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KSL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8170)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 JULY 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 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 2017

- The Group's revenue amounted to approximately HK\$47.4 million for the Relevant Period (2016: approximately HK\$124.8 million), representing a decrease of approximately 62.0% as compared to the year ended 31 July 2016.
- The loss attributable to owners of the Company is approximately HK\$11.4 million for the Relevant Period, representing a decrease of approximately HK\$26.1 million or approximately 177.3% as compared to the profit attributable to owners of the Company for the year ended 31 July 2016.
- Basic and diluted loss per share for the Relevant Period based on weighted average number of ordinary shares was approximately HK2.8 cents (2016: Basic and diluted earnings per share was approximately HK3.6 cents).
- The Board does not recommend the payment of a final dividend for the Relevant Period (2016: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 31 JULY 2017

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 2017 (the “Relevant Period” or the “Reporting Period”) 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 2017

	Note	2017 HK\$'000	2016 HK\$'000
Revenue	4	47,399	124,799
Cost of sales	5	<u>(33,940)</u>	<u>(92,435)</u>
Gross profit		13,459	32,364
Other income and net gains	4	3,058	3,726
Fair value changes on financial assets at fair value through profit or loss		(1,749)	–
Administrative and other operating expenses	5	<u>(26,599)</u>	<u>(18,219)</u>
Operating (loss)/profit		(11,831)	17,871
Finance costs	6	<u>-</u>	<u>(3)</u>
(Loss)/profit before income tax		(11,831)	17,868
Income tax expense	7	<u>(578)</u>	<u>(3,198)</u>
(Loss)/profit and total comprehensive (expense)/income for the year		<u>(12,409)</u>	<u>14,670</u>
(Loss)/profit and total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(11,387)	14,722
Non-controlling interests		<u>(1,022)</u>	<u>(52)</u>
(Loss)/profit and total comprehensive (expense)/income for the year		<u><u>(12,409)</u></u>	<u><u>14,670</u></u>
Basic and diluted (loss)/earnings per share (HK cents)	8	<u><u>(2.8)</u></u>	<u><u>3.6</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2017

	Note	2017 HK\$'000	2016 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,406	2,572
Investment properties		19,000	–
		<u>21,406</u>	<u>2,572</u>
Current assets			
Trade and other receivables	10	34,503	13,961
Amounts due from customers for contract work		3,105	917
Financial assets at fair value through profit or loss		17,520	–
Amounts due from non-controlling interests		–	494
Tax recoverable		2,984	–
Cash and cash equivalents		21,107	103,227
		<u>79,219</u>	<u>118,599</u>
Total assets		<u>100,625</u>	<u>121,171</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		67,356	78,743
		<u>95,862</u>	<u>107,249</u>
Non-controlling interests		(180)	442
Total equity		<u>95,682</u>	<u>107,691</u>
LIABILITIES			
Current liabilities			
Trade and other payables	11	4,472	9,985
Amounts due to customers for contract work		168	1,056
Tax payable		303	2,439
		<u>4,943</u>	<u>13,480</u>
Total liabilities		<u>4,943</u>	<u>13,480</u>
Total equity and liabilities		<u>100,625</u>	<u>121,171</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2017

	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000 (Note 12)	Share premium HK\$'000 (Note 12)	Other reserves HK\$'000	Sub-total HK'000		
Balance at 1 August 2015	4,112	24,394	64,021	92,527	-	92,527
Profit and total comprehensive income for the year	-	-	14,722	14,722	(52)	14,670
Transactions with owners: Capital contribution by non-controlling interests	-	-	-	-	494	494
Balance at 31 July 2016 and 1 August 2016	4,112	24,394	78,743	107,249	442	107,691
Loss and total comprehensive expense for the year	-	-	(11,387)	(11,387)	(1,022)	(12,409)
Transactions with owners: Capital contribution by non-controlling interests	-	-	-	-	400	400
Balance at 31 July 2017	<u>4,112</u>	<u>24,394</u>	<u>67,356</u>	<u>95,862</u>	<u>(180)</u>	<u>95,682</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

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.

The address of the Company’s registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company’s principal place of business in Hong Kong is Units 1501 & 02, 15/F., Guangdong Finance Building, No. 88 Connaught Road West, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred as to the “Group”) are principally engaged in the provision of engineering consulting, contracting and project management services in Hong Kong with a focus on geotechnical engineering works and the provision of interior design and decoration services.

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 2017

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 2016:

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2012 – 2014 Cycle

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES – *continued*

(b) New standards and interpretations not yet adopted

The following are new standards, amendments and interpretations that have been issued but not yet effective for the annual accounting period beginning 1 August 2016 and have not been early adopted by the Group:

HKAS 7 (Amendment)	Disclosure Initiative ¹
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses ¹
HKAS 40 (Amendment)	Transfer of Investment Property ³
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions ³
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ³
HKFRS 9	Financial Instruments ³
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 16	Leases ⁴
HKFRS (Amendment)	Annual Improvement to HKFRSs 2014-2016 Cycle ²
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ³
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ⁴

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2018.

⁴ Effective for annual periods beginning on or after 1 January 2019.

⁵ Effective for annual periods beginning on or after a date to be determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

4. REVENUE AND SEGMENT INFORMATION

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

	2017 HK\$'000	2016 HK\$'000
Revenue		
Engineering consulting	14,172	29,339
Contracting	9,321	84,777
Project management	–	8,650
Interior design and decoration	23,421	917
Others	485	1,116
	<u>47,399</u>	<u>124,799</u>
	47,399	124,799
	2017 HK\$'000	2016 HK\$'000
Other income and net gains		
Gains on disposal of investment properties	–	2,356
Gain on disposal of a subsidiary	404	39
Government grants (<i>Note</i>)	100	140
Interest income	10	2
Loan interest income	2,464	–
Rental income	–	951
Others	80	238
	<u>3,058</u>	<u>3,726</u>
	3,058	3,726

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

4. REVENUE AND SEGMENT INFORMATION – *continued*

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

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 and provision of financial public relations 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, financial assets at fair value through profit or loss, amounts due from non-controlling interests, tax recoverable and unallocated corporate assets.

Segment liabilities mainly consist of current liabilities as disclosed in the consolidated statement of financial position except unallocated corporate liabilities and tax payable.

Following the changes of reporting segment from four to five during the year, the comparative segment information has been reclassified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 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
Year ended 31 July 2017						
Revenue						
Total revenue	14,172	9,321	-	23,421	485	47,399
Inter-segment revenue	-	-	-	-	-	-
External revenue	<u>14,172</u>	<u>9,321</u>	<u>-</u>	<u>23,421</u>	<u>485</u>	<u>47,399</u>
Segment results	<u>3,446</u>	<u>(835)</u>	<u>-</u>	<u>2,964</u>	<u>(871)</u>	<u>4,704</u>
Fair value changes on financial assets at fair value through profit or loss						(1,749)
Loan interest income						2,464
Gain on disposal of a subsidiary						404
Unallocated corporate expenses						<u>(17,654)</u>
Loss before income tax						(11,831)
Income tax expense						<u>(578)</u>
Loss for the year						<u><u>(12,409)</u></u>
Included in segment results are:						
Depreciation	<u>521</u>	<u>269</u>	<u>-</u>	<u>100</u>	<u>5</u>	<u>895</u>
At 31 July 2017						
Segment assets	8,880	4,534	-	7,038	543	20,995
Tax recoverable						2,984
Unallocated assets						<u>76,646</u>
Total assets						<u><u>100,625</u></u>
Included in segment assets are:						
Additions to non-current assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Segment liabilities	514	1,758	-	1,190	33	3,495
Tax payable						303
Unallocated liabilities						<u>1,145</u>
Total liabilities						<u><u>4,943</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 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
Year ended 31 July 2016						
Revenue						
Total revenue	29,339	84,777	8,650	917	1,820	125,503
Inter-segment revenue	-	-	-	-	(704)	(704)
External revenue	<u>29,339</u>	<u>84,777</u>	<u>8,650</u>	<u>917</u>	<u>1,116</u>	<u>124,799</u>
Segment results	<u>17,720</u>	<u>(140)</u>	<u>8,023</u>	<u>178</u>	<u>405</u>	26,186
Gains on disposal of investment properties						2,356
Rental income						951
Finance costs						(3)
Unallocated corporate expenses						(11,622)
Profit before income tax						17,868
Income tax expense						(3,198)
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>-</u>	<u>133</u>	<u>1,710</u>
At 31 July 2016						
Segment assets	42,709	14,378	1,168	2,290	1,373	61,918
Unallocated assets						59,253
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>	<u>-</u>
Segment liabilities	1,429	7,777	40	1,378	170	10,794
Tax payable						2,439
Unallocated liabilities						247
Total liabilities						<u>13,480</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

4. REVENUE AND SEGMENT INFORMATION – *continued*

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. The Group's major operations and markets are located in Hong Kong, no geographic segment information is provided.

Information about major customers

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

	2017 HK\$'000	2016 HK\$'000
Customer A ^{1 and 2}	–	18,662
Customer B ^{1 and 2}	–	72,145

¹ Revenue from engineering consulting.

² Revenue from contracting.

5. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging:

	2017 HK\$'000	2016 HK\$'000
Auditors' remuneration	890	800
Depreciation of property, plant and equipment	1,363	1,710
Loss on disposal of property, plant and equipment	499	2
Impairment losses of trade receivables	646	–
Operating lease charges	2,720	1,880
Staff costs, including directors' emoluments	18,712	20,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

6. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest on finance leases	<u>-</u>	<u>3</u>

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year.

	2017 HK\$'000	2016 HK\$'000
Hong Kong profits tax:		
– Current year	303	3,011
– Adjustment in respect of prior years	<u>275</u>	<u>187</u>
Income tax expense	<u>578</u>	<u>3,198</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

8. (LOSS)/EARNINGS PER SHARE

	2017	2016
(Loss)/profit attributable to owners of the Company (HK\$'000)	<u>(11,387)</u>	<u>14,722</u>
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (in thousand)	<u>411,200</u>	<u>411,200</u>
Basic (loss)/earnings per share (HK cents)	<u>(2.8)</u>	<u>3.6</u>

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

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in issue during the year (2016: Nil).

9. DIVIDENDS

No interim dividend was declared for the year (2016: Nil).

The directors do not recommend the payment of final dividend for the year ended 31 July 2017 (2016: Nil). No dividend has been paid or declared by the Company since its incorporation.

The rate of dividends and the number of shares ranking for dividends have not been presented as such information is not meaningful having regard to the purpose of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

10. TRADE AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	7,990	10,814
Retention receivables	–	1,380
Loan receivable	22,000	–
Other receivables, deposit and prepayments	4,513	1,767
	<u>34,503</u>	<u>13,961</u>

Notes:

- (a) The credit period was ranging from 0 day to 7 days (2016: Nil). Trade receivables are denominated in HK\$.
- (b) The ageing analysis of the trade receivables based on invoice date is as follows:

	2017 HK\$'000	2016 HK\$'000
0 - 30 days	625	3,498
31 - 60 days	3,834	1,300
61 - 90 days	127	230
91 - 365 days	3,163	5,074
Over 365 days	241	712
	<u>7,990</u>	<u>10,814</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

10. TRADE AND OTHER RECEIVABLES – *continued*

Notes: – continued

(b) – *continued*

As at 31 July 2017, trade receivables of approximately HK\$7,990,000 (2016: approximately HK\$10,814,000) were past due but not impaired. These relate to trade receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made. The ageing analysis of these receivables is as follows:

	2017 HK\$'000	2016 HK\$'000
1 – 30 days	625	3,498
31 – 60 days	3,834	1,300
61 – 90 days	127	230
91 – 365 days	3,163	5,074
Over 365 days	241	712
	<u>7,990</u>	<u>10,814</u>

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

	2017 HK\$'000	2016 HK\$'000
At 1 August	–	–
Impairment losses of trade receivables	646	–
Receivables written off during the year as uncollectible	<u>(646)</u>	–
At 31 July	<u>–</u>	<u>–</u>

Retention receivables were not yet past due as at 31 July 2017 (2016: Nil) and would be settled in accordance with the terms of the respective contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

10. TRADE AND OTHER RECEIVABLES – *continued*

Notes: – continued

- (c) Loan receivable was secured by a personal guarantee from the third party, interest bearing at 1.6% per month and repayable in October 2017.
- (d) In March 2017, Hang Tai Investment Holdings Limited (“Hang Tai”), an indirect wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding and a non-legally binding supplemental memorandum of understanding (the “Supplemental MOU”) with Guoking Investment Limited (the “Vendor”) pursuant to which the Company intended to acquire and the Vendor intended to dispose of approximately 80.01% issued share capital of a company and a refundable deposit of HK\$2,600,000 (included in other receivables, deposit and prepayments) is payable by Hang Tai to the Vendor upon signing of the Supplemental MOU.
- (e) 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 2017

11. TRADE AND OTHER PAYABLES

	2017 HK\$'000	2016 HK\$'000
Trade payables	2,013	4,459
Retention payables	–	2,309
Accruals and other payables	<u>2,459</u>	<u>3,217</u>
	<u><u>4,472</u></u>	<u><u>9,985</u></u>

Notes:

- (a) Payment terms granted by suppliers are generally ranging from 0 day to 30 days (2016: 30 days) from the invoice date of the relevant purchases.

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

	2017 HK\$'000	2016 HK\$'000
0 - 30 days	296	4,459
31 - 60 days	27	–
61 - 90 days	43	–
Over 90 days	<u>1,647</u>	<u>–</u>
	<u><u>2,013</u></u>	<u><u>4,459</u></u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2017

12. SHARE CAPITAL AND PREMIUM

		Number of ordinary shares	Ordinary shares HK\$'000
<i>Ordinary shares of HK\$0.01 each:</i>			
Authorised:			
As at 31 July 2016 and 2017		<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:			
As at 31 July 2016 and 2017	<u>411,200,000</u>	<u>4,112</u>	<u>24,394</u>

MANAGEMENT DISCUSSION AND ANALYSIS

During the Relevant Period, 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, 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 Relevant Period compared with the 2015/16 financial year. The Directors consider that the decrease was mainly due to a decrease in revenue derived from the provision of project management services and undertaking geotechnical works as contractor due to 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 only 3 new projects were obtained by the Group during the Relevant Period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK – *continued*

The Directors are also cautiously monitoring the overall construction costs with respect to the works undertaken by the Group as contractor which can be affected by many factors including, but not limited to 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 increasing the Group's revenue and 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\$124.8 million for the year ended 31 July 2016 to approximately HK\$47.4 million during the Relevant Period, representing a decrease of approximately 62.0%. 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\$92.4 million for the year ended 31 July 2016 to approximately HK\$33.9 million for the Relevant Period, representing a decrease of approximately 63.3%. 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 due to lack of new projects of geotechnical engineering during the Relevant Period as compared to the year ended 31 July 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

Our gross profit amounted to approximately HK\$32.4 million and HK\$13.5 million for the years ended 31 July 2016 and 2017 respectively, representing a decrease of approximately 58.4%, as a result of the decrease in our revenue as discussed above.

Other Income and Net Gains

Our other income amounted to approximately HK\$3.7 million and HK\$3.1 million for the years ended 31 July 2016 and 2017 respectively, representing a decrease of approximately 17.9%, 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\$2.5 million during the Relevant Period, being offset by the decrease in government grants received amounted to approximately HK\$40,000, the decrease in rental income of the investment properties amounted to approximately HK\$951,000 and the recognition of the gain on disposal of investment properties amounted to approximately HK\$2.4 million during the year ended 31 July 2016 as a result of the disposal of the aforesaid investment properties.

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

For the years ended 31 July 2016 and 2017, our fair value changes on financial assets at fair value through profit or loss amounted to nil and a loss of approximately HK\$1.7 million respectively. The loss from change in fair value of financial assets is due to the decrease in fair value of financial assets acquired during the Relevant Period while there was no such financial assets acquired during the year ended 31 July 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative and Other Operating Expenses

Our administrative and other operating expenses amounted to approximately HK\$18.2 million and HK\$26.6 million for the years ended 31 July 2016 and 2017 respectively, representing an increase of approximately 46.0%. Such increase was primarily due to the increase in staff costs of approximately HK\$2.4 million, rental expense of approximately HK\$936,000, building management fee of approximately HK\$103,000, legal and professional fee of approximately HK\$262,000, loss on disposal of property, plant and equipment of approximately HK\$497,000, bad debts written off of approximately HK\$646,000 and donation of approximately HK\$2.4 million. The aforesaid increases in the costs and expenses were the result of the followings: (i) more staff were recruited for overseeing interior design and decoration works; (ii) 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 resulting in the increase in both rent and building management fee; (iii) legal and professional fee paid in respect of a potential acquisition of a target company; (iv) several property, plant and equipment were written off due to a relocation of an office; (v) several trade receivables became irrecoverable; and (vi) donations made to several charitable institutions.

Finance Costs

For the Relevant Period, no finance cost was incurred (2016: HK\$3,000).

Income Tax Expense

For the years ended 31 July 2016 and 2017, our income tax expense amounted to approximately HK\$3.2 million and HK\$578,000 respectively, representing a decrease of approximately 81.9%. Such decrease was primarily due to the profit before income tax for the year ended 31 July 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the Year

As a result of the aforesaid and in particular the substantial decrease in revenue, the Group has recorded a loss of HK\$12.4 million for the Relevant Period attributable to owners of the Company when compared to a profit of approximately HK\$14.7 million for the year ended 31 July 2016, representing a substantial decrease of approximately 184.6%.

Final Dividend

The Board did not recommend the payment of a final dividend for the Relevant Period (2016: Nil).

Liquidity and Financial Resources

The Group maintained a healthy financial position during the Relevant Period. As at 31 July 2017, the Group had a cash and bank balance of approximately HK\$21.1 million (31 July 2016: approximately HK\$103.2 million). The current ratio as at 31 July 2017 was approximately 16.0 (31 July 2016: approximately 8.8).

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

Gearing Ratio

The gearing ratio of the Group as at 31 July 2017 was nil (31 July 2016: nil) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Treasury Policy

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

Pledge of Assets

As at 31 July 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 transacted in Hong Kong Dollar 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 July 2017, the share capital and equity attributable to owners of the Company amounted to approximately HK\$4.1 million and HK\$95.9 million respectively (31 July 2016: approximately HK\$4.1 million and HK\$107.2 million respectively).

Capital Commitments

As at 31 July 2016 and 2017, the Group did not have any capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources Management

As at 31 July 2017, the Group had 39 (31 July 2016: 44) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$18.7 million for the Relevant Period as compared to approximately HK\$20.3 million for the year ended 31 July 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 with reference to the Group's performance as well as individual's performance. Other staff benefits include provision of retirement benefits, medical benefits and sponsorship of training courses.

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

Significant Investments Held

Except for investment in its subsidiaries during the Relevant Period, the Group did not hold any significant investment in equity interest in any other company.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Contingent Liabilities

As at 31 July 2017, the Group did not have any material contingent liability.

MANAGEMENT DISCUSSION AND ANALYSIS

Advance to Entity

On 23 December 2016, Sky Planner Limited (the “Lender”), an indirect wholly-owned subsidiary of the Company, China Assurance Finance Group Limited (the “Borrower”) and an individual who is the chairman of the board, an executive director and a controlling shareholder of the Borrower (the “Guarantor”) entered into a loan agreement (the “Loan Agreement”), pursuant to which the Lender has agreed to grant the loan (the “Loan”) in the principal amount of HK\$22,000,000 to the Borrower for a period of 3 months commencing from 28 December 2016 at an interest rate of 1.6% per month.

The Borrower shall repay and/or settle the full amount of the Loan on the maturity date, being the date falling on the three (3) months (or six (6) months if the term is being extended) of the drawdown date (i.e. 28 December 2016) (or, if such date is not a business day, the immediately following business day) and the interest thereon shall be prepaid on the date of the signing of the Loan Agreement.

The Borrower may, by giving not less than fourteen (14) days’ prior written notice to the Lender, prepay before the maturity date all or part of the Loan. As at the date of this announcement, the outstanding balance of the Loan remained to be HK\$22,000,000.

On 24 March 2017, 23 June 2017 and 27 September 2017, the Lender, the Borrower and the Guarantor entered into the first, the second and the third supplemental agreements (together, the “Supplemental Agreements”) pursuant to which the parties agreed to extend the repayment date under the Loan Agreement from 27 March 2017 to 27 October 2017. Save as amended by the Supplemental Agreements, all other terms and conditions of the Loan remain unchanged.

For further details, please refer to the announcements of the Company dated 23 December 2016, 24 March 2017, 23 June 2017 and 27 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2017 as stated in the Prospectus	Actual business progress up to 31 July 2017
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 2 additional middle to senior level engineering staff to cope with our business development and our plan to further develop our contracting business	The Group recruited two middle-level engineering staff and is in the progress of recruiting more experienced and high caliber engineering staff
	Continue to sponsor our engineering staff to attend technical seminars and occupational health and safety courses organised by third parties	The Group sponsored our engineering staff to attend technical seminars and occupational health and safety courses organised by third parties

MANAGEMENT DISCUSSION AND ANALYSIS

Comparison of Business Objectives with Actual Business Progress
– continued

	Business objectives up to 31 July 2017 as stated in the Prospectus	Actual business progress up to 31 July 2017
	Organise our own technical seminars as part of our marketing activities while allowing our engineering staff to participate and enhance their technical competence	The Group organised seminars in which the Group’s engineering staff participated
Developing more efficient in-house computer programs	Upgrade our engineering computer programs by purchasing new software from third-party providers	The Group purchased several engineering software programs
	Recruit 1 information technology officer to develop in-house engineering computer programs and to continuously maintain and refine such computer programs	The Group has appointed an external consultant and is in the progress of recruiting one information technology officer
	Develop in-house engineering computer programs and continuously maintain and refine such computer programs by our information technology officer	The Group is in the progress of recruiting one information technology officer

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds

During the Relevant Period, the net proceeds from placing were applied as follows:

	Planned use of proceeds as stated in the Prospectus up to 31 July 2017 HK\$'000	Actual use of proceeds up to 31 July 2017 HK\$'000
Further developing our contracting business	15,000	7,400
Further strengthening our in-house team of engineering staff	5,000	1,542
Developing more efficient in-house computer programs	2,000	728
	<u>2,000</u>	<u>728</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.

EVENTS AFTER THE YEAR ENDED 31 JULY 2017

There is no important event affecting the Group since the year ended 31 July 2017 up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPETITION AND CONFLICT OF INTEREST

During the year ended 31 July 2017, 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 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPETITION AND CONFLICT OF INTEREST – *continued*

Save as disclosed, during the year ended 31 July 2017, 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.

COMPLIANCE ADVISOR'S INTERESTS

As at 31 July 2017, 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 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE (THE "CODE")

During the year ended 31 July 2017, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company (the "Code of Conduct"). Having made specific enquiries 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 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2017.

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 themselves for re-appointment. A resolution for the re-appointment of HLB as auditors of the Company will be proposed in the forthcoming AGM. The Company has not changed its external auditors during the year ended 31 July 2017 and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) on 19 November 2014 with its written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the Audit Committee are to review and supervise the Group’s financial reporting process, risk management and internal control system of the Group, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance. As at the date of this announcement, the Audit Committee consists of three members, namely Ms. Kwong Ka Ki (Chairperson), Mr. Tang Yiu Wing and Ms. Chui Pui Yu.

The Audit Committee has reviewed this announcement and the audited consolidated financial statements of the Group for the year ended 31 July 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2017 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
Tong Jiangxia
*Chairperson and Executive
Director*

Hong Kong, 25 October 2017

As at the date of this announcement, the executive Directors are Ms. Tong Jiangxia, Mr. Au Siu Chung and Mr. Long Jie; and the independent non-executive Directors are Mr. Tang Yiu Wing, Ms. Chui Pui Yu 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.