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KSL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8170)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 JULY 2016

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 year ended 31 July 2016, the operating results of the Group were as follows:

- Revenue amounted to approximately HK\$124.8 million (2015: approximately HK\$154.5 million), representing a decrease of approximately 19.2% from last year;
- Net profit for the year ended 31 July 2016 amounted to approximately HK\$14.7 million (2015: approximately HK\$29.9 million), representing a decrease of approximately 51.0% from last year;
- Basic and diluted earnings per share for the year ended 31 July 2016 based on weighted average number of ordinary shares was approximately HK\$3.6 cents (2015: approximately HK\$7.6 cents);
- The Directors do not recommend the payment of a final dividend for the year ended 31 July 2016 (2015: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 31 JULY 2016

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 July 2016 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2016

	Note	2016 HK\$' 000	2015 HK\$' 000
Revenue	4	124,799	154,503
Cost of sales	5	<u>(92,435)</u>	<u>(100,935)</u>
Gross profit		32,364	53,568
Other income and net gains	4	3,726	1,759
Administrative and other operating expenses	5	<u>(18,219)</u>	<u>(18,391)</u>
Operating profit		17,871	36,936
Finance costs	6	<u>(3)</u>	<u>(53)</u>
Profit before income tax		17,868	36,883
Income tax expense	7	<u>(3,198)</u>	<u>(6,948)</u>
Profit for the year		<u>14,670</u>	<u>29,935</u>
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		<u>—</u>	<u>4,360</u>
Other comprehensive income for the year		<u>—</u>	<u>4,360</u>
Total comprehensive income for the year		<u>14,670</u>	<u>34,295</u>
Profit for the year attributable to:			
Owners of the Company		14,722	29,935
Non-controlling interests		<u>(52)</u>	<u>—</u>
Profit for the year		<u>14,670</u>	<u>29,935</u>
Total comprehensive income attributable to:			
Owners of the Company		14,722	34,295
Non-controlling interests		<u>(52)</u>	<u>—</u>
Total comprehensive income		<u>14,670</u>	<u>34,295</u>
Basic and diluted earnings per share (HK cents)	8	<u>3.6</u>	<u>7.6</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2016

	Note	2016 HK\$' 000	2015 HK\$' 000
ASSETS			
Non-current assets			
Property, plant and equipment		2,572	3,553
Investment properties		—	17,700
		<u>2,572</u>	<u>21,253</u>
Current assets			
Trade and other receivables	10	13,961	23,043
Amounts due from customers for contract work		917	769
Amounts due from non-controlling interests		494	—
Cash and cash equivalents		103,227	70,822
		<u>118,599</u>	<u>94,634</u>
Total assets		<u>121,171</u>	<u>115,887</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	12	4,112	4,112
Share premium	12	24,394	24,394
Other reserves		78,743	64,021
		<u>107,249</u>	<u>92,527</u>
Non-controlling interests		442	—
Total equity		<u>107,691</u>	<u>92,527</u>
LIABILITIES			
Non-current liabilities			
Trade and other payables	11	—	159
Current liabilities			
Trade and other payables	11	9,985	14,857
Amounts due to customers for contract work		1,056	78
Borrowings		—	171
Tax payable		2,439	8,095
		<u>13,480</u>	<u>23,201</u>
Total liabilities		<u>13,480</u>	<u>23,360</u>
Total equity and liabilities		<u>121,171</u>	<u>115,887</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2016

	Attributable to owners of the Company					Total equity HK\$' 000
	Share capital HK\$' 000 (Note 12)	Share premium HK\$' 000 (Note 12)	Other reserves HK\$' 000	Sub-total HK\$' 000	Non-controlling interests HK\$' 000	
Balance at 1 August 2014	20	—	52,810	52,830	—	52,830
Profit for the year	—	—	29,935	29,935	—	29,935
Gain on revaluation of properties upon transfer to investment properties	—	—	4,360	4,360	—	4,360
Total comprehensive income for the year	—	—	34,295	34,295	—	34,295
Transactions with owners:						
Dividend (Note 9)	—	—	(22,590)	(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	—	30,840
Share issuance costs	—	(2,848)	—	(2,848)	—	(2,848)
	4,092	24,394	(23,084)	5,402	—	5,402
Balance at 31 July 2015	4,112	24,394	64,021	92,527	—	92,527
Balance at 1 August 2015	4,112	24,394	64,021	92,527	—	92,527
Profit for the year	—	—	14,722	14,722	(52)	14,670
Total comprehensive income for the year	—	—	14,722	14,722	(52)	14,670
Transactions with owners:						
Capital contribution by non-controlling interests	—	—	—	—	494	494
	—	—	—	—	494	494
Balance at 31 July 2016	4,112	24,394	78,743	107,249	442	107,691

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2016

1. GENERAL INFORMATION

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.

2. BASIS OF PREPARATION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2016

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 August 2015:

Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Amendments from annual improvements to HKFRSs – 2010 – 2012 Cycle, on HKFRS 8, “Operating Segments”, HKAS 16, “Property, Plant and Equipment” and HKAS 38, “Intangible Assets” and HKAS 24, “Related Party Disclosures”.

Amendments from annual improvements to HKFRSs – 2011 – 2013 Cycle, on HKFRS 3, “Business Combinations”, HKFRS 13, “Fair Value Measurement” and HKAS 40, “Investment Property”.

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

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

Certain new standards and amendments of HKFRSs have been published but are not yet effective for annual period beginning on 1 August 2015 and have not been early adopted by the Group. The management is in the process of assessing the impact of these new standards and amendments on the consolidated financial statements of the Group. The adoption of these new standards and amendments when they become effective is currently not expected to have a material impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2016

4. REVENUE AND SEGMENT INFORMATION

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

	2016	2015
	HK\$' 000	HK\$' 000
Revenue		
Engineering consulting	29,339	37,771
Contracting	84,777	110,147
Project management	8,650	6,280
Others	2,033	305
	<u>124,799</u>	<u>154,503</u>
	2016	2015
	HK\$' 000	HK\$' 000
Other income and net gains		
Gains on disposal of investment properties	2,356	—
Gain on disposal of a subsidiary	39	—
Government grants (<i>Note</i>)	140	101
Interest income	2	—
Net gains from fair value adjustment on investment properties	—	1,100
Rental income	951	555
Others	238	3
	<u>3,726</u>	<u>1,759</u>

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2016

4. REVENUE AND SEGMENT INFORMATION – *continued*

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

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

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

Segment assets mainly consist of current assets and non-current assets as disclosed in the consolidated statement of financial position except unallocated property, plant and equipment, investment properties, amounts due from non-controlling interests 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 2016

4. 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 2016					
Revenue					
Total revenue	29,339	84,777	8,650	2,737	125,503
Inter-segment revenue	—	—	—	(704)	(704)
External revenue	<u>29,339</u>	<u>84,777</u>	<u>8,650</u>	<u>2,033</u>	<u>124,799</u>
Segment results	<u>17,720</u>	<u>(140)</u>	<u>8,023</u>	<u>583</u>	<u>26,186</u>
Gains on disposal of investment properties					2,356
Rental income					951
Finance costs					(3)
Unallocated corporate expenses					<u>(11,622)</u>
Profit before income tax					17,868
Income tax expense					<u>(3,198)</u>
Profit for the year					<u>14,670</u>
Included in segment results are:					
Depreciation	<u>1,239</u>	<u>307</u>	<u>31</u>	<u>133</u>	<u>1,710</u>
At 31 July 2016					
Segment assets	42,709	14,378	1,168	3,663	61,918
Unallocated assets					<u>59,253</u>
Total assets					<u>121,171</u>
Included in segment assets are:					
Additions to non-current assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Segment liabilities	1,429	7,777	40	1,548	10,794
Tax payable					2,439
Unallocated liabilities					<u>247</u>
Total liabilities					<u>13,480</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2016

4. 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>	<u>46,029</u>
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>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2016

4. REVENUE AND SEGMENT INFORMATION – *continued*

Information about major customers

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

	2016 HK\$' 000	2015 HK\$' 000
Customer A ^{1 and 2}	18,662	84,134
Customer B ^{1 and 2}	<u>72,145</u>	<u>29,302</u>

¹ Revenue from engineering consulting.

² Revenue from contracting.

5. EXPENSES BY NATURE

	2016 HK\$' 000	2015 HK\$' 000
Cost of sales		
Consultancy	247	2,616
Construction materials and supplies	36,364	—
Depreciation of owned assets	113	133
Depreciation of leased assets	—	90
Drafting	—	180
Motor vehicle expenses	310	338
Operating lease charges	148	126
Printing and stationery	75	176
Secondment fees	225	495
Staff costs	10,111	10,663
Subcontracting charges	44,009	85,921
Other expenses	<u>833</u>	<u>197</u>
	<u>92,435</u>	<u>100,935</u>
Administrative and other operating expenses		
Auditors' remuneration	800	810
Building management fee	42	42
Depreciation of owned assets	1,597	1,613
Entertainment	881	825
Insurance	583	481
Legal and professional fees	1,777	1,424
Listing expenses	—	2,329
Loss on disposal of property, plant and equipment	2	—
Operating lease rental on premises	1,732	1,337
Staff costs, including directors' emoluments	10,215	8,684
Travelling	138	145
Other expenses	<u>452</u>	<u>701</u>
	<u>18,219</u>	<u>18,391</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2016

6. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest on finance leases	3	13
Interest on bank borrowings	—	40
	<u>3</u>	<u>53</u>

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year.

	2016 HK\$'000	2015 HK\$'000
Hong Kong profits tax:		
– Current year	3,011	6,495
– Adjustment in respect of prior years	187	453
Income tax expense	<u>3,198</u>	<u>6,948</u>

8. EARNINGS PER SHARE

	2016	2015
Profit attributable to owners of the Company (HK\$'000)	<u>14,722</u>	<u>29,935</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	<u>411,200</u>	<u>393,456</u>
Basic earnings per share (HK cents)	<u>3.6</u>	<u>7.6</u>

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.

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 2016 (2015: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2016

9. DIVIDENDS

	2016 HK\$' 000	2015 HK\$' 000
Interim dividends paid	—	22,590

The directors do not recommend the payment of final dividend for the year ended 31 July 2016 (2015: Nil). 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 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.

10. TRADE AND OTHER RECEIVABLES

	2016 HK\$' 000	2015 HK\$' 000
Trade receivables	10,814	19,422
Retention receivables	1,380	2,546
Other receivables, deposits and prepayments	1,767	1,075
	<u>13,961</u>	<u>23,043</u>

Notes:

- (a) No credit period is 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:

	2016 HK\$' 000	2015 HK\$' 000
0 – 30 days	3,498	16,480
31 – 60 days	1,300	1,067
61 – 90 days	230	260
91 – 365 days	5,074	1,115
Over 365 days	712	500
	<u>10,814</u>	<u>19,422</u>

As at 31 July 2016, trade receivables of approximately HK\$10,814,000 (2015: HK\$19,422,000) 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 2016 (2015: 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 2016

11. TRADE AND OTHER PAYABLES

	2016 HK\$' 000	2015 HK\$' 000
Non-current		
Rental deposits received	—	159
Current		
Trade payables	4,459	10,393
Retention payables	2,309	2,143
Accruals and other payables	3,217	2,321
	<u>9,985</u>	<u>14,857</u>
	<u>9,985</u>	<u>15,016</u>

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:

	2016 HK\$' 000	2015 HK\$' 000
0 – 30 days	4,459	9,852
31 – 60 days	—	192
61 – 90 days	—	80
Over 90 days	—	269
	<u>4,459</u>	<u>10,393</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2016

12. SHARE CAPITAL AND PREMIUM

	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 (Note (a))	38,000,000	380
Increase in authorised share capital (Note (b))	<u>1,962,000,000</u>	<u>19,620</u>
As at 31 July 2015, 1 August 2015 and 31 July 2016	<u>2,000,000,000</u>	<u>20,000</u>

	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 (Note (a))	1	—	—
Issuance of shares upon Reorganisation (Note (c))	51,399,999	514	—
Shares issued pursuant to the capitalisation issue (Note (d))	308,400,000	3,084	(3,084)
Shares issued pursuant to the placing (Note (e))	<u>51,400,000</u>	<u>514</u>	<u>27,478</u>
As at 31 July 2015, 1 August 2015 and 31 July 2016	<u>411,200,000</u>	<u>4,112</u>	<u>24,394</u>

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 31 July 2016, the competition for private sector projects of the construction industry in Hong Kong became more intense primarily due to the less optimistic outlook of the general economic condition of Hong Kong as well as the slow approval progress of infrastructure projects by the Legislative Council of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong.

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 Group experienced a decrease in revenue and net profit for the year ended 31 July 2016 compared to the same period last year. The Directors consider that the decrease was mainly due to a decrease in gross profit margin for the Group's contracting business as a result of an increase in the overall construction costs in Hong Kong, coupled with a decrease in revenue derived from undertaking geotechnical works as contractor as a result of competition faced by the Group in obtaining new businesses.

The Directors are also cautiously monitoring the overall construction costs with respect to the works undertaken by the Group as contractor which are affected by factors including, but not limited to, different geotechnical engineering circumstances pertaining to the different projects undertaken by the Group as well as the overall market conditions and costs in the construction industry as well as overall economy in Hong Kong. Going forward, in developing the Group's contracting business, the Directors will continue to carefully evaluate the potential costs and the geotechnical engineering circumstances pertaining to different potential projects with a view to controlling the Group's overall costs to an acceptable and satisfactory level. Due to the intense competition for the construction industry in Hong Kong, in order to diversify the business risk and explore more business opportunities, the Group has entered into the interior design and decoration industry during the year ended 31 July 2016. From time to time, the Group will consider different business opportunities to increase shareholders' return.

FINANCIAL REVIEW

Revenue

Our revenue decreased from approximately HK\$154.5 million for the year ended 31 July 2015 to approximately HK\$124.8 million for the year ended 31 July 2016, representing a decrease of approximately 19.2%. Such decrease was mainly due to the decrease in the Group's revenue derived from undertaking foundation and related geotechnical works as contractor, as a result of the intense competition faced by the Group which resulted in less business opportunities in such areas being available in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Our cost of sales decreased from approximately HK\$100.9 million for the year ended 31 July 2015 to approximately HK\$92.4 million for the year ended 31 July 2016, representing a decrease of approximately 8.4%. Such decrease was mainly attributable to the decrease in subcontracting charges, costs of construction materials and supplies, staff costs and other expenses due to an increase in the overall construction costs with respect to the works undertaken as contractor in Hong Kong market during the year ended 31 July 2016 as compared to the year ended 31 July 2015, the Group recorded a lower percentage decrease in its cost of sales than the percentage decrease in its revenue during year ended 31 July 2016, which led to a decrease in the Group's gross profit margin from approximately 34.7% for the year ended 31 July 2015 to approximately 25.9% for the year ended 31 July 2016.

Gross Profit

Our gross profit amounted to approximately HK\$53.6 million and HK\$32.4 million for the years ended 31 July 2015 and 2016 respectively, representing a decrease of approximately 39.6%, as a result of (i) the decrease in our revenue as discussed above; and (ii) the tougher competitive condition faced by our Group resulting in the decrease in our gross profit margin.

Other Income

Our other income amounted to approximately HK\$1.8 million and HK\$3.7 million for the years ended 31 July 2015 and 2016 respectively, representing an increase of approximately 111.8%, which was mainly due to the increase in rental income from approximately HK\$555,000 for the year ended 31 July 2015 to approximately HK\$951,000 for the year ended 31 July 2016, which was earned from the rental of the investment properties to an independent third party starting from January 2015, and the gain on disposal of the aforementioned properties of approximately HK\$2.4 million.

Administrative and Other Operating Expenses

Our administrative and other operating expenses amounted to approximately HK\$18.4 million and HK\$18.2 million for the years ended 31 July 2015 and 2016 respectively, representing a decrease of approximately 0.9%. Such decrease was primarily due to the decrease in listing expense of approximately HK\$2.3 million due to the completion of listing of the Company during the year ended 31 July 2015 and depreciation of owned assets of approximately HK\$0.2 million, which was partially offset by the increase in staff costs of approximately HK\$1.5 million, legal and professional fees of approximately HK\$0.4 million and rental expenses of office premises of approximately HK\$0.4 million during the year ended 31 July 2016.

Finance Costs

For the years ended 31 July 2015 and 2016, our finance costs amounted to approximately HK\$53,000 and HK\$3,000 respectively, representing a decrease of approximately 94.3%. Such decrease was mainly due to the combined effect of (i) the reduction in our interest expense on bank borrowing from approximately HK\$40,000 for the year ended 31 July 2015 to nil for the year ended 31 July 2016 as a result of the full repayment of bank borrowing during the year ended 31 July 2015; and (ii) the decrease in interest on finance lease from approximately HK\$13,000 for the year ended 31 July 2015 to approximately HK\$3,000 for the year ended 31 July 2016 mainly because of the full repayment of finance lease liabilities in December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

For the years ended 31 July 2015 and 2016, our income tax expense amounted to approximately HK\$6.9 million and HK\$3.2 million respectively, representing a decrease of approximately 54.0%. Such decrease was primarily due to the decrease in profit during the year as a result of the decrease in our revenue and gross profit.

Profit for the Year

As a result of the aforesaid and in particular the decrease in our revenue and decrease in our gross profit as discussed above, our profit for the year attributable to owners of our Company decreased from approximately HK\$29.9 million for the year ended 31 July 2015 to approximately HK\$14.7 million for the year ended 31 July 2016, representing a decrease of approximately 51.0%.

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 July 2016 (2015: Nil).

Liquidity and Financial Resources

The Group maintained a healthy financial position during the year ended 31 July 2016. As at 31 July 2016, the Group had a cash and bank balance of approximately HK\$103.2 million (31 July 2015: approximately HK\$70.8 million). The total interest-bearing loans of the Group as at 31 July 2016 was nil (31 July 2015: approximately HK\$0.2 million), and current ratio as at 31 July 2016 was approximately 8.8 (31 July 2015: approximately 4.1).

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

Gearing Ratio

The gearing ratio of the Group as at 31 July 2016 was nil (31 July 2015: approximately 0.002), the decrease was because of the full repayment of finance lease liabilities and 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

As at 31 July 2015 and 2016, the Group did not have any charges on its assets as the Group had fully repaid the relevant bank borrowing during the year.

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 2016, 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

As at 31 July 2016, the share capital and equity attributable to owners of the Company amounted to approximately HK\$4.1 million and HK\$107.2 million respectively (31 July 2015: approximately HK\$4.1 million and HK\$92.5 million respectively).

Capital Commitments

As at 31 July 2015 and 2016, the Group did not have any capital commitments.

Human Resources Management

As at 31 July 2016, the Group had 44 (31 July 2015: 37) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$20.3 million for the year ended 31 July 2016 as compared to approximately HK\$19.3 million for the year ended 31 July 2015. The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid 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 2016, 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 2016, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Contingent Liabilities

As at 31 July 2016, 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 2016 as stated in the Prospectus	Actual business progress up to 31 July 2016
Further developing our contracting business	Undertake more geotechnical engineering projects for our contracting business should we able to identify and secure suitable business opportunities, with HK\$15.0 million earmarked for satisfying potential customers' requirements for surety bonds	The Group is in the progress of identifying suitable business opportunities with potential customers and the Group has also committed to undertake a new construction project in late July 2015 for which a deposit of approximately HK\$7.4 million is required
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 has recruited engineering staff during FY2016 and regularly reviewed the need for further recruitments to suit the volume of contracting and consulting business
	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

MANAGEMENT DISCUSSION AND ANALYSIS

	Business objectives up to 31 July 2016 as stated in the Prospectus	Actual business progress up to 31 July 2016
Developing more efficient in-house computer programs	Upgrade our engineering computer programs by purchasing new software from third-party providers	The Group purchased computer software from third-party providers and had also developed in-house programs for enhancing the productivity of consultancy services of the Group
	Recruit one information technology officer to develop in-house engineering computer programs and to continuously maintain and refine such computer programs	The Group has recruited a software engineer to develop in-house engineering computer programs and has also appointed an external consultant to maintain an efficient computer systems for the Group

Use of Proceeds

During the year ended 31 July 2016, the net proceeds from placing were applied as follows:

	Planned use of proceeds as stated in the Prospectus up to 31 July 2016 HK\$' 000	Actual use of proceeds up to 31 July 2016 HK\$' 000
Further developing our contracting business	15,000	7,400
Further strengthening our in-house team of engineering staff	3,200	906
Developing more efficient in-house computer programs	1,400	589
	<u>19,600</u>	<u>8,895</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.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPETITION AND CONFLICT OF INTEREST

During the year ended 31 July 2016, according to the GEM Listing Rules, the following Directors have interests in the following business which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or the Group:

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

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

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

Note: Ong Chi King resigned as an independent non-executive director of our Company with effect from 2 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPLIANCE ADVISOR'S INTERESTS

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

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

During the year ended 31 July 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the year ended 31 July 2016, 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 year ended 31 July 2016.

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 2016.

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 announcement.

AUDITORS

HLB Hodgson Impey Cheng Limited ("HLB") shall retire in the forthcoming AGM and, being eligible, offer itself 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 2016 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

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, risk management and internal control system of the Group, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. As at the date of the announcement, the Audit Committee consists of three members, namely Ms. Kwong Ka Ki (Chairperson), Mr. Ko Chi Keung and Professor Ho Ho Ming.

The Audit Committee has reviewed this announcement and the audited consolidated financial statements of the Group for the year ended 31 July 2016.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 July 2016 have been agreed by the Group's auditors, HLB, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB on the preliminary announcement.

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

Hong Kong, 26 October 2016

As at the date of this announcement, the executive Directors are Dr. LI Kai Shun, Ms. TONG Jiangxia, Ms. AU Man Yi and Mr. CHAI Nan; and the independent non-executive Directors are Professor HO Ho Ming, Mr. KO Chi Keung and Ms. KWONG Ka Ki.

This announcement will remain on the "Latest Company Announcements" page of the Stock Exchange's website at www.hkexnews.hk for 7 days from the date of its posting. This announcement will also be posted on the Company's website at www.kslholdings.com.