October 2017. Save as amended by the Supplemental Agreements, all other terms and conditions of the Loan remain unchanged.

For further details, please refer to the announcements of the Company dated 23 December 2016, 24 March 2017, 23 June 2017 and 27 September 2017.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the Company's prospectus dated 28 November 2014 (the "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 July 2017 as stated in the Prospectus	Actual business progress up to 31 July 2017
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$15.0 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

Comparison of Business Objectives with Actual Business Progress – ***continued***

	Business objectives up to 31 July 2017 as stated in the Prospectus	Actual business progress up to 31 July 2017
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 organised by third parties	The Group sponsored our engineering staff to attend technical seminars and occupational health and safety courses organised 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
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 Relevant Period, the net proceeds from placing were applied as follows:

	Planned use of proceeds as stated in the Prospectus up to 31 July 2017 HK$'000	Actual use of proceeds up to 31 July 2017 HK$'000
Further developing our contracting business	15,000	7,400
Further strengthening our in-house team of engineering staff	5,000	1,542
Developing more efficient in-house computer programs	2,000	728

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.

EVENTS AFTER THE YEAR ENDED 31 JULY 2017

There is no important event affecting the Group since the year ended 31 July 2017 up to the date of this annual report.

EXECUTIVE DIRECTORS

Ms. TONG Jiangxia (童江霞), aged 42, was appointed as an executive Director on 15 December 2015, and was promoted as the chairperson on 1 November 2016. She obtained an accounting profession* (會計學專科) from China Geology University* (中國地質大學). Ms. Tong held various posts in Jiangxi Nan Chang Fu Shi Shan Decoration Company Limited* (江西南昌富士山裝飾有限公司) during the period from March 1995 to August 2001, including an accountant assistant* (會計助理) from March 1995 to August 1997, a vice general manager* (副總經理) from August 1997 to October 1999 and a marketing controller* (市場總監) from October 1999 to August 2001. From August 2001 to June 2008, she had been an executive vice president* (常務副總裁) of Nan Chang Xin Tian Property Development Company Limited* (南昌新田置業發展有限公司). From August 2008 till present, Ms. Tong has been a vice general manager and marketing controller* (副總經理兼市場總監) of Shenzhen Guangning Industrial Company Limited* (深圳市廣寧股份有限公司).

Mr. AU Siu Chung (歐兆聰), aged 34, was appointed as an executive Director on 23 June 2017. He holds a Bachelor of Economics degree from the Chinese University of Hong Kong in 2005. From July 2015 to February 2016, he worked as a key account manager at Leadway Production Company Limited. Since February 2016, Mr. Au has been working as an accounting and administration manager at Sky Planner Limited, a subsidiary of the Company.

Mr. Au is a member of each of the remuneration committee and the legal compliance committee, the compliance officer and the authorised representative of the Company.

Mr. LONG Jie (龍杰), aged 44, was appointed as an executive Director on 16 March 2017. He obtained the bachelor degree of civil engineering from Hebei University of Technology in December 2004. Prior to joining the Group, Mr. Long worked as a manager at the budget department of Shenzhen Vanke Real Estate Co. Ltd.* (深圳萬科地產股份有限公司) from 1995 to 1996. From 1997 to 2009, Mr. Long worked as a director at the investment department of Shenzhen Luofang Properties Co. Ltd.* (深圳羅芳置業有限公司). Since 2009, Mr. Long has been working as the general manager of Shenzhen Hengda Cheng Engineering Co. Ltd.* (深圳恒大成工程有限公司).

* *For identification purpose only*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. KWONG Ka Ki (鄺嘉琪), aged 36, holds a Bachelor of Arts (Hon) Degree in Accounting and Finance from The Leeds Metropolitan University. Ms. Kwong is a member of The Association of Chartered Certified Accountants and practising member of the Hong Kong Institute of Certified Public Accountants. Ms. Kwong has over 14 years of experience in auditing, tax, professional accounting and internal control review of licensed brokers. Ms. Kwong was an independent non-executive director of China Financial Leasing Group Limited (stock code: 2312), the shares of which are listed on the Stock Exchange, from January 2014 to June 2014. Ms. Kwong was also an independent non-executive director of JC Group Holdings Limited (stock code: 8326), the shares of which are listed on the GEM, from August 2014 to February 2015.

Ms. Kwong is the chairperson of the audit committee and the nomination committee, as well as a member of each of the nomination committee legal compliance committee the Company.

Save as disclosed above, Ms. Kwong does not hold any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Mr. TANG Yiu Wing (鄧耀榮), aged 50, was appointed as an independent non-executive Director on 17 March 2017. He is a practising solicitor in Hong Kong. He holds a bachelor's degree in Laws, a postgraduate certificate in Laws from The University of Hong Kong and a master's degree in Laws from The City University of Hong Kong. He is a member of The Law Society of Hong Kong and is admitted as a solicitor of the Supreme Court of England and Wales and a barrister and solicitor of the Supreme Court of Tasmania. Mr. Tang is currently an independent non-executive director of Jete Power Holdings Limited (Stock Code: 8133), Goldin Financial Holdings Limited (Stock Code: 530) and Universe International Financial Holdings Limited (Stock Code: 1046), the shares of these companies of which are listed on the GEM and the Main Board of the Stock Exchange, respectively. He was a non-executive director of China Financial Leasing Group Limited (Stock Code: 2312), the shares of which are listed on the Main Board of the Stock Exchange, from 22 January 2014 to 27 June 2014.

Mr. Tang is the chairman of each of the remuneration committee and legal compliance committee, and a member of each of the audit committee and the nomination committee of the Company.

Save as disclosed above, Mr. Tang does not hold any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Ms. CHUI Pui Yu (崔珮瑜), aged 31, was appointed as an independent non-executive Director on 1 January 2017. She holds a bachelor degree of science in business from University of Canberra in Australia in September 2008. Since November 2009, Ms. Chui has been acting as the general manager of the property development division of Win Choice Development Limited.

Ms. Chui is a member of each of the audit committee and the nomination committee of the Company.

Save as disclosed above, Ms. Chui does not hold any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

SENIOR MANAGEMENT

The following are the senior management team of our Group:

Mr. CHEUNG Yuk Tak (張育德), aged 35, is our financial controller and the company secretary of our Company. He is mainly responsible for our financial reporting, financial planning, treasury, financial control and company secretarial matters. Mr. Cheung joined us in April 2016. Prior to joining us, Mr. Cheung was employed by Grant Thornton Hong Kong Limited during 2010 to 2016 and his last position held was manager. Mr. Cheung obtained a bachelor's degree from The Hong Kong Polytechnic University in December 2004 with a major in accountancy. Mr. Cheung has been a member of the Association of Chartered Certified Accountants and the HKICPA since March 2008 and May 2016 respectively.

ABOUT THIS REPORT

This is the first Environmental, Social and Governance ("ESG") report (the "ESG Report") of the Company and the Group.

This ESG Report presents activities undertaken within the Group's main offices in Hong Kong (the "Reporting Scope"), during the financial year from 1 August 2016 to 31 July 2017 (the "Reporting Period"), unless specified otherwise. It aims to communicate the Group's sustainability policies, commitments, and performances in four areas, namely Our People, Our Environment, Our Operations and Our Community.

The Reporting Scope of this ESG Report encompasses the most significant environmental, social and economic impact contributed to the Group's operations. The Group continuously strives to improve our management process to minimise the adverse impacts in these areas. Regarding the construction business of the Group whereas our role as a contractor, we work with our business partners in the supply chain to reduce their adverse impacts. The Reporting Scope of this report currently only limits to our own impact within our own financial and operational control. However, as we strive for improved transparency, it is our intention to gradually improve our reporting capabilities and expand the scope of our future ESG Reports.

This ESG Report is prepared according to the Environmental, Social and Governance Reporting Guide (the "ESG Guide") under Appendix 27 of the Main Board Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited ("SEHK"). It complies with the "comply or explain" provisions of said ESG Guide.

Given this is the Group's first report of such kind, relevant data are limited to certain environmental and social key performance indicators. The Group will continuously improve and expand the scope of data collection and its system.

We value your feedback and comments about this ESG Report and on how we can continue to improve our sustainability performance. Should you have any comments or suggestions, please feel free to contact us:

KSL Holdings Limited

Address: Unit 1501 & 02, 15/F., Guangdong Finance Building, No. 88 Connaught Road West, Hong Kong
Email: info@kslholdings.com

OUR BUSINESS

The Group is committed to achieving sustainable growth in its four core business areas, engineering consulting, contracting, project management services and interior design and decoration in Hong Kong.

The Group specialises in geotechnical engineering works and has demonstrated professional work experiences in the past years. As consultants, contractors and project managers, our role in geotechnical engineering works mainly includes the study and modification of soil and rocks at sites, foundation design and construction works for building construction projects, excavation and structural designs for underground facilities, site formation works and landslip preventive works. Two subsidiaries of the Group, KSL Engineering Limited and Victor Li & Associates Limited, operate the above mentioned principle activities.

During the year ended 31 July 2016, the Group expanded its principal business activities to include the provision of interior design and decorations services. New Brio Engineering Limited is established as a new subsidiary of the Group to effectively implement and operate this business segment. This year, interior design and decoration business segment has flourished, as the Group strives to provide customers with design flexibility and cost-effective interior design and decoration services.

The Group has been extensively working on ways to create values on the environment, society and economy in the past. Besides upholding the shareholders' and investors' interest in business, the Group also concerns for the interests of other stakeholders of the company. Sustainability is defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" by the World Commission on Environment and Development. To achieve sustainability, it is crucial for all businesses to strike a balance between environment, society and economy.

As it is inevitable for the Group to induce negative impacts to the environment due to its construction-based business nature, a large number of measures have been implemented to minimise the impacts. Workers' health and safety are also our major concern and their interests are put on top of that of the Group. The Group also strives to devote time and manpower to create the best products and services for customers through implementing precise quality control and supplier selection.

In the future, the Group will continuously review our ESG policies to improve and thrive for the best for our stakeholders.

STAKEHOLDER ENGAGEMENT

The Group takes the opinions of our stakeholders seriously. We value their involvement in the business and have spent considerable efforts throughout the year to engage them in the participation of improving the Group's products and services, as well as how sustainability is achieved in different aspects. Our stakeholder groups include our shareholders and investors, Board of Directors, employees, customers, suppliers and subcontractors, and community groups.

We believe that further development in our engagement channels and collection system of stakeholders' concerns are vital to understanding our stakeholders and responding to their requirements and concerns.

Stakeholder Groups	Engagement Channels
Shareholders and Investors	Annual general meetings Press releases and announcements Annual/interim reports
Board of Directors	Meetings and correspondences
Employees	Business Meetings Performance appraisal meetings
Customers	Personal contact Meetings and correspondences
Suppliers and Subcontractors	Procurement tender meetings Site visits
Community groups	Charity activities Company website

OUR PEOPLE

The Group pays high attention to the well being of our employees as the Board believes that every employee is a valuable asset to the Company. The Group has a well-rounded system to care for its employees, in aspects of health and safety, employee care and engagement, training and development, and labour standard. Our attentiveness to creating a comfortable and enjoyable work environment for our employees has enabled us to maintain solid relationships with our employees and sustain good financial returns.

Health and Safety

It is of paramount interest of the Group to protect and enhance the workers' safety. Prioritising employees' safety and health is crucial in minimizing the inherent risk within our daily operations. Due to the nature of our business, our concern for workers' safety and health lies within our supply chain, especially our subcontractors' construction workers in our contracting business.

The Group pays utmost attention in establishing clear safety regulations and monitoring the effectiveness of these regulations in safeguarding the health and safety of the site workers. The Group has established Safety Rules for construction site workers in order to achieve a safe and sound workplace, as well as to comply with industry requirements. These regulations have been laid out to ensure the workers adhere to, in order to prevent themselves from injuries.

Prior to project commencement, all subcontractors should supply appropriate safety equipment for workers at construction sites. Subcontractors are also required to appoint and commission qualified Safety Supervisors and Safety Officers on site to monitor the safety of site workers and to ensure all safety standards are met. Our subcontractors are also required to provide safety training to site workers to help them prepare for suitable accident prevention measures and emergency responses.

During the construction phase, the Group holds regular site visits and meetings with subcontractors to review the construction progress and safety measurements on site. Safety posters and signages are posted along the project sites, as a sincere reminder to all site workers. Hazardous materials are also stored in safe areas with proper storage signages.

The Group, as a Contractor, enforces a score-deduction system whereby the safety performance of subcontractors is assessed. Whenever a subcontractor violates the Subcontract Safety Rules or causes the contractor to be prosecuted, the contractor will deduct a suitable number of points based on the severity of the irregularity. Different scales of penalty will be imposed on the subcontractor based on mark deduction, leading to the ultimate penalty, which is to suspend the tendering qualification of the subcontractor in future projects.

Within our office area, smoking is prohibited in all working areas, including lift lobby and toilets, in order to further promote a healthy working environment. No alcohol or drug abuse is allowed by any employee to ensure the Group's safety performance and work efficiency.

The Group has observed zero injury accidents and is not aware any material non-compliance during this reporting year.

Employee Care and Engagement

The Group believes that a human-based management is important for a company to thrive with its employees. Only through creating values for its people can a company sustain and deliver excellent products and services to its customers.

Attracting talents and retaining experienced staff members are crucial factors to achieve a sustainable business. The Group cares about the development of the staff and protects their rights to enhance their job satisfaction at work. Through offering competitive remuneration package, strictly complying with employment standards, and establishing working regulations and guidelines, the Group in return improves the quality of work deliverables and reputation of the Group.

Our staff members are entitled to statutory holidays, paid annual leave, sick leave, maternity leave, compassionate leave and other leaves, all of which comply with Employment Ordinance. Base on the Ordinance, the Group fulfils the responsibility as an employer and protects the rights of employees. The Mandatory Provident Fund scheme and the employees' compensation insurance protect our employees in terms of retirement and occupational diseases or injuries during the course of employment.

The Group values the input of its employees and firmly believes that the success of the Group attributes to the endeavors of the employees. To keep up the morale of the Group and to encourage work-life balance among employees, a Christmas Party and an Annual Dinner have been organised to cultivate interactions between general staff and management team. Their positive relationship is significant in promoting a healthy work atmosphere.

Moreover, the Group has established a grievance procedure for any employee who feels unjustly dealt within any disciplinary matter or unfairly treated to ensure that their opinions are heard. Employees could apply for an investigation through writing to the Head of Department and request for an interview for complete judgement of the case.

The Group treats every employee equally during recruitment and promotion processes. The selection process should be free of bias in terms of their gender, nationality, marital status, disability and religious belief. Staff recruitment and promotion requirements are mainly based on the performance of the individual. We will consistently exercise equality and fairness as our main principle in evaluating staff's ability and performance.

The Group is strictly against any form of sexual harassment within the Group and will take appropriate disciplinary actions against anyone who is in breach of company policies. Thorough investigation will be conducted confidentially to handle sexual harassment complaints. During the reporting period, no sexual harassment complaint has been received.

Training and Development

The Group believes that every employee has the potential to unleash their abilities and it is the Group's responsibility to guide them on their pathways to success. This is also how the Group believes will secure and strength our competitiveness in order to achieve successful business development.

The Group highly values the continuous development of its staff members as current employees are encouraged to take up training courses through sponsorships. Moreover, to attract fresh graduates with great potentials, the Group provides extensive training schemes for all graduate engineers on board. They will usually attend the Hong Kong Institution of Engineers (HKIE) Graduate Training Scheme A, which provides engineering graduates with a professional and practical route to become Corporate Members of HKIE in Geotechnical or Structural Engineering discipline. Throughout the three years program, they will learn to establish harmonious relationship with clients, associated professions and the public, develop professional skills and abilities to supervise geotechnical and structural engineering works, and understand the importance of occupational safety and health. Upon completion, they will be able to contribute their gained professional knowledge and experience to the Group. The Group also assigns experienced engineers as training tutors to the graduate engineers to guide and help them along the way. Training reviews will be conducted to assess their progress.

In addition, the safety of workers is one of the major concerns of the Group. All workers are required to obtain construction safety training certificates in order to be eligible to work in construction sites. The Group also provides induction sessions on safety requirements and may require site workers to attend specific training sessions.

Labour Standard

The Group is fully aware that child labour and forced labour violate human rights and obstruct the sustainability of the business. To prevent such violations, the Group strives to ensure that all employees fulfil the minimum requirement of age during recruitment. The human resource manager is responsible to verify the identity of each applicant and retain a copy of the verification documents for the record. During the reporting period, no cases of child labour or forced labour has been reported.

The Group also strictly forbids illegal immigrants to be employed in construction sites. Through establishing measures such as examining identity cards and working permits at the entrance and spot-checking on sites by patrolling squads, the Group believes it has successfully restricted illegal workers from our construction sites.

OUR ENVIRONMENT

The Group's daily operation as a contractor in the construction industry has induced various environmental impacts. As a responsible and caring company, the Group is aspired to minimise the impacts through implementing and adopting mitigation measures. The operation of the Group follows a detailed Work Instruction to ensure that all daily operations comply with relevant environmental regulations as stipulated by the Environmental Protection Department. As the Group contracts subcontractors for its projects, its role is therefore to ensure subcontractors strictly comply with the environmental regulations set forth by the Group through appropriate monitoring. Any violation of the requirements will be subjected to monetary penalty. The Group will continue to explore ways to protect the environment and build a better future for our next generations.

Creating values for the environment

With different business natures and operations, the Group has imposed a wide range of mitigation measures aimed at reducing environmental pollutions, including air, noise and waste, at different phases of construction work. Under the supervision of project managers, the Group has achieved a satisfying performance in putting these measures in practice during this reporting year. In addition, the Group also monitors its use of energy and water within office premises.

The generation of particulate matters has been recognised as a major air pollution substance in construction sites. To minimise dust generation, the Group has clearly instructed construction workers to follow guidelines on sites, including hoarding around site, setting up effective dust screen, as well as watering dusty materials and vehicles. Besides implementing measurements to limit the generation of suspended particulates, the Group also encourages vehicles engines to be turned off when they are not in use and to use low-sulpfur content liquid fuels.

Noise control is also crucial to maintaining a harmonious relationship with the surrounding community. The Group operates its construction sites with Noise Permits and closely monitors the impacts on Noise Sensitive Receivers (NSRs) nearby, including domestic premises, education institutions and hospitals.

Moreover, wastewater is well-treated with sedimentation to remove sand and silt before being discharged into the site drainage systems. The Group also supports waste management through waste recycling. All waste materials are segregated. Materials such as inert construction waste and demolition material are reused on-site when possible, while other waste materials are recycled before disposing to designated landfills.

Apart from measures to reduce environmental pollution, the Group is fully aware of the obligations to protect the environment through practicing efficient energy usage and reducing electricity and water consumption. Reduction of energy and water consumption in offices also play an important part in conserving the use of resources, as buildings consume a full 90% of the electricity used in Hong Kong. With this in mind, the Group sets the temperature of its air-conditioners within an environmentally-friendly range, while encouraging employees to switch off unused appliances and unnecessary lighting after working hours. The Group also posts energy saving reminders to remind its employees the importance of energy saving in the offices. The Group has also taken a number of initiatives in water saving through reusing wastewater for general cleaning, and turning off water supply when not in use to efficiently reduce the consumption of water.

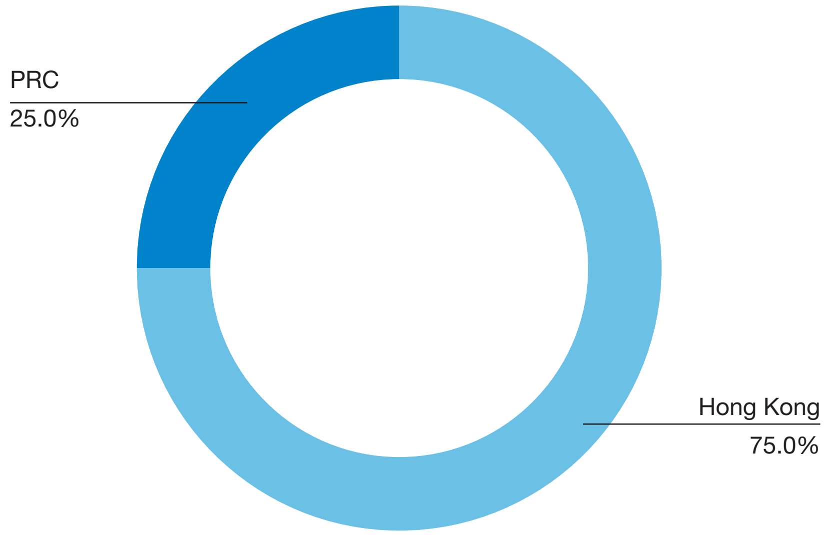
The Group's environmental policy follows relevant laws and regulations. During this reporting year, the Group is unaware of any non-compliance on environmental issues.

OUR OPERATIONS

Supply Chain Management

The positive image of a business directly links to its business ethics, in particular, customers concerns about the procurement and the supply chain management. To cope with the increasingly competitive market and expectations of customers, the Group must raise its standard in order to retain and attract new customers. Therefore, the Group engages suppliers to together create positive impact on their operations and seek positive changes. By engaging our suppliers, the Group provides its customers with better products and services and builds positive image.

Diagram 1: The distribution of Origin of Suppliers



Managing inherent risks arise from construction safety and controlling environmental impacts can significantly increase the stability of business hence improving the overall performance. The Group has cooperated with a total of 80 suppliers to support our business. To make sure all the suppliers are in line with the Group's vision and mission in operational management, an "Evaluation, Selection and Control Regulation" has been established to assess, select and monitor suppliers.

All suppliers are subject to a formal assessment on their health and safety matters before they are selected to be eligible to tender for sub-contract works. A "Subcontractor Safety Assessment" is conducted by the project managers of the Group to perform the assessment. Higher priority will be given to subcontractors who can demonstrate a good health and safety control during the selection.

After selecting eligible suppliers, the Group keeps track on the fulfilment of site safety rules through carrying out an evaluation of safety performance of the subcontractors at an interval of six months. This corroborates that the supply chain operates in a safe manner. Subcontractor meetings before the commencement of projects will also be organised to brief subcontractors about safety plans, as well as site safety committee meetings to coordinate health and safety matters.

Adhering to the Group's requirements, selected suppliers should carry out construction works in compliance with the specifications and environmental statutory requirements to minimise adverse impacts on the environment. These specifications include minimising impacts on air, water, noise and waste, and facilitating the proper use of resources. The Group does not tolerate any non-compliance with the regulations and will impose punitive fines on every case of violation.

The Group also undergoes detailed supplier selection process to select the best supplier eligible for the interior design and decoration business. Apart from cost-based selection, suppliers will be evaluated based on their operating team's experience and feedback on the finishing product quality and delivery time with reference to customers' feedback and opinion. This allows the Group to deliver the best product quality to customers at the most cost-effective rate.

Currently, there is no green procurement assessment for suppliers, however, the Group will consider implementing this as one of the criteria in supplier selection process in the future.

Quality Assurance

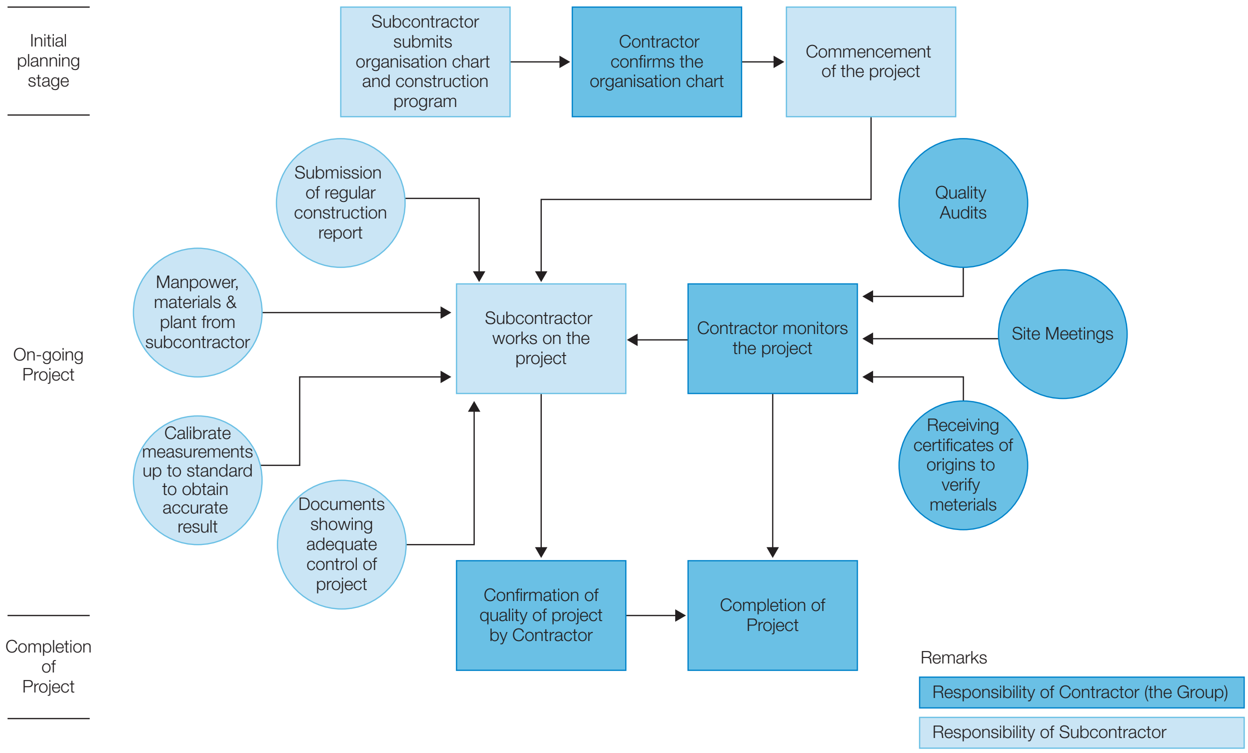
The Group as a contractor implements a quality assurance system to ensure the project will be delivered on time and up to standard. Subcontractors have to abide by the regulations to systematically ensure the completion of projects with excellent compliance to the system. This reassures that all construction projects meet the quality standards set out by the Group. It also builds customer and public confidence to the Group.

At the commencement of a project, it is crucial to identify the responsibility of each staff so that they are personally held accountable for their individual part of the project. Subcontractors are required to submit an organisational chart that demonstrates the involvement of an adequate number of management and supervisory staff. A construction programme with detailed planning and precise schedule should also be submitted to the Group to prevent double handling, abortive, or abandoned damages to completed works.

After the initial planning stages, the Group takes multitudinous regulations to assure the quality of the subcontracted works through forming a quality audit team. The team is responsible for monitoring the subcontracted works, materials, associated workshops or factories, and detecting any substandard works or non-conformance incidents. In the unlikely event of non-conformance incidents, the subcontractor is then responsible to investigate the causes and take corrective actions to rectify the situation immediately.

The Group also ensures the origins of materials through material delivery notes or certificates of origins. This provides extra reassurance that the building materials used complies with the Group's quality standard, hence ensuring building safety for future users. Regular site meetings are also organised by the Group to handle quality-related issues. Additional to internal regulations, the Group also fully complies with relevant legislations and by-laws.

Diagram 2: Responsibility of Contractor (the Group) of a Project



The Group also ensures the product quality of the interior design and decoration. Generally, the design team would prepare at least 3 proposed designs and present to the customers in meetings. The customers will select the designs they prefer and the team will update the designs if there is any comment from the customers. As a new business sector, interior design and decoration has yet to implement or incorporate green design. However, the Group will review on all possible green measures and evaluate the possibility to include it in the business in the future.

Anti-Corruption

Corruption is prohibited by the Independent Commission Against Corruption Ordinance, Anti-Money Laundering and Terrorist Funds (Financial Institutions) Ordinance and the Prevention of Bribery Ordinance in Hong Kong. Internationally, anti-corruption is also recognised as one of the fundamental elements of corporate social responsibility. A business free of fraud, bribery, and corruption is important, as it demonstrates and advocates for fair trade.

The Group is committed to preventing corruption, bribery, extortion, fraud and money laundering. It has clearly instructed employees to comply with the law and constrain themselves from receiving any benefits in terms of commission, rebate, spotter's fee, gratuity, loan or gift. This extends from management to every employee, and senior employees have the responsibility to ensure their reporting staff do not violate related regulations. Mechanisms of how management informs new employees and reminds current personnel of the company's objectives related to integrity and ethics are written in the staff handbook. Employees must annually confirm their thorough understanding of the policy, compliance manual, and internal control manual. Related trainings are provided to review current and new ethical policies.

An employee who has any suspicion of wrongdoings must report to their senior staff for further handling and investigation. The Group is determined to preclude any person who obstructs the fairness of business, and they will be subjected to disciplinary actions. Staff members must also exclude themselves from any activity conflicting with the Group's interests and policies to refrain from suspicion of corruption.

The Group has encountered zero cases of fraud, bribery or any forms of corruption within the reporting year.

Whistle-Blowing Program

The Group understands employees' concern towards potential harassment and victimisation. Therefore, the Group encourages employees to speak up through implementing clear instructions in the whistle-blowing program. The Group aspires to maintain a transparent and confidential process when dealing with employees' concerns. This enables employees to confidently raise any possible improprieties in matters of financial reporting, fraud, corruption, criminal offenses, breach of law and regulations, and other malpractices. Employees could either report to their senior staff or directly to the Chairman of the Audit Committee. The Audit Committee will then oversee the investigation. The Group also guarantees that no one will be at risk of suffering from reprisal as a result even if the individual is mistaken, except for intentional untrue allegations.

OUR COMMUNITY

The Group genuinely understands that establishing good relationship with the community is the cornerstone to business continuity and to prosper in a long-term, stable and healthy manner. The Board of Directors and management of the Group do not solely pursue the Group's interests, but also those of the community. Only through striking a balance between the interests of different stakeholders will promote a sustainable business.

Each year, the Group gives back to the society through donations to different charity groups, hoping to reach different minority groups. In this reporting year, the Group has made a total donation of HK$2,436,000 to charity organisations in Hong Kong, including the Community Chest of Hong Kong, Po Leung Kuk, and International Christian Assembly. The Group also promotes educational support through sponsoring the Ninth Lumb Lecture at the University of Hong Kong.

The Group is committed to continuously support and contribute back to the community, and has attached this commitment to the core value of the Group.

ESG GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant chapter, reference page(s), or other references/ explanation
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Our Environment pages 22 to 23
KPI A1.1	The types of air emissions and respective emissions data.	Nil
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity.	Nil
KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity.	Nil
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity.	Nil
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Our Environment pages 22 to 23
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Our Environment pages 22 to 23

Aspects, General Disclosures and KPIs	Description	Relevant chapter, reference page(s), or other references/ explanation
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Our Environment pages 22 to 23
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kwh in '000s) and intensity.	Nil
KPI A2.2	Water consumption in total and intensity.	Nil
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Our Environment pages 22 to 23
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water sourcing is nonmaterial to our operations
KPI A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	The use of packaging material for finished products is not applicable to Group's business
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Our Environment pages 22 to 23
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Environment pages 22 to 23
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our People pages 19 to 22
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Nil
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Nil

Aspects, General Disclosures and KPIs	Description	Relevant chapter, reference page(s), or other references/ explanation
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our People pages 19 to 22
KPI B2.1	Number and rate of work-related fatalities.	Nil
KPI B2.2	Lost days due to work injury.	Nil
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Nil
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our People pages 19 to 22
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Nil
KPI B3.2	The average training hours completed per employee by gender and employee category.	Nil
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our People pages 19 to 22
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our People pages 19 to 22
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our People pages 19 to 22

Aspects, General Disclosures and KPIs	Description	Relevant chapter, reference page(s), or other references/ explanation
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Operations pages 24 to 27
KPI B5.1	Number of suppliers by geographical region.	Our Operations pages 24 to 27
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Our Operations pages 24 to 27
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Operations pages 24 to 27
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Nil
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Nil
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Nil
KPI B6.4	Description of quality assurance process and recall procedures.	Nil
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Nil

Aspects, General Disclosures and KPIs	Description	Relevant chapter, reference page(s), or other references/ explanation
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Our Operations pages 24 to 27
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Our Operations pages 24 to 27
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Our Operations pages 24 to 27
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Our Community page 28
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our Community page 28
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Our Community page 28

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present hereby the corporate governance report of the Company for the Relevant Period.

The Directors and the management of the Group recognise the importance of sound corporate governance to the long-term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") in Appendix 15 of the GEM Listing Rules. During the Relevant Period, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the Code.

BOARD OF DIRECTORS

The key responsibilities of the Board include formulation of the Group's overall strategies, the setting of management targets and supervision of management performance. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the board committees of the Company (the "Board Committees"). Further details of the Board Committees are set out in this annual report. Under the terms of reference, the duties of the Board in respect of corporate governance are as follows:

1. to develop and review the policies and practices on corporate governance of the Group and make recommendations;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

5. to review the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

Composition of the Board

Up to the date of this annual report, the Board comprises six Directors, including three executive Directors and three independent non-executive Directors ("INED"). In particular, the composition of the Board is set out as follow:

Executive Directors
Ms. Tong Jiangxia *(Chairperson)* (appointed as chairperson on 1 November 2016)
Mr. Au Siu Chung *(Compliance Officer)* (appointed as compliance officer on 23 June 2017)
Mr. Long Jie (appointed on 16 March 2017)
Mr. Wang Peng (resigned on 24 August 2017)
Mr. He Jian Nen (resigned on 24 August 2017)
Ms. Au Man Yi (resigned on 23 June 2017)
Mr. Chai Nan (resigned on 3 January 2017)
Dr. Li Kai Shun (re-designated as a non-executive Director on 9 December 2016)

Non-executive Director
Dr. Li Kai Shun (re-designated as a non-executive Director on 9 December 2016 and resigned on 27 April 2017)

Independent Non-executive Directors
Mr. Tang Yiu Wing (appointed on 17 March 2017)
Ms. Chui Pui Yu (appointed on 1 January 2017)
Ms. Kwong Ka Ki
Mr. Ko Chi Keung (resigned on 17 March 2017)
Prof. Ho Ho Ming (resigned on 1 January 2017)

In compliance with rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board consisted of three INEDs during the Reporting Period. During the Reporting Period and as of the date of this report, the number of INEDs represents more than one-third of the Board. As such, there is a strong independent element in the Board to provide independent judgement.

The Company has entered into a service agreement with each of the INEDs for a term of two years, which may be terminated earlier by no less than three months written notice served by either party on the other.

Pursuant to Article 108 of the articles of association of the Company (the "Articles"), one-third of the Directors shall retire from office by rotation at each annual general meeting and every Director shall be subject to retirement by rotation at least once every three years. However, a retiring Director shall be eligible for re-election.

Specific enquiry has been made by the Company to each of the INEDs to confirm their independence pursuant to rule 5.09 of the GEM Listing Rules. In this connection, the Company has received the positive annual confirmations from all of the three INEDs. Based on the confirmations received, the Company considers all INEDs to be independent under the GEM Listing Rules.

Saved as disclosed in the section "Biographical Details of Directors and Senior Management" in this annual report, there is no financial, business, family or other material or relevant relationship among members of the Board and senior management.

Board and General Meetings

During the Reporting Period, fourteen board meetings were held. Subsequent to the Reporting Period, three more board meetings were held during the period between 1 August 2017 and the date of this report. The forthcoming annual general meeting which will be held on 28 November 2017 is the third general meeting of the Company since the date of Listing.

The attendance of the respective Directors at the Board meetings are set out below:

	Attendance/Number of meetings between 1 August 2016 and the date of this report
Executive Directors	
Ms. Tong Jiangxia *(Chairperson)* (appointed as chairperson on 1 November 2016)	12/16
Mr. Au Siu Chung *(Compliance Officer)* (appointed as compliance officer on 23 June 2017)	4/4
Mr. Long Jie (appointed on 16 March 2017)	6/8
Mr. Wang Peng (resigned on 24 August 2017)	4/9
Mr. He Jian Nen (resigned on 24 August 2017)	8/9
Ms. Au Man Yi (resigned on 23 June 2017)	11/13
Mr. Chai Nan (resigned on 3 January 2017)	5/7
Dr. Li Kai Shun (re-designated as non-executive Director on 9 December 2016)	4/4
Non-executive Director	
Dr. Li Kai Shun (re-designated as a non-executive Director on 9 December 2016 and resigned on 27 April 2017)	3/7
Independent Non-executive Directors	
Mr. Tang Yiu Wing (appointed on 17 March 2017)	7/8
Ms. Chui Pui Yu (appointed on 1 January 2017)	9/11
Ms. Kwong Ka Ki	17/17
Mr. Ko Chi Keung (resigned on 17 March 2017)	7/9
Prof. Ho Ho Ming (resigned on 1 January 2017)	2/6

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. During the Relevant Period, there have been no chief executive in the Company. Ms. Tong Jiangxia acted as the Chairperson of the Board, and is responsible for the overall management and formulation of business strategy of the Group.

The Board does not have the intention to fill the position of the chief executive of the Company at present and believe the absence of the chief executive will not have adverse effect to the Company, as decisions of the Company will be made collectively by the executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of chief executive. Appointment will be made to fill the post to comply with code provision A.2.1 of the Code if necessary.

RELATIONSHIPS AMONG MEMBERS OF THE BOARD

There was no financial, business, family or other material relationship among the Directors. The biographical details of each of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the shares of the Company (the “Code of Conduct”). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the period from 1 August 2016 to 31 July 2017.

DIRECTORS’ CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the Reporting Period, the Company has complied with code provision A.6.5 of the Code that all Directors have attended at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they keep abreast with the current requirements under the GEM Listing Rules.

BOARD COMMITTEES

The Board has established a number of functional committees in compliance with the relevant GEM Listing Rules and to assist the Board to discharge its duties. Currently, four committees have been established. An audit committee (the "Audit Committee") has been established on 19 November 2014 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and code provisions C3.3 and C3.7 of the Code; a remuneration committee (the "Remuneration Committee") has been established on 19 November 2014 with its terms of reference in compliance with code provision B1.2 of the Code; and a nomination committee (the "Nomination Committee") has been established on 19 November 2014 with terms of reference a compliance with paragraph A5.2 of the Code. The functions and responsibilities of these committees have been set out in the relevant terms of reference which are of no less stringent than that stated in the Code. The relevant terms of reference of each of the three committees can be found on the Group's website (www.kslholdings.com) and the website of the Stock Exchange. In addition to the abovementioned committees, a legal compliance committee (the "Legal Compliance Committee") has been established on 19 November 2014. All committees have been provided with sufficient resources and support from the Group to discharge their duties.

AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises three members, namely Ms. Kwong Ka Ki (Chairperson), Mr. Tang Yiu Wing and Ms. Chui Pui Yu, all of whom are INEDs of the Company. The members of the Audit Committee shall comprise non-executive Directors and shall be appointed or removed by the Board. If any member of the Audit Committee ceases to be a Director, he/she will cease to be a member of the Audit Committee automatically.

The Audit Committee must comprise a minimum of three members, at least one of whom is an INED with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05 (2) of the GEM Listing Rules. In addition, the majority of the Audit Committee shall be INEDs.

With reference to the terms of reference, the primary responsibilities of the Audit Committee are, among others (for the complete terms of reference please refer to the Group's website www.kslholdings.com or the website of the Stock Exchange):

1. to make recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditors, and approve the remuneration and terms of engagement of the Company's external auditors;

2. to review and monitor the Company's external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

3. to develop and implement policy on engaging the Company's external auditors to supply non-audit services, if any;

4. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report, quarterly report and review significant financial reporting judgments contained in them;

5. to discuss with the Company's external auditors questions and doubts arising in audit of annual accounts;

6. to review the letter of the Company's management from the Company's external auditors and the management's response;

7. to review the statement about the Company's internal control system as included in the Company's annual report prior to submission for the Board's approval;

8. to review the Company's financial reporting, financial controls, internal control and risk management systems;

9. to discuss the internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system;

10. to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

11. to review the financial and accounting policies and practices of the Group;

12. to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or systems of control and management's response;

13. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

14. to report to the Board on that matters pursuant to the terms of reference of the Audit Committee and consider other topics as defined by the Board; and

15. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

During the Reporting Period, the Audit Committee had reviewed the Group's unaudited quarterly results for the three months ended 31 October 2016, interim results for the six months ended 31 January 2017, quarterly results for the nine months ended 30 April 2017 and discussed internal controls and financial reporting matters. The Audit Committee had also reviewed audited annual results for the financial year ended 31 July 2017, this annual report, and confirmed that this annual report complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

The Board is of the view that the Audit Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

During the Reporting Period, the Audit Committee had held three meetings. Between 1 August 2016 and the date of this report, the Audit Committee has held five meetings, five of which with full attendance by all the members of the Audit Committee. The attendance records of the members of the Audit Committee are summarised below:

	Attendance/Number of meetings between 1 August 2016 and the date of this report
Ms. Kwong Ka Ki *(Chairperson)*	5/5
Mr. Tang Yiu Wing (appointed on 17 March 2017)	2/2
Ms. Chui Pui Yu (appointed on 1 January 2017)	3/3
Mr. Ko Chi Keung (resigned on 17 March 2017)	3/3
Prof. Ho Ho Ming (resigned on 1 January 2017)	1/2

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Mr. Tang Yiu Wing (Chairman), Mr. Au Siu Chung, and Ms. Kwong Ka Ki. Mr. Tang and Ms. Kwong are INEDs of the Company.

With reference to the terms of reference of the Remuneration Committee, the primary responsibilities of the Remuneration Committee include (for the complete terms of reference please refer to the Group's website www. kslholdings.com or the website of the Stock Exchange):

1. to consult the chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors;

2. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

5. to make recommendations to the Board on the remuneration of non-executive Directors;

6. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;

7. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

8. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

9. to ensure that no Directors or any of his associates is involved in deciding his own remuneration.

The attendance records of the members of the Remuneration Committee are summarised below:

	Attendance/Number of meetings between 1 August 2016 and the date of this report
Mr. Tang Yiu Wing *(Chairman)* (appointed on 17 March 2017)	2/2
Mr. Au Siu Chung (appointed on 23 June 2017)	1/1
Ms. Kwong Ka Ki	8/8
Ms. Au Man Yi (resigned on 23 June 2017)	5/7
Mr. Ko Chi Keung (resigned on 17 March 2017)	5/6

During the Reporting Period, the Remuneration Committee reviewed and made recommendation on the remuneration package of senior management of the Group. The Board is of the view that the Remuneration Committee has properly discharged its duties and responsibilities during the Reporting Period and up to the date of this report.

NOMINATION COMMITTEE

The Nomination Committee comprises three members, namely Ms. Kwong Ka Ki (Chairperson), Ms. Chui Pui Yu and Mr. Tang Yiu Wing, all of whom are INEDs of the Company.

With reference to the terms of reference the Nomination Committee, the primary responsibilities of the Nomination Committee include (for the complete terms of reference please refer to the Group's website www.kslholdings.com or the website of the Stock Exchange):

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on proposed changes, if any, to the Board to complement the Company's corporate strategy;

2. to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;

3. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

4. to assess the independence of INEDs; and

5. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

During the Reporting Period, the members of Nomination Committee did not hold any meeting.

The attendance records of the members of the Nomination Committee are summarised below:

	Attendance/ Number of meetings between 1 August 2016 and the date of this report
Ms. Kwong Ka Ki *(Chairperson)* (appointed on 1 November 2016)	8/8
Ms. Chui Pui Yu (appointed on 1 January 2017)	2/3
Mr. Tang Yiu Wing (appointed on 17 March 2017)	2/2
Mr. Ko Chi Keung (resigned on 17 March 2017)	4/6
Prof. Ho Ho Ming (resigned on 1 January 2017)	1/5
Dr. Li Kai Shun (resigned on 1 November 2016)	2/2

LEGAL COMPLIANCE COMMITTEE

The Legal Compliance Committee comprises three members, namely Mr. Tang Yiu Wing (Chairman), Mr. Au Siu Chung and Ms. Kwong Ka Ki. Mr. Tang and Ms. Kwong are INEDs of the Company.

With reference to the terms of reference of the Legal Compliance Committee, the primary duties of the Legal Compliance Committee are to assist in overseeing our compliance with laws and regulations relevant to our business operations and to review the effectiveness of our regulatory compliance procedures and system.

The attendance records of the members of the Legal Compliance Committee are summarised below:

	Attendance/ Number of meetings between 1 August 2016 and the date of this report
Mr. Tang Yiu Wing *(Chairman)* (appointed on 27 April 2017)	1/1
Mr. Au Siu Chung (appointed on 23 June 2017)	1/1
Ms. Kwong Ka Ki	2/2
Ms. Au Man Yi (resigned on 23 June 2017)	1/1
Dr. Li Kai Shun (resigned on 27 April 2017)	1/1

AUDITORS' REMUNERATION

During the Reporting Period, the Group engaged HLB Hodgson Impey Cheng Limited ("HLB") as the Group's external auditors. The remuneration paid and payable to HLB is set out as follows:

Services rendered	**Fees paid/payable** (HK$'000)
Statutory audit services	880

During the Reporting Period, there is no non-audit services provided by HLB.

COMPANY SECRETARY

Mr. Cheung Yuk Tak ("Mr. Cheung") was appointed as the company secretary of our Company on 30 June 2016. Please refer to the section "Biographical details of Directors and Senior Management" for his biographical information.

During the Reporting Period, Mr. Cheung has undertaken not less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

COMPLIANCE OFFICER

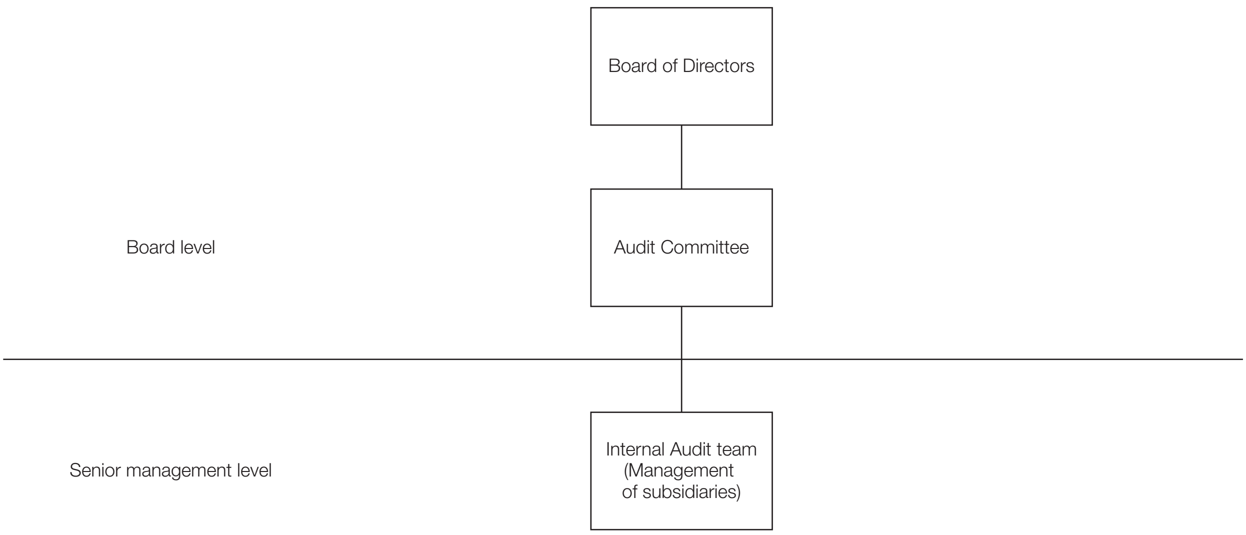
Mr. Au Siu Chung, an executive Director, is the compliance officer of the Group. Please refer to the section "Biographical details of Directors and Senior Management" for his biographical information.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board and the senior management are responsible for improving and monitoring the risk management and internal control of the Group. In this regard, the Audit Committee has performed a regular review of the risk management and internal control system of the Group within the Reporting Period in which the results were summarized and reported to the Board. The Board has also conducted a review of the effectiveness of the risk management and internal control system of the Group. The Group also sets up an internal audit team comprise management of subsidiaries, which plays a major role in monitoring the corporate governance of the Group and providing objective assurance to the Board that a sound internal control system is maintained and operated by the management.

Main features of the risk management and internal control systems

The risk management framework of the Group and main responsibilities of the members in the framework are described as follows:



Member	Main Responsibilities
The Board	• Set up goals for risk management strategy, assess and determine the nature and extent of risk acceptable to achieve the strategy goals; • Establish and maintain a proper and effective risk management and internal control systems; and • Review the effectiveness of the risk management and internal control systems annually.

Member	Main Responsibilities
Audit Committee	• Assist the Board in overseeing the risk level and the design and performance of the risk management and internal control systems; • Discuss the risk management and internal control systems with the management, ensure the management has fulfilled its responsibility of establishing effective systems; • Ensure that the internal audit function has sufficient resources for operation and has a proper position, review and supervise its performance; • Keep updated of various major risks confronted by the Group and the risk management status, make decisions for effective risk control; • Report the risk status of the Group and issues to be concerned or improved to the Board on a regular basis; • Facilitate risk management and assessment, regularly appoint relevant accountable persons to implement risk assessment; • Organise and promote the establishment of the risk management system at the group level; • Review material risk assessment report and various risk management reports; • Review major risk management measures, rectify and deal with the decisions made or actions adopted by relevant organizations or individuals beyond the risk management system; • Engage relevant persons to organise and coordinate various departments and projects to carry out identification and assessment of significant risks at the group level, summarise and analyse such information, submit risk assessment and various risk management reports; and • Carry out risk management for other major issues.
Internal audit team	• Ensure that the subsidiaries carry out the risk assessment in compliance with the risk assessment manual formulated by the Group; • Review and approve the risk assessment results of the subsidiaries in respect of the business; • Ensure that the subsidiaries implement effective risk management; • Monitor the principal business risks confronted by the subsidiaries and the effectiveness of relevant risk management measures; and • Allocate resources such as fund and workforce to the subsidiaries for implementation of the risk assessment projects.

The process used to identify, assess and management of principal risks

The risk management process of the Group is described as follows:

Risk identification	– identify the current risks confronted.
Risk analysis	– conduct analysis on the risk including the impact extent and possibility of occurrence.
Risk response	– choose a proper risk response method and develop a risk mitigation strategy.
Control measures	– propose up-to-date internal control measures and policy and process.
Risk control	– continuously monitor the risks identified and implement relevant internal control measures to ensure the effective operation of the risk response strategy.
Risk management report	– summarise results of risk assessment and analysis and internal audit, formulate and report an action plan.

The process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects:

The Group establishes a risk management information and communication channel that is functional within the whole basic risk control procedure, connects different levels in the reporting system and different departments and operation units, so as to ensure timely, accurate and complete communication of information, laying a solid foundation for the monitoring and improvement of risk management.

Different departments and business units of the Group regularly inspect and examine their own risk management process in order to locate the shortcomings and remedy the situation if possible. Their inspection and examination reports are delivered to the Group's risk management department in time.

The Board further considers that (i) there was no material issue relating to the Group's risk management and internal controls, including financial, operational and compliance controls and risk management functions of the Group; and (ii) that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year ended 31 July 2017.

SENIOR MANAGEMENT REMUNERATION

For the Reporting Period, the remuneration of the senior management is listed below by band:

	Number of individuals
HK$500,001 to HK$1,000,000	4

Details of the directors' remuneration and five highest paid individuals for the Relevant Period as regarded to be disclosed pursuant to the Code are provided in Notes to the Consolidated Financial Statements in this report.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements of the Group are prepared in a manner which reflects the true and fair view of the state of affairs, results and cash flows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. The Directors are of the view that the consolidated financial statements of the Group for each financial year have been prepared on this basis.

To the best knowledge of the Directors, there is no uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

Statement of the Company's external auditors' responsibilities in respect of the consolidated financial statements is set out in the Independent Auditors' Report of this report.

GENERAL MEETINGS WITH SHAREHOLDERS

The annual general meeting ("AGM") is a forum in which the Board and the shareholders communicate directly and exchange views concerning the affairs and overall performance of the Group, and its future developments, etc. At the AGM, the Directors (including INEDs) are available to attend to questions raised by the shareholders. The external auditors of the Company is also invited to be present at the AGM to address to queries of the shareholders concerning the audit procedures and the auditors' report.

The AGM of the Company will be held on 28 November 2017, the notice of which shall be sent to the shareholders of the Company at least 20 clear business days prior to the meeting.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meeting on Requisition by Shareholders

Pursuant to article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting ("EGM"). EGMs shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, all reasonable expenses incurred by the acquisition(s) as a result of the failure of the Board shall be reimbursed to the requisition(s) by the Company.

Procedures for Shareholders' Nomination of Directors

Pursuant to article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company. The period for lodgment of the notices required under the Article will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Procedures for directing shareholders' enquiries to the Board

Shareholders may direct their enquiries concerning their shareholdings to the Company's share registrars. Shareholders may also make a request for the Company's information to the extent that such information has been made publicly available by the Company. All written enquiries or requests may be forwarded to the Company's head office or by fax to (852) 3565 6301, or by email to feedback@kslholdings.com.

The addresses of the Company's head office and the Company's share registrars can be found in the section "Corporate Information" of this annual report.

Investor Relations

To ensure transparent and comprehensive disclosures to investors, the Group delivers information of the Group to the public through various channels, including general meeting, public announcement and financial reports. The investors are also able to access the latest news and information of the Group via our website (www.kslholdings.com).

In order to maintain good and effective communication, the Company together with the Board extend their invitation to all shareholders and encourage them to attend the forthcoming AGM and all future general meetings.

The shareholders may also forward their enquiries and suggestions in writing to the Company to the followings:

Address: Unit 1501 & 02, 15/F.,
Guangdong Finance Building,
No. 88 Connaught Road West,
Hong Kong

Email: feedback@kslholdings.com

Significant Changes in Constitutional Documents

Save for the adoption of the amended and restated memorandum and articles of association for the purpose of the listing of the shares of the Company on the Stock Exchange, during the Relevant Period, there had been no significant changes in the constitutional documents of the Company.

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 July 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of engineering consulting, contracting, project management and interior design and decoration services in Hong Kong with a focus on geotechnical engineering works.

BUSINESS REVIEW

Further discussion and analysis of the activities of the Group during the Reporting Period, and an indication of likely future developments in the Group's business as required by Schedule 5 to the Companies Ordinance, Chapter 622, can be found in the section headed "Management Discussion and Analysis" of this annual report. Those discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of the principle risks and uncertainties of the Group during the Reporting Period are set out in Note 3 to the consolidated financial statements.

RESULT AND APPROPRIATIONS

The results of the Group for the year ended 31 July 2017 are set out in the consolidated statement of profit or loss and other comprehensive income in this annual report.

The Board did not recommend payment of final dividend to shareholders of the Company for the Reporting Period.

CLOSURE OF REGISTER OF MEMBERS

As the forthcoming AGM of the Company will be held on 28 November 2017 (Tuesday), the register of members of the Company will be closed from 23 November 2017 (Thursday) to 28 November 2017 (Tuesday) (both days inclusive) for the said AGM or any adjournment thereof. All transfer of the Company's shares together with the relevant share certificates must be lodged with the Company's branch share registrar and transfer office no later than 4:30 p.m. on 22 November 2017 (Wednesday) in order to qualify for the right to attend and vote at the meeting (or any adjournment thereof). The share registrar and transfer office is at:

Address: Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past two financial years are set out in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the Reporting Period are set out in Note 14 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

Details of environmental Policies and performance are set out in the "Environmental, Social and Governance Report" in this annual report. The Group is committed to ensuring that the Group's operation is in compliance with applicable laws and regulations. As far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 July 2017 are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 31 July 2017 was 411,200,000 ordinary shares of HK$0.01 each.

Details of movements of the share capital and the share premium of the Company during the Reporting Period are set out in Note 23 to the consolidated financial statements.

EMOLUMENT POLICY FOR DIRECTORS

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in Note 25 to the consolidated financial statements.

As of 31 July 2017, the reserves of the Company available for distribution, as calculated under the provisions of section 79B of the Companies Ordinance, and in accordance with the Companies Law Cap. 22 of Cayman Islands, was approximately HK$18.7 million (31 July 2016: HK$20.5 million) inclusive of share premium and accumulated losses.

DISTRIBUTABLE RESERVES

Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company is available for distributions or payment of dividends to shareholders of the Company subject to the provisions of the Articles, provided that immediately following the distribution of dividends, the Company is able to pay off its debts as and when they fall due in the ordinary course of business.

SHARE OPTION SCHEME

Particulars of the share option scheme (the "Scheme") which was adopted on 19 November 2014 are set out in Note 24 to the consolidated financial statements.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 July 2017.

DIRECTORS

The Directors of the Company during the Reporting Period and up to the date of this report were:

Executive Directors

Ms. Tong Jiangxia *(Chairperson)* (appointed as chairperson on 1 November 2016)
Mr. Au Siu Chung *(Compliance Officer)* (appointed as compliance officer on 23 June 2017)
Mr. Long Jie (appointed on 16 March 2017)
Mr. Wang Peng (resigned on 24 August 2017)
Mr. He Jian Nen (resigned on 24 August 2017)
Ms. Au Man Yi (resigned on 23 June 2017)
Mr. Chai Nan (resigned on 3 January 2017)

Non-executive Director

Dr. Li Kai Shun (re-designated as a non-executive Director on 9 December 2016 and resigned on 27 April 2017)

Independent Non-executive Directors

Mr. Tang Yiu Wing (appointed on 17 March 2017)
Ms. Chui Pui Yu (appointed on 1 January 2017)
Ms. Kwong Ka Ki
Mr. Ko Chi Keung (resigned on 17 March 2017)
Prof. Ho Ho Ming (resigned on 1 January 2017)

The Directors' biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" in this report.

Information regarding directors' emoluments is set out in Note 9 to the consolidated financial statements.

An annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules has been received from each of the INEDs.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into service agreements with the Company for a term of two years. All of these service agreements may be terminated earlier by no less than two months written notice served by either party to the other.

Each of the INEDs has entered into a service agreement with the Company for a term of two years, which may be terminated earlier by no less than three months written notice served by either party on the other.

No director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation. The non-executive Director of the Company was appointed for a fixed period but subject to retirement from office and re-election at the AGM of the Company in accordance with the Articles.

In accordance with Article 112 of the Articles, any director appointed by the Board either to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Mr. Au Siu Chung, Mr. Long Jie, Mr. Tang Yiu Wing and Ms. Chui Pui Yu will retire from office as Directors at the forthcoming AGM, and being eligible, offer themselves for re-election.

Pursuant to Article 108 of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Ms. Tong Jiangxia will retire from office as a Director at the forthcoming AGM, and being eligible, offer herself for re-election.

Each of the executive Directors shall also be entitled to discretionary bonus to be determined by the Board based on, among other things, the performance of the individual directors and the overall financial position of the Group, and is subject to the recommendation of the remuneration committee of the Company.

PERMITTED INDEMNITY

During the Reporting Period, the Company has arranged Directors' and officers' liability insurance for all Directors and senior management of the Company. The insurance covers the corresponding costs, charges, expenses and liabilities for legal action of corporate activities against them.

DISCLOSURE OF INTERESTS

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

As at 31 July 2017, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions 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 are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein; or are otherwise required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by the Directors as referred to the GEM Listing Rules.

As at 31 July 2017, none of the Directors was a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

As at 31 July 2017, 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:-

Names of Shareholders	Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding
Mr. Wei Kai *(Note 2)*	Beneficial owner	2,904,000	0.71%
	Interest in a controlled corporation	60,000,000	14.59%
Wealth Triumph Corporation *(Note 2)*	Beneficial owner	60,000,000	14.59%
Ms. Wang Huijuan *(Note 3)*	Spouse interest	62,904,000	15.30%
Ms. Lam Joley *(Note 4)*	Spouse interest	32,400,000	7.88%
Mr. Li Kai Shun *(Note 4)*	Interest in a controlled corporation	32,400,000	7.88%
Sonic Solutions Limited *(Note 4)*	Beneficial owner	32,400,000	7.88%
Ms. Kuang FangFang	Beneficial owner	30,000,000	7.30%
Mr. Pan Guorong	Beneficial owner	30,000,000	7.30%

Notes:

1. Interests in Shares stated above represent long positions.

2. Mr. Wei Kai beneficially owns the entire issued share capital of Wealth Triumph Corporation which in turns hold 60,000,000 Shares. As such, Mr. Wei Kai is deemed, or taken to be, interested in all the Shares held by Wealth Triumph Corporation for the purposes of the SFO. Mr. Wei Kai is the sole director of Wealth Triumph Corporation.

3. Ms. Wang Huijuan is the spouse of Mr. Wei Kai and is deemed, or taken to be, interested in all the Shares in which Mr. Wei Kai is interested for the purposes of the SFO.

4. 32,400,000 Shares are held by Sonic Solutions Limited as a beneficial owner. The entire issued share capital of Sonic Solutions Limited is wholly-owned by Mr. Li Kai Shun. As such, Mr. Li Kai Shun is deemed to be interested in 32,400,000 Shares held by Sonic Solutions Limited. Ms. Lam Joley is the spouse of Mr. Li Kai Shun. Therefore, Ms. Lam Joley is deemed to be interested in 32,400,000 Shares held by Mr. Li Kai Shun.

Save as disclosed above, as at 31 July 2017, 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.

MAJOR CUSTOMERS

During the Reporting Period, the Group's five largest customers accounted for approximately 35.85% (2016: 83.3%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 7.91% (2016: 57.8%) of the total revenue.

None of the Directors or any of their close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

MAJOR SUPPLIERS

During the Reporting Period, the Group's five largest suppliers accounted for approximately 40.99% (2016: 98.6%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 11.44% (2016: 44.9%) of the total purchases.

None of the Directors or any of their close associates, or any shareholder (which to the knowledge of the Directors own 5% or more of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in Note 30 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a Director had a material interests directly or indirectly subsisted at the end of the Reporting Period or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 July 2017 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Company had not entered into any connected transaction during the Reporting Period which is required to be disclosed under the GEM Listing Rules. Related party transactions entered into by the Group during the Reporting Period are disclosed in Note 30 to the consolidated financial statements.

COMPETITION AND CONFLICT OF INTEREST

During the year ended 31 July 2017, 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 entities which are considered to compete or likely to compete with the business of the Group:	Description of business:	Nature of interests:
Ho Ho Ming (resigned as an independent non-executive Director on 1 January 2017)	Wan Kei Group Holdings Limited (Stock Code: 1718)	Principally engaged in (i) foundation works; and (ii) ground investigation field work	Independent non-executive director (resigned on 1 March 2017)
	LEAP Holdings Group Limited (Stock Code: 1499)	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

As the Board is independent of the boards of the abovementioned entities and none of the above Directors can control the Board, 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 year ended 31 July 2017, none of the Directors, the controlling shareholders and substantial shareholders of the Company, neither themselves nor their respective close 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 ADVISOR'S INTERESTS

As at 31 July 2017, as notified by the Company's compliance advisor, Dakin Capital Limited (the "Compliance Advisor"), except for the compliance advisor agreement entered into between the Company and the Compliance Advisor dated 24 February 2016, neither the Compliance Advisor nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

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

During the year ended 31 July 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE (THE "CODE")

During the year ended 31 July 2017, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "Code of Conduct"). Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the year ended 31 July 2017.

SHARE OPTION SCHEME

The Company has conditionally 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 were no share option outstanding as at 31 July 2017.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

HLB Hodgson Impey Cheng Limited ("HLB") shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB as auditors of the Company will be proposed in the forthcoming AGM. The Company has not changed its external auditors during the year ended 31 July 2017 and up to the date of this annual report.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 19 November 2014 with its written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process, 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. As at the date of this annual report, the Audit Committee consists of three members, namely Ms. Kwong Ka Ki (Chairperson), Mr. Tang Yiu Wing and Ms. Chui Pui Yu.

REVIEW OF ANNUAL REPORT

This annual report for the year ended 31 July 2017 has been reviewed by the Audit Committee of the Company, which was of the opinion that the information contained therein had complied with the disclosure requirements of the GEM Listing Rules, and that adequate disclosures had been made.

On behalf of the Board
KSL Holdings Limited
Tong Jiangxia
Chairperson and Executive Director

Hong Kong, 25 October 2017

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE MEMBERS OF
KSL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of KSL Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 63 to 125, which comprise the consolidated statement of financial position as at 31 July 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue and costs from contracts and amounts due from/to customers for contract work	
Refer to the Notes 4(c), 5 and 18 to the consolidated financial statement	
We identified recognition of revenue and costs from contracts and amounts due from/to customers for contract work as a key audit matter as significant management estimates and judgements are required in the determination of the outcome of contracts and the percentage of completion.	Our procedures in relation to recognition of revenue and costs from contracts and amounts due from/to customers for contract work mainly included: • Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management; • Understanding from management about how the budgets were prepared and the respective stage of completion were determined; • Obtaining and reviewing the certificates issued by customers, invoices issued by suppliers and subcontractors and wages of labour to evaluate the reasonableness of percentage of completion; • Testing the actual costs incurred for work performed; • Assessing the reasonableness of the budgets by comparing the actual outcome against management's estimation of similar contracts; • Checking the amounts due from/to customers for contract work by agreeing the actual costs incurred and the progress billings issued to customers.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – *continued*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Lo Kin Kei.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Lo Kin Kei
Practising Certificate Number: P06413

Hong Kong, 25 October 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	5	47,399	124,799
Cost of sales		(33,940)	(92,435)
Gross profit		13,459	32,364
Other income and net gains	5	3,058	3,726
Fair value changes on financial assets at fair value through profit or loss		(1,749)	–
Administrative and other operating expenses		(26,599)	(18,219)
Operating (loss)/profit		(11,831)	17,871
Finance costs	6	–	(3)
(Loss)/profit before income tax	7	(11,831)	17,868
Income tax expense	10	(578)	(3,198)
(Loss)/profit and total comprehensive (expense)/income for the year		(12,409)	14,670
(Loss)/profit and total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(11,387)	14,722
Non-controlling interests		(1,022)	(52)
(Loss)/profit and total comprehensive (expense)/income for the year		(12,409)	14,670
Basic and diluted (loss)/earnings per share (HK cents)	11	(2.8)	3.6

The accompanying notes form an integral part of these consolidated financial statements. Details of dividends paid and proposed are disclosed in Note 12 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	2,406	2,572
Investment properties	15	19,000	–
		21,406	2,572
Current assets			
Trade and other receivables	17	34,503	13,961
Amounts due from customers for contract work	18	3,105	917
Financial assets at fair value through profit or loss	19	17,520	–
Amounts due from non-controlling interests	20	–	494
Tax recoverable		2,984	–
Cash and cash equivalents	21	21,107	103,227
		79,219	118,599
Total assets		100,625	121,171
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	23	4,112	4,112
Share premium	23	24,394	24,394
Other reserves	25	67,356	78,743
		95,862	107,249
Non-controlling interests		(180)	442
Total equity		95,682	107,691

	Note	2017 HK$'000	2016 HK$'000
LIABILITIES			
Current liabilities			
Trade and other payables	22	4,472	9,985
Amounts due to customers for contract work	18	168	1,056
Tax payable		303	2,439
Total liabilities		4,943	13,480
Total equity and liabilities		100,625	121,171

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 October 2017 and signed on its behalf by:

Ms. Tong Jiangxia
Director

Mr. Au Siu Chung
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2017

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 23)	Share premium HK$'000 (Note 23)	Other reserves HK$'000 (Note 25)	Sub-total HK'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 August 2015	4,112	24,394	64,021	92,527	–	92,527
Profit and total comprehensive income for the year	–	–	14,722	14,722	(52)	14,670
Transactions with owners: Capital contribution by non-controlling interests	–	–	–	–	494	494
Balance at 31 July 2016 and 1 August 2016	**4,112**	**24,394**	**78,743**	**107,249**	**442**	**107,691**
Loss and total comprehensive expense for the year	**–**	**–**	**(11,387)**	**(11,387)**	**(1,022)**	**(12,409)**
Transactions with owners: Capital contribution by non-controlling interests	**–**	**–**	**–**	**–**	**400**	**400**
Balance at 31 July 2017	**4,112**	**24,394**	**67,356**	**95,862**	**(180)**	**95,682**

The accompanying notes form an integral part of these consolidated financial statements.

For the year ended 31 July 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	26	(34,766)	22,445
Income tax paid		(5,669)	(8,854)
Interest received		10	2
Net cash (used in)/generated from operating activities		(40,425)	13,593
Cash flows from investing activities			
Acquisition of subsidiaries		(19,000)	(1,292)
Disposal of a subsidiary, net of cash received		248	245
Proceeds from disposal of property, plant and equipment		106	499
Net proceeds from disposal of investment properties		–	20,056
Purchases of property, plant and equipment		(1,807)	(522)
Refundable deposit paid		(2,600)	–
Loan granted		(22,000)	–
Loan interest received		2,464	–
Net cash (used in)/generated from investing activities		(42,589)	18,986
Cash flows from financing activities			
Capital contribution by non-controlling interests		400	–
Decrease in amounts due from non-controlling interests		494	–
Repayment of finance leases		–	(171)
Interest paid on finance leases		–	(3)
Net cash generated from/(used in) financing activities		894	(174)
Net (decrease)/increase in cash and cash equivalents		(82,120)	32,405
Cash and cash equivalents at beginning of the year		103,227	70,822
Cash and cash equivalents at end of the year	21	21,107	103,227

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

KSL Holdings Limited (the "Company") was incorporated in the Cayman Islands on 17 July 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 5 December 2014.

The address of the Company's registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Unit 1501 & 02, 15/F., Guangdong Finance Building, No. 88 Connaught Road West, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred as to the "Group") are principally engaged in the provision of engineering consulting, contracting and project management services in Hong Kong with a focus on geotechnical engineering works and the provision of interior design and decoration services.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company's shares on the GEM of the Stock Exchange (the "Reorganisation"), the group entities were under the control of Dr. Li Kai Shun ("Dr. Li"). Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 19 November 2014. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Dr. Li prior to and after the Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations " issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation, where this is a shorter period.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company. These consolidated financial statements have been approved for issue by the Board of Directors on 25 October 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 August 2016:

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The adoption of the above new amendments of HKFRSs did not have any significant impact on the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.1 Basis of preparation – *continued*

2.1.1 Changes in accounting policy and disclosures – *continued*

(b) New standards and interpretations not yet adopted

The following are new standards, amendments and interpretations that have been issued but not yet effective for the annual accounting period beginning 1 August 2016 and have not been early adopted by the Group:

HKAS 7 (Amendment)	Disclosure Initiative[1]
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKAS 40 (Amendment)	Transfer of Investment Property[3]
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions[3]
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 16	Leases[4]
HKFRS (Amendment)	Annual Improvement to HKFRSs 2014-2016 Cycle[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[4]

1 Effective for annual periods beginning on or after 1 January 2017.

2 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2018.

4 Effective for annual periods beginning on or after 1 January 2019.

5 Effective for annual periods beginning on or after a date to be determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.1 Basis of preparation – *continued*

2.1.1 Changes in accounting policy and disclosures – *continued*

(b) New standards and interpretations not yet adopted – continued

HKFRS 9 *Financial instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Group is:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the Group's financial performance and financial position, including the measurement of financial assets and disclosures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.1 Basis of preparation – *continued*

2.1.1 Changes in accounting policy and disclosures – *continued*

(b) New standards and interpretations not yet adopted – continued

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.1 Basis of preparation – *continued*

2.1.1 Changes in accounting policy and disclosures – *continued*

(b) New standards and interpretations not yet adopted – continued

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As at 31 July 2017, the Group has non-cancellable operating lease commitments of approximately HK$2,226,000 as disclosed in Note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.1 Basis of preparation – *continued*

2.1.1 Changes in accounting policy and disclosures – *continued*

(b) New standards and interpretations not yet adopted – continued

The Group is in the process of making an assessment on what the impact of the other new or revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

2.2 Consolidation and combination

The consolidated financial statements includes the financial statements of the Company and all its subsidiaries made up to respective year end dates.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amount of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.2 Consolidation and combination – *continued*

2.2.1 Transaction with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

2.2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.4 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

— Leasehold improvements	: 20% – $33^1/_3$%
— Furniture, fixtures and office equipment	: 20% – $33^1/_3$%
— Motor vehicles	: 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.6 Investment property

Investment property, principally comprising leasehold land, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated statement of profit or loss and other comprehensive income as part of a valuation gain or loss.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Contracts in progress

Contract work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. Cost comprises construction material costs, labour and overheads expenses incurred in bringing the work-in-progress to its present condition.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within trade and retention receivables. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets as at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "amounts due from non-controlling interests" and "cash and cash equivalents" in the consolidated statement of financial position.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of profit or loss as part of other income when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.10 Impairment of financial assets

The Group assesses at the end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.16 Current and deferred income tax – *continued*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax liabilities are not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

(a) Pension obligations

The Group operates a defined contribution plan and pays contributions to a privately administered pension insurance plan on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.17 Employee benefits – *continued*

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(d) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

2.18 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.19 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

(a) Contracting and interior design and decoration income

Contract costs are recognised when incurred. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

Revenue from contract work is recognised based on the percentage of completion of the contracts, provided that the percentage of contract completion and the gross billing value of contracting work can be measured reliably. The percentage of completion of a contract is established by reference to the construction works certified by the customer or to the proportion that contract costs incurred for work performed to date bear to the estimated total contract cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.20 Revenue recognition – *continued*

(b) Engineering consulting and project management service income

Revenue from provision of engineering consulting and project management services are recognised when the related services rendered to the customer.

(c) Seminar income

Seminar income is recognised when services are rendered.

(d) Sales of publication of technical books

Sales of publication of technical books are recognised on the transfer of risks and rewards of ownership.

(e) Financial public relations services income

Financial public relations service income is recognised when services are rendered.

(f) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(g) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are declared by the directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.

2.24 Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.24 Related parties – *continued*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk, price risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Interest rate risk

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets with variable interest rate. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group has not hedged its cash flow interest rate risks.

The Group had no variable-rate borrowings as at 31 July 2016 and 2017.

(ii) Credit risk

Credit risk arises mainly from trade and other receivables, amounts due from non-controlling interests and cash and cash equivalents. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

3. FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(ii) Credit risk – continued

As at 31 July 2017, there were 2 customers (2016: 2 customers) which individually contributed over 10% of the Group's trade receivables. The aggregate amount of trade receivables from these customers amounted to 57% (2016: 52%) of the Group's total trade receivables as at 31 July 2017.

The Group is also exposed to credit risk through its loan receivable of HK$22,000,000. The loan receivable is secured by a personal guarantee from the third party.

(iii) Price risk

The Group is exposed to securities price risk because certain investments held by the Group are classified in the consolidated statement of financial position as financial assets at fair value through profit or loss as at 31 July 2017.

As at 31 July 2017, if the quoted price of the financial assets at fair value through profit or loss had appreciated/depreciated by 10% with all other variables held constant, the Group's loss before income tax would have been approximately HK$1,752,000 higher/lower as a result of gains/losses on change in fair value of the financial assets at fair value through profit or loss.

(iv) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the short and long term. Management believes there is no significant liquidity risk as the Group has sufficient reserves of cash and cash equivalents to fund their operations.

3. FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(iv) Liquidity risk – continued

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group may be required to pay:

	Weighted average interest rate	On demand or within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
As at 31 July 2017					
Trade and other payables	–	3,768	–	–	3,768
As at 31 July 2016					
Trade and other payables	–	9,068	–	–	9,068

3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operation and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities divided by the total equity.

3. FINANCIAL RISK MANAGEMENT – *continued*

3.2 Capital management – *continued*

The gearing ratios at 31 July 2016 and 2017 were as follows:

	2017 HK$'000	2016 HK$'000
Total interest-bearing liabilities	–	–
Total equity	95,682	107,691
Gearing ratio	N/A	N/A

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 July 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 July 2017.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 July 2017				
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	17,520	–	–	17,520

There were no transfers between levels during the year.

3. FINANCIAL RISK MANAGEMENT – *continued*

3.3 Fair value estimation – *continued*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments listed in Hong Kong stock market.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value of investment properties

The fair value of investment property is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 15.

(b) Impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at the end of the reporting period.

Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – *continued*

(c) Percentage of completion of contract works

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value and the management's estimation of the total outcome of the contract. Because of the nature of the activity undertaken in contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

5. REVENUE AND SEGMENT INFORMATION

Revenue and other income and net gains recognised during the year are as follows:

	2017 HK$'000	2016 HK$'000
Revenue		
Engineering consulting	14,172	29,339
Contracting	9,321	84,777
Project management	–	8,650
Interior design and decoration	23,421	917
Others	485	1,116
	47,399	124,799

	2017 HK$'000	2016 HK$'000
Other income and net gains		
Gains on disposal of investment properties	–	2,356
Gain on disposal of a subsidiary *(Note 29)*	404	39
Government grants *(Note)*	100	140
Interest income	10	2
Loan interest income	2,464	–
Rental income	–	951
Others	80	238
	3,058	3,726

Note: There are no unfulfilled conditions or contingencies relating to these grants.

5. REVENUE AND SEGMENT INFORMATION – *continued*

Management has determined the operating segments based on the reports reviewed by the directors of the Company, 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.

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

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

Interior design and decoration: Provision of interior design and decoration services.

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

Segment revenue is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

The directors assess 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 consolidated statement of financial position except unallocated property, plant and equipment, investment properties, financial assets at fair value through profit or loss, amounts due from non-controlling interests, tax recoverable and unallocated corporate assets.

Segment liabilities mainly consist of current liabilities as disclosed in the consolidated statement of financial position except unallocated corporate liabilities and tax payable.

Following the changes of reporting segment from four to five during the year, the comparative segment information has been reclassified.

5. REVENUE AND SEGMENT INFORMATION – *continued*

	Engineering consulting HK$'000	Contracting HK$'000	Project management HK$'000	Interior design and decoration HK$'000	Others HK$'000	Total HK$'000
Year ended 31 July 2017						
Revenue						
Total revenue	14,172	9,321	–	23,421	485	47,399
Inter-segment revenue	–	–	–	–	–	–
External revenue	14,172	9,321	–	23,421	485	47,399
Segment results	3,446	(835)	–	2,964	(871)	4,704
Fair value changes on financial assets at fair value through profit or loss						(1,749)
Loan interest income						2,464
Gain on disposal of a subsidiary						404
Unallocated corporate expenses						(17,654)
Loss before income tax						(11,831)
Income tax expense						(578)
Loss for the year						(12,409)
Included in segment results are:						
Depreciation	521	269	–	100	5	895
At 31 July 2017						
Segment assets	8,880	4,534	–	7,038	543	20,995
Tax recoverable						2,984
Unallocated assets						76,646
Total assets						100,625
Included in segment assets are:						
Additions to non-current assets	–	–	–	–	–	–
Segment liabilities	514	1,758	–	1,190	33	3,495
Tax payable						303
Unallocated liabilities						1,145
Total liabilities						4,943

5. REVENUE AND SEGMENT INFORMATION – *continued*

	Engineering consulting HK$'000	Contracting HK$'000	Project management HK$'000	Interior design and decoration HK$'000	Others HK$'000	Total HK$'000
Year ended 31 July 2016						
Revenue						
Total revenue	29,339	84,777	8,650	917	1,820	125,503
Inter-segment revenue	–	–	–	–	(704)	(704)
External revenue	29,339	84,777	8,650	917	1,116	124,799
Segment results	17,720	(140)	8,023	178	405	26,186
Gains on disposal of investment properties						2,356
Rental income						951
Finance costs						(3)
Unallocated corporate expenses						(11,622)
Profit before income tax						17,868
Income tax expense						(3,198)
Profit for the year						14,670
Included in segment results are:						
Depreciation	1,239	307	31	–	133	1,710
At 31 July 2016						
Segment assets	42,709	14,378	1,168	2,290	1,373	61,918
Unallocated assets						59,253
Total assets						121,171
Included in segment assets are:						
Additions to non-current assets	–	–	–	–	–	–
Segment liabilities	1,429	7,777	40	1,378	170	10,794
Tax payable						2,439
Unallocated liabilities						247
Total liabilities						13,480

5. REVENUE AND SEGMENT INFORMATION – *continued*

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. The Group's major operations and markets are located in Hong Kong, no geographic segment information is provided.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2017 HK$'000	2016 HK$'000
Customer A[1 and 2]	–	18,662
Customer B[1 and 2]	–	72,145

1 Revenue from engineering consulting.

2 Revenue from contracting.

6. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on finance leases	–	3

7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging:

	2017 HK$'000	2016 HK$'000
Auditors' remuneration	890	800
Depreciation of property, plant and equipment *(Note 14)*	1,363	1,710
Loss on disposal of property, plant and equipment	499	2
Impairment losses of trade receivables	646	–
Operating lease charges	2,720	1,880
Staff costs, including directors' emoluments *(Note 8)*	18,712	20,326

8. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2017 HK$'000	2016 HK$'000
Salaries and allowances	18,194	19,788
Retirement benefit expenses		
– defined contribution plan	518	538
	18,712	20,326

The Group operates a defined contribution scheme in Hong Kong which complies with the requirements under the Mandatory Provident Fund ("MPF") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

9. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 July 2017 is set out below:

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement scheme HK$'000	Total HK$'000
Year ended 31 July 2017					
Executive directors					
Ms. Tong Jiangxia	–	600	–	20	620
Mr. Au Siu Chung *(Note (i))*	–	68	–	–	68
Mr. Long Jie *(Note (ii))*	–	45	–	–	45
Mr. Wang Peng *(Note (iii))*	–	76	–	–	76
Mr. He Jianwen *(Note (iii))*	–	76	–	–	76
Ms. Au Man Yi *(Note (iv))*	–	644	–	17	661
Mr. Chai Nan *(Note (v))*	–	326	–	9	335
Dr. Li *(Note (vi))*	–	801	–	6	807
Non-executive director					
Dr. Li *(Note (vi))*	–	761	–	7	768
Independent non-executive director					
Mr. Tang Yiu Wing *(Note (vii))*	75	–	–	–	75
Ms. Chui Pui Yu *(Note (viii))*	117	–	–	–	117
Ms. Kwong Ka Ki	200	–	–	–	200
Mr. Ko Chi Keung *(Note (ix))*	125	–	–	–	125
Professor Ho Ho Ming *(Note (x))*	83	–	–	–	83
	600	3,397	–	59	4,056

9. BENEFITS AND INTERESTS OF DIRECTORS – *continued*

(a) Directors' and chief executive's emoluments – *continued*

The remuneration of each director and the chief executive for the year ended 31 July 2016 is set out below:

	Fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contribution to a retirement scheme HK$'000	Total HK$'000
Year ended 31 July 2016					
Executive directors					
Dr. Li	–	2,118	–	18	2,136
Mr. Tam Yi Shek					
(Chief Executive Officer) *(Note (xi))*	–	1,242	–	18	1,260
Mr. Chan Kin Pong *(Note (xii))*	–	958	–	14	972
Mr. Tsang Siu Wah *(Note (xiii))*	–	537	–	10	547
Ms. Au Man Yi *(Note (iv))*	–	549	–	15	564
Ms. Tong Jiangxia *(Note (xiv))*	–	377	–	–	377
Mr. Chai Nan *(Note (v))*	–	202	–	6	208
Independent non-executive director					
Professor Ho Ho Ming	158	–	–	–	158
Mr. Ko Chi Keung	158	–	–	–	158
Ms. Kwong Ka Ki *(Note (xv))*	76	–	–	–	76
Mr. Ong Chi King *(Note (xvi))*	125	–	–	–	125
	517	5,983	–	81	6,581

During the year ended 31 July 2017, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 July 2017 (2016: Nil).

9. BENEFITS AND INTERESTS OF DIRECTORS – *continued*

(a) Directors' and chief executive's emoluments – *continued*

Notes:

(i) Appointed on 23 June 2017

(ii) Appointed on 16 March 2017

(iii) Appointed on 13 December 2016 and resigned on 24 August 2017

(iv) Appointed on 15 October 2015 and resigned on 23 June 2017

(v) Appointed on 20 April 2016 and resigned on 3 January 2017

(vi) Re-designated from an executive Director to a non-executive Director on 9 December 2016 and resigned on 27 April 2017

(vii) Appointed on 17 March 2017

(viii) Appointed on 1 January 2017

(ix) Resigned on 17 March 2017

(x) Resigned on 1 January 2017

(xi) Resigned on 31 July 2016

(xii) Resigned on 14 May 2016

(xiii) Resigned on 14 February 2016

(xiv) Appointed on 15 December 2015

(xv) Appointed on 15 March 2016

(xvi) Resigned on 2 June 2016

9. BENEFITS AND INTERESTS OF DIRECTORS – *continued*

(b) Five highest paid individuals

The five individuals whose emoluments were highest in the Group include two (2016: Four) directors whose emoluments are disclosed above. Two (2016: Two) of whom were resigned as directors during the year and remained as employees of the Group after their resignation. The emoluments paid to them as directors during the year amounted to approximately HK$2,236,000 (2016: Approximately HK$1,519,000), details of whose emoluments are disclosed above. The emoluments payable to the remaining five (2016: Three) individuals during the year are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	2,479	1,291
Discretionary bonuses	181	132
Contribution to pension scheme	47	26
	2,707	1,449

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
Nil – HK$1,000,000	4	3
HK$1,000,001 – HK$1,500,000	1	–

During the year ended 31 July 2017, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group (2016: Nil).

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year.

	2017 HK$'000	2016 HK$'000
Hong Kong profits tax:		
– Current year	303	3,011
– Adjustment in respect of prior years	275	187
Income tax expense	578	3,198

The taxation on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2017 HK$'000	2016 HK$'000
(Loss)/profit before income tax	(11,831)	17,868
Calculated at a tax rate of 16.5%	(1,952)	2,948
Income not taxable for tax purposes	(80)	(419)
Expenses not deductible for tax purposes	1,188	31
Temporary differences not recognised	45	(2)
Adjustment in respect of prior years	275	187
Utilisation of previously unrecognised tax losses	(21)	–
Tax losses for which no deferred income tax asset was recognised	1,123	453
Tax charge	578	3,198

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$1,694,000 (2016: HK$592,000) in respect of losses amounting to approximately HK$10,267,000 (2016: HK$3,587,000) that can be carried forward against future taxable income. Tax losses may be carried forward indefinitely. Certain amounts of unused tax losses are subject to approval from the Hong Kong Inland Revenue Department. No deferred income tax assets and liabilities in the consolidated financial statements as the Group did not have other material temporary differences arising between tax bases of assets and liabilities and their carrying amounts as at 31 July 2017 (2016: Nil).

11. (LOSS)/EARNINGS PER SHARE

	2017	2016
(Loss)/profit attributable to owners of the Company (HK$'000)	**(11,387)**	14,722
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (in thousand)	**411,200**	411,200
Basic (loss)/earnings per share (HK cents)	**(2.8)**	3.6

The calculation of the basic (loss)/earnings per share attributable to owners of the Company was based on (i) the (loss)/profit attributable to owners of the Company and (ii) the weighted average number of ordinary shares issued during the year.

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in issue during the year (2016: Nil).

12. DIVIDENDS

No interim dividend was declared for the year (2016: Nil).

The directors do not recommend the payment of final dividend for the year ended 31 July 2017 (2016: Nil). No dividend has been paid or declared by the Company since its incorporation.

The rate of dividends and the number of shares ranking for dividends have not been presented as such information is not meaningful having regard to the purpose of these consolidated financial statements.

13. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 July 2017:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of interest held
KSL Enterprises Limited ("KSL Enterprises")	BVI, limited liability company	Investment holding in Hong Kong	USD1	100% (direct)
Focus Business Consultants Investment Limited	BVI, limited liability company	Investment holding in Hong Kong	USD100	100% (direct)
Fortune Around Limited	BVI, limited liability company	Investment holding in Hong Kong	USD1	100% (direct)
Upscale Century Limited	BVI, limited liability company	Investment holding in Hong Kong	USD1	100% (direct)
Victor Li & Associates Limited	Hong Kong, limited liability company	Provision of engineering consulting services in Hong Kong	HK$10,000	100% (indirect)
KSL Engineering Limited	Hong Kong, limited liability company	Provision of contracting and project management services in Hong Kong	HK$10,000	100% (indirect)
Sky Planner Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1	100% (indirect)
Focus Business Consultants Limited	Hong Kong, limited liability company	Provision of financial public relations services in Hong Kong	HK$1,000,000	60% (indirect)
Holy Charm Limited	Hong Kong, limited liability company	Provision of administrative and management services in Hong Kong	HK$1	100% (indirect)
New Brio Engineering Limited	Hong Kong, limited liability company	Provision of interior design and decoration services in Hong Kong	HK$1,000,000	51% (indirect)

13. SUBSIDIARIES – *continued*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Percentage of interest held
Affluent Ally Limited	Republic of Seychelles, limited liability company	Investment holding in Hong Kong	USD1	100% (indirect)
Dragon Trillion Limited	Republic of Seychelles, limited liability company	Investment holding in Hong Kong	USD1	100% (indirect)
Smart Pathway Limited	Republic of Seychelles, limited liability company	Investment holding in Hong Kong	USD1	100% (indirect)
Harvest Group Holdings Limited	Republic of Seychelles, limited liability company	Investment holding in Hong Kong	USD1,000	51% (indirect)
Harvest Planning and Design Limited	Hong Kong, limited liability company	Provision of interior design and decoration services in Hong Kong	HK$10,000	51% (indirect)

The table below shows details of non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation/ operation	Proportion of ownership interests and voting rights held by non-controlling interest		Profit/(loss) allocated to non-controlling interest		Accumulated non-controlling interests	
		2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
New Brio Engineering Limited	Hong Kong	49%	49%	271	(34)	727	456

The non-controlling interests in respect of the others is not material.

13. SUBSIDIARIES – *continued*

Summarised financial information on subsidiary with material non-controlling interests

Set out below is the summarised financial information for the subsidiary that has non-controlling interest that is material to the Group.

Summarised statement of financial position

	2017 HK$'000	2016 HK$'000
Current		
Assets	8,318	2,789
Liabilities	(8,199)	(1,875)
Total current net assets	119	914
Non-current		
Assets	1,365	17
Liabilities	–	–
Total non-current net assets	1,365	17
Net assets	1,484	931

Summarised statement of profit or loss and other comprehensive income

	2017 HK$'000	2016 HK$'000
Revenue	27,445	917
Profit/(loss) before income tax	856	(69)
Income tax expense	(303)	–
Other comprehensive income	–	–
Total comprehensive income/(expense)	553	(69)
Total comprehensive income/(expense) allocated to non-controlling interests	271	(34)

13. SUBSIDIARIES – *continued*

Summarised statement of cash flows

	2017 HK$'000	2016 HK$'000
Cash flows from operating activities		
Cash generated from operations	2,123	370
Net cash generated from operating activities	2,123	370
Net cash used in investing activities	(1,467)	(18)
Net cash generated from financing activities	–	1,000
Net increase in cash and cash equivalents	656	1,352
Cash and cash equivalents at beginning of year/period	1,352	–
Cash and cash equivalents at end of year/period	2,008	1,352

The information above is the amount before inter-company eliminations.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 August 2015	3,643	4,128	1,463	9,234
Additions	–	161	361	522
Acquisition of a subsidiary	751	418	–	1,169
Disposals	(2,405)	–	(1,305)	(3,710)
Disposal of a subsidiary	–	(50)	–	(50)
At 31 July 2016	1,989	4,657	519	7,165
Accumulated depreciation				
At 1 August 2015	2,110	2,543	1,028	5,681
Charge for the year *(Note 7)*	966	611	133	1,710
Acquisition of a subsidiary	264	147	–	411
Disposals	(2,219)	–	(990)	(3,209)
At 31 July 2016	1,121	3,301	171	4,593
Net book value				
At 31 July 2016	868	1,356	348	2,572
Cost				
At 1 August 2016	1,989	4,657	519	7,165
Additions	994	813	–	1,807
Disposals	(1,238)	(3,670)	(158)	(5,066)
Disposal of a subsidiary	–	(105)	–	(105)
At 31 July 2017	1,745	1,695	361	3,801
Accumulated depreciation				
At 1 August 2016	1,121	3,301	171	4,593
Charge for the year *(Note 7)*	688	603	72	1,363
Disposals	(1,134)	(3,169)	(158)	(4,461)
Disposal of a subsidiary	–	(100)	–	(100)
At 31 July 2017	675	635	85	1,395
Net book value				
At 31 July 2017	1,070	1,060	276	2,406

15. INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
At fair value		
At 1 August	–	17,700
Acquisition of subsidiaries	19,000	–
Disposal	–	(17,700)
At 31 July	19,000	–

Amounts recognised in profit and loss for investment properties:

	2017 HK$'000	2016 HK$'000
Rental income	–	951
Direct operating expenses from properties that generated rental income	–	(33)
	–	918

In July 2017, the Group acquired certain pieces of land through the acquisition of equity interests in Dragon Trillion Limited ("Dragon Trillion") and Smart Pathway Limited ("Smart Pathway"). In around March 2017, the Planning Department of Hong Kong Special Administrative Region (the "Planning Department") issued an enforcement notice (the "Enforcement Notice") to Dragon Trillion and Smart Pathway, which required them to cease certain unauthorised developments on the land owned by Dragon Trillion and Smart Pathway (the "Unauthorised Developments"). Given that the Unauthorised Developments have been discontinued as required by the Enforcement Notice before April 2017 and the Enforcement Notice has been complied with, the directors of the Company consider that, after taking into account legal advice, it is unlikely that Dragon Trillion and Smart Pathway will be penalised for the Unauthorised Developments. Up to the date of approval of these consolidated financial statements, the Planning Department has not served Dragon Trillion and Smart Pathway a further notice for the purpose of requiring reinstatements of the land, and accordingly, the directors of the Company consider that no reinstatement works are required at this stage. In addition, the vendors of Dragon Trillion and Smart Pathway have agreed to indemnify the Group from, inter alia, loss and expenses arising out of the Unauthorised Developments. Accordingly, the directors of the Company consider that the above would have no material adverse effect on the Group's financial position.

15. INVESTMENT PROPERTIES – *continued*

An independent valuation of the Group's investment properties was performed by the valuer, Ascent Partners Valuation Service Limited, to determine the fair value of the investment properties at 31 July 2017. The revaluation gains or losses is recognised in consolidated statement of profit or loss. The following table analyses the investment properties carried at fair value, by valuation method.

	Fair value measurements at 31 July 2017 using		
Description	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurements			
Investment properties:			
– Leasehold land – Hong Kong	–	–	19,000

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy level as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.

Valuation techniques

The valuation was determined using the direct comparison method. Comparison method is adopted where comparison based on prices realised on actual sales of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

Information about fair value measurements using significant unobservable inputs (Level 3)

Investment properties held by the Group	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
Leasehold land	Direct comparison method The key inputs are: (1) Time adjustment (2) Size adjustment (3) Fragmentation adjustment	Unit rate with a range from HK$1,045-HK$1,715 per square meter of site area	The higher the unit rate, the higher the fair value

15. INVESTMENT PROPERTIES – *continued*

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

In estimating the fair value of the investment properties, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

16. FINANCIAL INSTRUMENTS BY CATEGORY

	2017 HK$'000	2016 HK$'000
Assets as per consolidated statement of financial position		
Assets at fair value through profit or loss		
Financial assets at fair value through profit or loss	17,520	–
Loans and receivables		
Trade and other receivables excluding prepayments	33,972	13,246
Amounts due from non-controlling interests	–	494
Cash and cash equivalents	21,107	103,227
Total	72,599	116,967
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost		
Trade and other payables excluding non-financial liabilities	3,768	9,068

17. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	7,990	10,814
Retention receivables	–	1,380
Loan receivable	22,000	–
Other receivables, deposit and prepayments	4,513	1,767
	34,503	13,961

17. TRADE AND OTHER RECEIVABLES – *continued*

Notes:

(a) The credit period was ranging from 0 day to 7 days (2016: Nil). Trade receivables are denominated in HK$.

(b) The ageing analysis of the trade receivables based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
0 - 30 days	625	3,498
31 - 60 days	3,834	1,300
61 - 90 days	127	230
91 - 365 days	3,163	5,074
Over 365 days	241	712
	7,990	10,814

As at 31 July 2017, trade receivables of approximately HK$7,990,000 (2016: approximately HK$10,814,000) were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made. The ageing analysis of these receivables is as follows:

	2017 HK$'000	2016 HK$'000
1 – 30 days	625	3,498
31 – 60 days	3,834	1,300
61 – 90 days	127	230
91 – 365 days	3,163	5,074
Over 365 days	241	712
	7,990	10,814

Movements on the Group's allowance for impairment of trade receivables are as follows:

	2017 HK$'000	2016 HK$'000
At 1 August	–	–
Impairment losses of trade receivables	646	–
Receivables written off during the year as uncollectible	(646)	–
At 31 July	–	–

Retention receivables were not yet past due as at 31 July 2017 (2016: Nil) and would be settled in accordance with the terms of the respective contracts.

17. TRADE AND OTHER RECEIVABLES – *continued*

Notes: – continued

(c) Loan receivable was secured by a personal guarantee from the third party, interest bearing at 1.6% per month and repayable in October 2017.

(d) In March 2017, Hang Tai Investment Holdings Limited ("Hang Tai"), an indirect wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding and a non-legally binding supplemental memorandum of understanding (the "Supplemental MOU") with Guoking Investment Limited (the "Vendor") pursuant to which the Company intended to acquire and the Vendor intended to dispose of approximately 80.01% issued share capital of a company and a refundable deposit of HK$2,600,000 (included in other receivables, deposit and prepayments) is payable by Hang Tai to the Vendor upon signing of the Supplemental MOU.

(e) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

18. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2017 HK$'000	2016 HK$'000
Amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	4,317	917
Less: Progress billings	1,212	–
	3,105	917
Amounts due to customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	2,254	694
Less: Progress billings	2,422	1,750
	(168)	(1,056)

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Listed securities – held-for-trading		
Equity securities – Hong Kong	17,520	–

20. AMOUNTS DUE FROM NON-CONTROLLING INTERESTS

The amounts due were unsecured, non-interest bearing and had no fixed terms of repayment.

21. CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash at banks	20,337	102,980
Cash held with broker	731	–
Cash on hand	39	247
Cash and cash equivalents	21,107	103,227

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.

22. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	2,013	4,459
Retention payables	–	2,309
Accruals and other payables	2,459	3,217
	4,472	9,985

22. TRADE AND OTHER PAYABLES – *continued*

Notes:

(a) Payment terms granted by suppliers are generally ranging from 0 day to 30 days (2016: 30 days) from the invoice date of the relevant purchases.

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

	2017 HK$'000	2016 HK$'000
0 - 30 days	296	4,459
31 - 60 days	27	–
61 - 90 days	43	–
Over 90 days	1,647	–
	2,013	4,459

(b) All trade and other payables are denominated in HK$.

23. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Ordinary shares HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
As at 31 July 2016 and 2017	**2,000,000,000**	**20,000**

	Number of ordinary shares	Ordinary shares HK$'000	Share premium HK$'000
Issued and fully paid:			
As at 31 July 2016 and 2017	**411,200,000**	**4,112**	**24,394**

24. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 19 November 2014 as to attract and retain the best available personnel and to provide additional incentive to the eligible participants under the Scheme.

Under the Scheme, the directors of the Company may at their absolute discretion and subject to the terms of the Scheme, grant options to any employees (full-time or part-time), directors, substantial shareholders, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service provider of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the directors of the Company from time to time on the basis of participant's contribution or potential contribution to the development and growth of the Group.

Under the Scheme, the maximum number of shares issuable upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company as from the adoption date must not in aggregate exceed 10% of all the shares in issue upon the date on which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. The aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company in any 12-month period up to date of grant shall not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his/her close associates abstaining from voting.

24. SHARE OPTION SCHEME – *continued*

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective close associates must be approval by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective close associates would result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

The offer of a grant of share options might be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the offer date; and (iii) the nominal value of the Company's share on the offer date.

The Scheme shall be valid and effective for a period of ten years commencing on 19 November 2014, subject to early termination provisions contained in the Scheme.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 July 2016 and 2017.

25. OTHER RESERVES

	Merger reserve HK$'000 *(Note)*	Revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 August 2015	(494)	4,360	60,155	64,021
Profit and total comprehensive income for the year	–	–	14,722	14,722
Release upon disposal of investment properties	–	(4,360)	4,360	–
Balance at 31 July 2016 and 1 August 2016	(494)	–	79,237	78,743
Loss and total comprehensive expense for the year	–	–	(11,387)	(11,387)
Balance at 31 July 2017	(494)	–	67,850	67,356

Note: 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.

26. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of (loss)/profit before income tax to net cash (used in)/generated from operations

	2017 HK$'000	2016 HK$'000
(Loss)/profit before income tax	(11,831)	17,868
Adjustments for:		
Depreciation	1,363	1,710
Fair value changes on financial assets at fair value through profit or loss	1,749	–
Impairment losses of trade receivables	646	–
Gains on disposal of investment properties	–	(2,356)
Loss on disposal of property, plant and equipment	499	2
Gain on disposal of a subsidiary	(404)	(39)
Interest income	(10)	(2)
Interest expense	–	3
Loan interest income	(2,464)	–
Operating (loss)/profit before working capital changes	(10,452)	17,186
Decrease in trade and other receivables	3,396	9,460
Increase in amounts due from customers for contract work	(2,188)	(148)
Increase in financial assets at fair value through profit or loss	(19,269)	–
Decrease in trade and other payables	(5,365)	(5,031)
(Decrease)/increase in amounts due to customers for contract work	(888)	978
Net cash (used in)/generated from operations	(34,766)	22,445

27. COMMITMENTS

Operating lease commitments — Group as lessee

The Group is the lessee in respect of office premises and equipment under operating leases. The leases typically run for an initial period of 2 to 5 years, with an option to renew the leases when all terms are renegotiated.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 HK$'000	2016 HK$'000
No later than one year	1,327	1,931
Later than one year and no later than five years	899	411
	2,226	2,342

28. ACQUISITION OF SUBSIDIARIES

(a) Affluent Ally Limited

In July 2017, the Group acquired 100% of the share capital of Affluent Ally Limited at a consideration of HK$6,000,000.

The following table summarises the consideration paid for Affluent Ally Limited, the assets acquired and liabilities assumed at the acquisition date.

	HK$'000
Consideration:	
At acquisition	
Total consideration – Cash	6,000
Recognised amounts of identifiable assets and liabilities assumed	
Investment properties	6,000
Total identifiable net assets	6,000
Consideration	6,000
Less: Cash and cash equivalents of the subsidiary acquired	–
Net consideration paid	6,000

28. ACQUISITION OF SUBSIDIARIES – *continued*

(b) Dragon Trillion Limited

In July 2017, the Group acquired 100% of the share capital of Dragon Trillion Limited at a consideration of HK$7,500,000.

The following table summarises the consideration paid for Dragon Trillion Limited, the assets acquired and liabilities assumed at the acquisition date.

	HK$'000
Consideration:	
At acquisition	
Total consideration – Cash	7,500
Recognised amounts of identifiable assets and liabilities assumed	
Investment properties	7,500
Total identifiable net assets	7,500
Consideration	7,500
Less: Cash and cash equivalents of the subsidiary acquired	–
Net consideration paid	7,500

28. ACQUISITION OF SUBSIDIARIES – *continued*

(c) Smart Pathway Limited

In July 2017, the Group acquired 100% of the share capital of Smart Pathway Limited at a consideration of HK$5,500,000.

The following table summarises the consideration paid for Smart Pathway Limited, the assets acquired and liabilities assumed at the acquisition date.

	HK$'000
Consideration:	
At acquisition	
Total consideration – Cash	5,500
Recognised amounts of identifiable assets and liabilities assumed	
Investment properties	5,500
Total identifiable net assets	5,500
Consideration	5,500
Less: Cash and cash equivalents of the subsidiary acquired	–
Net consideration paid	5,500

29. DISPOSAL OF A SUBSIDIARY

In November 2016, the Group entered into sales and purchases agreements with a third party, pursuant to which the Group disposed 100% equity interest in Centre For Research & Professional Development Limited for a consideration of HK$500,000.

The gain on disposal of a subsidiary, net was as follow:

	HK$'000
Consideration:	
On disposal	
Total consideration – Cash	500
Recognised amounts of identifiable assets and liabilities assumed	
Property, plant and equipment	5
Trade and other receivables	16
Cash and cash equivalents	252
Trade and other payables	(148)
Tax payable	(29)
Total identifiable net assets	96
Gain on disposal of a subsidiary	404
Satisfied by:	
Cash and cash equivalents received as consideration	500
Less: Cash and cash equivalents sold	(252)
Total net cash consideration received	248

30. RELATED PARTY TRANSACTIONS

(a) Save as disclosed in Note 20 to the consolidated financial statements, the Group did not have any significant related party transaction with related parties during the year.

(b) The emoluments of the directors and senior executives (representing the key management personnel) during the year are disclosed in Note 9.

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position

	2017 HK$'000	2016 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	42,790	42,790
Current assets		
Other receivables	283	301
Amounts due from subsidiaries	41,573	35,147
Cash and cash equivalents	499	1,912
	42,355	37,360
Total assets	85,145	80,150
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	4,112	4,112
Share premium	24,394	24,394
Reserve *(Note b)*	36,553	38,337
Total equity	65,059	66,843
LIABILITIES		
Current liabilities		
Other payables	225	187
Amounts due to subsidiaries	19,861	13,120
Total liabilities	20,086	13,307
Total equity and liabilities	85,145	80,150

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 25 October 2017 and signed on its behalf by:

Ms. Tong Jiangxia Director	**Mr. Au Siu Chung** Director

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY – *continued*

(b) Reserve movement of the Company

	Special reserve HK$'000 *(Note)*	Accumulated losses HK$'000	Total HK$'000
At 1 August 2015	42,276	(3,141)	39,135
Loss for the year	–	(798)	(798)
At 31 July 2016	42,276	(3,939)	38,337
At 1 August 2016	42,276	(3,939)	38,337
Loss for the year	–	(1,784)	(1,784)
At 31 July 2017	42,276	(5,723)	36,553

Note: Special reserve represents the difference between the fair value of the shares of KSL Enterprises acquired pursuant to the Reorganisation on 19 November 2014 over the nominal value of the Company's share issued in exchange therefore.

FINANCIAL SUMMARY

For the year ended 31 July 2017

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, and the prospectus of the Company dated 28 November 2014, is as follows.

	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Revenue	**47,399**	124,799	154,503	63,413	45,678
Cost of sales	**(33,940)**	(92,435)	(100,935)	(21,686)	(17,033)
Gross profit	**13,459**	32,364	53,568	41,727	28,645
Other income and net gains	**3,058**	3,726	1,759	155	118
Fair value changes on financial assets at fair value through profit or loss	**(1,749)**	–	–	–	–
Administrative and other operating expenses	**(26,599)**	(18,219)	(18,391)	(11,805)	(7,096)
Operating (loss)/profit	**(11,831)**	17,871	36,936	30,077	21,667
Finance costs	**–**	(3)	(53)	(168)	(181)
(Loss)/profit before income tax	**(11,831)**	17,868	36,883	29,909	21,486
Income tax expense	**(578)**	(3,198)	(6,948)	(4,951)	(3,563)
(Loss)/profit for the year	**(12,409)**	14,670	29,935	24,958	17,923
Other comprehensive income					
Items that will not be subsequently reclassified to profit or loss:					
Gain on revaluation of properties upon transfer to investment properties	**–**	–	4,360	–	–
Other comprehensive income for the year	**–**	–	4,360	–	–
Total comprehensive (expense)/income for the year	**(12,409)**	14,670	34,295	24,958	17,923
(Loss)/profit attributable to:					
Owners of the Company	**(11,387)**	14,722	29,935	24,958	17,923
Non-controlling interests	**(1,022)**	(52)	–	–	–
(Loss)/profit for the year	**(12,409)**	14,670	29,935	24,958	17,923
Total comprehensive (expense)/income attributable to:					
Owners of the Company	**(11,387)**	14,722	34,295	24,958	17,923
Non-controlling interests	**(1,022)**	(52)	–	–	–
Total comprehensive (expense)/income	**(12,409)**	14,670	34,295	24,958	17,923
Asset and liabilities					
Total assets	**100,625**	121,171	115,887	68,222	39,274
Total liabilities	**(4,943)**	(13,480)	(23,360)	(15,392)	(11,402)
Net assets	**95,682**	107,691	92,527	52,830	27,872
Equity attributable to owners of the Company	**95,862**	107,249	92,527	52,830	27,872
Non-controlling interests	**(180)**	442	–	–	–