KSL Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8170

Annual Report 2017/2018

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 the 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.

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BOARD OF DIRECTORS

Executive Directors:

Mr. Lin Ye *(Chairman)*
(appointed on 12 October 2018)
Mr. Au Siu Chung *(Compliance Officer)*
Mr. Long Jie
Mr. Yuan Shuang Shun
(appointed on 1 December 2017)
Ms. Xiao Yi Liao Ge (appointed on 26 January 2018)
Mr. Wang Peng (resigned on 24 August 2017)
Mr. He Jian Wen (resigned on 24 August 2017)
Ms. Tong Jiangxia (resigned on 12 October 2018)

Independent Non-executive Directors:

Ms. Kwong Ka Ki
Ms. Guo Liying (appointed on 21 May 2018)
Mr. Yu Hua Chang (appointed on 26 January 2018)
Mr. Tang Yiu Wing (resigned on 21 May 2018)
Ms. Chui Pui Yu (resigned on 26 January 2018)

AUDIT COMMITTEE

Ms. Kwong Ka Ki *(Chairperson)*
Ms. Guo Liying
Mr. Yu Hua Chang

REMUNERATION COMMITTEE

Ms. Guo Liying *(Chairperson)*
Mr. Au Siu Chung
Ms. Kwong Ka Ki

NOMINATION COMMITTEE

Ms. Kwong Ka Ki *(Chairperson)*
Ms. Guo Liying
Mr. Yu Hua Chang

LEGAL COMPLIANCE COMMITTEE

Ms. Guo Liying *(Chairperson)*
Mr. Au Siu Chung
Ms. Kwong Ka Ki

COMPANY SECRETARY

Mr. Cheng Man For (appointed on 1 August 2018)
Ms. Lung Yuet Kwan
(appointed as joint company secretary on
11 December 2017 and resigned on 1 August 2018)
Mr. Cheung Yuk Tak
(resigned as joint company secretary on
1 January 2018)

AUTHORISED REPRESENTATIVES

Mr. Au Siu Chung
Mr. Yuan Shuang Shun

INDEPENDENT AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

LEGAL ADVISER

As to Hong Kong Law

Loong & Yeung
Room 1603, 16/F.
China Building
29 Queen's Road Central
Central, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

CORPORATE INFORMATION

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1902, 19/F.
Harbour Centre
No. 25 Harbour Road
Wanchai
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

DBS Bank (Hong Kong) Limited
G/F., The Center, 99 Queen's Road Central
Central, 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 2018 (the "Relevant Period" or the "Reporting Period") to you.

During the Reporting Period, the Group recorded a decrease in turnover of approximately HK$10.2 million or 21.5% to approximately HK$37.2 million as compared with the 2016/17 financial year. Such decrease was mainly due to the intensified competitive condition in the construction business faced by the Group in Hong Kong during the Reporting Period. In line with such decrease in turnover, the Group has recorded a loss attributable to owners of the Company of approximately HK$14.7 million for the Reporting Period, representing an increase of approximately HK$3.3 million or 28.9% as compared to the year ended 31 July 2017.

Looking ahead, the Group expects that the competition of the market will continue to be intense. In developing the Group's contracting, interior design services and decoration business, the Directors will continue to seek opportunities to gain more new customers and obtain new projects in order to diversify its customers base and revenue source, as well as 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 at an acceptable and satisfactory level.

In order to expand the Group's business in the People's Republic of China ("PRC"), the Group established a wholly foreign-owned enterprise (the "WFOE") in Shenzhen, the PRC in May 2018. On 17 September 2018, the WFOE entered into a equity transfer agreement (the "Equity Transfer Agreement") with Mr. Wang Longzuo (the "Vendor"), pursuant to which it has agreed to purchase and the Vendor has agreed to sell 100% equity interest in Shenzhen Zhongshenguotou Assets Management Co., Ltd. (深圳中深國投資產管理有限公司), a company established in the PRC with limited liability for the consideration of HK$11,648,400. Shenzhen Zhongshenguotou Assets Management Co., Ltd. is engaged in subletting business in which it sublets partitioned office premises located at Shenzhen to various sub-tenants. The transaction has not yet completed up to the date of this annual report. The Group will periodically consider different business opportunities in PRC to increase the return to the shareholders of the Company.

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.

Mr. Lin Ye
Chairman and executive Director

Hong Kong, 26 October 2018

BUSINESS REVIEW AND OUTLOOK

We are principally engaged in the provision of civil engineering consulting, contracting and interior design services and decoration works in Hong Kong, including but not limited to geotechnical engineering works. The civil engineering works in which we participated as a consultant, contractor and/or a project manager include foundation design and construction works of building construction projects, excavation works and structural designs in relation to the construction of underground facilities, site formation works and landslip preventive works.

On 14 February 2018, Upscale Century Limited (a wholly-owned subsidiary of the Company) entered into three separate sale and purchase agreements with Triumphant Day Limited, pursuant to which Upscale Century Limited agreed to sell and Triumphant Day Limited agreed to acquire from Upscale Century Limited the entire issued share capital of each of Dragon Trillion Limited, Affluent Ally Limited and Smart Pathway Limited (the wholly-owned subsidiaries of the Company), at the consideration of HK$9,000,000, HK$7,000,000 and HK$6,000,000, respectively (the "Disposal"). Completion of the Disposal took place on 13 April 2018.

The Directors have always been 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 the overall market conditions and costs in the construction industry and the overall economy in Hong Kong.

Going forward, the Directors expect that the competition of the market will continue to be intense. In developing the Group's contracting, interior design services and decoration business, the Directors will continue to seek opportunities to gain more new customers and obtain new projects in order to diversify its customer base and revenue source, as well as carefully evaluate the potential costs and the engineering circumstances pertaining to different potential projects with a view to control the Group's overall costs at an acceptable and satisfactory level.

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FINANCIAL REVIEW

Revenue

Our revenue decreased from approximately HK$47.4 million for the year ended 31 July 2017 to approximately HK$37.2 million during the Relevant Period, representing a decrease of approximately 21.5%. Such decrease was mainly due to the decrease in the Group's revenue derived from the provision of engineering consulting services, as a result of the intense competition faced by the Group.

Cost of Sales

Our cost of sales decreased from approximately HK$33.9 million for the year ended 31 July 2017 to approximately HK$33.6 million for the Relevant Period, representing a decrease of approximately 0.9%.

Gross Profit

Our gross profit amounted to approximately HK$13.5 million and HK$3.6 million for the years ended 31 July 2017 and 2018 respectively, representing a decrease of approximately 73.3%.

Other Income and Net Gains

Our other income increased by approximately HK$1.7 million from HK$3.1 million for the year ended 31 July 2017 to HK$4.8 million for the Reporting Period, representing an increase of approximately 54.8%. The increase in other income was primarily due to the increase in the gain on disposal of subsidiaries of approximately HK$2.5 million, which was partially offset by the decrease of loan interest income of HK$0.8 million during the Relevant Period.

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

For the years ended 31 July 2017 and 2018, the fair value changes on financial assets at fair value through profit or loss amounted to a loss of approximately HK$1.7 million and HK$2.9 million respectively, representing an increase of approximately 70.6%.

As disclosed in the announcement of the Company dated 1 November 2017, on 13 January 2017, Fortune Around Limited, a direct wholly-owned subsidiary of the Company, acquired a total of 80,000,000 shares (the "FB Mining Shares") of Future Bright Mining Holdings Limited , the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 2212), at the cost of HK$19,200,000. During the Reporting Period, the Group had disposed all FB Mining Shares and hence all equity securities of the financial assets of the Group were disposed, which resulted in the aforesaid fair value changes on financial assets at fair value through profit and loss amounted to a loss of approximately HK$2.9 million.

Administrative and Other Operating Expenses

Our administrative and other operating expenses amounted to approximately HK$26.6 million and HK$23.7 million for the years ended 31 July 2017 and 2018 respectively, representing a decrease of approximately 10.9%. Such decrease was primarily due to the decrease in depreciation expenses of approximately HK$292,000 and decrease in donation of approximately HK$2.4 million.

Income Tax Expense

For the years ended 31 July 2017 and 2018, our income tax expense amounted to approximately HK$578,000 and HK$490,000 respectively, representing a decrease of approximately 15.2%. Such decrease was primarily due to the decrease in profit before income tax from the engineering consulting segment and the interior design and decoration segment for the Relevant Period.

Loss for the Relevant Period

As a result of the aforesaid and in particular the substantial decrease in revenue, the Group has recorded a loss of HK$14.7 million for the Relevant Period attributable to owners of the Company as compared to a loss of approximately HK$11.4 million for the year ended 31 July 2017, representing an increase in loss of approximately 28.9%.

Final Dividend

The Board did not recommend the payment of a final dividend for the Relevant Period (2017: Nil).

Liquidity and Financial Resources

The Group maintained a healthy financial position during the Relevant Period. As at 31 July 2018, the Group had a cash and bank balance of approximately HK$66.6 million (31 July 2017: approximately HK$21.1 million). The current ratio as at 31 July 2018 was approximately 9.8 (31 July 2017: approximately 16.0).

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 2018 was nil (31 July 2017: Nil) as the Group did not have 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 Reporting Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of Assets

As at 31 July 2018, the Group did not have any charges on its assets (31 July 2017: 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 and functional 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 2018, the share capital and equity attributable to owners of the Company amounted to approximately HK$4.1 million and HK$81.2 million respectively (31 July 2017: approximately HK$4.1 million and HK$95.9 million respectively).

Capital Commitments

As at 31 July 2017 and 2018, the Group did not have any material capital commitments.

Human Resources Management

As at 31 July 2018, the Group had 22 (31 July 2017: 39) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK$14.1 million for the Relevant Period as compared to approximately HK$18.7 million for the year ended 31 July 2017. 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

On 14 February 2018, Upscale Century Limited (a wholly-owned subsidiary of the Company) entered into three separate sale and purchase agreements with Triumphant Day Limited, pursuant to which Upscale Century Limited agreed to sell and Triumphant Day Limited agreed to acquire from Upscale Century Limited the entire issued share capital of each of Dragon Trillion Limited, Affluent Ally Limited and Smart Pathway Limited (all being wholly-owned subsidiaries of the Company previously), at the consideration of HK$9,000,000, HK$7,000,000 and HK$6,000,000, respectively (the "Disposal"). Completion of the Disposal took place on 13 April 2018.

Save as disclosed above, during the Relevant Period, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Contingent Liabilities

As at 31 July 2018, the Group did not have any material contingent liability.

EXECUTIVE DIRECTORS

Mr. LIN Ye (林燁) ("Mr. Lin"), aged 54, was appointed as the chairman of the Board and an executive Director on 12 October 2018. Mr. Lin has extensive experience in corporate strategic planning, corporate team building and cooperation, resources integration and launching projects. From 2006 to 2015, Mr. Lin served as a general manager of Shenzhen Gutejia Rubber Products Co., Limited* (深圳市固特佳橡膠製品有限公司) in which he was responsible for implementing internal regulations and procedures in relation to human resources management as well as monitoring corporate investment and financing activities. Since 2015, Mr. Lin has served as a general manager of Shenzhen Qianli Junma Supply Chain Technology Co., Limited* (深圳市千里駿馬供應鏈科技有限公司) in which he was responsible for supervising investment projects and implementing investment strategies.

Mr. AU Siu Chung (歐兆聰) ("Mr. Au"), aged 35, 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 an authorised representative of the Company.

Mr. LONG Jie (龍杰) ("Mr. Long"), aged 45, 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).

Mr. YUAN Shuang Shun (袁雙順) ("Mr. Yuan"), aged 47, was appointed as an executive Director on 1 December 2017. He obtained a master of economics from Guangdong Academy of Social Sciences* (廣東省社會科學院研究生院) in 2002. Prior to joining the Company, Mr. Yuan has been the vice president at Shenzhen Right & Sun Investment Holding Co. Ltd* (深圳瑞華信投資有限責任公司) for more than 20 years. Mr. Yuan has extensive experience in investment, private equity, corporate finance and capital markets.

Mr. Yuan has also been appointed as an authorised representative of the Company with effect from 1 January 2018.

Ms. XIAO Yi Liao Ge (肖怡廖閣) ("Ms. Xiao"), aged 23, was appointed as an executive Director on 26 January 2018. She obtained a bachelor degree of Art from Hubei Institute of Fine Arts (HIFA) (湖北美術學院) in 2017. Prior to joining the Group, Ms. Xiao worked as an eSports propagandist at Wuhan Blizzard Media Co., Ltd* (武漢暴風雪傳媒有限公司) from November 2015 to March 2016. Ms. Xiao has been appointed as the vice president at Shenzhen Yi Lan Kang Trading Co., Ltd* (深圳市溢藍康貿易有限公司) since 2016 and is responsible for domestic and export trade. Ms. Xiao has extensive experience in domestic and export trade, drawing and designing brand images for outsourcers.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. KWONG Ka Ki (鄺嘉琪) ("Ms. Kwong"), aged 37, holds a bachelor of arts (Hon) degree in accounting and finance from the Leeds Metropolitan University and a Master Degree in Corporate Governance from The Hong Kong Polytechnic University. Ms. Kwong is a member of The Association of Chartered Certified Accountants, practising member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators. Ms. Kwong has over 15 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 Tonking New Energy Group Holdings Limited (formerly known as 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 remuneration committee and the legal compliance committee of the Company.

Mr. YU Hua Chang (余華昌) ("Mr. Yu"), aged 44, was appointed as an independent non-executive Director on 26 January 2018. He obtained a bachelor's degree from Nanchang College* (南昌高等專科學校) in 1995. Mr. Yu is currently a vice general manager at Shenzhen Peng Yuan Fa Labor Sending Ltd.* (深圳市鵬源發勞務派遣有限公司). Mr. Yu worked as a marketing specialist at Wing Fung Logistics Limited* (永豐物流有限公司) from August 1998 to March 2012 and as a general marketing manager at Ping An Property & Casualty Insurance Company of China, Ltd.* (中國平安財產保險股份有限公司) from April 2012 to April 2016. Mr. Yu has extensive experience in corporate communication and promoting corporate images to the public.

Mr. Yu is a member of each of the audit committee and the nomination committee of the Company.

* *For identification purpose only*

Ms. GUO Liying (郭麗英) ("Ms. Guo"), aged 38, was appointed as an independent non-executive Director on 21 May 2018. She obtained a bachelor's degree of International Economics and Trade from Shantou University (汕頭大學) in June 2003. Prior to joining the Group, Ms. Guo has worked in Guangdong Mobile Communications Co. Ltd* (廣東省移動通訊有限公司) and China Security Technology Co., Ltd*（中國安防技術有限公司). Since September 2014, she has been working as the chief executive officer of Shenzhen Qianhai SGT Capital Management Group Co., Ltd* (深圳前海深港通資本管理集團有限公司). Ms. Guo has extensive experience in project investment operation, enterprise management and marketing and sales.

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

SENIOR MANAGEMENT

The abovementioned Executive Directors of the Company are members of senior management of the Group.

* *For identification purpose only*

ABOUT THIS REPORT

KSL Holdings Limited (the "Company" or "KSL") and its subsidiaries (collectively, the "Group") are pleased to deliver the Group's second Environmental, Social and Governance ("ESG") report (the "Report").

This Report is prepared in accordance with ESG Reporting Guide, issued under Appendix 20 of the GEM 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 Reporting Guide.

The Report aims to present the Group's sustainability policies, practices, and performances in four areas, namely Our People, Our Environment, Our Operations and Our Community. All information disclosed in this Report is compiled by relevant departments based on existing policies, practices and official documents, as we strive to keep our disclosure accurate, transparent and responsible. The Board of Directors (the "Board") is responsible for the Group's ESG strategy and reporting, and is committed to communicate our ESG performance through ESG reporting annually.

Reporting Scope

The scope of this Report covers the Group's main offices and project sites in Hong Kong, as it contributes the most significant environmental, social and economic impact to the Group's operations. 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 further transparency, we intend to gradually improve our reporting capabilities and expand the scope of our future ESG Reports.

Reporting Period

The Reporting Period of this Report spans the last financial year from 1 August 2017 to 31 July 2018, unless specified otherwise.

Reporting Framework

SEHK's ESG Reporting Guide.

Your feedback on this Report and our sustainability effort is highly appreciated and valued. Should you have any comments or suggestions, please feel free to contact us:

KSL Holdings Limited

Address: Unit 1902, 19/F., Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong

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OUR SUSTAINABILITY STRATEGY

The Group is committed to the sustainable development of its business, its people, the environment and the community. It is the goal of the Group to continuously seek opportunities that will further strengthen its customers and revenue base, with consideration of its environmental and social impact. The Group will continuously review its ESG-related policies to ensure its inevitable environmental and social impact are annually reviewed and minimised.

OUR STAKEHOLDER

Stakeholders are defined as groups of people who are influenced by, or are able to influence our Group's operations. Their interests, concerns and satisfactory levels often intertwine with our performance and operation. Communications is key to understanding and addressing their expectations and concerns on an ongoing basis, and is core to continuously perfecting and improving our operations and impact.

The Group's key stakeholder groups include our shareholders and investors, employees, customers, suppliers and subcontractors, as well as community groups. Within the Reporting Period, we have engaged our key stakeholder groups through various channels, including business meetings and correspondences, performance appraisal meetings, personal contacts, procurement tender meetings, site visits, company websites, annual and interim reports, as well as press releases and announcements.

The Group shall continue to develop various engagement channels with its key stakeholder groups to ensure seamless exchange of information and to respond to their requirements and concerns.

OUR BUSINESS

The Group specialises in the provision of civil engineering consulting, contracting and interior design services and decoration works services in Hong Kong.

The Group continues to develop professional and cost-effective structural and geotechnical engineering designs, as well as site supervision service for developers and contractors in private development and public work projects in Hong Kong. The Group participates as consultants, contractors, and/or project managers in civil engineering works, including but not limited to, foundation design and construction works for building construction projects, excavation and structural designs for the construction of underground facilities, site formation works and landslip prevention works.

For contracting services, the Group undertakes general building works, including design-and-build projects in foundation and related geotechnical works of various property development and civil engineering projects in Hong Kong as a contractor.

Our newly expanded business activity in the provision of interior design services and decoration works have continuously received positive feedback from the market, as it continues to flourish.

Business Conduct

The Group operates with high level of integrity and corporate ethics. Good corporate governance is a cornerstone in realising healthy corporate growth and building long-lasting and trustworthy business relationships.

At the minimum, the Group adheres to all applicable statutory and regulatory requirements, especially for material ESG aspects that have a significant impact on our operations. Industry standards and practices are also observed and benchmarked for the most suitable applications in various situations. During the Reporting Period, we were not aware of any material non-compliance incidents with relevant statutory or regulatory requirements that has a significant impact on our operations.

The Group believes in fairness and honesty in all its business dealings. The Group strictly prohibits any form of corruption, bribery, or money laundering activities under any circumstances. In line with the Prevention of Bribery Ordinance (the "Ordinance"), the Group prohibits bribery and sets out minimum standards of integrity for the Group's employees when they are conducting business. The Ordinance lays out clear guidelines for employees, such as to decline advantages offered in connection with their duties. All employees are obliged to follow the relevant procedures as set out in the Group's Staff Handbook. During the Reporting Period, there were no cases of non-compliance with laws and regulations in relation to corruption, bribery, extortion, fraud, or money laundering, and the Group shall continue to closely monitor all activities.

Employees are encouraged to report unusual or suspicious activities or violation of business conduct to senior members of the Group, who will investigate each case with sensitivity and will determine best course of action. Whistle-blowing provisions and procedures are further explained in the Staff Handbook.

Confidential information shall be handled and process with due care. Employees are forbidden to discuss any confidential information in public. Disclosure of certain confidential material may lead to disciplinary or legal actions.

Supply Chain Management

The Group strives to improve its management process to minimise any adverse impacts within its operations. With regards to the contracting services of the Group whereas our role as a contractor, we work with our business partners in the supply chain to reduce their adverse impacts.

Unlike other industries or companies, our supply chain management pays particular attention to the treatment of employees and others affected by the work of our supply chain partners. As a contractor, our main supply chain partners are our subcontractors. Not only does our subcontractors' quality of work represent our Group, the health and safety of their employees and property users are also significant to maintaining the sustainable development of the Group.

To this end, the Group is meticulous in evaluation, selection and control of subcontractors. Formal assessments are conducted, prior to subcontractors' eligibility in tendering. Risk assessment and specific safety rules related to subcontractor work are recorded and distributed to concerned subcontractors respectively. The Group maintains an approved list of subcontractors.

Communications and coordination with subcontractors are also key to maintaining stable and trustworthy relationships. Various meetings are held with our subcontractors within the Reporting Period, to coordinate on work quality, environmental and health and safety aspects. Subcontractors are expected to exercise their diligence in managing the site, ensuring safe construction practice on site, and complying with the Laws of Hong Kong, in respect of construction safety and environmental protection issues.

Product Responsibility

In view of the Group's business nature in engineering consulting, delivering its services in a professional and responsible manner remains the Group's focus. The Group is committed to the promotion of high corporate ethics, integrity, and accountability in conducting business. The Group is also meticulous in adhering to all relevant standards of product health and safety, in accordance with applicable laws and regulations.

Quality of our services is highly dependent upon the professionalism and experience of our employees and subcontractors. Further information about our employees and subcontractors can be found in the Employment and Employee Well-Being section, as well as Supply Chain Management section of this Report respectively.

For contracting services, subcontractors are closely monitored to ensure works are completed according to the requirements of the contract drawings and/or specification. Substandard works may lead to legal or financial implications, according to contractual terms.

For interior design and decoration services, our design team collaborates closely with customers to customize most suitable designs according to their specifications. The design team would usually prepare at least three proposed designs to be presented to the customers, whereby customers would select a preferred design to be updated upon.

During the Reporting Period, the Group was not aware of any cases of non-compliance with relevant laws and regulations in respect of product responsibility, including product health and safety, intellectual property, and customer privacy.

OUR PEOPLE

Our employees are the cornerstone to our corporate success and sustainable development. The Group aims to provide a healthy, safe and diverse workplace that is free from discrimination and harassment.

Health and Safety

The Group is committed to providing a safe and healthy work environment. The Group recognizes health and safety at work as the interest and responsibility of the Group and its employees. Hence, the Group closely monitors health and safety issues in the workplace and adequately addresses such issues as they arise. During the Reporting Period, the Group has recorded zero major accidents and incidents.

The Group relies on its employees to report any health and safety hazards, injuries or illnesses they may experience. Reasonable care for the health and safety of individual employees and others must be considered. Immediate report to senior management of the Group is encouraged, if individual employees experience any injury or illness at work.

In addition to employees' health and safety, the Group is also concerned with the health and safety of those who work for our subcontractors. Subcontractors are expected to observe all relevant health and safety legislations, attend health and safety meetings, acknowledge receipt of safety plans, and ensure all tools, plants, equipment, materials and substances comply with relevant health and safety requirements. Safety plans include in-house rules and regulations, emergency plan, risk assessment among others.

For specific project sites, the Group may further specify subcontractors' obligations in promoting health and safety onsite, including providing their employees with approved personal protective equipment, and supervising and directing their employees to be dressed accordingly in the construction site area. Tools, equipment and machinery shall be periodically maintained and inspected to ensure safe usage. Dangerous or chemical substances shall be stored safely, along with warning notice or label. Subcontractors' negligence or violation of the safety rules may lead to suspension of tendering qualification.

Through careful inspections and an effective enforcement system, the Group has observed no violations of the Subcontract Safety Rules within the Reporting Period.

Development and Training

Employees' continuous professional development is important to the Group, as it dedicates to providing employees opportunities to learn important and transferable skills that would allow them to improve their job performance and to advance in their future career development.

All employees who may have to work on construction site must possess the construction safety training certificate, unless otherwise complied with relevant requirements. Induction sessions on the background information of safety, or safety trainings, shall be attended prior to commencing work on construction sites.

The Training Sponsorship Programme, on the other hand, aims to encourage employees in self-improvement, to achieve knowledge and technology advancement, and to improve working efficiency. As part of the Programme for employees, the Group subsidies training and learning fee for external training courses. For example, one of our registered specialist in foundation and site formation attended "Mandatory Building Inspection Scheme and the Mandatory Window Inspection Scheme, a top-up course for Registered Inspector's Level 2 Representative during the Reporting Period.

Employment and Employee Well-Being

As an equal opportunity employer, it is highly critical for the Group to create a pleasant work environment that values equal opportunities and diversity, to attract and retain talents. All employees are treated fairly and equally, and are free from discrimination in all aspects of employment, including recruitment and promotion.

To protect the rights and benefits of employees, the Group has set out requirements on compensation and remuneration, recruitment, promotion and dismissal, working hours, rest periods and other benefits as part of the existing employment policies of the Group.

Performance review are conducted annually, where employees are given opportunities to discuss openly with their senior manager their work performance and career development. Employees are encouraged to seek guidance or initiative discussions if they have any job-related problems or have questions about their performance.

During the Reporting Period, the Group has observed and complied with laws and regulations relating to employment, including compensation and equal opportunities. Further, there were no relevant cases of litigation or complaints.

Labour Standards

Child and forced labour violate fundamental human rights and threaten the sustainable development of the Group. The Group is committed to avoiding child or forced labour in its operations, in addition to complying with all applicable laws and regulations. Identity and background checks are conducted prior to hiring of all personnel within the Group.

Further, the Group would not tolerate any use of child or forced labour in its supply chain or on site. Consistent measures are taken out against illegal immigrants or forced labour on site. Workers are banned to enter project sites without a valid working permit issued by the Contractor or Hong Kong identity card. Security guards onsite shall examine identity card or working permits to ensure all site workers are licensed professionals. Patrol squads are also assigned to spot-check workers' identifications.

During the Reporting period, the Group was not aware of any non-compliance cases of relevant laws and regulations in relation to labour standards, namely preventing the use of child and forced labour, within its operations.

OUR ENVIRONMENT

The Group appreciates the environment and natural resources that allow its business to thrive, and acknowledges that these resources must be protected for its community, people and business to sustain. There must be collaborative actions across companies, industries, geographies, and even governments. From the Group's standpoint, there is a growing need for companies to actively seek for further environmentally-friendly alternatives to reduce the environmental impact of its operations.

As a contractor, it is our duty to educate and promote environmental awareness, as well as to supervise the implementation of construction site work. During orientation training, all new trainees are trained to understand the environmental impacts related to engineering and construction activities, and contribute to reducing environmental issues by developing and adopting more environmentally-friendly designs and construction techniques. Supervision of subcontractors' day-to-day practices in environmentally-friendly initiatives became part of our daily operations.

While we could regulate our subcontractors, and observe and adjust any misbehaviour or mistakes onsite, the Group understands that it too shall consider its own environmental impact and aim to set an example of publicly disclosing relevant data. The following evaluations of emissions, energy management and other resources and materials shall be subject to emissions or resources that the Group has direct impact upon, usually through operational control or financial control. In most cases, this includes only the offices the Group operate.

The Group is committed to data accuracy and transparency. All disclosed data is based on official documents. We would continuously improve and implement a more effective data collection and monitoring system to ensure that there is no missing environmental data.

The Group is not involved in manufacturing or production operations, hence it does not have a significant impact on the environment and natural resources.

During the Reporting Period, the Group has abided all appropriate environmental laws and regulations.

Emissions

As a contractor, we rely on the monitoring of subcontractors to implement excellent environmental protection initiatives on project sites. Emissions such as noise and dust emissions on site are monitored to ensure they comply with legislations. Common industry practices are also implemented to minimize the emissions on site, such as utilizing water for dust suppression.

The Group is not involved in manufacturing or production operations, hence there is no significant pollutant emissions caused by its activities. Due to the business nature of the Group, the main source of air pollutant emissions stem from its vehicle use.

Our vehicles may affect people and neighbouring communities through its environmental impact, so we take precaution and endeavour to minimise air emissions from our vehicles, including GHG emissions and other air pollutants, such as nitrogen oxides (“NOX”), sulphur oxides (“SOX”) and respiratory suspended particles (“RSP”, also known as Particulate Matter (“PM”)). There is currently insufficient data to calculate an accurate amount of air pollutants our vehicles emit, due to lack of monitoring system practices in place. While we encourage our employees to travel via public transportations, other measures such as regular vehicle maintenance are conducted.

As climate change becomes increasingly severe, the Group must also consider its greenhouse gas (“GHG”) emissions, as well as its long-term effect on our planet. Our GHG emissions mainly comprise of direct emissions from fuel combustions of our vehicles and indirect emissions from electricity consumption. The Group is committed to conducting annual evaluation of our GHG emissions, as well as seeking remediation and reduction initiatives the Group can contribute in, to reduce its emissions.

This year, the Group has invited an independent professional consultancy, CKP Sustainability Consultants, to assess its annual GHG emissions. The scope of the GHG emissions evaluation covers all offices the Group used within the Reporting Period. The Group currently does not evaluate the GHG emissions of its project sites owing to its limited control. The quantification methodology is based on the Guideline to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong published by the Environmental Protection Department and the Electrical and Mechanical Services Department in Hong Kong. It also references other international standards, such as ISO 14064 standards for greenhouse gas accounting and verification.

Scopes		**Unit**	**GHG Emissions**	**Percentage**
Scope I:	Direct emissions	Tonnes CO_2-e	2.60	10%
Scope II:	Energy indirect emissions	Tonnes CO_2-e	24.33	90%
	Total GHG Emissions	Tonnes CO_2-e	26.93	100%
Intensity of GHG emissions				
By number of employees		Tonnes CO_2-e/FTE	1.22	–
By unit revenue		Tonnes CO_2-e/million HKD	0.73	–

As indicated in the table above, purchased electricity, the sole contributor of Scope II emissions, is the largest contributor to the Group’s GHG emissions, accounting for 90%, while vehicle combustion (Scope I emissions) only accounted for 10%, during the Reporting Period.

The Group will continue to assess, record and publicly disclose its annual GHG emissions. As electricity is the highest contributor to the Group’s GHG emissions, it shall seek initiatives to reduce its electricity consumption, thereby reducing its GHG emissions. Further information on electricity usage and reduction can be found in the Energy Management section.

Energy Management

The Group's energy consumption contributes the most to its GHG emissions, hence as part of an effort to reduce its GHG emissions, the Group must understand its energy consumption and consider various reduction initiatives.

At the office, energy is mainly used for air conditioning, lighting and electronics. The Group has clear instruction and reminders for employees to turn off all unnecessary electric devices, including air conditioners, lights and electronics, such as computers, printers and others. Air conditioners are set at a constant 25.5C to reduce its cooling load. Also, employees who are seated near the window are encouraged to maximize daylight and reduce use of lighting system, if it does not affect their productivity at work.

Through employee engagement, collaboration and education, the Group shall continue to seek for energy reduction opportunities and maximization methodologies at the office. When appropriate, the Group may also consider collaborating with its subcontractors on energy usage and reduction at its project sites.

The Group has recorded the following energy use during the Reporting Period.

Energy Use	**Unit**	**Consumption**	**Percentage**
Electricity	kWh	42,626.47	82%
Vehicle Fuel (Petrol)	Litres	977.31	18%
Total Energy Use	kWh	52,008.68	100%
Total Energy Use	MJ	186,273.47	100%
Intensity of Energy Consumption			
By number of employees	MJ/FTE	8,466.98	–
	kWh/FTE	2,364.03	–
By Unit Revenue	MJ/million HKD	5,048.06	–
	kWh/million HKD	1,409.45	–

Other Resources and Material

In general, resources and materials are finite, and material usage maximization is important to sustain the current operations of the Group. Our operations at the office utilize water, paper and other material that, without proper channels, eventually turns into waste.

At most offices, water is supplied by the property management, as part of its management fee, hence the consumption of which is not accounted for. For those that we operate and account for, the total amount of water consumed within the Reporting Period was 265.67 m^3. Although the Group has experienced no water sourcing issue during the Reporting Period, it acknowledged that water is a scarce resource that should be protected. Water consumption is reviewed biannually, while water usage at the rest area is maximized via dish washing at once per day and reusing suitable used water for plant irrigation.

Non-hazardous waste at the office is minimal, as it mostly constitutes paper waste and other domestic waste. The amount of non-hazardous waste generated is not recorded as there is currently no monitoring system for the amount of waste generated at the office, and as the amount of non-hazardous waste generated at the office is immaterial to the Group. Similar to water consumption, non-hazardous waste at the office is part of the contractual agreement with property management, who is in charge of waste disposal and recycling. Employees are encouraged to use electronic systems instead of paper for communications. Double side printing and usage are also encouraged to reduce paper usage and waste generation. Certain paper and stationary are reused and shared among employees. Similar to energy management, the key to a successful resource maximization at the office is employee engagement. To this end, clear instructions have been provided to encourage further paper reuse.

In terms of waste management on project sites, waste is mainly divided into non-construction waste and construction waste. Non-construction waste are stored in enclosed bins or compaction units separate from construction or chemical waste. Contracted waste collection are responsible for the collection of general waste and litter from site for proper disposal. Separately labelled bins are provided to allow for segregation of recyclable material, whenever possible.

Materials such as inert construction waste and demolition material are reused on-site whenever possible, while other waste materials are recycled before properly disposing to designated landfills by licensed waste collector. The amount of waste generated in project sites are generated by our subcontractors, hence there is currently no monitoring system for the amount of waste generated at the project sites.

The Group does not consume, use or produce any packaging material as its operations does not produce any consumer products.

Looking forward, the Group will continue to engage its employees on developing more comprehensive resources management strategy and measures to further reduce the use of resources.

OUR COMMUNITY

The Group is proud to support the community and the people we rely upon. We establish good relationships with the community and people who in turn help the business prosper sustainably and in a healthy and stable manner.

The Group views community support as not necessarily through charitable donations only. Instead, the Group has invested more resources this year into developing its people and relied on its people to further develop the business in creating more positive impacts and in touching more lives through its work.

Sustainable development of the Group would contribute economically to the prosperity of Hong Kong, socially by allowing the Group to provide high quality products and services to the public and stable employment to its people, as well as environmentally through the protection of the environment our community lives and relies upon.

ESG KEY PERFORMANCE INDICATORS

The Group is proud to present its first set of publicly disclosed ESG key performance indicators ("KPIs"), and the Group is committed to publicly disclosing its ESG-related KPIs annually hereafter.

KPIs	Unit	FY 2017/2018
Environmental		
GHG Emissions		
Scope I Emissions	Tonnes CO_2-e	2.60
Scope II Emissions	Tonnes CO_2-e	24.33
Total GHG Emissions	Tonnes CO_2-e	26.93
GHG Emissions Intensity		
By number of employees	Tonnes CO_2-e/FTE	1.22
By unit revenue	Tonnes CO_2-e/million HKD	0.73
Energy Consumption		
Electricity	kWh	42,626.47
Vehicle Fuel (Petrol)	Litres	977.31
Total Energy Use	kWh	52,008.68
Total Energy Use	MJ	186,273.47
Energy Consumption Intensity		
By number of employees	kWh/FTE	2,346.03
By number of employees	MJ/FTE	8,466.98
By unit revenue	kWh/million HKD	1,409.45
By unit revenue	MJ/million HKD	5,048.06
Water Consumption		
Water[1, 2]	m^3	265.67
Water Consumption Intensity		
By number of employees	m^3/FTE	12.08
By unit revenue	m^3/million HKD	7.20

[1] Water consumption is only accounted for offices whereby the property management does not cover water.

[2] When water consumption data is not available due to quarterly billing, daily average consumption amount from the latest bill is utilised to estimate the consumption of the remaining days of the Reporting Period.

ESG REPORTING GUIDE CONTENT INDEX

This Report has complied with SEHK's ESG Reporting Guide's "Comply or Explain" provision, as indicated in the following table.

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
A. Environmental		
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 — Emissions, Other Resources and Material
KPI A1.1	The types of emissions and respective emissions data.	Our Environment — Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment — Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment — Other Resources and Material
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment — Other Resources and Material
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Our Environment — Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Our Environment — Other Resources and Material

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Our Environment — Energy Management, Other Resources and Material
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Our Environment — Energy Management; ESG Performance Table
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Our Environment — Other Resources and Material; ESG Performance Table
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Our Environment — Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Our Environment — Other Resources and Material
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Our Environment — Other Resources and Material
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 — Emissions, Energy Management, Other Resources and Material
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 — Emissions, Energy Management, Other Resources and Material

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
B. Social		
Employment and Labour Practices		
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 — Employment and Employee Well-Being
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	N/A
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	N/A
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 — Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Nil
KPI B2.2	Lost days due to work injury.	N/A
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Our People — Health and Safety
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 — Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	N/A
KPI B3.2	The average training hours completed per employee by gender and employee category.	N/A

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or Explanation
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 — Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our People — Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our People — Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Business — Business Conduct, Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	N/A
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 Business — Business Conduct, Supply Chain Management
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 Business — Business Conduct, Supply Chain Management, Product Responsibility
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.	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A
KPI B6.4	Description of quality assurance process and recall procedures.	Our Business — Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Our Business — Business Conduct

Aspects, General Disclosures and KPIs	Description	Relevant Chapter, Reference Page(s) or 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 Business — Business Conduct
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.	Nil
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Our Business — Business Conduct
Community		
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
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	N/A
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	N/A

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 a 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 eight Directors, including five executive Directors and three independent non-executive Directors ("INED"). In particular, the composition of the Board is set out as follow:

Executive Directors
Mr. Lin Ye *(Chairman)* (appointed on 12 October 2018)
Mr. Au Siu Chung *(Compliance Officer)*
Mr. Long Jie
Mr. Yuan Shuang Shun (appointed on 1 December 2017)
Ms. Xiao Yi Liao Ge (appointed on 26 January 2018)
Mr. Wang Peng (resigned on 24 August 2017)
Mr. He Jian Wen (resigned on 24 August 2017)
Ms. Tong Jiangxia (resigned on 12 October 2018)

Independent Non-executive Directors
Ms. Kwong Ka Ki
Mr. Yu Hua Chang (appointed on 26 January 2018)
Ms. Guo Liying (appointed on 21 May 2018)
Mr. Tang Yiu Wing (resigned on 21 May 2018)
Ms. Chui Pui Yu (resigned on 26 January 2018)

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 annual 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 or one year, 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, thirteen board meetings were held. Subsequent to the Reporting Period, three more board meetings were held during the period between 1 August 2018 and the date of this annual report. The forthcoming annual general meeting which will be held on 29 November 2018 is the fourth 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 2017 and the date of this annual report
Executive Directors	
Mr. Lin Ye *(Chairman)* (appointed on 12 October 2018)	0/0
Mr. Au Siu Chung *(Compliance Officer)*	15/16
Mr. Long Jie	4/16
Mr. Yuan Shuang Shun (appointed on 1 December 2017)	10/11
Ms. Xiao Yi Liao Ge (appointed on 26 January 2018)	8/9
Mr. Wang Peng (resigned on 24 August 2017)	0/0
Mr. He Jian Wen (resigned on 24 August 2017)	0/0
Ms. Tong Jiangxia (resigned on 12 October 2018)	3/15
Independent Non-executive Directors	
Ms. Kwong Ka Ki	15/16
Ms. Guo Liying (appointed on 21 May 2018)	6/6
Mr. Yu Hua Chang (appointed on 26 January 2018)	8/9
Mr. Tang Yiu Wing (resigned on 21 May 2018)	8/10
Ms. Chui Pui Yu (resigned on 26 January 2018)	6/7

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 Reporting Period.

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. Yu Hua Chang and Ms. Guo Liying, 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 2017, interim results for the six months ended 31 January 2018, quarterly results for the nine months ended 30 April 2018 and discussed internal controls and financial reporting matters. The Audit Committee had also reviewed audited annual results for the financial year ended 31 July 2018, 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 annual report.

During the Reporting Period, the Audit Committee had held six meetings. Between 1 August 2017 and the date of this report, the Audit Committee has held six meetings, six 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 2017 and the date of this annual report
Ms. Kwong Ka Ki *(Chairperson)*	6/6
Ms. Guo Liying (appointed on 21 May 2018)	3/3
Mr. Yu Hua Chang (appointed on 26 January 2018)	4/4
Mr. Tang Yiu Wing (resigned on 21 May 2018)	3/3
Ms. Chui Pui Yu (resigned on 26 January 2018)	2/2

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Ms. Guo Liying (Chairperson), Mr. Au Siu Chung, and Ms. Kwong Ka Ki. Ms. Guo 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 2017 and the date of this annual report
Ms. Guo Liying *(Chairperson)* (appointed on 21 May 2018)	2/2
Mr. Au Siu Chung	7/7
Ms. Kwong Ka Ki	7/7
Mr. Tang Yiu Wing (resigned on 21 May 2018)	4/5

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 annual report.

NOMINATION COMMITTEE

The Nomination Committee comprises three members, namely Ms. Kwong Ka Ki (Chairperson), Ms. Guo Liying and Mr. Yu Hua Chang, 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.

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

	Attendance/Number of meetings between 1 August 2017 and the date of this annual report
Ms. Kwong Ka Ki *(Chairperson)*	6/6
Ms. Guo Liying (appointed on 21 May 2018)	2/2
Mr. Yu Hua Chang (appointed on 26 January 2018)	3/3
Mr. Tang Yiu Wing (resigned on 21 May 2018)	4/4
Ms. Chui Pui Yu (resigned on 26 January 2018)	2/3

LEGAL COMPLIANCE COMMITTEE

The Legal Compliance Committee comprises three members, namely Ms. Guo Liying (Chairperson), Mr. Au Siu Chung and Ms. Kwong Ka Ki. Ms. Guo 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 2017 and the date of this annual report
Ms. Guo Liying *(Chairperson)* (appointed on 21 May 2018)	1/1
Mr. Au Siu Chung	2/2
Ms. Kwong Ka Ki	2/2
Mr. Tang Yiu Wing (resigned on 21 May 2018)	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	1,060

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

COMPANY SECRETARY

Mr. Cheng Man For ("Mr. Cheng") was appointed as the company secretary of the Company on 1 August 2018. Mr. Cheng has confirmed that he 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.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining adequate system of internal controls and risk management within the Group. During the Reporting Period, the Board has also conducted a review of the effectiveness of the risk management and internal control system of the Group. The systems of internal controls and risk management are designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. They are also designed to provide reasonable, but not absolute, assurance that material misstatement or loss can be avoided, and to manage and minimize risks of failure in operation systems. In the future, the Group will conduct regular review of the Group's internal control and risk management systems and its effectiveness to ensure the interest of shareholders is safeguarded.

OBJECTIVES OF RISK MANAGEMENT AND INTERNAL CONTROL

The objectives of the risk management and internal control framework of the Group include:

- to strengthen the Group's risk management and internal control in compliance with the GEM Listing Rules requirements;
- to establish and constantly improve the risk management and internal control systems; and
- to keep baseline risks within the acceptable range.

PRINCIPLES OF INTERNAL CONTROL

Our risk management and internal control systems involve five elements as internal environment, risk assessment, control activities, information and communication and internal supervision. The aim of internal control is to reasonably guarantee the compliance of its operation and management with regulations and laws, assets security, and authenticity and integrity of financial report and related information, improve the efficiency and effectiveness of operating activities and promote the realization of development strategy of the Group.

THREE-TIER RISK MANAGEMENT APPROACH

The Group has adopted a three-tier risk management approach to identify, assess, mitigate and handle risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The finance department, as the second line of defence, defines rule sets and models, oversees and reports risk management matters to the Board. It ensures that risks are within the acceptable range and that the first line of defence is effective. As the final line of defence, the Board together with audit committee of the Company, with advices from professionals, ensures that the first and second lines of defence are effective through constant inspection and monitoring.

During the year, the Board appointed an independent professional consultancy firm to conduct an internal control review. Based upon the results of the internal control review which were submitted to the Audit Committee for consideration, the Board and the Audit Committee are satisfied that the Group's systems of risk management and internal controls, including financial, operational, compliance, and risk management functions, are adequate and effective.

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.
- Internal control & management report – summarise results of internal control review, 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.

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 2018.

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	2

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 annual 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 29 November 2018, 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) 3622 2952, 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 1902, 19/F.
Harbour Centre
No. 25 Harbour Road
Wanchai
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 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of civil engineering consulting, contracting and interior design services and decoration works in Hong Kong, including but not limited to 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.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 July 2018 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 29 November 2018 (Thursday), the register of members of the Company will be closed from 26 November 2018 (Monday) to 29 November 2018 (Thursday) (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 23 November 2018 (Friday) 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 last five 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 13 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 2018 are set out in Note 12 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 31 July 2018 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 21 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 23 to the consolidated financial statements.

As of 31 July 2018, 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$14.7 million (31 July 2017: HK$18.7 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 22 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 2018.

DIRECTORS

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

Executive Directors

Mr. Lin Ye *(Chairman)* (appointed on 12 October 2018)
Mr. Au Siu Chung *(Compliance Officer)*
Mr. Long Jie
Mr. Yuan Shuang Shun (appointed on 1 December 2017)
Ms. Xiao Yi Liao Ge (appointed on 26 January 2018)
Mr. Wang Peng (resigned on 24 August 2017)
Mr. He Jian Wen (resigned on 24 August 2017)
Ms. Tong Jiangxia (resigned on 12 October 2018)

Independent Non-executive Directors

Ms. Kwong Ka Ki
Mr. Yu Hua Chang (appointed on 26 January 2018)
Ms. Guo Liying (appointed on 21 May 2018)
Mr. Tang Yiu Wing (resigned on 21 May 2018)
Ms. Chui Pui Yu (resigned on 26 January 2018)

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

Information regarding directors' emoluments is set out in Note 8 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 or one year, 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. Accordingly, pursuant to article 112 of the Articles, Mr. Lin Ye, Mr. Yuan Shuang Shun, Ms. Xiao Yi Liao Ge, Mr. Yu Hua Chang, and Ms. Guo Liying 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. Accordingly, pursuant to article 108 of the Articles, Ms. Kwong Ka Ki 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 2018, 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 Securities and Futures Ordinance (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 2018, 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 2018, so far as was known to the Directors, the interests and short positions of the following persons (other than the Directors or chief executive of the Company) or entities which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were requested 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
Huang Xiao Fang (Note 2)	Interest in a controlled corporation	94,534,000	22.99%
Sonic Solutions Limited (Note 2)	Beneficial owner	94,534,000	22.99%
Jing Shiqi (Note 3)	Interest in a controlled corporation	60,000,000	14.59%
Wealth Triumph Corporation (Note 3)	Beneficial owner	60,000,000	14.59%
Pan Guorong	Beneficial owner	30,000,000	7.30%
Liu Guo Ping	Beneficial owner	54,833,000	13.33%
Li Song	Beneficial owner	34,738,000	8.45%
Xia Yuqing	Beneficial owner	31,111,000	7.57%

Notes:

1. Interests in Shares stated above represent long positions.

2. 94,534,000 Shares are held by Sonic Solutions Limited as a beneficial owner. The entire issued share capital of Sonic Solutions Limited is wholly-owned by Huang Xiao Fang. As such, Huang Xiao Fang is deemed to be interested in 94,534,000 Shares held by Sonic Solutions Limited.

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

Save as disclosed above, as at 31 July 2018, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Disclosure of Interest" 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 55.94% (2017: 35.85%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 15.62% (2017: 7.91%) 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 65.41% (2017: 40.99%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 21.36% (2017: 11.44%) 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

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 2018 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.

COMPETITION AND CONFLICT OF INTEREST

Having made specific enquiry of all Directors and substantial Shareholders, during the Reporting Period, 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.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE (THE "CODE")

During the Reporting Period, the Company had 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 of the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the Relevant Period.

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 2018.

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 annual report.

AUDITORS

HLB Hodgson Impey Cheng Limited ("HLB") shall retire in the forthcoming annual general meeting (the "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 Reporting Period 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. Yu Hua Chang and Ms. Guo Liying.

REVIEW OF ANNUAL REPORT

This annual report for the year ended 31 July 2018 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
Lin Ye
Chairman and Executive Director

Hong Kong, 26 October 2018

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 58 to 123, which comprise the consolidated statement of financial position as at 31 July 2018, 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 2018, 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 17 to the consolidated financial statements	
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 wage 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, 26 October 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	5	**37,240**	47,399
Cost of sales		**(33,622)**	(33,940)
Gross profit		**3,618**	13,459
Other income and net gains	5	**4,784**	3,058
Fair value changes on financial assets at fair value through profit or loss		**(2,915)**	(1,749)
Administrative and other operating expenses		**(23,670)**	(26,599)
Loss before income tax	6	**(18,183)**	(11,831)
Income tax expense	9	**(490)**	(578)
Loss and total comprehensive expense for the year		**(18,673)**	(12,409)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(14,651)**	(11,387)
Non-controlling interests		**(4,022)**	(1,022)
Loss and total comprehensive expense for the year		**(18,673)**	(12,409)
Basic and diluted loss per share (HK cents)	10	**(3.56)**	(2.77)

The accompanying notes form an integral part of these consolidated financial statements. Details of dividends paid and proposed are disclosed in Note 11 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,388	2,406
Investment properties	14	–	19,000
		1,388	21,406
Current assets			
Trade and other receivables	16	13,093	34,503
Amounts due from customers for contract work	17	3,107	3,105
Financial assets at fair value through profit or loss	18	–	17,520
Tax recoverable		1,390	2,984
Cash and cash equivalents	19	66,584	21,107
		84,174	79,219
Total assets		85,562	100,625
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	21	4,112	4,112
Share premium	21	24,394	24,394
Other reserves	23	52,705	67,356
		81,211	95,862
Non-controlling interests		(4,202)	(180)
Total equity		77,009	95,682

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2018

	Note	2018 HK$'000	2017 HK$'000
LIABILITIES			
Current liabilities			
Trade and other payables	20	7,756	4,472
Amounts due to customers for contract work	17	4	168
Tax payable		793	303
Total liabilities		8,553	4,943
Total equity and liabilities		85,562	100,625

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 October 2018 and signed on its behalf by:

Mr. Yuan Shuang Shun
Director

Mr. Au Siu Chung
Director

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

	Attributable to owners of the Company					
	Share capital HK$'000 (Note 21)	Share premium HK$'000 (Note 21)	Other reserves HK$'000 (Note 23)	Sub-total HK'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 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 and 1 August 2017	**4,112**	**24,394**	**67,356**	**95,862**	**(180)**	**95,682**
Loss and total comprehensive expense for the year	**–**	**–**	**(14,651)**	**(14,651)**	**(4,022)**	**(18,673)**
Balance at 31 July 2018	**4,112**	**24,394**	**52,705**	**81,211**	**(4,202)**	**77,009**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Net cash used in operations	24	(4,259)	(34,766)
Income tax refunded/(paid)		1,594	(5,669)
Interest received		4	10
Net cash used in operating activities		(2,661)	(40,425)
Cash flows from investing activities			
Acquisition of subsidiaries		–	(19,000)
Disposal of subsidiaries		21,972	248
Proceeds from disposal of property, plant and equipment		–	106
Purchases of property, plant and equipment		(53)	(1,807)
Refundable deposit received/(paid)		2,600	(2,600)
Loan received/(granted)		22,000	(22,000)
Loan interest received		1,619	2,464
Net cash generated from/(used in) investing activities		48,138	(42,589)
Cash flows from financing activities			
Capital contribution by non-controlling interests		–	400
Decrease in amounts due from non-controlling interests		–	494
Net cash generated from financing activities		–	894
Net increase/(decrease) in cash and cash equivalents		45,477	(82,120)
Cash and cash equivalents at beginning of the year		21,107	103,227
Cash and cash equivalents at end of the year	19	66,584	21,107

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 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 1902, 19/F., Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the provision of civil engineering consulting, contracting and interior design services and decoration works in Hong Kong, including but not limited to geotechnical engineering works.

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 26 October 2018.

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 Hong Kong Institute of Certified Public Accountants ("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 and financial assets at fair value through profit or loss, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.1 Basis of preparation – *continued*

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 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 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 2017 and have not been early adopted by the Group:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contract[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[3] Effective for annual periods beginning on or after 1 January 2021.
[4] 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 fair value through profit or loss 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.

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* – *continued*

Based on the Group's financial instruments and risk management policies as at 31 July 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, impairment loss may appear as at 1 August 2018 in respect of the expected credit losses provision on trade and other receivables. Such further impairment recognised, if any, under expected credit loss model would reduce the opening retained profits at 1 August 2018.

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.

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* – *continued*

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.

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* – *continued*

As regards the construction contracts, the directors specifically consider HKFRS 15's guidance on contract combinations, contract modifications arising from variation orders, variable consideration, and the assessment of whether there is significant financing component in the contracts, particularly taking into account the reason for the difference in timing between the transfer of control of goods and services to customers and timing of related payments. The directors have assessed that performance obligation is satisfied over time, therefore revenue from these construction contracts should be recognised over time during the course of construction by the Group. Furthermore, the directors consider that the output method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under HKFRS 15. However, the directors are assessing whether the current accounting policy adopted by the Group in recognising the construction costs charged to profit or loss by reference to the stage of completion of the contract activity at the end of the reporting period is different from the recognition of construction costs in profit or loss based on the actual construction costs incurred under HKFRS 15's guidance and the potential financial impact.

The standard permits either a full retrospective or modified retrospective approach for the adoption. Apart from the recognition of construction costs as explained in above and providing more extensive disclosures on the Group's revenue transactions, the directors do not anticipate that the application of HKFRS 15 will have material effect on the Group's financial performance and position.

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 2018, the Group has non-cancellable operating lease commitments of approximately HK$4,835,000 as disclosed in Note 25. 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

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.

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 – *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 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.

2.3 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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 and other comprehensive income.

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" 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 and other comprehensive income. 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 and other comprehensive income 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 and other comprehensive income 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

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).

2.13 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 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*

2.15 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.

2.16 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*

2.16 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.

2.17 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*

2.18 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.

2.19 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*

2.19 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) Financial public relations services income

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

(d) Interest income

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

2.20 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.

2.21 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 and other comprehensive income on a straight-line basis over the period of the lease.

2.22 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.23 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

(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 2017 and 2018.

(ii) Credit risk

Credit risk arises mainly from trade and other receivables 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.

3. FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(ii) Credit risk – continued

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.

As at 31 July 2018, there were 2 customers (2017: 2 customers) which individually contributed over 10% of the Group's trade receivables. The aggregate amount of trade receivables from these customers amounted to 77% (2017: 57%) of the Group's total trade receivables as at 31 July 2018.

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 for the year 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.

3. FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(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.

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 2018					
Trade and other payables	–	7,756	–	–	7,756
As at 31 July 2017					
Trade and other payables	–	3,768	–	–	3,768

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 2017 and 2018 were as follows:

	2018 HK$'000	2017 HK$'000
Total interest-bearing liabilities	–	–
Total equity	77,009	95,682
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 and 2018 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 and 2018.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 July 2018				
Assets				
Financial assets at fair value through profit or loss				
— Equity securities	–	–	–	–
As at 31 July 2017				
Assets				
Financial assets at fair value through profit or loss				
— Equity securities	17,520	–	–	17,520

3. FINANCIAL RISK MANAGEMENT – *continued*

3.3 Fair value estimation – *continued*

There were no transfers between levels during the year.

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 14.

(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:

	2018 HK$'000	2017 HK$'000
Revenue		
Engineering consulting	700	14,172
Contracting	10,214	9,321
Interior design and decoration	26,326	23,421
Others	—	485
	37,240	47,399

	2018 HK$'000	2017 HK$'000
Other income and net gains		
Gain on disposal of subsidiaries *(Note 27)*	2,972	404
Government grants *(Note)*	22	100
Interest income	4	10
Loan interest income	1,619	2,464
Net foreign exchange gains	34	—
Others	133	80
	4,784	3,058

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

5. REVENUE AND SEGMENT INFORMATION – *continued*

The management of the Company 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, general building works and related geotechnical works as a contractor.

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

Others: Provision of financial public relations services in Hong Kong and provision of overall planning, management, technical advice and supervision of site works.

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, 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.

5. REVENUE AND SEGMENT INFORMATION – *continued*

	Engineering consulting HK$'000	Contracting HK$'000	Interior design and decoration HK$'000	Others HK$'000	Total HK$'000
Year ended 31 July 2018					
Revenue					
Total revenue	700	10,214	26,326	–	37,240
Inter-segment revenue	–	–	–	–	–
External revenue	700	10,214	26,326	–	37,240
Segment results	(1,010)	1,460	(5,033)	(599)	(5,182)
Fair value changes on financial assets at fair value through profit or loss					(2,915)
Loan interest income					1,619
Gain on disposal of subsidiaries					2,972
Unallocated corporate expenses					(14,677)
Loss before income tax					(18,183)
Income tax expense					(490)
Loss for the year					(18,673)
Included in segment results are:					
Depreciation	190	147	376	9	722
At 31 July 2018					
Segment assets	162	9,128	8,047	43	17,380
Tax recoverable					1,390
Unallocated assets					66,792
Total assets					85,562
Included in segment assets are:					
Additions to non-current assets	–	–	–	–	–
Segment liabilities	175	6	6,244	30	6,455
Tax payable					793
Unallocated liabilities					1,305
Total liabilities					8,553

5. REVENUE AND SEGMENT INFORMATION – *continued*

	Engineering consulting HK$'000	Contracting HK$'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*

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:

	2018 HK$'000	2017 HK$'000
Customer A[1]	5,818	N/A[3]
Customer B[2]	4,337	N/A[3]
Customer C[1]	4,022	N/A[3]

[1] Revenue from contracting.

[2] Revenue from interior design and decoration.

[3] The customer did not contribute over 10% or more to the Group's total revenue in the corresponding year.

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2018 HK$'000	2017 HK$'000
Auditors' remuneration	1,060	890
Depreciation of property, plant and equipment *(Note 13)*	1,071	1,363
Loss on disposal of property, plant and equipment	–	499
Impairment losses of trade receivables	17	646
Operating lease charges	2,797	2,720
Staff costs, including directors' emoluments *(Note 7)*	14,079	18,712

7. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2018 HK$'000	2017 HK$'000
Salaries and allowances	13,644	18,194
Retirement benefit expenses		
— defined contribution plan	435	518
	14,079	18,712

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.

8. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 July 2018 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 2018					
Executive directors					
Mr. Lin Ye *(Note (i))*	–	–	–	–	–
Mr. Au Siu Chung	–	629	–	20	649
Mr. Long Jie	–	214	–	–	214
Mr. Yuan Shuang Shun *(Note (ii))*	–	157	–	–	157
Ms. Xiao Yi Liao Ge *(Note (iii))*	–	138	–	–	138
Mr. Wang Peng *(Note (iv))*	–	11	–	–	11
Mr. He Jian Wen *(Note (iv))*	–	11	–	–	11
Ms. Tong Jiangxia *(Note (v))*	–	605	–	18	623
Independent non-executive directors					
Ms. Kwong Ka Ki	200	–	–	–	200
Ms. Guo Liying *(Note (vi))*	24	–	–	–	24
Mr. Yu Hua Chang *(Note (vii))*	62	–	–	–	62
Mr. Tang Yiu Wing *(Note (viii))*	161	–	–	–	161
Ms. Chui Pui Yu *(Note (ix))*	97	–	–	–	97
	544	1,765	–	38	2,347

8. BENEFITS AND INTERESTS OF DIRECTORS – *continued*

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

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 (x))*	–	68	–	–	68
Mr. Long Jie *(Note (xi))*	–	45	–	–	45
Mr. Wang Peng *(Note (iv)*	–	76	–	–	76
Mr. He Jian Wen *(Note (iv))*	–	76	–	–	76
Ms. Au Man Yi *(Note (xii))*	–	644	–	17	661
Mr. Chai Nan *(Note (xiii))*	–	326	–	9	335
Dr. Li Kai Shun *(Note (xiv))*	–	801	–	6	807
Non-executive director					
Dr. Li Kai Shun *(Note (xiv))*	–	761	–	7	768
Independent non-executive directors					
Mr. Tang Yiu Wing *(Note (viii))*	75	–	–	–	75
Ms. Chui Pui Yu *(Note (ix))*	117	–	–	–	117
Ms. Kwong Ka Ki	200	–	–	–	200
Mr. Ko Chi Keung *(Note (xv))*	125	–	–	–	125
Professor Ho Ho Ming *(Note (xvi))*	83	–	–	–	83
	600	3,397	–	59	4,056

During the year ended 31 July 2018, 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 (2017: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 July 2018 (2017: Nil).

8. BENEFITS AND INTERESTS OF DIRECTORS – *continued*

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

Notes:

(i) Appointed on 12 October 2018

(ii) Appointed on 1 December 2017

(iii) Appointed on 26 January 2018

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

(v) Resigned on 12 October 2018

(vi) Appointed on 21 May 2018

(vii) Appointed on 26 January 2018

(viii) Appointed on 17 March 2017 and resigned on 21 May 2018

(ix) Appointed on 1 January 2017 and resigned on 26 January 2018

(x) Appointed on 23 June 2017

(xi) Appointed on 16 March 2017

(xii) Resigned on 23 June 2017

(xiii) Resigned on 3 January 2017

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

(xv) Resigned on 17 March 2017

(xvi) Resigned on 1 January 2017

8. BENEFITS AND INTERESTS OF DIRECTORS – *continued*

(b) Five highest paid individuals

The five individuals whose emoluments were highest in the Group include two (2017: Two) directors whose emoluments are disclosed above. None (2017: 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 nil (2017: Approximately HK$2,236,000), details of whose emoluments are disclosed above. The emoluments payable to the remaining three (2017: Five) individuals during the year are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	2,245	2,479
Discretionary bonuses	50	181
Contribution to pension scheme	53	47
	2,348	2,707

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
Nil — HK$1,000,000	2	4
HK$1,000,001 — HK$1,500,000	1	1

During the year ended 31 July 2018, 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 (2017: Nil).

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year.

	2018 HK$'000	2017 HK$'000
Hong Kong profits tax:		
— Current year	490	303
— Adjustment in respect of prior years	—	275
Income tax expense	490	578

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

	2018 HK$'000	2017 HK$'000
Loss before income tax	(18,183)	(11,831)
Calculated at a tax rate of 16.5%	(3,000)	(1,952)
Income not taxable for tax purposes	(68)	(80)
Expenses not deductible for tax purposes	1,415	1,188
Temporary differences not recognised	87	45
Adjustment in respect of prior years	—	275
Utilisation of previously unrecognised tax losses	—	(21)
Tax losses for which no deferred income tax asset was recognised	2,056	1,123
Tax charge	490	578

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$3,750,000 (2017: HK$1,694,000) in respect of losses amounting to approximately HK$22,725,000 (2017: HK$10,267,000) 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 2018 (2017: Nil).

10. LOSS PER SHARE

	2018	2017
Loss attributable to owners of the Company (HK$'000)	**(14,651)**	(11,387)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousand)	**411,200**	411,200
Basic loss per share (HK cents)	**(3.56)**	(2.77)

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

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the year (2017: Nil).

11. DIVIDENDS

No interim dividend was declared for the year (2017: Nil).

The directors do not recommend the payment of final dividend for the year ended 31 July 2018 (2017: 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.

12. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 July 2018:

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)
New Brio Associates Limited (Formerly known as 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 ("NBE")	Hong Kong, limited liability company	Provision of interior design and decoration services in Hong Kong	HK$1,000,000	51% (indirect)
Harvest Group Holdings Limited ("Harvest Group")	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)

12. SUBSIDIARIES – *continued*

The tables below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Places of incorporation/ operation	Proportion of ownership interests and voting rights held by non-controlling interest		(Loss)/profit allocated to non-controlling interest		Accumulated non-controlling interests	
		2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
NBE	Hong Kong	**49%**	49%	**(1,659)**	271	**(932)**	727
Harvest Group	Republic of Seychelles	**49%**	49%	**(2,098)**	(1,005)	**(2,954)**	(856)

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

Summarised financial information on subsidiaries with material non-controlling interests

Set out below is the summarised financial information for the subsidiaries that have non-controlling interest that are material to the Group.

Summarised statement of financial position

	NBE		Harvest Group	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Current				
Assets	**17,200**	8,318	**1,619**	2,920
Liabilities	**(20,040)**	(8,199)	**(7,649)**	(4,724)
Total current net (liabilities)/assets	**(2,840)**	119	**(6,030)**	(1,804)
Non-current				
Assets	**937**	1,365	**–**	58
Liabilities	**–**	–	**–**	–
Total non-current net assets	**937**	1,365	**–**	58
Net (liabilities)/assets	**(1,903)**	1,484	**(6,030)**	(1,746)

12. SUBSIDIARIES – *continued*

Summarised financial information on subsidiaries with material non-controlling interests – *continued*

Summarised statement of profit or loss and other comprehensive (expense)/income

	NBE		Harvest Group	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Revenue	**34,626**	27,445	**1,540**	1,931
(Loss)/profit before income tax	**(3,387)**	856	**(4,283)**	(2,050)
Income tax expense	**–**	(303)	**–**	–
Other comprehensive income	**–**	–	**–**	–
Total comprehensive (expense)/income	**(3,387)**	553	**(4,283)**	(2,050)
Total comprehensive (expense)/income allocated to non-controlling interests	**(1,659)**	271	**(2,098)**	(1,005)

Summarised statement of cash flows

	NBE		Harvest Group	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash flows from operating activities				
Cash generated from/(used in) operations	**335**	2,123	**(1,569)**	1,498
Net cash generated from/(used in) operating activities	**335**	2,123	**(1,569)**	1,498
Net cash (used in)/generated from investing activities	**(79)**	(1,467)	**44**	(64)
Net cash generated from financing activities	**–**	–	**–**	304
Net increase/(decrease) in cash and cash equivalents	**256**	656	**(1,525)**	1,738
Cash and cash equivalents at beginning of year	**2,008**	1,352	**1,738**	–
Cash and cash equivalents at end of year	**2,264**	2,008	**213**	1,738

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

13. 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 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 6)*	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
Cost				
At 1 August 2017	1,745	1,695	361	3,801
Additions	—	53	—	53
At 31 July 2018	1,745	1,748	361	3,854
Accumulated depreciation				
At 1 August 2017	675	635	85	1,395
Charge for the year *(Note 6)*	616	383	72	1,071
At 31 July 2018	1,291	1,018	157	2,466
Net book value				
At 31 July 2018	454	730	204	1,388

14. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
At fair value		
At 1 August	19,000	–
Acquisition of subsidiaries	–	19,000
Disposal of subsidiaries	(19,000)	–
At 31 July	–	19,000

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.

14. 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 and other comprehensive income. 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

14. 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.

15. FINANCIAL INSTRUMENTS BY CATEGORY

	2018	2017
	HK$'000	HK$'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	**12,783**	33,972
Cash and cash equivalents	**66,584**	21,107
Total	**79,367**	72,599
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost		
Trade and other payables excluding non-financial liabilities	**7,756**	3,768

16. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**9,615**	7,990
Retention receivables	**336**	—
Loan receivable	**—**	22,000
Other receivables, deposit and prepayments	**3,142**	4,513
	13,093	34,503

Notes:

(a) No credit period is granted to customers (2017: 0 day to 7 days). Trade receivables are denominated in HK$.

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

	2018 HK$'000	2017 HK$'000
0 – 30 days	**7,627**	625
31 – 60 days	**2**	3,834
61 – 90 days	**1,171**	127
91 – 365 days	**715**	3,163
Over 365 days	**100**	241
	9,615	7,990

16. TRADE AND OTHER RECEIVABLES – *continued*

Notes: – continued

(b) – *continued*

As at 31 July 2018, trade receivables of approximately HK$9,615,000 (2017: HK$7,990,000) 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:

	2018 HK$'000	2017 HK$'000
1 – 30 days	7,627	625
31 – 60 days	2	3,834
61 – 90 days	1,171	127
91 – 365 days	715	3,163
Over 365 days	100	241
	9,615	7,990

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

	2018 HK$'000	2017 HK$'000
At 1 August	–	–
Impairment losses of trade receivables	17	646
Receivables written off during the year as uncollectible	(17)	(646)
At 31 July	–	–

Retention receivables were not yet past due as at 31 July 2018 (2017: Nil) and would be settled in accordance with the terms of the respective contracts.

16. 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 December 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.

In August 2017, the proposed acquisition has been lapsed and the refundable deposit of HK$2,600,000 has been refunded.

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

17. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2018 HK$'000	2017 HK$'000
Amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	15,341	4,317
Less: Progress billings	12,234	1,212
	3,107	3,105
Amounts due to customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	–	2,254
Less: Progress billings	4	2,422
	(4)	(168)

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Listed securities — held-for-trading		
Equity securities — Hong Kong	–	17,520

Note: The listed equity securities as at 31 July 2017 were disposed during the year ended 31 July 2018.

19. CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash at banks	66,545	20,337
Cash held with broker	–	731
Cash on hand	39	39
Cash and cash equivalents	66,584	21,107

Notes:

(a) The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
HKD	66,580	21,103
RMB	4	4
	66,584	21,107

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

20. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	5,245	2,013
Accruals and other payables	2,511	2,459
	7,756	4,472

Notes:

(a) No credit period is granted by suppliers (2017: 0 day to 30 days).

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

	2018 HK$'000	2017 HK$'000
0 – 30 days	3,758	296
31 – 60 days	612	27
61 – 90 days	91	43
Over 90 days	784	1,647
	5,245	2,013

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

21. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Ordinary shares HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
As at 31 July 2017 and 2018	**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 2017 and 2018	**411,200,000**	**4,112**	**24,394**

22. 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.

22. SHARE OPTION SCHEME – *continued*

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.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective close associates must be approved 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$5,000,000 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).

22. SHARE OPTION SCHEME – *continued*

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 2017 and 2018.

23. OTHER RESERVES

	Merger reserve HK$'000 *(Note)*	Retained earnings HK$'000	Total HK$'000
Balance at 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 and 1 August 2017	(494)	67,850	67,356
Loss and total comprehensive expense for the year	–	(14,651)	(14,651)
Balance at 31 July 2018	(494)	53,199	52,705

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.

24. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of loss before income tax to net cash used in operations

	2018 HK$'000	2017 HK$'000
Loss before income tax	(18,183)	(11,831)
Adjustments for:		
Depreciation	1,071	1,363
Fair value changes on financial assets at fair value through profit or loss	2,915	1,749
Impairment losses of trade receivables	17	646
Loss on disposal of property, plant and equipment	—	499
Gain on disposal of subsidiaries	(2,972)	(404)
Interest income	(4)	(10)
Loan interest income	(1,619)	(2,464)
Operating loss before working capital changes	(18,755)	(10,452)
(Increase)/Decrease in trade and other receivables	(3,207)	3,396
Increase in amounts due from customers for contract work	(2)	(2,188)
Decrease/(Increase) in financial assets at fair value through profit or loss	14,605	(19,269)
Increase/(Decrease) in trade and other payables	3,284	(5,365)
Decrease in amounts due to customers for contract work	(164)	(888)
Net cash used in operations	(4,259)	(34,766)

25. 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:

	2018 HK$'000	2017 HK$'000
No later than one year	3,173	1,327
Later than one year and no later than five years	1,662	899
	4,835	2,226

26. 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

26. 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

26. 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

27. DISPOSAL OF SUBSIDIARIES

(a) In February 2018, the Group entered into sales and purchases agreements with a third party, pursuant to which the Group disposed 100% equity interest in Affluent Ally Limited for a consideration of HK$7,000,000.

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

	HK$'000
Consideration:	
On disposal	
Total consideration — Cash	7,000
Recognised amounts of identifiable assets and liabilities assumed	
Investment properties	6,000
Total identifiable net assets	6,000
Gain on disposal of a subsidiary	
Consideration	7,000
Net assets disposal of	(6,000)
Transaction cost	(10)
Gain on disposal	990
Satisfied by	
Cash and cash equivalents received as consideration	7,000
Less: Transaction cost paid	(10)
Less: Cash and cash equivalents sold	—
Total net cash consideration received	6,990

27. DISPOSAL OF SUBSIDIARIES – *continued*

(b) In February 2018, the Group entered into sales and purchases agreements with a third party, pursuant to which the Group disposed 100% equity interest in Dragon Trillion Limited for a consideration of HK$9,000,000.

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

	HK$'000
Consideration:	
On disposal	
Total consideration — Cash	9,000
Recognised amounts of identifiable assets and liabilities assumed	
Investment properties	7,500
Total identifiable net assets	7,500
Gain on disposal of a subsidiary	
Consideration	9,000
Net assets disposal of	(7,500)
Transaction cost	(9)
Gain on disposal	1,491
Satisfied by	
Cash and cash equivalents received as consideration	9,000
Less: Transaction cost paid	(9)
Less: Cash and cash equivalents sold	—
Total net cash consideration received	8,991

27. DISPOSAL OF SUBSIDIARIES – *continued*

(c) In February 2018, the Group entered into sales and purchases agreements with a third party, pursuant to which the Group disposed 100% equity interest in Smart Pathway Limited for a consideration of HK$6,000,000.

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

	HK$'000
Consideration:	
On disposal	
Total consideration — Cash	6,000
Recognised amounts of identifiable assets and liabilities assumed	
Investment properties	5,500
Total identifiable net assets	5,500
Gain on disposal of a subsidiary	
Consideration	6,000
Net assets disposal of	(5,500)
Transaction cost	(9)
Gain on disposal	491
Satisfied by	
Cash and cash equivalents received as consideration	6,000
Less: Transaction cost paid	(9)
Less: Cash and cash equivalents sold	—
Total net cash consideration received	5,991

27. DISPOSAL OF SUBSIDIARIES – *continued*

(d) 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

28. RELATED PARTY TRANSACTIONS

(a) 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 8.

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

(a) Statement of financial position

	2018 HK$'000	2017 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	42,790	42,790
Current assets		
Other receivables	207	283
Amounts due from subsidiaries	42,991	41,573
Cash and cash equivalents	–	499
	43,198	42,355
Total assets	85,988	85,145
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)*	32,543	36,553
Total equity	61,049	65,059
LIABILITIES		
Current liabilities		
Other payables	1,172	225
Amounts due to subsidiaries	23,767	19,861
Total liabilities	24,939	20,086
Total equity and liabilities	85,988	85,145

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 26 October 2018 and signed on its behalf by:

Mr. Yuan Shuang Shun
Director

Mr. Au Siu Chung
Director

29. 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 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
At 1 August 2017	42,276	(5,723)	36,553
Loss for the year	–	(4,010)	(4,010)
At 31 July 2018	42,276	(9,733)	32,543

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.

30. EVENTS AFTER THE REPORTING PERIOD

In September 2018, 深圳市福清源科技有限公司 (Shenzhen Fuqingyuan Technology Co., Ltd*) (the "Purchaser"), an indirectly wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Mr. Wang Longzuo (the "Vendor"), pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell 100% equity interest in 深圳中深國投資產管理有限公司 (Shenzhen Zhongshenguotou Assets Management Co., Ltd*) for the consideration of HK$11,648,400 (the "Acquisition").

The Acquisition has not yet been completed up to the date of these consolidated financial statements. Details of the Acquisition were disclosed in the Company's announcements dated 17 September 2018 and 15 October 2018.

* *For identification purpose only*

FINANCIAL SUMMARY

For the year ended 31 July 2018

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.

	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**37,240**	47,399	124,799	154,503	63,413
Cost of sales	**(33,622)**	(33,940)	(92,435)	(100,935)	(21,686)
Gross profit	**3,618**	13,459	32,364	53,568	41,727
Other income and net gains	**4,784**	3,058	3,726	1,759	155
Fair value changes on financial assets at fair value through profit or loss	**(2,915)**	(1,749)	–	–	–
Administrative and other operating expenses	**(23,670)**	(26,599)	(18,219)	(18,391)	(11,805)
Operating (loss)/profit	**(18,183)**	(11,831)	17,871	36,936	30,077
Finance costs	**–**	–	(3)	(53)	(168)
(Loss)/profit before income tax	**(18,183)**	(11,831)	17,868	36,883	29,909
Income tax expense	**(490)**	(578)	(3,198)	(6,948)	(4,951)
(Loss)/profit for the year	**(18,673)**	(12,409)	14,670	29,935	24,958
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	**(18,673)**	(12,409)	14,670	34,295	24,958
(Loss)/profit attributable to:					
Owners of the Company	**(14,651)**	(11,387)	14,722	29,935	24,958
Non-controlling interests	**(4,022)**	(1,022)	(52)	–	–
(Loss)/profit for the year	**(18,673)**	(12,409)	14,670	29,935	24,958
Total comprehensive (expense)/income attributable to:					
Owners of the Company	**(14,651)**	(11,387)	14,722	34,295	24,958
Non-controlling interests	**(4,022)**	(1,022)	(52)	–	–
Total comprehensive (expense)/income	**(18,673)**	(12,409)	14,670	34,295	24,958
Asset and liabilities					
Total assets	**85,562**	100,625	121,171	115,887	68,222
Total liabilities	**(8,553)**	(4,943)	(13,480)	(23,360)	(15,392)
Net assets	**77,009**	95,682	107,691	92,527	52,830
Equity attributable to owners of the Company	**81,211**	95,862	107,249	92,527	52,830
Non-controlling interests	**(4,202)**	(180)	442	–	–