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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 2017

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors (the “Director(s)”) of KSL HOLDINGS LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this 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

FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED 31 JANUARY 2017

- The Group's revenue amounted to approximately HK\$27.9 million for the Relevant Period, representing a decrease of approximately HK\$68.5 million or approximately 71.0% as compared to the six months ended 31 January 2016.
- The gross profit of the Group amounted to approximately HK\$9.3 million for the Relevant Period, representing a decrease of approximately HK\$19.0 million or approximately 67.2% as compared to the six months ended 31 January 2016.
- The loss attributable to owners of the Company is approximately HK\$4.3 million for the Relevant Period, representing a decrease of approximately HK\$21.5 million or approximately 124.7% as compared to the profit attributable to owners of the Company for the six months ended 31 January 2016, which is mainly due to the decrease in revenue derived from the provision of project management service, undertaking foundations and related geo-technical works as contractor during the six months ended 31 January 2017.
- The loss per share for the Relevant Period was HK1.0 cents, representing a decrease of approximately 123.8% as compared to the earnings per share for the six months ended 31 January 2016.
- The Board does not recommend any payment of interim dividend for the Relevant Period.

INTERIM RESULTS

The board (the “Board”) of Directors 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 2017 (the “Relevant Period”), together with the unaudited comparative figures for the corresponding period in 2016, as follows:

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

For the three and six months ended 31 January 2017

	Notes	Three months ended 31 January		Six months ended 31 January	
		2017 HK\$' 000 (Unaudited)	2016 HK\$' 000 (Unaudited)	2017 HK\$' 000 (Unaudited)	2016 HK\$' 000 (Unaudited)
Revenue	4	10,973	60,885	27,945	96,493
Cost of sales		(9,654)	(45,208)	(18,671)	(68,216)
Gross profit		1,319	15,677	9,274	28,277
Other income	5	526	293	936	626
Administrative and other operating expenses		(7,718)	(4,645)	(12,497)	(8,260)
Operating (loss)/profit		(5,873)	11,325	(2,287)	20,643
Finance costs	7	–	(1)	–	(3)
(Loss)/profit before income tax	6	(5,873)	11,324	(2,287)	20,640
Income tax credit/(expense)	8	321	(1,869)	(644)	(3,406)
(Loss)/profit and total comprehensive income for the period		<u>(5,552)</u>	<u>9,455</u>	<u>(2,931)</u>	<u>17,234</u>
(Loss)/profit and total comprehensive income for the period attributable to:					
Owners of the Company		(4,950)	9,455	(4,254)	17,234
Non-controlling interests		(602)	–	1,323	–
		<u>(5,552)</u>	<u>9,455</u>	<u>(2,931)</u>	<u>17,234</u>
		HK cents	HK cents	HK cents	HK cents
Basic and diluted (loss)/earnings per share	10	<u>(1.2)</u>	<u>2.3</u>	<u>(1.0)</u>	<u>4.2</u>

Details of dividends are disclosed in Note 9 to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 January 2017 HK\$' 000 (Unaudited)	As at 31 July 2016 HK\$' 000 (Audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	11	2,043	2,572
Current assets			
Trade and other receivables	12	36,903	13,961
Amounts due from customers for contract work		—	917
Amount due from non-controlling interests		626	494
Tax recoverable		3,258	—
Financial assets at fair value through profit or loss	13	17,840	—
Cash and cash equivalents	14	50,184	103,227
		108,811	118,599
Total assets		110,854	121,171
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	4,112	4,112
Share premium	16	24,394	24,394
Other reserves	17	74,489	78,743
		102,995	107,249
Non-controlling interests		2,157	442
Total equity		105,152	107,691

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 January 2017 HK\$'000 (Unaudited)	As at 31 July 2016 HK\$'000 (Audited)
	Notes		
Current liabilities			
Trade and other payables	15	4,907	9,985
Amounts due to customers for contract work		151	1,056
Tax payable		644	2,439
		5,702	13,480
Total equity and liabilities		110,854	121,171
Net current assets		103,109	105,119
Total assets less current liabilities		105,152	107,691

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2017

	Attributable to owners of the Company				Non-controlling interests	Total
	Share capital	Share premium	Other reserves	Sub-total		
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Balance at 1 August 2015	4,112	24,394	64,021	92,527	—	92,527
Profit and total comprehensive income for the period	—	—	17,234	17,234	—	17,234
Balance at 31 January 2016 (unaudited)	<u>4,112</u>	<u>24,394</u>	<u>81,255</u>	<u>109,761</u>	<u>—</u>	<u>109,761</u>
Balance at 1 August 2016	4,112	24,394	78,743	107,249	442	107,691
(Loss)/profit and total comprehensive income for the period	—	—	(4,254)	(4,254)	1,323	(2,931)
Transactions with owners:						
Acquisition of subsidiaries	—	—	—	—	(4)	(4)
Capital contribution by non-controlling interests	—	—	—	—	396	396
	—	—	—	—	392	392
Balance at 31 January 2017 (unaudited)	<u>4,112</u>	<u>24,394</u>	<u>74,489</u>	<u>102,995</u>	<u>2,157</u>	<u>105,152</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2017

	Six months ended	
	31 January	
	2017	2016
	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	<u>(12,436)</u>	<u>598</u>
Net cash (used in)/generated from investing activities	<u>(40,607)</u>	<u>133</u>
Net cash used in financing activities	<u>-</u>	<u>(77)</u>
Net (decrease)/increase in cash and cash equivalents	(53,043)	654
Cash and cash equivalents at beginning of the period	<u>103,227</u>	<u>70,822</u>
Cash and cash equivalents at end of the period, represented by cash at banks and on hand	<u><u>50,184</u></u>	<u><u>71,476</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2017

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

The principal activity of the Company is investment holding. The Group's principal activities are the provision of engineering consulting, contracting, project management and interior design and decoration 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 2017 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 2016 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 2017

4. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents revenue derived from provision of engineering consulting, contracting, project management and interior design and decoration services in the ordinary course of business. Revenue recognised during the three months and six months ended 31 January 2017 are as follows:

	Three months ended		Six months ended	
	31 January		31 January	
	2017	2016	2017	2016
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Engineering consulting	3,281	10,361	8,350	20,198
Contracting	—	48,006	—	68,239
Project management	375	2,000	375	7,500
Interior design and decoration	7,317	—	18,734	—
Others	—	518	486	556
	<u>10,973</u>	<u>60,885</u>	<u>27,945</u>	<u>96,493</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.

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

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2017

4. REVENUE AND SEGMENT INFORMATION – *continued*

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 investment properties.

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.

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	Interior design and decoration HK\$' 000	Others HK\$' 000	Total HK\$' 000
For the six months ended						
31 January 2017 (unaudited)						
Revenue						
Total revenue	8,350	—	375	18,734	486	27,945
Inter-segment revenue	—	—	—	—	—	—
External revenue	8,350	—	375	18,734	486	27,945
Segment results	2,159	—	(1,392)	5,603	(1,406)	4,964
Unallocated corporate expenses						(7,655)
Gain on disposal of a subsidiary						404
Finance costs						—
Loss before income tax						(2,287)
Income tax expense						(644)
Loss for the period						(2,931)
Included in segment results are:						
Depreciation of property, plant and equipment	8	—	—	—	—	8

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2017

4. REVENUE AND SEGMENT INFORMATION – *continued*

	Engineering consulting HK\$' 000	Contracting HK\$' 000	Project management HK\$' 000	Interior design and decoration HK\$' 000	Others HK\$' 000	Total HK\$' 000
For the six months ended						
31 January 2016 (unaudited)						
Revenue						
Total revenue	20,198	68,239	7,500	—	756	96,693
Inter-segment revenue	—	—	—	—	(200)	(200)
External revenue	20,198	68,239	7,500	—	556	96,493
Segment results	16,042	4,520	6,349	—	46	26,957
Unallocated corporate expenses						(6,790)
Rental income						476
Finance costs						(3)
Profit before income tax						20,640
Income tax expense						(3,406)
Profit for the period						17,234
Included in segment results are:						
Depreciation of property, plant and equipment	47	4	41	—	—	92

5. OTHER INCOME

	Three months ended 31 January		Six months ended 31 January	
	2017 HK\$' 000 (Unaudited)	2016 HK\$' 000 (Unaudited)	2017 HK\$' 000 (Unaudited)	2016 HK\$' 000 (Unaudited)
Rental income	—	238	—	476
Government grants	67	—	67	95
Gain on disposal of a subsidiary	—	—	404	—
Loan interest income	397	—	397	—
Others	62	55	68	55
	526	293	936	626

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2017

6. (LOSS)/PROFIT BEFORE INCOME TAX

	Three months ended		Six months ended	
	31 January		31 January	
	2017	2016	2017	2016
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit before income tax				
is stated after charging				
the following items:				
Operating lease rental on premises	701	358	1,053	715
Bad debts written off	286	—	286	—
Depreciation of property, plant and equipment	328	401	690	833
Fair value loss on financial assets at fair value through profit or loss	—	—	1,360	—
Staff costs (including directors' remuneration)				
– Salaries and allowances	4,352	4,409	9,402	8,784
– Mandatory provident fund contributions	116	128	272	253
Subcontracting charges	<u>3,510</u>	<u>42,782</u>	<u>6,988</u>	<u>62,517</u>

7. FINANCE COSTS

	Three months ended		Six months ended	
	31 January		31 January	
	2017	2016	2017	2016
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on finance lease	<u>—</u>	<u>1</u>	<u>—</u>	<u>3</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2017

8. INCOME TAX (CREDIT)/EXPENSE

	Three months ended		Six months ended	
	31 January		31 January	
	2017	2016	2017	2016
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong profits tax	<u>(321)</u>	<u>1,869</u>	<u>644</u>	<u>3,406</u>

Hong Kong profits tax is calculated at 16.5% (six months ended 31 January 2016: 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

The Board did not recommend a payment of an interim dividend for the six months ended 31 January 2017 (Six months ended 31 January 2016: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2017

10. (LOSS)/EARNINGS PER SHARE

The calculations of basic (loss)/earnings per share for the three months and six months ended 31 January 2017 are based on the followings:

	Three months ended 31 January		Six months ended 31 January	
	2017 HK\$' 000 (Unaudited)	2016 HK\$' 000 (Unaudited)	2017 HK\$' 000 (Unaudited)	2016 HK\$' 000 (Unaudited)
(Loss)/earnings:				
(Loss)/earnings for the purpose of calculating basic (loss)/earnings per share ((loss)/profit for the period attributable to owners of the Company)	<u>(4,950)</u>	<u>9,455</u>	<u>(4,254)</u>	<u>17,234</u>
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>411,200,000</u>	<u>411,200,000</u>	<u>411,200,000</u>	<u>411,200,000</u>

No diluted (loss)/earnings per share was presented as there was no potential ordinary shares in issue during the Relevant Period (For the six months ended 31 January 2016: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the Relevant Period, the Group acquired property, plant and equipment amounting to approximately HK\$146,000 (For the six months ended 31 January 2016: HK\$50,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2017

12. TRADE AND OTHER RECEIVABLES

	31 January 2017 HK\$' 000 (Unaudited)	31 July 2016 HK\$' 000 (Audited)
Trade receivables (Note (a))	10,766	10,814
Retention receivables (Note (b))	1,139	1,380
Other receivables, deposits and prepayments	24,998	1,767
	<u>36,903</u>	<u>13,961</u>

Notes:

(a) Trade receivables

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

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

	31 January 2017 HK\$' 000 (Unaudited)	31 July 2016 HK\$' 000 (Audited)
0 – 30 days	6,076	3,498
31 – 60 days	1,461	1,300
61 – 90 days	50	230
91 – 365 days	2,797	5,074
Over 365 days	382	712
	<u>10,766</u>	<u>10,814</u>

(b) Retention receivables were not past due as at 31 January 2017. 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 2017

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 January 2017 HK\$' 000 (Unaudited)	31 July 2016 HK\$' 000 (Audited)
Financial assets at fair value through profit or loss		
Held for trading		
Equity securities listed in Hong Kong	<u>17,840</u>	<u>—</u>

Note:

At 13 January 2017, the Group has acquired 80,000,000 shares of Future Bright Mining Holdings Limited, which is listed on the Stock Exchange of Hong Kong Limited (Stock code: 02212). The purchase of the shares did not constitute a notifiable transaction under Chapter 19 of the GEM Listing Rules.

14. CASH AND CASH EQUIVALENTS

	31 January 2017 HK\$' 000 (Unaudited)	31 July 2016 HK\$' 000 (Audited)
Cash at banks	50,079	102,980
Cash on hand	<u>105</u>	<u>247</u>
Cash and cash equivalents	<u>50,184</u>	<u>103,227</u>

Notes:

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2017

15. TRADE AND OTHER PAYABLES

	31 January 2017 HK\$' 000 (Unaudited)	31 July 2016 HK\$' 000 (Audited)
Trade payables (Note (a))	684	4,459
Retention payables (Note (b))	2,309	2,309
Accruals and other payables	1,914	3,217
	<u>4,907</u>	<u>9,985</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 2017 and 31 July 2016, the ageing analysis of the Group's trade payables based on invoice date is as follows:

	31 January 2017 HK\$' 000 (Unaudited)	31 July 2016 HK\$' 000 (Audited)
0 – 30 days	220	4,459
31 – 60 days	30	—
61 – 90 days	53	—
Over 90 days	381	—
	<u>684</u>	<u>4,459</u>

- (b) Retention payables were not past due as at 31 January 2017. 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 2017

16. SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Share capital HK\$' 000	
<i>Ordinary shares of HK\$0.01 each:</i>			
Authorised:			
As at 1 August 2015, 31 July 2016 and 31 January 2017	<u>2,000,000,000</u>	<u>20,000</u>	
	Number of ordinary shares	Share capital HK\$' 000	Share premium HK\$' 000
Issued and fully paid:			
As at 1 August 2015, 31 July 2016 and 31 January 2017	<u>411,200,000</u>	<u>4,112</u>	<u>24,394</u>

17. OTHER RESERVES

	Merger reserve HK\$' 000 (Note 1)	Revaluation reserve HK\$' 000	Retained earnings HK\$' 000	Total HK\$' 000
Balance at 1 August 2015	(494)	4,360	60,155	64,021
Profit and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>17,234</u>	<u>17,234</u>
Balance at 31 January 2016 (unaudited)	<u>(494)</u>	<u>4,360</u>	<u>77,389</u>	<u>81,255</u>
Balance at 1 August 2016	(494)	—	79,237	78,743
Loss and total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>(4,254)</u>	<u>(4,254)</u>
Balance at 31 January 2017 (unaudited)	<u>(494)</u>	<u>—</u>	<u>74,983</u>	<u>74,489</u>

Note:

1. Merger reserve represents the difference between the share capital issued by the Company for acquisition of the subsidiaries pursuant to a reorganisation (the "Reorganisation") for the listing and the aggregate capital of the subsidiaries being acquired at the time of the Reorganisation.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2017

18. DISPOSAL OF A SUBSIDIARY

On 31 October 2016, the Group entered into sales and purchases agreements with an independent third party, pursuant to which the Group disposed 100% equity interest in Centre For Research & Professional Development Limited for a consideration of HK\$500,000.

The gain on disposal of a subsidiary was as follow:

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2017

19. COMMITMENTS

(a) Operating lease commitments — The Group as lessee

As at 31 January 2017, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 January 2017 HK\$' 000 (Unaudited)	31 July 2016 HK\$' 000 (Audited)
No later than 1 year	1,934	1,931
Later than 1 year and no later than 5 years	<u>1,180</u>	<u>411</u>
	<u><u>3,114</u></u>	<u><u>2,342</u></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.

20. RELATED PARTY TRANSACTIONS

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

(a) Key management personnel remuneration

	For the three months ended 31 January		For the six months ended 31 January	
	2017 HK\$' 000 (Unaudited)	2016 HK\$' 000 (Unaudited)	2017 HK\$' 000 (Unaudited)	2016 HK\$' 000 (Unaudited)
Directors' emoluments	<u>1,178</u>	<u>1,789</u>	<u>2,373</u>	<u>3,339</u>

21. EVENT AFTER THE REPORTING DATE

On 13 March 2017, Hang Tai Investment Holdings Limited ("Hang Tai"), a wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with an independent third party (the "Seller"), pursuant to which Hang Tai intended to acquire and the Seller intended to dispose of approximately 80.01% issued share capital of a company (the "Target Company") and its subsidiaries with a consideration of not more than HK\$26,000,000 (the "Possible Acquisition"). The Target Company is principally engaged in investment holding and its principal subsidiary is engaged in securities and futures brokerage business. As at 31 January 2017, the Possible Acquisition has not yet completed. The details of the Possible Acquisition are set out in the announcement of the Company dated 13 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

The Group experienced a decrease in revenue and recorded a loss for the six months ended 31 January 2017 compared to the same period last year. The Directors consider that the decrease was mainly due to a decrease in revenue derived from the provision of project management services and from undertaking geotechnical works as contractor as a result of keen competition faced by the Group in obtaining new businesses, which is partially offset by the increase in revenue generated from the provision of interior design services and decoration works since the Group has entered into the interior design and decoration industry during the fourth quarter of the year ended 31 July 2016. The Directors consider that competition in the market has become more intense recently due to the less optimistic outlook of the general economic condition of Hong Kong as well as the slow approval progress of infrastructure projects by the Legislative Council of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong, resulting in more intense competition for private sector projects and no new project was obtained by the Group during the Relevant Period.

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

Going forward, in developing the Group's contracting, interior design services and decoration business, the Directors will continue to seek for opportunities to obtain new projects and carefully evaluate the potential costs and the engineering circumstances pertaining to different potential projects with a view to controlling the Group's overall costs to an acceptable and satisfactory level. From time to time, the Group will consider different business opportunities to increase shareholders' return.

FINANCIAL REVIEW

Revenue

Our revenue decreased from approximately HK\$96.5 million for the six months ended 31 January 2016 to approximately HK\$27.9 million for the six months ended 31 January 2017, representing a decrease of approximately 71.0%. Such decrease was mainly due to the decrease in the Group's revenue derived from the provision of project management services and from undertaking foundation and related geotechnical works as contractor as a result of the intense competition faced by the Group.

Cost of Sales

Our cost of sales decreased from approximately HK\$68.2 million for the six months ended 31 January 2016 to approximately HK\$18.7 million for the six months ended 31 January 2017, representing a decrease of approximately 72.6%. Such substantial decrease was mainly attributable to the decrease in our subcontracting charges incurred. The Group experienced a substantial decrease in its subcontracting charges incurred during the Relevant Period, which was mainly caused by a significant decrease in the overall construction costs with respect to the works undertaken by the Group as contractor during the six months ended 31 January 2017 as compared to the corresponding period in 2016 due to lack of new projects of geotechnical engineering during the Relevant Period. Since the interior design and decoration business produced a higher gross profit margin, as a result, the Group recorded a higher percentage decrease in its cost of sales than the percentage decrease in its revenue during the Relevant Period, which led to an increase in the Group's gross profit margin from approximately 29.3% for the six months ended 31 January 2016 to approximately 33.2% for the six months ended 31 January 2017.

Gross Profit

Our gross profit decreased from approximately HK\$28.3 million for the six months ended 31 January 2016 to HK\$9.3 million for the six months ended 31 January 2017, representing a decrease of approximately 67.2%, as a result of the substantial decrease in our revenue as discussed above.

Other Income

Our other income amounted to approximately HK\$626,000 and HK\$936,000 for the six months ended 31 January 2016 and 2017 respectively, representing an increase of approximately 49.5%, which was primarily because of the recognition of profit from disposal of a subsidiary amounted to approximately HK\$404,000 and an interest income from a loan to an independent third party amounted to approximately HK\$397,000 during the Relevant Period, which is offset by the decrease in rental income amounted to approximately HK\$476,000 due to the disposal of the investment properties during the fourth quarter of the year ended 31 July 2016.

Administrative and Other Operating Expenses

Our administrative and other operating expenses amounted to approximately HK\$8.3 million and HK\$12.5 million for the six months ended 31 January 2016 and 2017, respectively, representing an increase of approximately 51.3%. Such increase was primarily due to the increase in staff costs of approximately HK\$637,000, rental expense of approximately HK\$338,000, bad debts written off of approximately HK\$286,000, donation of approximately HK\$1,636,000 and fair value loss on financial assets at fair value through profit or loss of approximately HK\$1,360,000, which is mainly due to more staff were recruited and a new office was rented for the interior design and decoration business which was commenced during the fourth quarter of the year ended 31 July 2016, and several trade receivables became irrecoverable, donations made to several charitable institutions and the decrease in fair value of the financial assets at fair value through profit or loss acquired during the six months ended 31 January 2017, while there was no such expenses incurred during the corresponding period in 2016.

Finance Costs

For the six months ended 31 January 2016 and 2017, our finance costs amounted to approximately HK\$3,000 and nil, respectively, representing a decrease of approximately 100%. Such decrease was mainly due to the reduction in our interest expense on finance lease from approximately HK\$3,000 for the six months ended 31 January 2016 to nil as a result of the full repayment of finance lease in December 2015.

Income Tax Expense

For the six months ended 31 January 2016 and 2017, our income tax expense amounted to approximately HK\$3.4 million and HK\$644,000, respectively, representing a decrease of approximately 81.1%. Such decrease was primarily due to the profit before income tax for the six months ended 31 January 2016 turned to the loss before income tax for the Relevant Period which was mainly caused by the substantial decrease in revenue as discussed above.

Loss for the Period

As a result of the aforesaid and in particular the substantial decrease in revenue as discussed above, the Group has recorded a loss and total comprehensive income for the six months ended 31 January 2017 attributable to owners of the Company which was decreased from a profit and total comprehensive income of approximately HK\$17.2 million for the six months ended 31 January 2016 to a loss and total comprehensive income of approximately HK\$2.9 million for the six months ended 31 January 2017, representing a substantial decrease of approximately 117.0%.

Interim Dividend

The Board did not recommend a payment of an interim dividend for the six months ended 31 January 2017 (Six months ended 31 January 2016: Nil).

Liquidity and Financial Resources

The Group maintained a healthy financial position during the Relevant Period. As at 31 January 2017, the Group had a cash and bank balance of approximately HK\$50.2 million (31 July 2016: approximately HK\$103.2 million). The current ratio as at 31 January 2017 was approximately 19.1 (31 July 2016: approximately 8.8).

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

Gearing Ratio

The gearing ratio of the Group as at 31 January 2017 was nil (31 July 2016: Nil), 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 January 2017, the Group did not have any charges on its assets (31 July 2016: Nil).

Foreign Exchange Exposure

All of the revenue-generating operations and borrowings of the Group were mainly 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.

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 2017, the share capital and equity attributable to owners of the Company amounted to approximately HK\$4.1 million and HK\$103.0 million respectively (31 July 2016: approximately HK\$4.1 million and HK\$107.2 million respectively).

Capital Commitments

As at 31 January 2017, the Group did not have any capital commitments (31 July 2016: Nil).

Human Resources Management

As at 31 January 2017, the Group had 29 (31 July 2016: 37) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$9.7 million for the six months ended 31 January 2017 as compared to approximately HK\$9.0 million for the six months ended 31 January 2016. The Group promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff, competitive remuneration package is offered to employees (with reference to market norms and individual employees' performance, qualification and experience). On top of basic salaries, bonuses may be paid 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 2017, 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 2017, the Group did not have any material contingent liability (31 July 2016: Nil).

Future Plans for Material Investments or Capital Assets

Save as disclosed in the prospectus of the Company dated 28 November 2014, the Group did not have other plans for material investments and capital assets.

COMPETITION AND CONFLICT OF INTEREST

During the Relevant Period, 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 were appointed as directors to represent the interests of the Company and/or the Group:

Name of Director:	Name of entities which are considered to compete or likely to compete with the business of the Group:	Description of business:	Nature of interests:
Ho Ho Ming (resigned as an independent non-executive Director on 1 January 2017)	Wan Kei Group Holdings Limited (Stock Code: 1718)	Principally engaged in (i) foundation works; and (ii) ground investigation field work	Independent non-executive director (resigned on 1 March 2017)
	LEAP Holdings Group Limited (Stock Code: 1499)	Principally engaged in the provision of (i) foundation works and ancillary services; and (ii) construction wastes handling at the public fill reception facilities managed by the Government in Hong Kong	Independent non-executive director

As the Board is independent of the boards of the above-mentioned entities and the above Director cannot 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 Relevant Period, 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 ADVISER'S INTERESTS

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

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

During the six months ended 31 January 2017 and up to the date of the announcement, 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 six months ended 31 January 2017 and up to the date of the announcement, 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 during the six months ended 31 January 2017 and up to the date of the announcement.

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 2017.

AUDIT COMMITTEE

The Company established an audit committee (the "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, 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. The Audit Committee consists of three members, namely Ms. Kwong Ka Ki, Ms. Chui Pui Yu and Mr. Ko Chi Keung, all being independent non-executive Directors. Ms. Kwong Ka Ki currently serves as the chairperson 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 2017.

EVENTS AFTER RELEVANT PERIOD

On 15 February 2017, the Board announced that the board lot size of the Shares for trading on the Stock Exchange would be changed from 4,000 Shares to 1,000 Shares with effect from 9:00 a.m. on Wednesday, 8 March 2017. For further details, kindly refer to the announcement of the Company dated 15 February 2017.

On 13 March 2017 (after trading hours), Hang Tai Investment Holdings Limited, an indirect wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with Guoking Investment Limited, a company incorporated in the British Virgin Islands with limited liability and an independent third party of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules), pursuant to which the Company intended to acquire and Guoking Investment Limited intended to dispose of approximately 80.01% issued share capital of a company. For further details, please refer to the announcement of the Company dated 13 March 2017.

Save as disclosed above, the Group do not have any material subsequent events after the Relevant Period.

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 its date of listing on 5 December 2014 as required under the GEM Listing Rules.

PUBLICATION OF INTERIM REPORT

The interim report for the six months ended 31 January 2017 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
Tong Jiangxia
Chairperson and Executive Director

Hong Kong, 16 March 2017

As at the date of this announcement, the executive Directors are Ms. Tong Jiangxia, Ms. Au Man Yi, Mr. Wang Peng, Mr. He Jian Wen and Mr. Long Jie; the non-executive Director is Dr. Li Kai Shun; and the independent non-executive Directors are Mr. Ko Chi Keung, Ms. Chui Pui Yu and Ms. Kwong Ka Ki.

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