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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 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 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 2018 (THE “RELEVANT PERIOD”)

- The Group’s revenue amounted to approximately HK\$21.0 million for the Relevant Period, representing a decrease of approximately HK\$6.9 million or approximately 24.7% as compared to the six months ended 31 January 2017.
- The gross profit of the Group amounted to approximately HK\$3.4 million for the Relevant Period, representing a decrease of approximately HK\$5.9 million or approximately 63.4% as compared to the six months ended 31 January 2017.
- The loss attributable to owners of the Company is approximately HK\$9.8 million for the Relevant Period, representing an increase of approximately HK\$5.5 million or approximately 127.9% as compared to the loss attributable to owners of the Company for the six months ended 31 January 2017, which is mainly due to the decrease in revenue derived from the provision of engineering consulting services during the Relevant Period.
- The basic and diluted loss per share for the Relevant Period was approximately HK2.4 cents, representing an increase of approximately 140.0% as compared to the basic and diluted loss per share for the six months ended 31 January 2017.
- The Board does not recommend any payment of interim dividend for the Relevant Period.

INTERIM RESULTS

The board (the “Board”) of directors (the “Director(s)”) of KSL Holdings Limited (the “Company”, together with its subsidiaries, collectively the “Group”) is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 31 January 2018 (the “Relevant Period”), together with the unaudited comparative figures for the corresponding period in 2017, as follows:

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

For the three and six months ended 31 January 2018

		Three months ended 31 January		Six months ended 31 January	
		2018	2017	2018	2017
		Notes HK\$'000 (Unaudited)	HK\$'000 (Unaudited) (restated)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited) (restated)
Revenue	4	13,914	10,973	21,001	27,945
Cost of sales		<u>(11,616)</u>	<u>(9,654)</u>	<u>(17,588)</u>	<u>(18,671)</u>
Gross profit		2,298	1,319	3,413	9,274
Other income	5	1,206	526	1,951	936
Fair value changes on financial assets at fair value through profit or loss		(2,400)	(1,360)	80	(1,360)
Loss on disposal of a subsidiary		(97)	—	(97)	—
Administrative and other operating expenses		<u>(5,997)</u>	<u>(6,358)</u>	<u>(11,868)</u>	<u>(11,137)</u>
Loss before income tax	6	(4,990)	(5,873)	(6,521)	(2,287)
Income tax (expense)/credit	7	<u>(244)</u>	<u>321</u>	<u>(244)</u>	<u>(644)</u>
Loss and total comprehensive expense for the period		<u><u>(5,234)</u></u>	<u><u>(5,552)</u></u>	<u><u>(6,765)</u></u>	<u><u>(2,931)</u></u>
(Loss)/profit and total comprehensive (expense)/ income for the period attributable to:					
Owners of the Company		(9,119)	(4,950)	(9,769)	(4,254)
Non-controlling interests		<u>3,885</u>	<u>(602)</u>	<u>3,004</u>	<u>1,323</u>
Loss and total comprehensive expense for the period		<u><u>(5,234)</u></u>	<u><u>(5,552)</u></u>	<u><u>(6,765)</u></u>	<u><u>(2,931)</u></u>
Basic and diluted loss per share	9	<u><u>HK cents (2.2)</u></u>	<u><u>HK cents (1.2)</u></u>	<u><u>HK cents (2.4)</u></u>	<u><u>HK cents (1.0)</u></u>

Details of dividends are disclosed in Note 8 to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2018

	Notes	As at 31 January 2018 HK\$'000 (Unaudited)	As at 31 July 2017 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	1,842	2,406
Investment properties	11	—	19,000
		<u>1,842</u>	<u>21,406</u>
Current assets			
Trade and other receivables	12	10,153	34,503
Amounts due from customers for contract work		7,566	3,105
Financial assets at fair value through profit or loss	13	17,600	17,520
Tax recoverable		1,390	2,984
Cash and cash equivalents	14	37,076	21,107
		<u>73,785</u>	<u>79,219</u>
Assets classified as held-for-sale	11	19,000	—
Total assets		<u><u>94,627</u></u>	<u><u>100,625</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	16	4,112	4,112
Share premium	16	24,394	24,394
Other reserves	17	57,587	67,356
		<u>86,093</u>	<u>95,862</u>
Non-controlling interests		<u>2,824</u>	<u>(180)</u>
Total equity		<u><u>88,917</u></u>	<u><u>95,682</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2018

		As at 31 January 2018 HK\$'000 (Unaudited)	As at 31 July 2017 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	15	5,100	4,472
Amounts due to customers for contract work		63	168
Tax payable		<u>547</u>	<u>303</u>
Total liabilities		<u>5,710</u>	<u>4,943</u>
Total equity and liabilities		<u>94,627</u>	<u>100,625</u>
Net current assets		<u>87,075</u>	<u>74,276</u>
Total assets less current liabilities		<u>88,917</u>	<u>95,682</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2018

	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Sub-total HK\$'000		
Balance at 1 August 2016	<u>4,112</u>	<u>24,394</u>	<u>78,743</u>	<u>107,249</u>	<u>442</u>	<u>107,691</u>
(Loss)/profit and total comprehensive (expense)/income for the period	<u>—</u>	<u>—</u>	<u>(4,254)</u>	<u>(4,254)</u>	<u>1,323</u>	<u>(2,931)</u>
Transactions with owners:						
Acquisition of subsidiaries	—	—	—	—	(4)	(4)
Capital contribution by non-controlling interests	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>396</u>	<u>396</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>392</u>	<u>392</u>
Balance at 31 January 2017 (unaudited)	<u><u>4,112</u></u>	<u><u>24,394</u></u>	<u><u>74,489</u></u>	<u><u>102,995</u></u>	<u><u>2,157</u></u>	<u><u>105,152</u></u>
Balance at 1 August 2017	4,112	24,394	67,356	95,862	(180)	95,682
(Loss)/profit and total comprehensive (expense)/income for the period	<u>—</u>	<u>—</u>	<u>(9,769)</u>	<u>(9,769)</u>	<u>3,004</u>	<u>(6,765)</u>
Balance at 31 January 2018 (unaudited)	<u><u>4,112</u></u>	<u><u>24,394</u></u>	<u><u>57,587</u></u>	<u><u>86,093</u></u>	<u><u>2,824</u></u>	<u><u>88,917</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2018

	Six months ended	
	31 January	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<u>(7,414)</u>	<u>(12,436)</u>
Net cash generated from/(used in) investing activities	<u>23,383</u>	<u>(40,607)</u>
Net cash used in financing activities	<u>—</u>	<u>—</u>
Net increase/(decrease) in cash and cash equivalents	15,969	(53,043)
Cash and cash equivalents at beginning of the period	<u>21,107</u>	<u>103,227</u>
Cash and cash equivalents at end of the period, represented by cash at banks and on hand	<u><u>37,076</u></u>	<u><u>50,184</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2018

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 Units 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 principal activity of the Company is investment holding. The Group's principal activities are the provision of civil engineering consulting, contracting, project management and interior design services and decoration works in Hong Kong, including but not limited to geotechnical engineering works.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 31 January 2018 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 2017 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 2018

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 services and decoration works in the ordinary course of business. Revenue recognised during the three months and six months ended 31 January 2018 and 2017 are as follows:

	Three months ended		Six months ended	
	31 January		31 January	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Engineering consulting	—	3,281	989	8,350
Contracting	672	—	2,671	—
Project management	—	375	—	375
Interior design and decoration	13,093	7,317	17,192	18,734
Others	149	—	149	486
	<u>13,914</u>	<u>10,973</u>	<u>21,001</u>	<u>27,945</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 general building 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: 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 2018

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, investment properties, financial assets at fair value through profit or loss, tax recoverable, assets classified as held-for-sale and unallocated corporate assets.

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

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 2018 (unaudited)						
Revenue	<u>989</u>	<u>2,671</u>	<u>—</u>	<u>17,192</u>	<u>149</u>	<u>21,001</u>
Segment results	<u>(518)</u>	<u>(2,043)</u>	<u>—</u>	<u>1,146</u>	<u>(321)</u>	<u>(1,736)</u>
Unallocated corporate expenses						(6,387)
Loan interest income						1,619
Fair value changes on financial assets at fair value through profit or loss						80
Loss on disposal of a subsidiary						<u>(97)</u>
Loss before income tax						(6,521)
Income tax expense						<u>(244)</u>
Loss for the period						<u><u>(6,765)</u></u>
Included in segment results are:						
Depreciation of property, plant and equipment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2018

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 2017 (unaudited)						
Revenue	<u>8,350</u>	<u>—</u>	<u>375</u>	<u>18,734</u>	<u>486</u>	<u>27,945</u>
Segment results	<u>2,159</u>	<u>—</u>	<u>(1,392)</u>	<u>5,603</u>	<u>(1,406)</u>	<u>4,964</u>
Unallocated corporate expenses						(7,655)
Gain on disposal of a subsidiary						<u>404</u>
Loss before income tax						(2,287)
Income tax expense						<u>(644)</u>
Loss for the period						<u><u>(2,931)</u></u>
Included in segment results are:						
Depreciation of property, plant and equipment	<u>8</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8</u>

5. OTHER INCOME

	Three months ended 31 January		Six months ended 31 January	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Government grants	—	67	22	67
Gain on disposal of a subsidiary	—	—	—	404
Loan interest income	915	397	1,619	397
Others	<u>291</u>	<u>62</u>	<u>310</u>	<u>68</u>
	<u>1,206</u>	<u>526</u>	<u>1,951</u>	<u>936</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2018

6. LOSS BEFORE INCOME TAX

	Three months ended		Six months ended	
	31 January		31 January	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss before income tax is stated after charging the following items:				
Operating lease rental on premises	456	701	883	1,053
Impairment loss on trade receivables	88	286	88	286
Depreciation of property, plant and equipment	302	328	601	690
Staff costs (including directors' remuneration)				
– Salaries and allowances	3,435	4,352	6,883	9,402
– Mandatory provident fund contributions	104	116	208	272
Subcontracting charges	<u>7,694</u>	<u>3,510</u>	<u>11,720</u>	<u>6,988</u>

7. INCOME TAX EXPENSE/(CREDIT)

	Three months ended		Six months ended	
	31 January		31 January	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong profits tax	<u>244</u>	<u>(321)</u>	<u>244</u>	<u>644</u>

Hong Kong profits tax is calculated at 16.5% (Six months ended 31 January 2017: 16.5%) of the estimated assessable profits 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2018

8. DIVIDEND

The Board did not recommend a payment of an interim dividend for the six months ended 31 January 2018 (Six months ended 31 January 2017: Nil).

9. LOSS PER SHARE

The calculations of basic loss per share for the three months and six months ended 31 January 2018 and 2017 are based on the following:

	Three months ended 31 January		Six months ended 31 January	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss:				
Loss for the purpose of calculating basic loss per share (loss for the period attributable to owners of the Company)	<u>(9,119)</u>	<u>(4,950)</u>	<u>(9,769)</u>	<u>(4,254)</u>
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic loss 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 per share was presented as there was no potential ordinary shares in issue during the Relevant Period (Six months ended 31 January 2017: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the Relevant Period, the Group acquired property, plant and equipment amounting to approximately HK\$37,000 (Six months ended 31 January 2017: HK\$146,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2018

11. INVESTMENT PROPERTIES

	HK\$'000
At fair value	
At 1 August 2017 (audited)	19,000
Transfer to assets held-for-sale	<u>(19,000)</u>
At 31 January 2018 (unaudited)	<u><u>—</u></u>

In July 2017, the Group acquired certain pieces of land through the acquisition of equity interests in Dragon Trillion Limited (“Dragon Trillion”) and Smart Pathway Limited (“Smart Pathway”). In around March 2017, the Planning Department of Hong Kong Special Administrative Region (the “Planning Department”) issued an enforcement notice (the “Enforcement Notice”) to Dragon Trillion and Smart Pathway, which required them to cease certain unauthorised developments on the land owned by Dragon Trillion and Smart Pathway (the “Unauthorised Developments”). Given that the Unauthorised Developments have been discontinued as required by the Enforcement Notice before April 2017 and the Enforcement Notice has been complied with, the Directors consider that, after taking into account legal advice, it is unlikely that Dragon Trillion and Smart Pathway will be penalised for the Unauthorised Developments.

On 14 February 2018, Upscale Century Limited (a wholly-owned subsidiary of the Company) entered into three separate sale and purchase agreements with Triumphant Day Limited, pursuant to which Upscale Century Limited agreed to sell and Triumphant Day Limited agreed to acquire from Upscale Century Limited the entire issued share capital of each of Dragon Trillion, Affluent Ally and Smart Pathway at the consideration of HK\$9,000,000, HK\$7,000,000 and HK\$6,000,000, respectively. Completion of each of the sale and purchase agreements shall take place on any day within 2 calendar months from the date of the sale and purchase agreements. Immediately after the completion, each of Dragon Trillion, Affluent Ally and Smart Pathway will cease to be wholly-owned subsidiaries of the Company and the Company will cease to have any interest in these companies.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2018

11. INVESTMENT PROPERTIES — *continued*

An independent valuation of the Group's investment properties was performed by the valuer, Ascent Partners Valuation Service Limited, to determine the fair value of the investment properties on 31 July 2017. The revaluation gains or losses is recognised in consolidated statement of profit or loss. The following table analyses the investment properties carried at fair value by valuation method.

Description	Fair value measurements at 31 July 2017 using		
	Quoted prices	Significant other	Significant
	in active		
	markets for	inputs	inputs
	identical assets	(Level 2)	(Level 3)
(Level 1)	(Level 2)	(Level 3)	
	HK\$'000	HK\$'000	HK\$'000
Recurring fair value measurements			
Investment properties:			
— Leasehold land — Hong Kong	—	—	19,000
	<u> </u>	<u> </u>	<u> </u>

The Group's policy is to recognise transfers in and transfers out of fair value hierarchy level as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the Relevant Period.

12. TRADE AND OTHER RECEIVABLES

	31 January	31 July
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables (Note (a))	5,789	7,990
Retention receivables	989	—
Loan receivable (Note (b))	—	22,000
Other receivables, deposits and prepayments	<u>3,375</u>	<u>4,513</u>
	<u>10,153</u>	<u>34,503</u>

Notes:

(a) The credit period was ranging from 0 day to 7 days. Trade receivables are denominated in HK\$.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2018

12. TRADE AND OTHER RECEIVABLES — *continued*

Notes: — *continued*

(a) Trade receivables — *continued*

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

	31 January 2018 HK\$'000 (Unaudited)	31 July 2017 HK\$'000 (Audited)
0 – 30 days	4,681	625
31 – 60 days	—	3,834
61 – 90 days	—	127
91 – 365 days	1,108	3,163
Over 365 days	—	241
	<u>5,789</u>	<u>7,990</u>

(b) Loan receivable was secured by a personal guarantee from a third party, interest bearing at 1.6% per month and repayable in October 2017. The loan and accrued interest were settled in full in the sum of approximately HK\$22,563,000 on 15 December 2017.

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 January 2018 HK\$'000 (Unaudited)	31 July 2017 HK\$'000 (Audited)
Listed securities – held-for-trading		
Equity securities – Hong Kong	<u>17,600</u>	<u>17,520</u>

Note:

- On 13 January 2017, the Group acquired 80,000,000 shares of Future Bright Mining Holdings Limited (“Future Bright”), which is listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 02212) at the cost of HK\$19,200,000. Future Bight is an investment holding company, whereas its subsidiaries are principally engaged in the production and sale of marble and marble related products.
- The fair value of the listed securities are determined by reference to their quoted market closing bid prices available on the relevant stock exchange at the end of the reporting period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2018

14. CASH AND CASH EQUIVALENTS

	31 January 2018 HK\$'000 (Unaudited)	31 July 2017 HK\$'000 (Audited)
Cash at banks	36,329	20,337
Cash held with broker	731	731
Cash on hand	<u>16</u>	<u>39</u>
Cash and cash equivalents	<u><u>37,076</u></u>	<u><u>21,107</u></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.

15. TRADE AND OTHER PAYABLES

	31 January 2018 HK\$'000 (Unaudited)	31 July 2017 HK\$'000 (Audited)
Trade payables (Note (a))	3,261	2,013
Retention payables (Note (b))	989	—
Accruals and other payables	<u>850</u>	<u>2,459</u>
	<u><u>5,100</u></u>	<u><u>4,472</u></u>

Notes:

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2018

15. TRADE AND OTHER PAYABLES — *continued*

Notes: — *continued*

(a) — *continued*

As at 31 January 2018 and 31 July 2017, the ageing analysis of the Group's trade payables based on invoice date is as follows:

	31 January 2018 HK\$'000 (Unaudited)	31 July 2017 HK\$'000 (Audited)
0 – 30 days	2,927	296
31 – 60 days	118	27
61 – 90 days	—	43
Over 90 days	<u>216</u>	<u>1,647</u>
	<u><u>3,261</u></u>	<u><u>2,013</u></u>

(b) Retention payables were not past due as at 31 January 2018. They are settled in accordance with the terms of respective contracts.

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

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 31 July 2017 and 31 January 2018	<u>2,000,000,000</u>	<u>20,000</u>
	Number of ordinary shares	Share premium HK\$'000
	Ordinary Shares HK\$'000	Share premium HK\$'000
Issued and fully paid:		
As at 31 July 2017 and 31 January 2018	<u>411,200,000</u>	<u>24,394</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2018

17. OTHER RESERVES

	Merger reserve HK\$'000 (Note 1)	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 August 2016	(494)	79,237	78,743
Loss and total comprehensive expense for the period	<u>—</u>	<u>(4,254)</u>	<u>(4,254)</u>
Balance at 31 January 2017 (unaudited)	<u>(494)</u>	<u>74,983</u>	<u>74,489</u>
Balance at 1 August 2017	(494)	67,850	67,356
Loss and total comprehensive expense for the period	<u>—</u>	<u>(9,769)</u>	<u>(9,769)</u>
Balance at 31 January 2018 (unaudited)	<u>(494)</u>	<u>58,081</u>	<u>57,587</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.

18. COMMITMENTS

(a) Operating lease commitments — The Group as lessee

As at 31 January 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 January 2018 HK\$'000 (Unaudited)	31 July 2017 HK\$'000 (Audited)
No later than 1 year	3,458	1,327
Later than 1 year and no later than 5 years	<u>3,083</u>	<u>899</u>
	<u>6,541</u>	<u>2,226</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 6 months to 5 years, with an option to renew the leases when all terms are negotiated.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2018

19. 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	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Directors' emoluments	<u>513</u>	<u>1,178</u>	<u>1,026</u>	<u>2,373</u>

20. EVENT AFTER THE RELEVANT PERIOD

On 14 February 2018, Upscale Century Limited (a wholly-owned subsidiary of the Company) entered into three separate sale and purchase agreements ("SP Agreements") with Triumphant Day Limited, pursuant to which Upscale Century Limited agreed to sell and Triumphant Day Limited agreed to acquire from Upscale Century the entire issued share capital of each of Dragon Trillion Limited, Affluent Ally Limited and Smart Pathway Limited ("Target Companies"), at the consideration of HK\$9,000,000, HK\$7,000,000 and HK\$6,000,000, respectively. Immediately after the completion, the Target Companies will cease to be wholly-owned subsidiaries of the Company and the Company will cease to have any interest in the Target Companies.

The net proceeds from the Disposals after deducting the estimated expenses will be applied as general working capital of the Group. Accordingly, the Disposals will increase the working capital of the Group and in turn improve the liquidity and strengthen the overall financial position of the Group.

For details, please refer to the Company's announcement dated 14 February 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2018

21. COMPARATIVE FIGURES

In order to conform to the current period's presentation, certain items in the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the three and six months ended 31 January 2017 have been reclassified. Reclassification adjustment is made to reclassify administrative and other operating expenses of approximately HK\$1.36 million to fair value changes on financial assets at fair value through profit or loss and such reclassification has no impact on the Group's loss for the three and six months ended 31 January 2017.

	Amount		Reclassification		Amount as restated	
	originally stated					
	For the	For the	For the	For the	For the	For the
	three	six	three	six	three	six
	months	months	months	months	months	months
	ended	ended	ended	ended	ended	ended
Items on unaudited condensed consolidated	31 January	31 January	31 January	31 January	31 January	31 January
statement of profit or loss and	2017	2017	2017	2017	2017	2017
other comprehensive income	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fair value changes on financial assets at						
fair value through profit or loss	—	—	(1,360)	(1,360)	(1,360)	(1,360)
Administrative and other operating expenses	<u>(7,718)</u>	<u>(12,497)</u>	<u>1,360</u>	<u>1,360</u>	<u>(6,358)</u>	<u>(11,137)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We are principally engaged in the provision of civil engineering consulting, contracting, project management and interior design services and decoration works services in Hong Kong, including but not limited to geotechnical engineering works. The civil 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 an increase in net loss for the Relevant Period compared to the same period last year. The Directors consider that the increase in net loss was mainly due to the decrease in revenue derived from the provision of engineering consulting services and from the provision of interior design services and decoration works services as a result of the keen competition faced by the Group in obtaining new businesses, which is partially offset by the increase in revenue generated from undertaking construction works as contractor as the Group has obtained new projects during the fourth quarter of the year ended 31 July 2017.

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 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 opportunities to gain more new customers and obtain new projects in order to strengthen its customers and revenue base, as well as 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.

In order to expand the Group's business in the People's Republic of China ("PRC"), the Group has submitted an application for the establishment of a wholly foreign-owned enterprise (the "WFOE") in Qianhai District, Shenzhen, the PRC. It is intended that the WFOE will be engaged in the business of, among other things, provision of sharing office service to small to medium sized enterprises in the PRC. The application for the establishment of the WFOE is expected to be completed by mid-March 2018. From time to time, the Group will consider different business opportunities to increase the return of the shareholders of the Company (the "Shareholders").

FINANCIAL REVIEW

Revenue

Our revenue decreased from approximately HK\$27.9 million for the six months ended 31 January 2017 to approximately HK\$21.0 million for the Relevant Period, representing a decrease of approximately 24.7%. Such decrease was mainly due to the decrease in the Group's revenue derived from the provision of engineering consulting services and from the provision of interior design services and decoration works as a result of the intense competition faced by the Group.

Cost of Sales

Our cost of sales decreased from approximately HK\$18.7 million for the six months ended 31 January 2017 to approximately HK\$17.6 million for the Relevant Period, representing a decrease of approximately 5.9%. Such decrease was mainly attributable to the decrease in direct staff costs incurred during the Relevant Period. The Group experienced a substantial decrease in its direct staff costs incurred during the Relevant Period due to the significant decrease in the number of engineering staff as a result of the downturn of the business of provision of engineering consulting services. The decrease is partially offset by the increase in subcontracting charges due to the new projects of undertaking construction works as contractor obtained during the fourth quarter of the year ended 31 July 2017 which produced a lower gross profit margin. As a result, the Group recorded a decrease in its cost of sales to a lesser extent than that of the decrease in its revenue during the Relevant Period, which led to a decrease in the Group's gross profit margin from approximately 33.2% for the six months ended 31 January 2017 to approximately 16.3% for the Relevant Period.

Gross Profit

Our gross profit decreased from approximately HK\$9.3 million for the six months ended 31 January 2017 to HK\$3.4 million for the Relevant Period, representing a decrease of approximately 63.4%, as a result of the decrease in our revenue and cost of sales as discussed above.

Other Income

Our other income increased from approximately HK\$936,000 for the six months ended 31 January 2017 to approximately HK\$1,951,000 for the Relevant Period, representing an increase of approximately 108.4%, which was primarily due to the increase in interest income from a loan to an independent third party amounted to approximately HK\$1,222,000.

Administrative and Other Operating Expenses

Our administrative and other operating expenses amounted to approximately HK\$11.1 million and HK\$11.9 million for the six months ended 31 January 2017 and 2018, respectively, representing an increase of approximately 7.2%. Such increase was primarily due to the increase in legal and professional fees of approximately HK\$0.7 million.

Income Tax Expense

For the six months ended 31 January 2017 and 2018, our income tax expense amounted to approximately HK\$644,000 and HK\$244,000, respectively, representing a decrease of approximately 62.1%. Such decrease was primarily due to the decrease in profit before income tax from the interior design and decoration segment for the Relevant Period, as a result of the increase in cost of sales of the segment.

Loss for the Period

As a result of the aforesaid and in particular the substantial decrease in revenue as discussed above, the Group recorded a loss attributable to owners of the Company of approximately HK\$9.8 million for the Relevant Period, representing an increase of approximately HK\$5.5 million or 127.9% compared with a loss and total comprehensive expense attributable to owners of the Company of HK\$4.3 million for the six months ended 31 January 2017.

Interim Dividend

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

Liquidity and Financial Resources

The Group maintained a healthy financial position during the Relevant Period. As at 31 January 2018, the Group had a cash and bank balance of approximately HK\$37.1 million (31 July 2017: approximately HK\$21.1 million). The current ratio as at 31 January 2018 was approximately 12.9 (31 July 2017: approximately 16.0).

The Group's bank balances are denominated in Hong Kong dollars 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 2018 was nil (31 July 2017: 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 2018, the Group did not have any charges on its assets (31 July 2017: 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 have been listed on the Stock Exchange since 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 2018, the share capital and equity attributable to owners of the Company amounted to approximately HK\$4.1 million and HK\$86.1 million respectively (31 July 2017: approximately HK\$4.1 million and HK\$95.9 million respectively).

Capital Commitments

As at 31 January 2018, the Group did not have any capital commitments (31 July 2017: Nil).

Human Resources Management

As at 31 January 2018, the Group had 32 (31 July 2017: 37) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$7.1 million for the Relevant Period as compared to approximately HK\$9.7 million for the six months ended 31 January 2017. 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 were 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

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 2018, the Group did not have any material contingent liability (31 July 2017: Nil).

Future Plans for Material Investments or Capital Assets

For the Relevant Period, the Group did not have other plans for material investments and capital assets.

COMPETITION AND CONFLICT OF INTEREST

Having made specific enquiry of all Directors and substantial Shareholders, 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.

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

During the Relevant Period and up to the date of this 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 Relevant Period and up to the date of this announcement, save as disclosed herein, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Relevant Period, there have been no chief executive in the Company. Ms. Tong Jiangxia acted as the Chairperson of the Board, and is responsible for the overall management and formulation of business strategy of the Group.

The Board does not have the intention to fill the position of the chief executive of the Company as at the date of this announcement and believes the absence of chief executive will not have any adverse effect to the Company as decisions of the Company will be made collectively by the executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of chief executive. Appointment will be made to fill the post to comply with code provision A.2.1 of the CG Code if necessary.

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 Relevant Period and up to the date of this 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 option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 January 2018.

EVENT AFTER THE RELEVANT PERIOD

On 14 February 2018, Upscale Century Limited (a wholly-owned subsidiary of the Company) entered into three separate sale and purchase agreements (the “SP Agreements”) with Triumphant Day Limited, pursuant to which Upscale Century Limited agreed to sell and Triumphant Day Limited agreed to acquire from Upscale Century Limited the entire issued share capital of each of Dragon Trillion Limited, Affluent Ally Limited and Smart Pathway Limited (the “Target Companies”), at the consideration of HK\$9,000,000, HK\$7,000,000 and HK\$6,000,000, respectively (the “Disposals”). Immediately after completion of the Disposals, the Target Companies will cease to be wholly-owned subsidiaries of the Company and the Company will cease to have any interest in the Target Companies.

The net proceeds from the Disposals after deducting the estimated expenses will be applied as general working capital of the Group. Accordingly, the Disposals will increase the working capital of the Group and in turn improve the liquidity and strengthen the overall financial position of the Group.

For details, please refer to the Company’s announcement dated 14 February 2018.

Save as disclosed above, there is no significant event after the Relevant Period to the date of this announcement.

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. As at the date of this announcement, the Audit Committee consists of three members, namely Ms. Kwong Ka Ki, Mr. Tang Yiu Wing and Mr. Yu Hua Chang, 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 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 2018 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, 13 March 2018

As at the date of this announcement, the executive Directors are Ms. Tong Jiangxia, Mr. Au Siu Chung, Mr. Long Jie, Mr. Yuan Shuang Shun and Ms. Xiao Yi Liao Ge; and the independent non-executive Directors are Mr. Tang Yiu Wing, Ms. Kwong Ka Ki and Mr. Yu Hua Chang.

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.