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KSL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8170)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 JANUARY 2015

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

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

This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

	For the six months ended		
	31 January		
	2015	2014	Change %
HK\$' 000	HK\$' 000		
Revenue	69,578	29,367	136.9%
Gross profit	29,967	19,391	54.5%
Profit attributable to owners of the Company	17,145	12,688	35.1%
Earnings per share	HK4.6 cents	HK3.5 cents	31.4%

- The Group's revenue amounted to approximately HK\$69.6 million for the six months ended 31 January 2015, representing an increase of approximately HK\$40.2 million or approximately 136.9% as compared with the six months ended 31 January 2014.
- The profit attributable to owners of the Company is approximately HK\$17.1 million for the six months ended 31 January 2015, representing an increase of approximately HK\$4.5 million or approximately 35.1% as compared with the six months ended 31 January 2014 mainly due to the increase in income from our contracting business with the increase in the number of contracting projects undertaken by the Group during the six months ended 31 January 2015.
- The Board does not recommend the payment of an interim dividend for the six months ended 31 January 2015 (for the six months ended 31 January 2014: nil).

INTERIM RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 January 2015 (“Relevant Period”), together with the unaudited comparative figures for the corresponding period in 2014, as follows:

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

For the three and six months ended 31 January 2015

	Notes	Three months ended 31 January		Six months ended 31 January	
		2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Revenue	4	39,042	16,522	69,578	29,367
Cost of sales		(24,197)	(5,887)	(39,611)	(9,976)
Gross profit		14,845	10,635	29,967	19,391
Other income	5	121	3	155	114
Administrative and other operating expenses		(4,360)	(2,145)	(8,813)	(4,060)
Operating profit		10,606	8,493	21,309	15,445
Finance costs	7	(4)	(43)	(48)	(86)
Profit before income tax	6	10,602	8,450	21,261	15,359
Income tax expense	8	(1,794)	(1,474)	(4,116)	(2,671)
Profit and total comprehensive income for the period attributable to owners of the Company		8,808	6,976	17,145	12,688
		HK cents	HK cents	HK cents	HK cents
Basic and diluted earnings per share	10	2.3	1.9	4.6	3.5

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 January 2015 HK\$' 000 (Unaudited)	As at 31 July 2014 HK\$' 000 (Audited)
	Note		
ASSETS			
Non-current assets			
Investment properties	11	12,209	—
Property, plant and equipment	12	<u>4,431</u>	<u>15,697</u>
		<u>16,640</u>	<u>15,697</u>
Current assets			
Trade and other receivables	13	27,877	16,488
Amount due from a shareholder		—	28,313
Amount due from customers for contract work		3,399	—
Cash and cash equivalents	14	<u>46,243</u>	<u>7,724</u>
		<u>77,519</u>	<u>52,525</u>
Total assets		<u><u>94,159</u></u>	<u><u>68,222</u></u>
EQUITY			
Capital and reserves			
Combined capital	15	4,112	20
Retained earnings		<u>71,245</u>	<u>52,810</u>
Total equity		<u>75,357</u>	<u>52,830</u>
LIABILITIES			
Non-current liabilities			
Borrowings	16	<u>58</u>	<u>171</u>
		<u>58</u>	<u>171</u>
Current liabilities			
Trade and other payables	17	13,256	2,885
Borrowings	16	225	5,858
Tax payable		<u>5,263</u>	<u>6,478</u>
		<u>18,744</u>	<u>15,221</u>
Total liabilities		<u>18,802</u>	<u>15,392</u>
Total equity and liabilities		<u><u>94,159</u></u>	<u><u>68,222</u></u>
Net current assets		<u><u>58,775</u></u>	<u><u>37,304</u></u>
Total assets less current liabilities		<u><u>75,415</u></u>	<u><u>53,001</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2015

	Note	Share Capital HK\$' 000	Share premium HK\$' 000	Merger reserve HK\$' 000 (Note)	Retained earnings HK\$' 000	Total HK\$' 000
Balance at 1 August 2013		20	—	—	27,852	27,872
Profit and total comprehensive income for the period		—	—	—	12,688	12,688
Balance at 31 January 2014		20	—	—	40,540	40,560
Balance at 1 August 2014		20	—	—	52,810	52,830
Arising from the reorganisation		494	—	(494)	—	—
Capitalisation issue		3,084	(3,084)	—	—	—
Placing of shares		514	30,326	—	—	30,840
Expenses incurred in connection with the placing of shares		—	(2,868)	—	—	(2,868)
Profit and total comprehensive income for the period		—	—	—	17,145	17,145
Dividend to equity holders	9	—	—	—	(22,590)	(22,590)
Balance at 31 January 2015		<u>4,112</u>	<u>24,374</u>	<u>(494)</u>	<u>47,365</u>	<u>75,357</u>

Note: Merger reserve represents the difference between the share capital issued by the Company for acquisition of the subsidiaries pursuant to a reorganisation for the listing and the aggregate capital of the subsidiaries being acquired at the time of the reorganisation.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2015

	Six months ended	
	31 January	
	2015	2014
	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	<u>18,261</u>	<u>2,784</u>
Net cash used in investing activities	<u>(1,920)</u>	<u>(644)</u>
Net cash generated from/(used in) financing activities	<u>22,178</u>	<u>(264)</u>
Net increase in cash and cash equivalents	38,519	1,876
Cash and cash equivalents at beginning of the period	<u>7,724</u>	<u>5,089</u>
Cash and cash equivalents at end of the period, represented by cash at banks and on hand	<u><u>46,243</u></u>	<u><u>6,965</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2015

1. GENERAL INFORMATION

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

Pursuant to the reorganisation of the Group in connection with the listing of the shares of the Company on the GEM (the "Listing") (the "Reorganisation"), the Company became the holding company of the Group on 19 November 2014. Details of the Reorganisation are set out in the prospectus of the Company dated 28 November 2014 (the "Prospectus").

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 31 January 2015 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective terms include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinances and GEM Listing Rules.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The principal accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 July 2014 except for the adoption of the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA for the first time for the current period's financial statements. The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated financial statements.

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2015

4. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents receipts from provision of engineering consulting, contracting and project management services in the ordinary course of business. Revenue recognised during the three months and six months ended 31 January 2015 are as follows:

	Three months ended 31 January		Six months ended 31 January	
	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Engineering consulting	9,045	13,120	19,455	22,902
Contracting	28,341	1,856	46,934	2,758
Project management	1,500	1,380	3,000	3,540
Others	156	166	189	167
	<u>39,042</u>	<u>16,522</u>	<u>69,578</u>	<u>29,367</u>

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

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

Revenue from engineering consulting decreased from approximately HK\$22.9 million for the six months ended 31 January 2014 to approximately HK\$19.5 million for the six months ended 31 January 2015, representing a decrease of approximately 15.1%, as a result of the decrease in the number of engineering consulting projects undertaken by the Group during the Relevant Period.

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

Revenue from contracting increased from approximately HK\$2.8 million for the six months ended 31 January 2014 to approximately HK\$46.9 million for the six months ended 31 January 2015, representing an increase of approximately 1,601.7%, because of the Group's strategy to develop the contracting business which resulted in the increase in the number of contracting projects undertaken by the Group during the Relevant Period.

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

Revenue from project management decreased from approximately HK\$3.5 million for the six months ended 31 January 2014 to approximately HK\$3.0 million for the six months ended 31 January 2015, representing a decrease of approximately 15.3%, as a result of the decrease in the number of project management projects undertaken by the Group during the Relevant Period.

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

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2015

4. REVENUE AND SEGMENT INFORMATION – *continued*

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

	Engineering consulting HK\$' 000	Contracting HK\$' 000	Project management HK\$' 000	Others HK\$' 000	Total HK\$' 000
For the six months ended 31 January 2015 (unaudited)					
Revenue					
Total revenue	19,455	46,934	3,000	454	69,843
Inter-segment revenue	—	—	—	(265)	(265)
External revenue	19,455	46,934	3,000	189	69,578
Segment results	12,157	13,659	2,113	(225)	27,704
Unallocated corporate expenses					(6,395)
Finance costs					(48)
Profit before income tax					21,261
Income tax expense					(4,116)
Profit for the period					17,145
Included in segment results are:					
Depreciation of property, plant and equipment	72	42	3	—	117
	Engineering consulting HK\$' 000	Contracting HK\$' 000	Project management HK\$' 000	Others HK\$' 000	Total HK\$' 000
For the six months ended 31 January 2014 (unaudited)					
Revenue					
Total revenue	22,902	2,758	3,540	367	29,567
Inter-segment revenue	—	—	—	(200)	(200)
External revenue	22,902	2,758	3,540	167	29,367
Segment results	16,165	164	1,930	(118)	18,141
Unallocated corporate expenses					(2,696)
Finance costs					(86)
Profit before income tax					15,359
Income tax expense					(2,671)
Profit for the period					12,688
Included in segment results are:					
Depreciation of property, plant and equipment	101	20	25	—	146

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2015

5. OTHER INCOME

	Three months ended 31 January		Six months ended 31 January	
	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Government grants	39	3	73	69
Rental income	79	—	79	—
Others	3	—	3	45
	<u>121</u>	<u>3</u>	<u>155</u>	<u>114</u>

6. PROFIT BEFORE TAXATION

	Three months ended 31 January		Six months ended 31 January	
	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Profit before taxation is stated after charging the following items:				
Operating lease rental on premises	358	—	596	—
Depreciation of property, plant and equipment	500	510	946	874
Depreciation of investment properties	31	—	31	—
Staff costs (including directors' remuneration)				
– Salaries and allowances	5,489	4,619	9,742	7,988
– Mandatory provident fund contributions	138	118	267	222
Subcontracting charges	19,429	1,191	31,044	2,462
Listing expenses	358	—	2,329	—
	<u>358</u>	<u>—</u>	<u>2,329</u>	<u>—</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2015

7. FINANCE COSTS

	Three months ended		Six months ended	
	31 January		31 January	
	2015	2014	2015	2014
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank borrowing	—	43	40	86
Interest on finance lease	4	—	8	—
	<u>4</u>	<u>43</u>	<u>48</u>	<u>86</u>

8. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	31 January		31 January	
	2015	2014	2015	2014
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong profits tax	<u>1,794</u>	<u>1,474</u>	<u>4,116</u>	<u>2,671</u>

Hong Kong profits tax is calculated at 16.5% (six months ended 31 January 2014: 16.5%) of the estimated assessable profit of the Group for the period as stated above.

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

9. DIVIDEND

No dividend was paid or proposed to the owners of the Company since its incorporation, nor has any dividend been proposed since the end of reporting period and up to the date of this report. In September 2014, Victor Li & Associates Limited, KSL Engineering Limited and Centre For Research & Professional Development Limited, all being subsidiaries of the Company, declared and paid dividends of an aggregate amount of HK\$22,590,000 to their respective then shareholder.

The Board did not recommend a payment of an interim dividend for the six months ended 31 January 2015 (six months ended 31 January 2014: nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2015

10. EARNINGS PER SHARE

The calculations of basic earnings per share for the three months and six months ended 31 January 2015 are based on the followings:

	Three months ended		Six months ended	
	31 January		31 January	
	2015	2014	2015	2014
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings:				
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	8,808	6,976	17,145	12,688
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	392,204,348	359,800,000	376,002,174	359,800,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and capitalisation issue as described in the Prospectus had been effective on 1 August 2013.

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

11. INVESTMENT PROPERTIES

	31 January	31 July
	2015	2014
	HK\$' 000	HK\$' 000
	(Unaudited)	(Audited)
At the beginning of the year	—	—
Transfer from property, plant and equipment	12,209	—
At the end of the period/year	<u>12,209</u>	<u>—</u>

During the Relevant Period, the Group reclassified the leasehold properties from property, plant and equipment to investment properties upon the rental of the leasehold properties to a third party. The transfer was effected on 1 January 2015, and the leasehold properties are measured using the cost model.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2015

12. PROPERTY, PLANT AND EQUIPMENT

During the Relevant Period, the Group acquired property, plant and equipment amounting to approximately HK\$1,919,000 (for the six months ended 31 January 2014: HK\$643,000), while the Group reclassified the leasehold properties from property, plant and equipment to investment properties amounting to approximately HK\$12,240,000 (for the six months ended 31 January 2014: nil) as set out in note 11 to the unaudited condensed consolidated financial statements.

13. TRADE AND OTHER RECEIVABLES

	31 January 2015 HK\$'000 (Unaudited)	31 July 2014 HK\$'000 (Audited)
Contract receivables (note a)	23,287	15,430
Retention receivables (note b)	3,043	—
	<hr/>	<hr/>
Total trade receivables	26,330	15,430
Other receivables, deposits and prepayments	1,547	1,058
	<hr/>	<hr/>
	<u>27,877</u>	<u>16,488</u>

(a) Contract receivables

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

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

	31 January 2015 HK\$'000 (Unaudited)	31 January 2014 HK\$'000 (Audited)
0–30 days	21,677	10,299
31–60 days	649	2,105
61–90 days	255	140
Over 90 days	706	2,886
	<hr/>	<hr/>
	<u>23,287</u>	<u>15,430</u>

(b) Retention receivables were not past due as at 31 January 2015. They are settled in accordance with the terms of respective contracts.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2015

14. CASH AND CASH EQUIVALENTS

	31 January 2015 HK\$' 000 (Unaudited)	31 July 2014 HK\$' 000 (Audited)
Cash at banks	46,147	7,641
Cash on hand	96	83
	<u>46,243</u>	<u>7,724</u>
Cash and cash equivalents	<u>46,243</u>	<u>7,724</u>

All cash and cash equivalents are denominated in HK\$.

15. SHARE CAPITAL

	31 January 2015 (Unaudited)		31 July 2014 (Audited)	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
Authorised:				
Ordinary shares of HK\$0.01 each				
Upon incorporation (Note a)	38,000,000	380,000	38,000,000	380,000
Increase during the period (Note b)	1,962,000,000	19,620,000	—	—
At the end of the period/year	<u>2,000,000,000</u>	<u>20,000,000</u>	<u>38,000,000</u>	<u>380,000</u>
Issued and fully paid:				
Upon incorporation (Note a)	1	—	1	—
Issue of shares on reorganisation (Note c)	51,399,999	514,000	—	—
Issue of shares upon:				
Capitalisation issue (Note d)	308,400,000	3,084,000	—	—
Placing of shares (Note e)	51,400,000	514,000	—	—
At the end of the period/year	<u>411,200,000</u>	<u>4,112,000</u>	<u>1</u>	<u>—</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2015

15. SHARE CAPITAL – *continued*

Note:

- (a) The Company was incorporated on 17 July 2014 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, of which one nil-paid share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, which was later transferred to Sonic Solutions Limited (“Sonic Solutions”) on the same day.
- (b) On 19 November 2014, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares of HK\$0.01 each.
- (c) On 19 November 2014 pursuant to the Reorganisation, the Company acquired the entire issued share capital of KSL Enterprises Limited (“KSL Enterprises”) and as consideration 1 nil paid share held by Sonic Solutions was credited as fully paid and 51,399,999 shares were allotted and issued to Sonic Solutions, all credited as fully paid.
- (d) Pursuant to a shareholder resolution passed on 19 November 2014, HK\$3,084,000 standing to the credit of the share premium account of the Company was capitalised and appropriated to pay up in full at par 308,400,000 shares for allotment and issue to shareholders appearing on the register of members of the Company at close of business of 19 November 2014 (the “Capitalisation Issue”). Upon the Capitalisation Issue, the issued share capital of the Company would become HK\$3,598,000 divided into 359,800,000 share of HK\$0.01 each.
- (e) On 5 December 2014, 51,400,000 new shares of HK\$0.01 each were issued and offered for subscription by the Company and 51,400,000 shares were offered for subscription by Sonic Solutions (being the selling shareholder) by way of placing at a price of HK\$0.6 per share (the “Placing Price”) for a total cash consideration of HK\$61,680,000 before issuance cost. The excess of the Placing Price over the par value of the shares issued was credited to the share premium account of the Company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2015

16. BORROWINGS

	As at 31 January 2015 HK\$' 000 (Unaudited)	As at 31 July 2014 HK\$' 000 (Audited)
Non-current		
Finance lease liabilities (Note b)	58	171
Current		
Bank borrowing (Note a)	—	5,638
Finance lease liabilities (Note b)	225	220
	<u>225</u>	<u>5,858</u>
Total borrowings	<u>283</u>	<u>6,029</u>

Notes:

(a) Bank borrowing

As at 31 July 2014, the bank borrowing matured until 2027 and bore interest at 2.5% above three-month Hong Kong interbank Offered Rate (“HIBOR”) per annum. The bank borrowing was fully repaid in October 2014.

The bank borrowing is denominated in HK\$.

As at 31 July 2014, the bank borrowing was 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 borrowing was repayable as follows:

	As at 31 January 2015 HK\$' 000 (Unaudited)	As at 31 July 2014 HK\$' 000 (Audited)
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 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2015

16. BORROWINGS – *continued*

Notes: – *continued*

(b) Finance lease liabilities

	As at 31 January 2015 HK\$' 000 (Unaudited)	As at 31 July 2014 HK\$' 000 (Audited)
Gross finance lease liabilities — minimum lease payments		
Within 1 year	233	232
Later than 1 year and no later than 2 years	58	174
	<u>291</u>	<u>406</u>
Future finance charges on finance leases	(8)	(15)
Present value of finance lease liabilities	<u>283</u>	<u>391</u>

The present value of finance lease liabilities is as follows:

	As at 31 January 2015 HK\$' 000 (Unaudited)	As at 31 July 2014 HK\$' 000 (Audited)
Within 1 year	225	220
Later than 1 year and no later than 2 years	58	171
	<u>283</u>	<u>391</u>

The Group's motor vehicles with an aggregate net book value of approximately HK\$315,000 and approximately HK\$360,000 as at 31 January 2015 and 31 July 2014 respectively 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\$.

- (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; and
- (ii) Personal guarantee given by a director of the Company as at 31 July 2014.

As at 31 January 2015, the Group had no committed banking facilities upon the full repayment of the bank borrowing in October 2014 and the aforementioned personal guarantee given by a director of the Company had been released.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2015

17. TRADE AND OTHER PAYABLES

	31 January 2015 HK\$' 000 (Unaudited)	31 July 2014 HK\$' 000 (Audited)
Trade payables (note a)	1,511	1,369
Retention payables (note b)	1,729	—
Accruals and other payables	10,016	1,516
	<u>13,256</u>	<u>2,885</u>

Notes:

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

As at 31 January 2015 and 31 July 2014, the ageing analysis of the Group's trade payables based on invoice date is as follows:

	31 January 2015 HK\$' 000 (Unaudited)	31 July 2014 HK\$' 000 (Audited)
0-30 days	<u>1,511</u>	<u>1,369</u>

- (b) Retention payables were not past due as at 31 January 2015. They are settled in accordance with the terms of respective contracts.
- (c) All trade and other payables are denominated in HK\$.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2015

18. COMMITMENTS

(a) Operating lease commitments — The Group as lessee

As at 31 January 2015, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 January 2015 HK\$' 000 (Unaudited)	31 July 2014 HK\$' 000 (Audited)
No later than 1 year	1,462	1,462
Later than 1 year and no later than 5 years	<u>2,539</u>	<u>3,209</u>
	<u>4,001</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 negotiated and do not include contingent rentals.

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

As at 31 January 2015, the total future minimum lease payments under non-cancellable operating leases were receivable as follows:

	31 January 2015 HK\$' 000 (Unaudited)	31 July 2014 HK\$' 000 (Audited)
No later than 1 year	951	—
Later than 1 year and no later than 5 years	<u>872</u>	<u>—</u>
	<u>1,823</u>	<u>—</u>

The Group leases its leasehold properties under an operating lease which will terminate in 2016. The lease does not include contingent rentals.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2015

18. COMMITMENTS – *continued*

(c) Capital commitments

Capital commitments outstanding that were not provided for in the unaudited condensed consolidated financial statements were as follows:

	As at 31 January 2015 HK\$' 000 (Unaudited)	As at 31 July 2014 HK\$' 000 (Audited)
Contracted but not provided for:		
Property, plant and equipment	—	782

19. RELATED PARTY TRANSACTIONS

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

(a) Amount due from a shareholder

	31 January 2015 HK\$' 000 (Unaudited)	31 July 2014 HK\$' 000 (Audited)
Amount due from a shareholder	—	28,313

The amount due was unsecured, non-interest bearing and had no fixed terms of repayment. The amount was fully repaid as at 31 January 2015.

(b) Key management personnel remuneration

	For the three months ended 31 January		For the six months ended 31 January	
	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Directors' emoluments	1,277	779	2,072	1,551

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

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

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

Looking forward, the Group will continue to pursue the following key business strategies: (i) further developing our contracting business by making use of additional financial resources available from the Placing to undertake more geotechnical engineering projects, as the aggregate number and size of projects that we are able to undertake in our contracting business hinges on the amount of our available working capital in view of the time lags that often exist between making payments to our subcontractors and receiving payments from our customers and the possible requirements for surety bonds; (ii) further strengthening our in-house team of engineering staff by recruiting additional qualified and experienced engineers in order to cope with our business development and our plan to further develop for our contracting business and by providing more training opportunities to our engineering staff; and (iii) developing more efficient in-house computer programs for use in developing engineering designs for our engineering consulting and contracting businesses by upgrading some of our engineering computer programs and recruiting a dedicated in-house information technology officer.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK\$29.4 million for the six months ended 31 January 2014 to approximately HK\$69.6 million for the six months ended 31 January 2015, representing a growth of approximately 136.9%. 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 the Group during the Relevant Period.

Cost of Sales

Our cost of sales increased from approximately HK\$10.0 million for the six months ended 31 January 2014 to approximately HK\$39.6 million for the six months ended 31 January 2015, representing an increase of approximately 297.1%. Such increase was mainly attributable to the increase in our subcontracting charges with the increase in number of contracting projects undertaken by the Group during the Relevant Period.

Gross Profit

Our gross profit amounted to approximately HK\$19.4 million and HK\$30.0 million for the six months ended 31 January 2014 and 2015 respectively, representing a growth of approximately 54.5%, as a result of the increase in our revenue as discussed above.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

Our other income amounted to approximately HK\$114,000 and HK\$155,000 for the six months ended 31 January 2014 and 2015 respectively, representing an increase of approximately 36.0%, which was mainly due to the increase in rental income earned from the rental of the leasehold properties to a third party starting from January 2015.

Administrative and Other Operating Expenses

Our administrative and other operating expenses amounted to approximately HK\$4.1 million and HK\$8.8 million for the six months ended 31 January 2014 and 2015 respectively, representing an increase of approximately 117.1%. Such increase was primarily due to the listing expenses of approximately HK\$2.3 million and rental expenses of office premises of approximately HK\$0.6 million upon the rental of new office premises in September 2014 during the six months ended 31 January 2015 (2014: nil).

Finance Costs

For the six months ended 31 January 2014 and 2015, our finance costs amounted to approximately HK\$86,000 and HK\$48,000 respectively, representing a decrease of approximately 44.2%. Such decrease was mainly due to the combined effect of (i) the reduction in our interest expense on bank borrowing from approximately HK\$86,000 for the six months ended 31 January 2014 to approximately HK\$40,000 for the six months ended 31 January 2015 as a result of the full repayment of bank borrowing in October 2014; and (ii) offset by the increase in interest on finance lease from nil for the six months ended 31 January 2014 to approximately HK\$8,000 for the six months ended 31 January 2015 mainly because of the purchase of our motor vehicle by way of finance lease arrangement.

Income Tax Expense

For the six months ended 31 January 2014 and 2015, our income tax expense amounted to approximately HK\$2.7 million and HK\$4.1 million respectively, representing an increase of approximately 54.1%. Such increase was primarily due to the increase in profit during the Relevant Period which was consistent with the increase in revenue during the Relevant Period.

Profit for the Period

As a result of the aforesaid and in particular our increase in revenue and increase in cost of sales as discussed above, our profit and total comprehensive income for the Relevant Period attributable to owners of our Company increased from approximately HK\$12.7 million for the six months ended 31 January 2014 to approximately HK\$17.1 million for the six months ended 31 January 2015, representing an increase of approximately 35.1%. Had the listing expenses of approximately HK\$2.3 million not incurred, the net profit of the Group would have been approximately HK\$19.4 million for the six months ended 31 January 2015, representing a purported growth of approximately 53.5% as compared to the same period in 2014.

Interim Dividend

The Board did not recommend a payment of an interim dividend for the six months ended 31 January 2015 (six months ended 31 January 2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The Group maintained a sound financial position during the Relevant Period. As at 31 January 2015, the Group had a cash and bank balance of approximately HK\$46.2 million (31 July 2014: approximately HK\$7.7 million). The total interest-bearing loans of the Group as at 31 January 2015 was approximately HK\$0.3 million (31 July 2014: approximately 6.0 million), and current ratio as at 31 January 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 Relevant Period.

For further details regarding to the borrowings, please refer to note 16 to the unaudited condensed consolidated financial statements.

Gearing Ratio

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

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

Treasury Policy

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

Pledge of Assets

As at 31 July 2014, the Group pledged its leasehold properties with 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.

As at 31 January 2015, the Group had fully repaid such bank borrowing and 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 Relevant Period, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

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

As at 31 January 2015, the share capital and equity attributable to owners of the Company amounted to approximately HK\$4.1 million and HK\$75.4 million respectively (31 July 2014: approximately HK\$20,000 and HK\$52.8 million respectively).

Capital Commitments

As at 31 January 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 18(c) to the unaudited condensed consolidated financial statements.

Human Resources Management

As at 31 January 2015, the Group had 38 (31 July 2014: 32) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$10.0 million for the six months ended 31 January 2015 as compared to approximately HK\$8.2 million for the six months ended 31 January 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 by reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses.

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

Significant Investments Held

Except for investment in its subsidiaries during the six months ended 31 January 2015, the Group did not hold any significant investment in equity interest in any other company.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Contingent Liabilities

As at 31 January 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, the Group did not have other plans for material investments and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPETITION AND CONFLICT OF INTEREST

During the six months period ended 31 January 2015, none of the Directors, the controlling shareholders and substantial shareholders, neither themselves nor their respective associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests.

COMPLIANCE ADVISOR'S INTERESTS

As at 31 January 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 on 18 September 2014, neither the Compliance Advisor nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Since the Listing Date to 31 January 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

Since the Listing Date to 31 January 2015, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors ("the Code of Conduct") on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct since the Listing Date to 31 January 2015.

SHARE OPTION SCHEME

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

No share options has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 January 2015.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 31 January 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float since the Listing Date as required under the GEM Listing Rules.

PUBLICATION OF 2014 INTERIM REPORT

The 2014 interim report of the Company containing all the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at <http://www.kslholdings.com> and the “HKExnews” website of the Stock Exchange at <http://www.hkexnews.hk>.

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

Hong Kong, 12 March 2015

As at the date of this report, the executive Directors are Dr. LI Kai Shun, Mr. TAM Yi Shek, Mr. CHAN Kin Pong and Mr. TSANG Siu Wah; and the independent non-executive Directors are Mr. HO Ho Ming, Mr. KO Chi Keung and Mr. ONG Chi King.