

KSL Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8170

Annual Report 2014

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

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

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This report, for which the directors (the “Directors”) of KSL Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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BOARD OF DIRECTORS

Executive Directors:

Dr. Li Kai Shun (*Chairman*)
Mr. Tam Yi Shek (*Chief Executive Officer*)
Mr. Chan Kin Pong
Mr. Tsang Siu Wah
Ms. Au Man Yi

Independent Non-executive Directors:

Mr. Ho Ho Ming
Mr. Ko Chi Keung
Mr. Ong Chi King

AUDIT COMMITTEE

Mr. Ong Chi King (*Chairman*)
Mr. Ho Ho Ming
Mr. Ko Chi Keung

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Dr. Li Kai Shun (*Chairman*)
Mr. Ho Ho Ming
Mr. Ko Chi Keung

LEGAL COMPLIANCE COMMITTEE

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

COMPANY SECRETARY

Mr. Leung Cheuk Hei

AUTHORISED REPRESENTATIVES

Dr. Li Kai Shun
Mr. Tam Yi Shek

INDEPENDENT AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

COMPLIANCE ADVISER

Messis Capital Limited

LEGAL ADVISER

As to Hong Kong Law
Loong & Yeung

**REGISTERED OFFICE IN THE
CAYMAN ISLANDS**

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

**HEADQUARTERS AND PRINCIPAL
PLACE OF BUSINESS IN HONG KONG**

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

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

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

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

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

CORPORATE INFORMATION

PRINCIPAL BANKERS

**The Hong Kong and Shanghai Banking
Corporation Limited**

673 Nathan Road

Mongkok

Kowloon, Hong Kong

Bank of China (Hong Kong) Limited

1 Garden Road

Hong Kong

COMPANY WEBSITE

www.kslholdings.com

(information of this website does not
form part of this report)

STOCK CODE

08170

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of KSL Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I am delighted to present the first annual report of our Group to you since the listing of the shares of our Company on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 December 2014 (the "Listing").

Our Company was successfully listed on GEM on 5 December 2014. On behalf of our Group, I would like to express our deep gratitude to all parties who have assisted us in building our business over the years and during the preparation process of the Listing.

In the 2014/15 financial year, our Group achieved an increase in turnover of approximately HK\$91.1 million or 143.6% to approximately HK\$154.5 million compared with the 2013/2014 financial year. Such growth was mainly attributable to the favourable condition of the market condition of the construction industry in Hong Kong during the year. In line with such increase in turnover, the profit for the 2014/15 financial year was increased by approximately HK\$4.9 million or 19.9% to HK\$29.9 million compared with the 2013/2014 financial year, despite the increase in compliance costs and staff costs incurred after the Listing.

Looking ahead, our Group is positive about the prospects of the construction market and will continue to focus on our core business of geotechnical engineering works. In order to maximise the long term returns to our shareholders, our Group will devote more resources towards the development of our contracting business.

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 our Group.

Dr. Li Kai Shun
Chairman and Executive Director

Hong Kong, 15 October 2015

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 July 2015, the construction industry in Hong Kong continued to grow primarily due to the Government's plan to improve infrastructure such as railways and highways and increase the supply of residential housing. As a result, there was an increase in the demand for construction works in Hong Kong, which provides opportunities for geotechnical engineering works including foundation works for our Group.

BUSINESS REVIEW AND OUTLOOK

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

The Directors consider that the continued increase in major infrastructure and construction projects in Hong Kong had led to a general increase in the demand for geotechnical engineering services, resulting in more business opportunities being presented to and secured by our Group and thus we recorded an increase in our revenue for the year ended 31 July 2015 as compared to the same period in 2014.

Looking forward, our Group will continue to further develop our contracting business by undertaking more geotechnical engineering projects and strengthen our in-house engineering team.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK\$63.4 million for the year ended 31 July 2014 to approximately HK\$154.5 million for the year ended 31 July 2015, representing a growth of approximately 143.6%. Such increase was mainly due to the increase in geotechnical engineering services provided by our Group as a result of the overall development in the construction industry in Hong Kong and the increase in number of contracting projects undertaken by our Group during the year.

Cost of Sales

Our cost of sales increased from approximately HK\$21.7 million for the year ended 31 July 2014 to approximately HK\$100.9 million for the year ended 31 July 2015, representing an increase of approximately 365.4%. Such increase was mainly attributable to the increase in our subcontracting charges with the increase in number of contracting projects undertaken by our Group during the year.

Gross Profit

Our gross profit amounted to approximately HK\$41.7 million and HK\$53.6 million for the years ended 31 July 2014 and 2015 respectively, representing a growth of approximately 28.4%, as a result of the increase in our revenue as discussed above.

Our gross profit margin decreased from approximately 65.8% for the year ended 31 July 2014 to approximately 34.7% for the year ended 31 July 2015, mainly due to a larger proportion of our revenue for the year ended 31 July 2015 being derived from our contracting business as compared with that in the previous period. Our contracting business generally has lower gross profit margin (albeit usually associated with larger absolute amount of revenue) as compared with our engineering consulting and project management business. This is because the business model of our contracting business involves the use of subcontractors, resulting in subcontracting charges incurred by us and thus lowering gross profit margin, while our engineering consulting and project management business generally do not involve the use of subcontractors.

Other Income

Our other income amounted to approximately HK\$155,000 and HK\$1,759,000 for the years ended 31 July 2014 and 2015 respectively, representing an increase of approximately 1,034.8%, which was mainly due to the increase in rental income of approximately HK\$555,000 earned from the rental of the investment properties to an independent third party starting from January 2015 and the net gains from fair value adjustment on the aforementioned properties of HK\$1.1 million.

Administrative and Other Operating Expenses

Our administrative and other operating expenses amounted to approximately HK\$11.8 million and HK\$18.4 million for the years ended 31 July 2014 and 2015 respectively, representing an increase of approximately 55.8%. Such increase was primarily due to the increase in staff costs from approximately HK\$4.5 million for the year ended 31 July 2014 to approximately HK\$8.7 million for the year ended 31 July 2015, and the increase in legal and professional fees and rental expenses of office premises of approximately HK\$1.3 million upon the rental of new office premises in September 2014 incurred during the year ended 31 July 2015 (2014: nil).

Finance Costs

For the years ended 31 July 2014 and 2015, our finance costs amounted to approximately HK\$168,000 and HK\$53,000 respectively, representing a decrease of approximately 68.5%. Such decrease was mainly due to the combined effect of (i) the reduction in our interest expense on bank borrowing from approximately HK\$168,000 for the year ended 31 July 2014 to approximately HK\$40,000 for the year ended 31 July 2015 as a result of the full repayment of bank borrowing in October 2014; and (ii) partially offset by the increase in interest on finance lease from nil for the year ended 31 July 2014 to approximately HK\$13,000 for the year ended 31 July 2015 mainly because of the purchase of our motor vehicle by way of finance lease arrangement.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

For the years ended 31 July 2014 and 2015, our income tax expense amounted to approximately HK\$5.0 million and HK\$6.9 million respectively, representing an increase of approximately 40.3%. Such increase was primarily due to the increase in profit during the year mainly as a result of the increase in our revenue.

Profit for the Year

As a result of the aforesaid and in particular the increase in our revenue and increase in cost of sales as discussed above, our profit and total comprehensive income for the year attributable to owners of our Company increased from approximately HK\$25.0 million for the year ended 31 July 2014 to approximately HK\$29.9 million for the year ended 31 July 2015, representing an increase of approximately 19.9%.

Final Dividend

The Board did not recommend a payment of a final dividend for the year ended 31 July 2015 (the period ended 31 July 2014: nil).

Liquidity and Financial Resources

The Group maintained a sound financial position during the year ended 31 July 2015. As at 31 July 2015, the Group had a cash and bank balance of approximately HK\$70.8 million (31 July 2014: approximately HK\$7.7 million). The total interest-bearing loans of the Group as at 31 July 2015 was approximately HK\$0.2 million (31 July 2014: approximately 6.0 million), and current ratio as at 31 July 2015 was approximately 4.1 (31 July 2014: approximately 3.5).

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 year.

For further details regarding to the borrowings, please refer to note 22 to the consolidated financial statements.

Gearing Ratio

The gearing ratio of the Group as at 31 July 2015 was approximately 0.002 (31 July 2014: approximately 0.1), which remained low as the Group was not in need of any material debt financing during the year.

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

Treasury Policy

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

Pledge of Assets

As at 31 July 2015, the Group did not have any charges on its assets as the Group had fully repaid the relevant bank borrowing during the year.

As at 31 July 2014, the Group pledged its leasehold properties with an aggregate net book value of approximately HK\$12,395,000 as collateral to secure bank borrowing facilities granted to the Group. Save for the above, the Group did not have any charges on its assets.

Foreign Exchange Exposure

All of the revenue-generating operations and borrowings of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. For the year ended 31 July 2015, 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 Company's shares 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 2015, the share capital and equity attributable to owners of the Company amounted to approximately HK\$4.1 million and HK\$92.5 million respectively (31 July 2014: approximately HK\$20,000 and HK\$52.8 million respectively).

Capital Commitments

As at 31 July 2015, the Group did not have any capital commitments. As at 31 July 2014, the Group had an outstanding capital commitments of approximately HK\$782,000.

Particulars of the capital commitments of the Group are set out in note 28(a) to the consolidated financial statements.

Human Resources Management

As at 31 July 2015, the Group had 37 (31 July 2014: 32) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$19.3 million for the year ended 31 July 2015 as compared to approximately HK\$18.6 million for the year ended 31 July 2014. 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 year ended 31 July 2015, the Group did not hold any significant investment in equity interest in any other company.

MANAGEMENT DISCUSSION AND ANALYSIS

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

For the year ended 31 July 2015, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Contingent Liabilities

As at 31 July 2015, the Group did not have any material contingent liability.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the Company's prospectus dated 28 November 2014 (the "Prospectus"), the Group did not have other plans for material investments and capital assets.

Comparison of Business Objectives with Actual Business Progress

	Business objectives up to 31 July 2015 as stated in the Prospectus	Actual business progress up to 31 July 2015
Further developing our contracting business	Undertake more geotechnical engineering projects for our contracting business should we able to identify and secure suitable business opportunities, with HK\$5.0 million earmarked for satisfying potential customers' requirements for surety bonds	The Group is in the progress of identifying suitable business opportunities with potential customers and the Group has also committed to undertake a new construction project in late July 2015 for which a deposit of approximately HK\$7.4 million is required (which was to be financed as to HK\$5 million by the proceeds from the placing and as to the remaining HK\$2.4 million by the Group's internal resources)
Further strengthening our in-house team of engineering staff	Recruit two additional middle to senior level engineering staff to cope with our business development and our plan to further develop our contracting business	The Group recruited two middle level engineering staff and is in the progress of recruiting more experienced and high caliber engineering staff
	Continue to sponsor our engineering staff to attend technical seminars and occupational health and safety courses organized by third parties	The Group sponsored our engineering staff to attend technical seminars and occupational health and safety courses organized by third parties
Developing more efficient in-house computer programs	Upgrade our engineering computer programs by purchasing new software from third-party providers	The Group purchased several engineering software programs
	Recruit one information technology officer to develop in-house engineering computer programs and to continuously maintain and refine such computer programs	The Group is in the progress of recruiting one information technology officer and has appointed an external consultant

Use of Proceeds

During the year ended 31 July 2015, the net proceeds from placing were applied as follows:

	Planned use of proceeds as stated in the Prospectus up to 31 July 2015 HK\$' 000	Actual use of proceeds up to 31 July 2015 HK\$' 000
Further developing our contracting business	5,000	5,000
Further strengthening our in-house team of engineering staff	1,400	342
Developing more efficient in-house computer programs	800	322
	<u>7,200</u>	<u>5,664</u>

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. LI Kai Shun (李啟信), aged 54, is the founder of our Group. He is the chairman of the Board, an executive Director and our compliance officer and is responsible for the overall business development and financial and strategic planning of our Group. Dr. Li was appointed as an executive Director on 17 July 2014. He is also a director of certain subsidiaries of the Company.

Dr. Li graduated from The University of Hong Kong in November 1983 with a bachelor's degree in civil engineering. He obtained a degree of Doctor of Philosophy in civil engineering from The University of New South Wales in December 1988. He also obtained a graduate diploma in technology management from The University of New South Wales in December 1992.

Dr. Li has been a fellow of the Institution of Engineers in Australia since March 1997, a fellow of the Institution of Civil Engineers in the United Kingdom since October 1998, and a fellow of the Hong Kong Institution of Engineers since June 1999. Dr. Li has also been a Registered Professional Engineer in the civil and geotechnical discipline since October 1994, an Authorized Person since November 1998, a Registered Structural Engineer since June 1998, and a Registered Geotechnical Engineer since May 2005.

Prior to founding our Group, Dr. Li had been employed, among others, by Binnie Hong Kong Limited (formerly known as Binnie & Partners International) as an engineer and Mitchell and MarFarlane, Brentnall & Partners International Limited as a senior geotechnical engineer.

Dr. Li was a director of Landtech Engineering Company Limited (嶺達工程有限公司) (formerly known as Top Honour Enterprise Limited (卓榮企業有限公司)) ("Landtech Engineering"), which was incorporated on 13 August 1992 in Hong Kong, prior to its dissolution. Due to cessation of business, Landtech Engineering was struck off and dissolved pursuant to section 291 of the Predecessor Companies Ordinance on 18 January 2002 following a notice of striking off dated 31 August 2001.

Dr. Li also has extensive teaching experience including teaching at The University of Hong Kong and the University of New South Wales. He is currently an adjunct professor in the Department of Civil Engineering of The University of Hong Kong.

Dr. Li has also published over 200 technical papers, research reports, discussions, books and book chapters on various aspects of civil engineering, including reinforced concrete design, foundation design, surveying, geotechnical reliability, slope stability analysis and deep excavations.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. TAM Yi Shek (譚怡碩), aged 35, is the chief executive officer of our Group and one of our technical directors who is mainly responsible for the overall management and administration of our business operations. Mr. Tam was appointed as an executive Director on 16 September 2014. He is also a director of a subsidiary of the Company.

Mr. Tam joined our Group in June 2002 and has accumulated over 13 years of experience in the industry since then. His first position with us was a graduate engineer and was subsequently promoted to the position of (i) senior engineer in September 2006; (ii) associate in May 2012; and (iii) technical director in May 2014.

Mr. Tam graduated from The University of Hong Kong in December 2002 with a bachelor's degree in civil engineering. He obtained a master's degree in geotechnical engineering from The University of Hong Kong in December 2005. He also obtained a degree of bachelor of laws from The University of London in August 2010 through a distance learning program.

Mr. Tam has been a chartered engineer registered with the Engineering Council in the United Kingdom since February 2008, a member of the Institution of Civil Engineers in the United Kingdom since December 2007 and a member of HKIE since May 2008. Mr. Tam has also been a Registered Professional Engineer in the civil discipline since October 2009, a Registered Professional Engineer in the geotechnical discipline since October 2011 and a Registered Geotechnical Engineer since May 2015.

Mr. CHAN Kin Pong (陳建邦), aged 33, is one of our technical directors who is mainly responsible for the overall operation of our engineering consulting business. Mr. Chan was appointed as an executive Director on 16 September 2014. He is also a director of a subsidiary of the Company.

Mr. Chan joined our Group in August 2012. His first position with us was senior engineer and he was subsequently promoted to the position of associate in May 2013 and to the position of technical director in May 2014. Prior to joining our Group, Mr. Chan had been employed by (i) C.M. Wong & Associates Limited from January 2012 to July 2012 as a senior engineer; (ii) Meinhardt (C&S) Limited from October 2010 to September 2011 as an engineer; (iii) Hip Shun Construction Company Limited from January 2010 to October 2010 as a project manager; and (iv) Wong Pak Lam & Associates Consulting Engineers & Architects Limited from January 2005 to November 2009 with his last position as engineer.

Mr. Chan obtained a bachelor's degree in civil engineering from The University of Hong Kong in December 2004 and a master's degree in civil infrastructural engineering and management from The Hong Kong University of Science and Technology in April 2007.

Mr. Chan has been a chartered engineer registered with the Engineering Council in the United Kingdom since May 2011, a member of the Institution of Structural Engineers in the United Kingdom since September 2010, a member of HKIE since August 2010, and a member of The Institution of Civil Engineers in the United Kingdom since December 2013. Mr. Chan has also been a Registered Professional Engineer in the structural discipline since October 2013.

Mr. TSANG Siu Wah (曾兆華), aged 53, is our project manager mainly responsible for the overall operation of our project management business and management of site works. Mr. Tsang was appointed as an executive Director on 16 September 2014.

Mr. Tsang obtained a certificate issued by Christian Faith College, Kowloon City on 14 July 1980 certifying that he had successfully completed a 5-year secondary course and has reached a satisfactory standard in the college leaving examination. Mr. Tsang possesses more than 20 years of experience in managing civil engineering works in Hong Kong. He joined our Group in July 2011. Prior to joining our Group, Mr. Tsang had been employed by (i) K. H. Foundation Limited from May 1985 to August 1989 as a design engineer; (ii) Sunley Engineering & Construction Company Limited from July 1989 to May 2002 as a contracts manager; and (iii) Sunnic Engineering Limited from June 2003 to May 2004 as a construction manager.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Au Man Yi (歐敏誼), aged 32, was appointed as an executive Director on 15 October 2015. She holds a bachelor's degree in accountancy and a master degree's in corporate governance from The Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants, an associate member of The Hong Kong Institute of Chartered Secretaries and also an associate member of The Institute of Chartered Secretaries And Administrators. Ms. Au has over 10 years of experience in auditing, financial reporting and financial management. Since September 2013, Ms. Au has been the chief financial officer of Long Success International (Holdings) Ltd (stock code: 8017), the shares of which are listed on the GEM. Ms. Au is currently an independent non-executive director of JC Group Holdings Limited (stock code: 8326) and King Force Security Holdings Limited (stock code: 8315), the shares of which are listed on the GEM. Ms. Au also acts as the chairperson of the audit committee of each of these listed companies. Ms. Au is also the company secretary of Glory Flame Holdings Limited (stock code: 8059), the issued shares of which are listed on the GEM.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HO Ho Ming (何昊洺) (former name: HO Wing Hang (何榮亨)), aged 43, was appointed as an independent non-executive Director on 19 November 2014. Mr. Ho is currently an adjunct professor of the Department of Real Estate and Construction at The University of Hong Kong. In addition, Mr. Ho is an honorary associate of the Asia-Pacific Institute of Business of The Chinese University of Hong Kong and an external advisory member of the Departmental Advisory Committee on Applied Mathematics at The Hong Kong Polytechnic University.

Mr. Ho has over 16 years of experience in the field of investment banking and credit rating. He was previously employed by Credit Suisse First Boston (Hong Kong) Limited, Merrill Lynch (Asia Pacific) Limited, Bear Stearns Asia Limited, Fitch (Hong Kong) Limited and Universal Credit Rating Group.

Mr. Ho graduated from The Hong Kong University of Science and Technology with a degree of bachelor of business administration in information and systems management in November 1996. He also obtained a degree of master of business administration from the University of Cambridge, the United Kingdom in May 2000.

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

Mr. Ho has also acted as an independent non-executive director of Wan Kei Group Holdings Limited (stock code: 1718) since November 2014, Kwan On Holdings Limited (stock code: 8305) since March 2015 and LEAP Holdings Group Limited (stock code: 1499) since August 2015.

Save as disclosed above, Mr. Ho has not served any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. KO Chi Keung (高志強), aged 59, was appointed as an independent non-executive Director on 19 November 2014. Mr. Ko has over 22 years working experience in auditing and consultancy. He was employed by Coopers & Lybrand Hong Kong (now known as Pricewaterhousecoopers Hong Kong), Chan, Li, Law & Co and LKY China in his professional career. He is currently the managing partner of LKY China, an accounting and consultancy firm.

Mr. Ko was admitted as an associate of The Chartered Association of Certified Accountants in July 1987, an associate of the Australian Society of Certified Practising Accountants in February 1991, and a fellow of HKICPA in December 1994. Mr. Ko is also currently registered with The Taxation Institute of Hong Kong as a Certified Tax Adviser in 1995.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ko graduated from The Chinese University of Hong Kong with a degree of bachelor of business administration in December 1982. He also obtained a degree of master of philosophy from Sun Yat-sen University (中山大學), the PRC in December 2004.

Mr. Ko is the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of the Company.

Save as disclosed above, Mr. Ko has not served any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. ONG Chi King (王子敬), aged 42, was appointed as an independent non-executive Director on 19 November 2014. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Ong received a bachelor of business administration degree from The Hong Kong University of Science and Technology in Hong Kong in November 1995 and a master's degree in corporate finance from The Hong Kong Polytechnic University in Hong Kong in November 2004. Mr. Ong has over 18 years of experience in accounting, finance and company secretarial fields and held senior positions in finance and company secretarial departments in various companies listed on the Stock Exchange.

Mr. Ong is the chairman of the audit committee and a member of the remuneration committee of the Company.

Mr. Ong has acted as an independent non-executive director of Capital VC Limited (stock code: 2324) since January 2012, China Environmental Resources Group Limited (stock code: 1130) since January 2014, Hong Kong Education (Int'l) Investments Limited (stock code: 1082) since February 2014, King Force Security Holdings Limited (stock code: 8315) since July 2014, Larry Jewelry International Company Limited (stock code: 8351) since October 2014, WLS Holdings Limited (stock code: 8021) since April 2015 and Wan Kei Group Holdings Limited (stock code: 1718) since June 2015.

Save as disclosed above, Mr. Ong has not served any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

SENIOR MANAGEMENT

The following are the senior management team of our Group:

Mr. LEUNG Cheuk Hei (梁卓禧), aged 30, is our financial controller and the company secretary of our Company. He is mainly responsible for our financial reporting, financial planning, treasury, financial control and company secretarial matters. Mr. Leung joined us in September 2014. Prior to joining us, Mr. Leung was employed by KPMG during 2007 to 2014 and his last position held was manager. Mr. Leung obtained a bachelor's degree from The University of Hong Kong in December 2007 with a major in economics and finance. Mr. Leung has been a member of the HKICPA since September 2010.

Ms. HO Sui Mei (何瑞美), aged 46, is our general marketing manager who is in charge of the overall operation of our activities in publishing technical books and organising continuing professional development courses, seminars and conferences. Ms. Ho joined us in August 2001. Prior to joining us, she was employed by HKIE as manager — conference & seminar from January 1998 to August 2001 where she was involved in the management of regional and international conferences and events. Ms. Ho obtained a higher diploma in public and social administration from The City University of Hong Kong in November 1991 and a master's degree in management from Macquarie University, Australia in June 2000.

CORPORATE GOVERNANCE REPORT

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 year ended 31 July 2015.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Code") in Appendix 15 of the GEM Listing Rules. During the period from 5 December 2014 (the date of Listing) to 31 July 2015 (the "Reporting 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

Dr. Li Kai Shun (*Chairman*)

Mr. Tam Yi Shek (*Chief Executive Officer*)

Mr. Chan Kin Pong

Mr. Tsang Siu Wah

Ms. Au Man Yi

Independent Non-executive Directors

Mr. Ho Ho Ming

Mr. Ko Chi Keung

Mr. Ong Chi King

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

The Company has entered into a service agreement with each of the INEDs. The commencement date of each of the service agreement is 5 December 2014 (the date of Listing) for a term of three years, which may be terminated earlier by no less than two 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 3 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 positive 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.

CORPORATE GOVERNANCE REPORT

Board and General Meetings

During the Reporting Period, three board meetings were held. Subsequent to the Reporting Period, one more board meeting was held during the period between 1 August 2015 and the date of this report. The forthcoming annual general meeting which will be held on 27 November 2015 is the first 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 the date of Listing and 31 July 2015	Attendance/Number of meetings between 1 August 2015 and the date of this report
Executive Directors		
Dr. Li Kai Shun (<i>Chairman</i>)	3/3	1/1
Mr. Tam Yi Shek (<i>Chief Executive Officer</i>)	3/3	1/1
Mr. Chan Kin Pong	2/3	1/1
Mr. Tsang Siu Wah	3/3	1/1
Ms. Au Man Yi	N/A	N/A
Independent Non-executive Directors		
Mr. Ho Ho Ming	3/3	1/1
Mr. Ko Chi Keung	3/3	1/1
Mr. Ong Chi King	3/3	1/1

CHAIRMAN AND CHIEF EXECUTIVE

The roles of chairman and chief executive are separated to ensure a balance of power and authority and that power is not concentrated in any one individual. The functions of the chairman and the chief executive of the Company are clearly segregated. The present chairman of the Board, Dr. Li Kai Shun, is responsible for providing leadership for the Board. His main responsibility is to ensure that the Board works effectively and that all key and appropriate issues are discussed by it in a timely manner. The chairman is also responsible for ensuring that good corporate governance practices and procedures are established and followed. The chairman is also responsible for ensuring appropriate steps be taken to provide effective communication with the shareholders and that the views of shareholders are communicated to the Board as a whole. The present chief executive officer of the Company, Mr. Tam Yi Shek, is responsible for the overall business operations of the Group focusing on strategic planning and business development.

RELATIONSHIPS BETWEEN THE BOARD

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors in respect of the shares of the Company (the “Code of Conduct”). The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Code of Conduct during the period from 5 December 2014 (the date of Listing) to 31 July 2015.

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 provided and 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 (“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 paragraphs C3.3 and C3.7 of the Code; a remuneration committee (“Remuneration Committee”) has been established on 19 November 2014 with its terms of reference in compliance with paragraph B1.2 of the Code; and a nomination committee (“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 (“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

The Audit Committee comprises three members, namely Mr. Ong Chi King (Chairman), Mr. Ho Ho Ming and Mr. Ko Chi Keung, all of whom are INEDs. 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.

CORPORATE GOVERNANCE REPORT

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 2014, interim results for the six months ended 31 January 2015, quarterly results for the nine months ended 30 April 2015 and discussed internal controls and financial reporting matters. The Audit Committee had also reviewed audited annual results for the financial year ended 31 July 2015, this annual report, and confirmed that this annual report complies with the applicable standard, the GEM Listing Rules, and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

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

During the Reporting Period, the Audit Committee had held three meetings. Between 1 August 2015 and the date of this report, the Audit Committee has held one meeting, both 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 the date of Listing and 31 July 2015	Attendance/Number of meetings between 1 August 2015 and the date of this report
Mr. Ong Chi King (<i>Chairman</i>)	3/3	1/1
Mr. Ho Ho Ming	3/3	1/1
Mr. Ko Chi Keung	3/3	1/1

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, namely Mr. Ko Chi Keung (Chairman), Mr. Ong Chi King, and Mr. Tam Yi Shek. Mr. Ko and Mr. Ong 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/of 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; and
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 the date of Listing and 31 July 2015	Attendance/Number of meetings between 1 August 2015 and the date of this report
Mr. Ko Chi Keung (<i>Chairman</i>)	1/1	1/1
Mr. Ong Chi King	1/1	1/1
Mr. Tam Yi Shek	1/1	1/1

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

NOMINATION COMMITTEE

The Nomination Committee comprises three members, namely Dr. Li Kai Shun (Chairman), Mr. Ho Ho Ming and Mr. Ko Chi Keung. Mr. Ho and Mr. Ko are INEDs of the Company.

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

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on proposed changes, if any, to the Board to complement the Company's corporate strategy;
2. to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;
3. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
4. to assess the independence of INEDs; and
5. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

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

CORPORATE GOVERNANCE REPORT

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

	Attendance/ Number of meetings between the date of Listing and 31 July 2015	Attendance/ Number of meetings between 1 August 2015 and the date of this report
Dr. Li Kai Shun (<i>Chairman</i>)	—	1/1
Mr. Ho Ho Ming	—	1/1
Mr. Ko Chi Keung	—	1/1

LEGAL COMPLIANCE COMMITTEE

The Legal Compliance Committee comprises three members, namely Dr. Li Kai Shun (Chairman), Mr. Leung Cheuk Hei and Mr. Ong Chi King. Mr. Ong Chi King is an INED 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 the date of Listing and 31 July 2015	Attendance/ Number of meetings between 1 August 2015 and the date of this report
Dr. Li Kai Shun (<i>Chairman</i>)	—	1/1
Mr. Leung Cheuk Hei	—	1/1
Mr. Ong Chi King	—	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	800
Non-statutory audit services	
– as reporting accountant for listing of the shares of the Company on the GEM of the Stock Exchange	1,334

COMPANY SECRETARY

Mr. Leung Cheuk Hei (“Mr. Leung”) was appointed as the company secretary of our Company on 19 November 2014. Please refer to the section “Biographical details of Directors and Senior Management” for his biographical information.

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

COMPLIANCE OFFICER

Dr. Li Kai Shun, an executive Director and chairman of the Board, is the compliance officer of the Group. Please refer to the section “Biographical details of Directors and Senior Management” for his biographical information.

INTERNAL CONTROLS

The Board and the senior management are responsible for improving and monitoring the internal control of the Group. In this connection, the Board constantly and actively seeks to strengthen the internal control system of the Group by way of, among other things, regular review of the effectiveness of the internal control measures and mechanism adopted by the Group in respect of financial, operational and compliance controls and risk management functions, etc.

In addition, the Group has engaged a professional advisory firm of internal control to perform regular review of the internal control system of the Group for the Reporting Period and the results were summarized and reported to the Audit Committee and the Board. The Board will continue to strive for a better control by way of consulting with the professional advisor and adopting the recommendations made by the firm.

REMUNERATION OF THE SENIOR MANAGEMENT

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 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 first AGM of the Company will be held on 27 November 2015, 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 requisition(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) 2104 0052, 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: Office A and Office B, 12th Floor,
Billion Plaza 2,
10 Cheung Yue Street,
Kowloon, 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 year ended 31 July 2015, there had been no significant changes in the constitutional documents of the Company.

DIRECTORS' REPORT

The Board is pleased to present the first annual report together with the audited consolidated financial statements for the year ended 31 July 2015.

PRINCIPAL ACTIVITIES

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

RESULT AND APPROPRIATIONS

The results of the Group for the year ended 31 July 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 37.

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 27 November 2015 (Friday), the register of members of the Company will be closed from 26 November 2015 (Thursday) to 27 November 2015 (Friday) (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 25 November 2015 (Wednesday) in order to qualify for the right to attend and vote at the meeting (or any adjournment thereof). The share registrar and transfer office is at:

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

GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past two financial years are set out on page 89.

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 15 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 July 2015 and details of the acquisition of subsidiaries during the Reporting Period are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARE PREMIUM

The Company's total issued share capital as at 31 July 2015 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 24 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 26 to the consolidated financial statements.

As of 31 July 2015, 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\$21.3 million (31 July 2014: Nil) inclusive of share premium and retained earnings.

SHARE OPTION SCHEME

Particulars of the share option scheme (the "Scheme") which was adopted on 19 November 2014 are set out in note 25 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 2015.

DIRECTORS

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

Executive Directors

Dr. Li Kai Shun (*Chairman*) (appointed on 17 July 2014)
Mr. Tam Yi Shek (appointed on 16 September 2014)
Mr. Chan Kin Pong (appointed on 16 September 2014)
Mr. Tsang Siu Wah (appointed on 16 September 2014)
Ms. Au Man Yi (appointed on 15 October 2015)

Independent Non-executive Directors

Mr. Ho Ho Ming (appointed on 19 November 2014)
Mr. Ko Chi Keung (appointed on 19 November 2014)
Mr. Ong Chi King (appointed on 19 November 2014)

DIRECTORS' REPORT

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

Information regarding directors' emoluments is set out in note 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

All executive Directors (excluding Ms. Au Man Yi) have entered into service agreements with the Company for a term of three years commencing from 5 December 2014 (the date of Listing), and Ms. Au Man Yi has entered into service agreement with the Company for a term of two years commencing from 15 October 2015. All of these service agreements may be terminated earlier by no less than two months written notice served by either party on the other.

Each of the INEDs has entered into a service agreement with the Company for a term of three years commencing from 5 December 2014 (the date of Listing), which may be terminated earlier by no less than two 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. Ms. Au Man Yi will retire from office as Director at the forthcoming AGM, and being eligible, offer herself 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. Dr. Li Kai Shun, Mr. Tam Yi Shek and Mr. Chan Kin Pong will retire from office as Directors at the forthcoming AGM, and being eligible, offer themselves 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.

DISCLOSURE OF INTERESTS

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

As at 31 July 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long Position in the Company's Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Approximate percentage of shareholding
Dr. Li Kai Shun (Note 1)	Interest in controlled corporation	303,400,000	73.78%

Note:

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

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

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

Save as disclosed above, as at 31 July 2015, none of the Directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept under Section 352 of the SFO; or was required as otherwise to notify the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company.

DIRECTORS' REPORT

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

As at 31 July 2015, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/ interested in	Long/short position	Approximate percentage of total issued share capital of the Company
Sonic Solutions (Note 1)	Beneficial owner	303,400,000	Long	73.78%
Ms. Lam Joley (Note 2)	Interest of spouse	303,400,000	Long	73.78%

Notes:

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

Save as disclosed above, as at 31 July 2015, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MAJOR CUSTOMERS

During the Reporting Period, the Group's five largest customers accounted for approximately 85.5% (2014: 64.8%) of the total revenue of the Group and the largest customer of the Group accounted for approximately 54.5% (2014: 34.4%) 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 98.3% (2014: 82.8%) of the total purchases of the Group and the largest supplier of the Group accounted for approximately 45.8% (2014: 34.3%) of the total purchases.

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in note 29 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries, holding company or fellow subsidiaries was a party and in which a Director had a material interests directly or indirectly subsisted at the end of the Reporting Period or at any time during the Reporting Period.

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 July 2015 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Company had not entered into any connected transaction during the Reporting Period which is required to be disclosed under the GEM Listing Rules. Related party transactions entered into by the Group during the Reporting Period are disclosed in note 29 to the consolidated financial statements.

INTERESTS IN COMPETING BUSINESS

Having made specific enquiry of all Directors, the controlling shareholders and substantial shareholders, all of them have confirmed that neither themselves nor their respective associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests during the Reporting Period.

All the independent non-executive Directors are delegated with the authority to review the non-competition undertakings (the "Non-competition Undertakings") dated 19 November 2014 given by Dr. Li Kai Shun and Sonic Solutions. The independent non-executive Directors were not aware of any non-compliance of the Non-competition Undertakings given by Dr. Li Kai Shun and Sonic Solutions from the date of the Non-competition Undertakings and up to the date of this annual report.

DIRECTORS' REPORT

Each of Dr. Li Kai Shun and Sonic Solutions has confirmed that he/it had complied with the Non-competition Undertakings given by them from the date of the Non-competition Undertakings and up to the date of this annual report.

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

From the date of Listing to 31 July 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

From the date of Listing to 31 July 2015, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in the Code.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Code of Conduct. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the period from the date of Listing to 31 July 2015.

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 2015.

INTEREST OF COMPLIANCE ADVISOR

As at 31 July 2015, as notified by the Company's compliance advisor, Messis Capital Limited (the "Compliance Advisor"), except for the compliance advisor agreement entered into between the Company and the Compliance Advisor dated 18 September 2014, neither the Compliance Advisor nor its directors, employees or its close associates (as defined under the GEM Listing Rules) had any interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

HLB Hodgson Impey Cheng Limited (“HLB”) shall retire in the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB as auditors of the Company will be proposed at the forthcoming AGM. The Company has not changed its external auditors during the year ended 31 July 2015 and up to the date of this annual report.

AUDIT COMMITTEE

The Company has established an 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 and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. The Audit Committee consists of three members, namely Mr. Ong Chi King (Chairman), Mr. Ko Chi Keung and Mr. Ho Ho Ming.

On behalf of the Board
KSL Holdings Limited
Li Kai Shun
Chairman and Executive Director

Hong Kong, 15 October 2015



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 SHAREHOLDERS OF KSL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of KSL Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 37 to 88, which comprise the consolidated and company statements of financial position as at 31 July 2015, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2015, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Jonathan T. S. Lai

Practising Certificate Number: P04165

Hong Kong, 15 October 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2015

	Note	2015 HK\$' 000	2014 HK\$' 000
Revenue	5	154,503	63,413
Cost of sales	6	(100,935)	(21,686)
Gross profit		53,568	41,727
Other income and net gains	5	1,759	155
Administrative and other operating expenses	6	(18,391)	(11,805)
Operating profit		36,936	30,077
Finance costs	9	(53)	(168)
Profit before income tax		36,883	29,909
Income tax expense	10	(6,948)	(4,951)
Profit for the year		29,935	24,958
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Gain on revaluation of properties upon transfer to investment properties	15	4,360	—
Other comprehensive income for the year		4,360	—
Total comprehensive income for the year		34,295	24,958
Profit attributable to owners of the Company		29,935	24,958
Total comprehensive income attributable to owners of the Company		34,295	24,958
Basic and diluted earnings per share (HK cents)	11	7.6	6.9

The accompanying notes form an integral part of these consolidated financial statements. Details of dividends paid and proposed are disclosed in Note 13 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2015

	Note	2015 HK\$' 000	2014 HK\$' 000
ASSETS			
Non-current assets			
Property, plant and equipment	15	3,553	15,697
Investment properties	16	17,700	—
		<u>21,253</u>	<u>15,697</u>
Current assets			
Trade and other receivables	18	23,043	16,488
Amounts due from customers for contract work	19	769	—
Amount due from a shareholder	20	—	28,313
Cash and cash equivalents	21	70,822	7,724
		<u>94,634</u>	<u>52,525</u>
Total assets		<u>115,887</u>	<u>68,222</u>
EQUITY			
Capital and reserves			
Share capital	24	4,112	20
Share premium	24	24,394	—
Merger reserve	26	(494)	—
Revaluation reserve		4,360	—
Retained earnings		60,155	52,810
Total equity		<u>92,527</u>	<u>52,830</u>
LIABILITIES			
Non-current liabilities			
Trade and other payables	23	159	—
Borrowings	22	—	171
		<u>159</u>	<u>171</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2015

	Note	2015 HK\$'000	2014 HK\$'000
Current liabilities			
Trade and other payables	23	14,857	2,885
Amounts due to customers for contract work	19	78	—
Borrowings	22	171	5,858
Tax payable		8,095	6,478
		<u>23,201</u>	<u>15,221</u>
Total liabilities		<u>23,360</u>	<u>15,392</u>
Total equity and liabilities		<u>115,887</u>	<u>68,222</u>
Net current assets		<u>71,433</u>	<u>37,304</u>
Total assets less current liabilities		<u>92,686</u>	<u>53,001</u>

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 15 October 2015 and signed on its behalf by:

Dr. Li Kai Shun
Director

Mr. Tam Yi Shek
Director

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

STATEMENT OF FINANCIAL POSITION

As at 31 July 2015

	Note	2015 HK\$' 000	2014 HK\$' 000
ASSETS			
Non-current assets			
Investments in subsidiaries	14	42,790	—
Current assets			
Trade and other receivables	18	285	—
Amount due from a subsidiary	14	5,000	—
Cash and cash equivalents	21	34,316	—
		<u>39,601</u>	—
Total assets		<u>82,391</u>	—
EQUITY			
Capital and reserves			
Share capital	24	4,112	—
Share premium	24	24,394	—
Special reserve	26	42,276	—
Accumulated losses	26	(3,141)	—
Total equity		<u>67,641</u>	—
LIABILITIES			
Current liabilities			
Trade and other payables	23	1,102	—
Amounts due to subsidiaries	14	13,648	—
Total liabilities		<u>14,750</u>	—
Total equity and liabilities		<u>82,391</u>	—
Net current assets		<u>24,851</u>	—
Total assets less current liabilities		<u>67,641</u>	—

Dr. Li Kai Shun
Director

Mr. Tam Yi Shek
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2015

	Attributable to owners of the Company					Total equity HK\$' 000
	Share capital HK\$' 000 (Note 24)	Share premium HK\$' 000 (Note 24)	Merger reserve HK\$' 000 (Note 26)	Revaluation reserve HK\$' 000	Retained earnings HK\$' 000	
Balance at 1 August 2013	20	—	—	—	27,852	27,872
Profit for the year	—	—	—	—	24,958	24,958
Total comprehensive income for the year	—	—	—	—	24,958	24,958
Balance at 31 July 2014	20	—	—	—	52,810	52,830
Balance at 1 August 2014	20	—	—	—	52,810	52,830
Profit for the year	—	—	—	—	29,935	29,935
Gain on revaluation of properties upon transfer to investment properties	—	—	—	4,360	—	4,360
Total comprehensive income for the year	—	—	—	4,360	29,935	34,295
Transactions with owners:						
Dividend (Note 13)	—	—	—	—	(22,590)	(22,590)
Reorganisation	494	—	(494)	—	—	—
Shares issued pursuant to the capitalisation issue	3,084	(3,084)	—	—	—	—
Proceeds from placing of shares	514	30,326	—	—	—	30,840
Share issuance costs	—	(2,848)	—	—	—	(2,848)
	4,092	24,394	(494)	—	(22,590)	5,402
Balance at 31 July 2015	4,112	24,394	(494)	4,360	60,155	92,527

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2015

	Note	2015 HK\$' 000	2014 HK\$' 000
Cash flows from operating activities			
Net cash generated from operations	27(a)	48,280	4,979
Income tax paid		(5,331)	(611)
Net cash generated from operating activities		42,949	4,368
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		—	119
Purchases of property, plant and equipment		(1,932)	(1,326)
Net cash used in investing activities		(1,932)	(1,207)
Cash flows from financing activities			
Proceeds from placing of shares		30,840	—
Share issuance costs		(2,848)	—
Repayment of finance leases		(220)	—
Repayment of bank borrowings		(5,638)	(358)
Interest paid on finance leases		(13)	—
Interest paid on bank borrowings		(40)	(168)
Net cash generated from/(used in) financing activities		22,081	(526)
Net increase in cash and cash equivalents		63,098	2,635
Cash and cash equivalents at beginning of the year		7,724	5,089
Cash and cash equivalents at end of the year	21	<u>70,822</u>	<u>7,724</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

KSL Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 17 July 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 5 December 2014. Its parent and ultimate holding company is Sonic Solutions Limited (“Sonic Solutions”), a company incorporated in the British Virgin Islands (the “BVI”) and wholly owned by Dr. Li Kai Shun (“Dr. Li”).

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 Office A and Office B, 12th Floor, Billion Plaza 2, 10 Cheung Yue Street, Kowloon, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred as to the “Group”) are principally engaged in the provision of engineering consulting, contracting and project management services in Hong Kong with a focus on geotechnical engineering works.

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

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation, where this is a shorter period. The consolidated statement of financial position as at 31 July 2014 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$” or “HKD”), 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 15 October 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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 below.

2.1.1 Changes in accounting policy and disclosures

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

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 August 2014:

Amendment to HKAS 32, “Financial Instruments: Presentation” on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group’s consolidated financial statements.

Amendments to HKAS 36, “Impairment of Assets”, on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units which had been included in HKAS 36 by the issue of HKFRS 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.1 Basis of preparation – *continued*

2.1.1 Changes in accounting policy and disclosures – *continued*

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

Amendment to HKAS 39, “Financial Instruments: Recognition and Measurement” on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to “over-the-counter” derivatives and the establishment of central counterparties. Under HKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group’s consolidated financial statements as a result.

HK(IFRIC) 21, “Levies”, sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 “Provisions”. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 August 2014 are not material to the Group.

(b) *New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 August 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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”, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9’s full impact.

HKFRS 15, “Revenue from Contracts with Customers” deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.1 Basis of preparation – *continued*

2.1.1 Changes in accounting policy and disclosures – *continued*

(c) *New Hong Kong Companies Ordinance and disclosures*

In addition, the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622) will become effective for the Company's financial year ending 31 July 2016. The Group is in the process of making an assessment of expected impact of the changes. So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 Consolidation and combination

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.2 Consolidation and combination – *continued*

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-company 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.

2.2.1 Transaction with non-controlling interests

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

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

2.2.2 Merger accounting for common control combinations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.2 Consolidation and combination – *continued*

2.2.2 Merger accounting for common control combinations – *continued*

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

2.2.3 Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.5 Property, plant and equipment

Leasehold land classified as finance lease and all other 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.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other 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 properties	: Over shorter of lease terms and 50 years
— Leasehold improvements	: 20%
— Furniture, fixtures and office equipment	: 20%
— Motor vehicles	: 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of 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 within "Administrative and other operating expenses" in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.6 Investment property

Investment property, principally comprising leasehold land and buildings, 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 in “Other income and net gains”.

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 or depreciation 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 Construction contracts in progress

Construction 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 Loans and receivables

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", "amount due from a shareholder" and "cash and cash equivalents" in the consolidated statement of financial position.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

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 and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other 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 and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.16 Borrowing costs

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.17 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.

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.

2.18 Employee benefits

(a) *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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.18 Employee benefits – *continued*

(b) *Retirement benefits*

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.

(c) *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 when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. 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 each reporting period are discounted to present value.

(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.

2.19 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*

2.20 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.

2.21 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 income*

Contract costs are recognised when incurred. When the outcome of a construction 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 construction 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

2.21 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) *Interest income*

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

(d) *Rental income*

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

2.22 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.

2.23 Leases

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

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

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

2.24 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.

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 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. 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 2015. As at 31 July 2014, if the interest rate on all variable-rate borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit after income tax for the year would have been decreased/increased by approximately HK\$49,000, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(ii) Credit risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

3. FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(ii) Credit risk – *continued*

As at 31 July 2015, there was one customer (2014: 3 customers) which individually contributed over 10% of the Group's trade and other receivables. The aggregate amount of trade and other receivables from this customer amounted to 50% (2014: 48%) of the Group's total trade and other receivables as at 31 July 2015.

(iii) 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 and the Company'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:

Group

	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 2015				
Trade and other payables	14,797	159	—	14,956
Finance lease liabilities	174	—	—	174
	<u>14,971</u>	<u>159</u>	<u>—</u>	<u>15,130</u>
As at 31 July 2014				
Trade and other payables	2,819	—	—	2,819
Finance lease liabilities	232	174	—	406
Borrowings (excluding finance lease liabilities)	6,748	—	—	6,748
	<u>9,799</u>	<u>174</u>	<u>—</u>	<u>9,973</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

3. FINANCIAL RISK MANAGEMENT – *continued*

3.1 Financial risk factors – *continued*

(iii) Liquidity risk – *continued*

Company

	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 2015				
Trade and other payables	1,102	—	—	1,102
Amounts due to subsidiaries	13,648	—	—	13,648
	14,750	—	—	14,750
	14,750	—	—	14,750

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.

The gearing ratios at 31 July 2014 and 2015 were as follows:

	2015 HK\$' 000	2014 HK\$' 000
Total borrowings (<i>Note 22</i>)	171	6,029
Total equity	92,527	52,830
Gearing ratio	0.2%	11.4%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

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) 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.

(b) Percentage of completion of construction 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. Because of the nature of the activity undertaken in construction 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 construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

5. REVENUE AND SEGMENT INFORMATION

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

	2015 HK\$' 000	2014 HK\$' 000
Revenue		
Engineering consulting	37,771	39,122
Contracting	110,147	12,870
Project management	6,280	11,180
Others	305	241
	154,503	63,413
	154,503	63,413
Other income and net gains		
Government grants (<i>Note</i>)	101	85
Net gains from fair value adjustment on investment properties (<i>Note 16</i>)	1,100	—
Rental income	555	—
Others	3	70
	1,759	155
	1,759	155

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

5. REVENUE AND SEGMENT INFORMATION – *continued*

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

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

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

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

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

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

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

Segment assets mainly consist of current assets and non-current assets as disclosed in the consolidated statement of financial position except unallocated property, plant and equipment, investment properties, amount due from a shareholder and unallocated corporate assets.

Segment liabilities mainly consist of current liabilities and non-current liabilities as disclosed in the consolidated statement of financial position except unallocated corporate liabilities, current income tax liabilities and bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

5. REVENUE AND SEGMENT INFORMATION – *continued*

	Engineering consulting HK\$' 000	Contracting HK\$' 000	Project management HK\$' 000	Others HK\$' 000	Total HK\$' 000
Year ended 31 July 2015					
Revenue					
Total revenue	37,771	110,147	6,280	920	155,118
Inter-segment revenue	—	—	—	(615)	(615)
External revenue	<u>37,771</u>	<u>110,147</u>	<u>6,280</u>	<u>305</u>	<u>154,503</u>
Segment results	<u>22,554</u>	<u>18,168</u>	<u>5,839</u>	<u>(532)</u>	46,029
Net gains from fair value adjustment on investment properties					1,100
Rental income					555
Finance costs					(53)
Unallocated corporate expenses					<u>(10,748)</u>
Profit before income tax					36,883
Income tax expense					<u>(6,948)</u>
Profit for the year					<u>29,935</u>
Included in segment results are:					
Depreciation	<u>133</u>	<u>85</u>	<u>5</u>	<u>—</u>	<u>223</u>
At 31 July 2015					
Segment assets	23,844	30,310	2,015	227	56,396
Unallocated assets					<u>59,491</u>
Total assets					<u>115,887</u>
Included in segment assets are:					
Additions to non-current assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Segment liabilities	2,013	12,076	11	63	14,163
Tax payable					8,095
Unallocated liabilities					<u>1,102</u>
Total liabilities					<u>23,360</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

5. REVENUE AND SEGMENT INFORMATION – *continued*

	Engineering consulting HK\$'000	Contracting HK\$'000	Project management HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 July 2014					
Revenue					
Total revenue	39,122	12,870	11,180	841	64,013
Inter-segment revenue	—	—	—	(600)	(600)
External revenue	<u>39,122</u>	<u>12,870</u>	<u>11,180</u>	<u>241</u>	<u>63,413</u>
Segment results	<u>22,734</u>	<u>7,690</u>	<u>8,964</u>	<u>(377)</u>	<u>39,011</u>
Finance costs					(168)
Unallocated corporate expenses					<u>(8,934)</u>
Profit before income tax					29,909
Income tax expense					<u>(4,951)</u>
Profit for the year					<u>24,958</u>
Included in segment results are:					
Depreciation	<u>203</u>	<u>49</u>	<u>42</u>	<u>—</u>	<u>294</u>
At 31 July 2014					
Segment assets	12,750	4,137	7,756	227	24,870
Unallocated assets					<u>43,352</u>
Total assets					<u>68,222</u>
Included in segment assets are:					
Additions to non-current assets	<u>173</u>	<u>241</u>	<u>209</u>	<u>—</u>	<u>623</u>
Segment liabilities	1,632	1,288	283	73	3,276
Borrowing					5,638
Tax payable					<u>6,478</u>
Total liabilities					<u>15,392</u>

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.

For the year ended 31 July 2015, there were 2 customers (2014: 1 customer) which individually contributed over 10% of the Group's revenue. The aggregate amount of revenue from these customers amounted to 73% (2014: 34%) of the Group's total revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

6. EXPENSES BY NATURE

	2015 HK\$' 000	2014 HK\$' 000
Cost of sales		
Consultancy	2,616	1,489
Depreciation of owned assets (<i>Note 15</i>)	133	204
Depreciation of leased assets (<i>Note 15</i>)	90	90
Drafting	180	233
Motor vehicle expenses	338	332
Operating lease charges	126	168
Printing and stationery	176	150
Secondment fees	495	424
Staff costs (<i>Note 7</i>)	10,663	14,081
Subcontracting charges	85,921	3,994
Other expenses	197	521
	<u>100,935</u>	<u>21,686</u>
Administrative and other operating expenses		
Auditors' remuneration	810	43
Building management fee	42	72
Depreciation of owned assets (<i>Note 15</i>)	1,613	1,457
Entertainment	825	615
Insurance	481	253
Legal and professional fees	1,424	43
Listing expenses	2,329	3,977
Loss on disposal of property, plant and equipment	—	72
Operating lease rental on premises	1,337	—
Staff costs, including directors' emoluments (<i>Note 7</i>)	8,684	4,526
Travelling	145	65
Other expenses	701	682
	<u>18,391</u>	<u>11,805</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

7. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2015 HK\$' 000	2014 HK\$' 000
Salaries and allowances	18,818	18,160
Retirement benefit expenses – defined contribution plan	529	447
	<u>19,347</u>	<u>18,607</u>

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. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive for the year ended 31 July 2015 is set out below:

	Fee HK\$' 000	Salaries, allowances and benefits in kind HK\$' 000	Discretionary bonuses HK\$' 000	Retirement scheme contributions HK\$' 000	Total HK\$' 000
Year ended 31 July 2015					
<i>Executive directors</i>					
Dr. Li	—	2,492	—	18	2,510
Mr. Tam Yi Shek <i>(Chief Executive Officer)</i> <i>(Note (i))</i>	—	1,210	—	18	1,228
Mr. Chan Kin Pong <i>(Note (i))</i>	—	1,120	—	18	1,138
Mr. Tsang Siu Wah <i>(Note (i))</i>	—	1,006	—	18	1,024
Ms. Au Man Yi <i>(Note (iii))</i>	—	—	—	—	—
<i>Independent non-executive directors</i>					
Mr. Ho Ho Ming <i>(Note (ii))</i>	100	—	—	—	100
Mr. Ko Chi Keung <i>(Note (ii))</i>	100	—	—	—	100
Mr. Ong Chi King <i>(Note (ii))</i>	100	—	—	—	100
	<u>300</u>	<u>5,828</u>	<u>—</u>	<u>72</u>	<u>6,200</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – *continued*

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

The remuneration of each director for the year ended 31 July 2014 is set out below:

	Fee HK\$' 000	Salaries, allowances and benefits in kind HK\$' 000	Discretionary bonuses HK\$' 000	Retirement scheme contributions HK\$' 000	Total HK\$' 000
Year ended 31 July 2014					
<i>Executive directors</i>					
Dr. Li	—	3,144	—	16	3,160
Mr. Tam Yi Shek (<i>Note (i)</i>)	—	948	154	16	1,118
Mr. Chan Kin Pong (<i>Note (i)</i>)	—	780	120	16	916
Mr. Tsang Siu Wah (<i>Note (i)</i>)	—	804	66	16	886
	—	5,676	340	64	6,080
	—	5,676	340	64	6,080

During the year ended 31 July 2015, 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 (2014: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 July 2015 (2014: Nil).

Notes:

- (i) The executive directors, Mr. Tam Yi Shek, Mr. Chan Kin Pong and Mr. Tsang Siu Wah were appointed as directors of the Company on 16 September 2014.
- (ii) The independent non-executive directors, Mr. Ho Ho Ming, Mr. Ko Chi Keung and Mr. Ong Chi King were appointed as directors of the Company on 19 November 2014. During the year ended 31 July 2014, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of independent non-executive directors.
- (iii) The executive director, Ms. Au Man Yi, was appointed as director of the Company on 15 October 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – *continued*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, four (2014: one) of them are directors for the year ended 31 July 2015 whose emoluments are disclosed above. The emoluments in respect of the remaining one (2014: four) individual for the year ended 31 July 2015 are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries, allowances and benefits in kind	735	3,724
Discretionary bonuses	58	516
Retirement scheme contributions	18	62
	<u>811</u>	<u>4,302</u>

The emoluments of each of the above non-directors and non-chief executive, highest paid individuals were below HK\$1,000,000.

During the year ended 31 July 2015, 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 (2014: Nil).

9. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interest on finance leases	13	—
Interest on bank borrowings wholly repayable within five years	40	168
	<u>53</u>	<u>168</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2014: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year.

	2015 HK\$' 000	2014 HK\$' 000
Hong Kong profits tax:		
– Current year	6,495	4,951
– Under-provision in prior year	453	—
	6,948	4,951
Income tax expense	6,948	4,951

No deferred tax assets and liabilities in the consolidated financial statements as the Group did not have material temporary differences arising between tax bases of assets and liabilities and their carrying amounts as at 31 July 2015 (2014: Nil).

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

	2015 HK\$' 000	2014 HK\$' 000
Profit before income tax	36,883	29,909
Calculated at a tax rate of 16.5%	6,086	4,935
Expenses not deductible for tax purposes	386	1
Income not taxable for tax purposes	(182)	—
Temporary differences not recognised	66	24
Utilisation of previously unrecognised tax losses	—	(9)
Under-provision in prior year	453	—
Tax losses for which no deferred income tax asset was recognised	139	—
Income tax expense	6,948	4,951

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

11. EARNINGS PER SHARE

	2015	2014
Profit attributable to owners of the Company (HK\$'000)	<u>29,935</u>	<u>24,958</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	<u>393,456</u>	<u>359,800</u>
Basic earnings per share (HK cents)	<u>7.6</u>	<u>6.9</u>

For the year ended 31 July 2015, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of ordinary shares issued during the year.

For the year ended 31 July 2014, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of 359,800,000 shares (comprising 51,400,000 shares in issue and 308,400,000 shares to be issued under the capitalisation issue), as if these 359,800,000 shares were outstanding throughout the year.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the year ended 31 July 2015 (2014: Nil).

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of losses of approximately HK\$3,141,000 (Period ended 31 July 2014: Nil) (Note 26(b)).

13. DIVIDENDS

	2015	2014
	HK\$'000	HK\$'000
Interim dividends paid	<u>22,590</u>	<u>—</u>

The directors do not recommend the payment of final dividend for the year ended 31 July 2015. No dividend has been paid or declared by the Company since its incorporation.

The interim dividends of HK\$22,590,000 paid for the year ended 31 July 2015 (2014: Nil) represented the dividends paid by subsidiaries of the Company to its then shareholder prior to the Reorganisation.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

14. INVESTMENTS IN AND BALANCES WITH SUBSIDIARIES

(a) Investments in subsidiaries

	2015	2014
	HK\$' 000	HK\$' 000
Investment, at cost:		
Unlisted, shares	42,790	—

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

The following is a list of the subsidiaries at 31 July 2015:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued and fully paid up share capital	Interest held
KSL Enterprises Limited ("KSL Enterprises")	BVI, limited liability company	Investment holding in Hong Kong	USD1	100% (direct)
Victor Li & Associates Limited ("VLA")	Hong Kong, limited liability company	Provision of engineering consulting services in Hong Kong	HK\$10,000	100% (indirect)
KSL Engineering Limited ("KSL Engineering")	Hong Kong, limited liability company	Provision of contracting and project management services in Hong Kong	HK\$10,000	100% (indirect)
Centre For Research & Professional Development Limited ("CRPD")	Hong Kong, limited liability company	Organising continuing professional development courses, seminars, conferences and publication of technical books in Hong Kong	HK\$200	100% (indirect)

(b) Balances with subsidiaries

Balances with subsidiaries are unsecured, non-interest bearing and had no fixed terms of repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

15. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Leasehold properties HK\$'000 (Note a)	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000 (Note b)	Total HK\$'000
Cost					
At 1 August 2013	13,420	2,396	2,349	1,079	19,244
Additions	—	9	1,085	623	1,717
Disposals	—	—	—	(239)	(239)
At 31 July 2014	13,420	2,405	3,434	1,463	20,722
Accumulated depreciation					
At 1 August 2013	652	777	1,334	559	3,322
Charge for the year (Note 6)	373	481	603	294	1,751
Disposals	—	—	—	(48)	(48)
At 31 July 2014	1,025	1,258	1,937	805	5,025
Net book value					
At 31 July 2014	12,395	1,147	1,497	658	15,697
Cost					
At 1 August 2014	13,420	2,405	3,434	1,463	20,722
Additions	—	1,238	694	—	1,932
Surplus on revaluation	4,360	—	—	—	4,360
Transfer to investment properties (Note 16)	(17,780)	—	—	—	(17,780)
At 31 July 2015	—	3,643	4,128	1,463	9,234
Accumulated depreciation					
At 1 August 2014	1,025	1,258	1,937	805	5,025
Charge for the year (Note 6)	155	852	606	223	1,836
Eliminated on transfer to investment properties (Note 16)	(1,180)	—	—	—	(1,180)
At 31 July 2015	—	2,110	2,543	1,028	5,681
Net book value					
At 31 July 2015	—	1,533	1,585	435	3,553

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

15. PROPERTY, PLANT AND EQUIPMENT – GROUP – *continued*

Notes:

- (a) As at 31 July 2014, leasehold properties with an aggregate net book value of approximately HK\$12,395,000 were pledged as security for bank loan facilities granted to the Group (*Note 22*).

The leasehold properties at their net book values are analysed as follows:

	2015 HK\$' 000	2014 HK\$' 000
In Hong Kong, held on:		
Leases on between 10 to 50 years	—	12,395
	—	12,395

- (b) Motor vehicles includes the following amounts where the Group is a lessee under finance leases:

	2015 HK\$' 000	2014 HK\$' 000
Cost — capitalised finance leases	450	450
Accumulated depreciation	(180)	(90)
	270	360
Net book value		

16. INVESTMENT PROPERTIES – GROUP

	2015 HK\$' 000	2014 HK\$' 000
At fair value		
At 1 August	—	—
Transfer from owner-occupied properties (<i>Note 15</i>)	16,600	—
Net gains from fair value adjustment	1,100	—
	17,700	—
At 31 July		

Amounts recognised in profit and loss for investment properties:

	2015 HK\$' 000	2014 HK\$' 000
Rental income	555	—
Direct operating expenses from properties that generated rental income	(14)	—
	541	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

16. INVESTMENT PROPERTIES – GROUP – *continued*

As at 31 July 2015, the Group had no unprovided contractual obligations for future repairs and maintenance (2014: Nil).

The Group's investment properties are situated in Hong Kong and are held on medium-term lease (2014: Nil).

During the year ended 31 July 2015, the Group's leasehold properties with carrying amounts of approximately HK\$12,240,000 were transferred to investment properties at fair value of HK\$16,600,000 at the date of transfer due to the change of usage as evidenced by end of owner-occupation. The difference between the carrying amount and fair value which amounted to approximately HK\$4,360,000 was recognised in other comprehensive income during the year ended 31 July 2015.

An independent valuation of the Group's investment properties was performed by the valuer, Asset Appraisal Limited, to determine the fair value of the investment properties at 31 July 2015. The revaluation gains or losses is included in "Other income and net gains" in consolidated statement of profit or loss (Note 5). The following table analyses the investment properties carried at fair value, by valuation method.

Description	Fair value measurements at 31 July 2015 using		
	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:			
– Factory building – Hong Kong	—	17,700	—

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

For the factory building units, the valuation was determined using the comparison method. Comparison method is adopted based on price information of comparable properties has been made. Comparable properties of similar size, character and location have been analysed and carefully selected of each comparable properties in order to arrive at a fair comparison of capital values. The most significant input into this valuation approach is price per square feet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

17. FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY

(a) Group

	2015 HK\$' 000	2014 HK\$' 000
Assets as per consolidated statement of financial position		
<i>Loans and receivables</i>		
Trade and other receivables excluding prepayments	22,424	15,915
Amount due from a shareholder	—	28,313
Cash and cash equivalents	70,822	7,724
Total	93,246	51,952
Liabilities as per consolidated statement of financial position		
<i>Financial liabilities at amortised cost</i>		
Trade and other payables excluding non-financial liabilities	14,956	2,819
Borrowings (excluding finance lease liabilities)	—	5,638
Finance lease liabilities	171	391
Total	15,127	8,848

(b) Company

	2015 HK\$' 000	2014 HK\$' 000
Assets as per statement of financial position		
<i>Loans and receivables</i>		
Amount due from a subsidiary	5,000	—
Cash and cash equivalents	34,316	—
Total	39,316	—
Liabilities as per statement of financial position		
<i>Financial liabilities at amortised cost</i>		
Trade and other payables excluding non-financial liabilities	1,102	—
Amounts due to subsidiaries	13,648	—
Total	14,750	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

18. TRADE AND OTHER RECEIVABLES – GROUP AND COMPANY

	Group		Company	
	2015 HK\$' 000	2014 HK\$' 000	2015 HK\$' 000	2014 HK\$' 000
Trade receivables	19,422	15,430	—	—
Retention receivables	2,546	—	—	—
Other receivables, deposits and prepayments	1,075	1,058	285	—
	<u>23,043</u>	<u>16,488</u>	<u>285</u>	<u>—</u>

Notes:

- (a) No credit period was granted to customers. Trade receivables are immediately due when the invoices are issued to customers. Trade receivables are denominated in HK\$.
- (b) The ageing analysis of the trade receivables based on invoice date is as follows:

	Group	
	2015 HK\$' 000	2014 HK\$' 000
0 – 30 days	16,480	10,299
31 – 60 days	1,067	2,105
61 – 90 days	260	140
91 – 365 days	1,115	2,886
Over 365 days	500	—
	<u>19,422</u>	<u>15,430</u>

As at 31 July 2015, trade receivables of approximately HK\$19,422,000 (2014: HK\$15,430,000) 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.

Retention receivables were not yet past due as at 31 July 2015 (2014: Nil) and would be settled in accordance with the terms of the respective contracts.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

19. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK – GROUP

	2015 HK\$' 000	2014 HK\$' 000
Amounts due from customers for contract work		
Contract costs incurred plus recognised profits	24,085	—
Less: Progress billings	23,316	—
	769	—
Amounts due to customers for contract work		
Contract costs incurred plus recognised profits	21,245	—
Less: Progress billings	21,323	—
	(78)	—

20. AMOUNT DUE FROM A SHAREHOLDER – GROUP

The amount due was unsecured, non-interest bearing and had no fixed terms of repayment. The Group's amount due from a shareholder as of 31 July 2014 has been fully settled in September 2014 by Dr. Li (partly by cash repayment of approximately HK\$5,723,000 to the Group and partly by the declaration and payment of interim dividends of HK\$22,590,000 to Dr. Li in September 2014).

21. CASH AND CASH EQUIVALENTS - GROUP AND COMPANY

	Group		Company	
	2015 HK\$' 000	2014 HK\$' 000	2015 HK\$' 000	2014 HK\$' 000
Cash at banks	70,696	7,641	34,316	—
Cash on hand	126	83	—	—
Cash and cash equivalents	70,822	7,724	34,316	—

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

22. BORROWINGS - GROUP

	2015 HK\$' 000	2014 HK\$' 000
Non-current		
Finance lease liabilities (<i>Note b</i>)	—	171
Current		
Bank borrowings (<i>Note a</i>)	—	5,638
Finance lease liabilities (<i>Note b</i>)	171	220
	<u>171</u>	<u>5,858</u>
Total borrowings	<u>171</u>	<u>6,029</u>

Notes:

(a) Bank borrowings

At 31 July 2014, bank borrowings mature until 2027 and bear interest at 2.5% above three-month Hong Kong interbank Offered Rate per annum.

The bank borrowing is denominated in HK\$.

The bank borrowing is classified as current liabilities according to the HK Interpretation 5, *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* issued by the HKICPA. According to the repayment schedule, the bank borrowings are repayable as follows:

	2015 HK\$' 000	2014 HK\$' 000
Within 1 year	—	368
Between 1 and 2 years	—	380
Between 2 and 5 years	—	1,204
Over 5 years	—	3,686
	<u>—</u>	<u>5,638</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

22. BORROWINGS – GROUP – *continued*

(b) Finance lease liabilities

	2015 HK\$' 000	2014 HK\$' 000
Gross finance lease liabilities - minimum lease payments		
Within 1 year	174	232
Later than 1 year and no later than 2 years	—	174
	174	406
Future finance charges on finance leases	(3)	(15)
Present value of finance lease liabilities	171	391

The present value of finance lease liabilities is as follows:

	2015 HK\$' 000	2014 HK\$' 000
Within 1 year	171	220
Later than 1 year and no later than 2 years	—	171
	171	391

The Group's motor vehicles with an aggregate net book value of approximately HK\$270,000 (2014: HK\$360,000) as at 31 July 2015 (Note 15) are secured as the rights to the leased assets revert to the lessors in the event of default. The carrying amounts of all finance lease liabilities are denominated in HK\$.

At 31 July 2015, finance lease liabilities bear interest at 1.7% (2014: 1.7%) per annum.

- (c) As at 31 July 2014, the Group had committed banking facilities of approximately HK\$6,029,000 which bore interest at 2.87% to 2.88% per annum.

These banking facilities were secured by:

- (i) The Group's leasehold properties with an aggregate net book value of approximately HK\$12,395,000 as at 31 July 2014 (*Note 15*); and
- (ii) Personal guarantees given by a director of the Company as at 31 July 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

23. TRADE AND OTHER PAYABLES - GROUP AND COMPANY

	Group		Company	
	2015 HK\$' 000	2014 HK\$' 000	2015 HK\$' 000	2014 HK\$' 000
Non-current				
Rental deposits received	159	—	—	—
Current				
Trade payables	10,393	1,369	—	—
Retention payables	2,143	—	—	—
Accruals and other payables	2,321	1,516	1,102	—
	14,857	2,885	1,102	—
	15,016	2,885	1,102	—

Notes:

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

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

	Group	
	2015 HK\$' 000	2014 HK\$' 000
0 – 30 days	9,852	1,369
31 – 60 days	192	—
61 – 90 days	80	—
Over 90 days	269	—
	10,393	1,369

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

24. SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY

	Number of ordinary shares	Ordinary shares HK\$' 000
<i>Ordinary shares of HK\$0.01 each:</i>		
Authorised:		
On 17 July 2014 (date of incorporation), 31 July 2014 and 1 August 2014 (<i>Note (b)</i>)	38,000,000	380
Increase in authorised share capital (<i>Note (c)</i>)	1,962,000,000	19,620
As at 31 July 2015	2,000,000,000	20,000

	Number of ordinary shares	Ordinary shares HK\$' 000	Share premium HK\$' 000
Issued and fully paid:			
On 17 July 2014 (date of incorporation), 31 July 2014 and 1 August 2014 (<i>Note (b)</i>)	1	—	—
Issuance of shares upon Reorganisation (<i>Note (d)</i>)	51,399,999	514	—
Shares issued pursuant to the capitalisation issue (<i>Note (e)</i>)	308,400,000	3,084	(3,084)
Shares issued pursuant to the placing (<i>Note (f)</i>)	51,400,000	514	27,478
As at 31 July 2015	411,200,000	4,112	24,394

Notes:

- (a) The balance of share capital at 31 July 2014 represents the aggregate of paid up share capital of the subsidiaries comprising the Group prior to Reorganisation.
- (b) The Company was incorporated on 17 July 2014 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, of which one nil-paid share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, which was later transferred to Sonic Solutions on the same day.
- (c) On 19 November 2014, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares of HK\$0.01 each.
- (d) On 19 November 2014 pursuant to the Reorganisation, the Company acquired the entire issued share capital of KSL Enterprises and as consideration 1 nil paid share held by Sonic Solutions was credited as fully paid and 51,399,999 shares were allotted and issued to Sonic Solutions, all credited as fully paid.
- (e) Pursuant to a shareholder resolution passed on 19 November 2014, HK\$3,084,000 standing to the credit of the share premium account of the Company was capitalised and appropriated to pay up in full at par 308,400,000 shares for allotment and issue to shareholders appearing on the register of members of the Company at close of business of 19 November 2014 (the "Capitalisation Issue"). Upon the Capitalisation Issue, the issued share capital of the Company would become HK\$3,598,000 divided into 359,800,000 shares of HK\$0.01 each.
- (f) On 5 December 2014, the Company issued 51,400,000 shares pursuant to the Company's listing on the GEM of the Stock Exchange by way of placing at a price of HK\$0.60 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

25. SHARE OPTION SCHEME – GROUP AND COMPANY

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

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

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

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

25. SHARE OPTION SCHEME – GROUP AND COMPANY – *continued*

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 million must be approved by the Company's shareholders at the general meeting of the Company, with voting to be taken by way of poll.

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

The subscription price shall be a price solely determined by the board of directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price 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 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

26. RESERVES

(a) The Group

(i) Share premium

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

(ii) Merger reserve

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

(b) The Company

	Special reserve HK\$' 000 <i>(Note)</i>	Accumulated losses HK\$' 000	Total HK\$' 000
On 17 July 2014 (date of incorporation), 31 July 2014 and 1 August 2014	—	—	—
Reorganisation	42,276	—	42,276
Loss for the year	—	(3,141)	(3,141)
At 31 July 2015	<u>42,276</u>	<u>(3,141)</u>	<u>39,135</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

27. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

- (a) Reconciliation of profit before income tax to net cash generated from operations

	2015 HK\$' 000	2014 HK\$' 000
Profit before income tax	36,883	29,909
Adjustments for:		
Depreciation	1,836	1,751
Net gains from fair value adjustment on investment properties	(1,100)	—
Loss on disposal of property, plant and equipment	—	72
Interest expense	53	168
Operating profit before working capital changes	37,672	31,900
Increase in trade and other receivables	(6,555)	(8,935)
Increase in amounts due from customers for contract work	(769)	—
Decrease/(Increase) in balance with a shareholder	5,723	(17,603)
Increase in trade and other payables	12,131	1,396
Increase/(Decrease) in amounts due to customers for contract work	78	(1,779)
Net cash generated from operations	48,280	4,979

- (b) Material non-cash transactions

- (i) During the year ended 31 July 2014, additions to property, plant and equipment of approximately HK\$391,000 were financed by finance lease arrangements.
- (ii) In September 2014, interim dividends of HK\$22,590,000 were appropriated to the then shareholder of VLA, KSL Engineering and CRPD (which are now the indirect wholly-owned subsidiaries of the Company). All dividends declared had been fully paid in September 2014 and the Group financed the payment of such dividend by offsetting an equivalent amount due from Dr. Li.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

28. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the end of reporting period not provided for in the consolidated financial statements were as follows:

	2015 HK\$' 000	2014 HK\$' 000
Contracted but not provided for:		
Property, plant and equipment	—	782
	<u> </u>	<u> </u>

(b) Operating lease commitments — Group company as lessee

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

	2015 HK\$' 000	2014 HK\$' 000
No later than one year	1,544	1,462
Later than one year and no later than five years	1,824	3,209
	<u> </u>	<u> </u>
	<u>3,368</u>	<u>4,671</u>

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

(c) Operating leases rental receivables — Group company as lessor

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

	2015 HK\$' 000	2014 HK\$' 000
No later than one year	951	—
Later than one year and no later than five years	396	—
	<u> </u>	<u> </u>
	<u>1,347</u>	<u> </u>

The Group leases factory building units under an agreement which will be terminated in 2016. None of the leases includes contingent rentals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

29. RELATED PARTY TRANSACTIONS

- (a) Save as disclosed in Note 20 and 22 to the consolidated financial statements, the Group did not have any significant related party transaction with related parties during the year.
- (b) The emoluments of the directors and senior executives (representing the key management personnel) during the year are disclosed in Note 8.

30. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 July 2015.

FINANCIAL SUMMARY

For the year ended 31 July 2015

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

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue	154,503	63,413	45,678
Cost of sales	(100,935)	(21,686)	(17,033)
Gross profit	53,568	41,727	28,645
Other income and net gains	1,759	155	118
Administrative and other operating expenses	(18,391)	(11,805)	(7,096)
Operating profit	36,936	30,077	21,667
Finance costs	(53)	(168)	(181)
Profit before income tax	36,883	29,909	21,486
Income tax expense	(6,948)	(4,951)	(3,563)
Profit for the year	29,935	24,958	17,923
Other comprehensive income			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Gain on revaluation of properties upon transfer to investment properties	4,360	—	—
Other comprehensive income for the year	4,360	—	—
Total comprehensive income for the year	34,295	24,958	17,923
Profit attributable to owners of the Company	29,935	24,958	17,923
Total comprehensive income attributable to owners of the Company	34,295	24,958	17,923
Asset and liabilities			
Total assets	115,887	68,222	39,274
Total liabilities	(23,360)	(15,392)	(11,402)
Net assets	92,527	52,830	27,872
Equity attributable to equity holders of the Company	92,527	52,830	27,872