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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 2018

CHARACTERISTICS OF THE 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 the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 JULY 2018

- The Group's revenue amounted to approximately HK\$37.2 million for the Relevant Period (2017: approximately HK\$47.4 million), representing a decrease of approximately 21.5% as compared to the year ended 31 July 2017.
- The loss attributable to owners of the Company is approximately HK\$14.7 million for the Relevant Period, representing an increase of approximately HK\$3.3 million or approximately 28.9% as compared to the year ended 31 July 2017.
- Basic and diluted loss per share for the Relevant Period based on weighted average number of ordinary shares was approximately HK3.56 cents (2017: Basic and diluted loss per share was approximately HK2.77 cents).
- The Board does not recommend the payment of a final dividend for the Relevant Period (2017: Nil).

ANNUAL RESULTS FOR THE YEAR ENDED 31 JULY 2018

The board (the “Board”) of 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 2018 (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 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenue	4	37,240	47,399
Cost of sales		<u>(33,622)</u>	<u>(33,940)</u>
Gross profit		3,618	13,459
Other income and net gains	4	4,784	3,058
Fair value changes on financial assets at fair value through profit or loss		(2,915)	(1,749)
Administrative and other operating expenses		<u>(23,670)</u>	<u>(26,599)</u>
Loss before income tax	5	(18,183)	(11,831)
Income tax expense	6	<u>(490)</u>	<u>(578)</u>
Loss and total comprehensive expense for the year		<u>(18,673)</u>	<u>(12,409)</u>
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		(14,651)	(11,387)
Non-controlling interests		<u>(4,022)</u>	<u>(1,022)</u>
Loss and total comprehensive expense for the year		<u>(18,673)</u>	<u>(12,409)</u>
Basic and diluted loss per share (HK cents)	7	<u>(3.56)</u>	<u>(2.77)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July 2018

	Note	2018 HK\$'000	2017 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,388	2,406
Investment properties		—	19,000
		<u>1,388</u>	<u>21,406</u>
Current assets			
Trade and other receivables	9	13,093	34,503
Amounts due from customers for contract work		3,107	3,105
Financial assets at fair value through profit or loss		—	17,520
Tax recoverable		1,390	2,984
Cash and cash equivalents		66,584	21,107
		<u>84,174</u>	<u>79,219</u>
Total assets		<u>85,562</u>	<u>100,625</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	11	4,112	4,112
Share premium	11	24,394	24,394
Other reserves		52,705	67,356
		<u>81,211</u>	<u>95,862</u>
Non-controlling interests		<u>(4,202)</u>	<u>(180)</u>
Total equity		<u>77,009</u>	<u>95,682</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – *continued*

As at 31 July 2018

	Note	2018 HK\$'000	2017 HK\$'000
LIABILITIES			
Current liabilities			
Trade and other payables	10	7,756	4,472
Amounts due to customers for contract work		4	168
Tax payable		793	303
		<u>8,553</u>	<u>4,943</u>
Total liabilities		8,553	4,943
Total equity and liabilities		85,562	100,625

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2018

	Attributable to owners of the Company				Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000 (Note 11)	Share premium HK\$'000 (Note 11)	Other reserves HK\$'000	Sub-total HK'000		
Balance at 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 and 1 August 2017	4,112	24,394	67,356	95,862	(180)	95,682
Loss and total comprehensive expense for the year	—	—	(14,651)	(14,651)	(4,022)	(18,673)
Balance at 31 July 2018	<u>4,112</u>	<u>24,394</u>	<u>52,705</u>	<u>81,211</u>	<u>(4,202)</u>	<u>77,009</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2018

1. GENERAL INFORMATION

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 GEM of 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 Unit 1902, 19/F., Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the provision of civil engineering consulting, contracting and interior design services and decoration works in Hong Kong, including but not limited to geotechnical engineering works.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2018

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 (“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 and financial assets at fair value through profit or loss, 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.

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 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 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 2018

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 2017 and have not been early adopted by the Group:

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contract ³
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i> ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle ¹
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle ²

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

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ 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 2018

4. REVENUE AND SEGMENT INFORMATION

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

	2018 HK\$'000	2017 HK\$'000
Revenue		
Engineering consulting	700	14,172
Contracting	10,214	9,321
Interior design and decoration	26,326	23,421
Others	—	485
	<u>37,240</u>	<u>47,399</u>
	2018 HK\$'000	2017 HK\$'000
Other income and net gains		
Gain on disposal of subsidiaries	2,972	404
Government grants (<i>Note</i>)	22	100
Interest income	4	10
Loan interest income	1,619	2,464
Net foreign exchange gains	34	—
Others	133	80
	<u>4,784</u>	<u>3,058</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2018

4. REVENUE AND SEGMENT INFORMATION – *continued*

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

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

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

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

Others: Provision of financial public relations services in Hong Kong and provision of overall planning, management, technical advice and supervision of site works.

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, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2018

4. REVENUE AND SEGMENT INFORMATION – *continued*

	Engineering consulting HK\$'000	Contracting HK\$'000	Interior design and decoration HK\$'000	Others HK\$'000	Total HK\$'000
Year ended 31 July 2018					
Revenue					
Total revenue	700	10,214	26,326	–	37,240
Inter-segment revenue	–	–	–	–	–
External revenue	<u>700</u>	<u>10,214</u>	<u>26,326</u>	<u>–</u>	<u>37,240</u>
Segment results	<u>(1,010)</u>	<u>1,460</u>	<u>(5,033)</u>	<u>(599)</u>	<u>(5,182)</u>
Fair value changes on financial assets at fair value through profit or loss					(2,915)
Loan interest income					1,619
Gain on disposal of subsidiaries					2,972
Unallocated corporate expenses					<u>(14,677)</u>
Loss before income tax					(18,183)
Income tax expense					<u>(490)</u>
Loss for the year					<u>(18,673)</u>
Included in segment results are:					
Depreciation	<u>190</u>	<u>147</u>	<u>376</u>	<u>9</u>	<u>722</u>
At 31 July 2018					
Segment assets	162	9,128	8,047	43	17,380
Tax recoverable					1,390
Unallocated assets					<u>66,792</u>
Total assets					<u>85,562</u>
Included in segment assets are:					
Additions to non-current assets	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Segment liabilities	175	6	6,244	30	6,455
Tax payable					793
Unallocated liabilities					<u>1,305</u>
Total liabilities					<u>8,553</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2018

4. REVENUE AND SEGMENT INFORMATION – *continued*

	Engineering consulting HK\$'000	Contracting 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>23,421</u>	<u>485</u>	<u>47,399</u>
Segment results	<u>3,446</u>	<u>(835)</u>	<u>2,964</u>	<u>(871)</u>	4,704
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>(12,409)</u>
Included in segment results are:					
Depreciation	<u>521</u>	<u>269</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>100,625</u>
Included in segment assets are:					
Additions to non-current assets	<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>4,943</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2018

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:

	2018 HK\$'000	2017 HK\$'000
Customer A ¹	5,818	N/A ³
Customer B ²	4,337	N/A ³
Customer C ¹	4,022	N/A ³

¹ Revenue from contracting.

² Revenue from interior design and decoration.

³ The customer did not contribute over 10% or more to the Group's total revenue in the corresponding year.

5. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2018 HK\$'000	2017 HK\$'000
Auditors' remuneration	1,060	890
Depreciation of property, plant and equipment	1,071	1,363
Loss on disposal of property, plant and equipment	—	499
Impairment losses of trade receivables	17	646
Operating lease charges	2,797	2,720
Staff costs, including directors' emoluments	14,079	18,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2018

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year.

	2018 HK\$'000	2017 HK\$'000
Hong Kong profits tax:		
— Current year	490	303
— Adjustment in respect of prior years	<u>—</u>	<u>275</u>
Income tax expense	<u>490</u>	<u>578</u>

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2018 HK\$'000	2017 HK\$'000
Loss before income tax	<u>(18,183)</u>	<u>(11,831)</u>
Calculated at a tax rate of 16.5%	(3,000)	(1,952)
Income not taxable for tax purposes	(68)	(80)
Expenses not deductible for tax purposes	1,415	1,188
Temporary differences not recognised	87	45
Adjustment in respect of prior years	—	275
Utilisation of previously unrecognised tax losses	—	(21)
Tax losses for which no deferred income tax asset was recognised	<u>2,056</u>	<u>1,123</u>
Tax charge	<u>490</u>	<u>578</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2018

6. INCOME TAX EXPENSE – *continued*

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK\$3,750,000 (2017: HK\$1,694,000) in respect of losses amounting to approximately HK\$22,725,000 (2017: HK\$10,267,000) that can be carried forward against future taxable income. Tax losses may be carried forward indefinitely. Certain amounts of unused tax losses are subject to approval from the Hong Kong Inland Revenue Department. No deferred income tax assets and liabilities in the consolidated financial statements as the Group did not have other material temporary differences arising between tax bases of assets and liabilities and their carrying amounts as at 31 July 2018 (2017: Nil).

7. LOSS PER SHARE

	2018	2017
Loss attributable to owners of the Company (HK\$'000)	<u>(14,651)</u>	<u>(11,387)</u>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousand)	<u>411,200</u>	<u>411,200</u>
Basic loss per share (HK cents)	<u>(3.56)</u>	<u>(2.77)</u>

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

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue during the year (2017: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2018

8. DIVIDENDS

No interim dividend was declared for the year (2017: Nil).

The directors do not recommend the payment of final dividend for the year ended 31 July 2018. 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.

9. TRADE AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables	9,615	7,990
Retention receivables	336	—
Loan receivable	—	22,000
Other receivables, deposit and prepayments	<u>3,142</u>	<u>4,513</u>
	<u><u>13,093</u></u>	<u><u>34,503</u></u>

Notes:

- (a) No credit period is granted to customers (2017: 0 day to 7 days). Trade receivables are denominated in HK\$.
- (b) The ageing analysis of the trade receivables based on invoice date is as follows:

	2018 HK\$'000	2017 HK\$'000
0 – 30 days	7,627	625
31 – 60 days	2	3,834
61 – 90 days	1,171	127
91 – 365 days	715	3,163
Over 365 days	<u>100</u>	<u>241</u>
	<u><u>9,615</u></u>	<u><u>7,990</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2018

9. TRADE AND OTHER RECEIVABLES – *continued*

Notes: – continued

(b) – *continued*

As at 31 July 2018, trade receivables of approximately HK\$9,615,000 (2017: HK\$7,990,000) 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:

	2018 HK\$'000	2017 HK\$'000
1 – 30 days	7,627	625
31 – 60 days	2	3,834
61 – 90 days	1,171	127
91 – 365 days	715	3,163
Over 365 days	100	241
	<u>9,615</u>	<u>7,990</u>

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

	2018 HK\$'000	2017 HK\$'000
At 1 August	–	–
Impairment losses of trade receivables	17	646
Receivables written off during the year as uncollectible	<u>(17)</u>	<u>(646)</u>
At 31 July	<u>–</u>	<u>–</u>

Retention receivables were not yet past due as at 31 July 2018 (2017: Nil) and would be settled in accordance with the terms of the respective contracts.

- (c) Loan receivable was secured by a personal guarantee from the third party, interest bearing at 1.6% per month and repayable in December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2018

9. TRADE AND OTHER RECEIVABLES – *continued*

Notes: – continued

(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.

In August 2017, the proposed acquisition has been lapsed and the refundable deposit of HK\$2,600,000 has been refunded.

(e) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

10. TRADE AND OTHER PAYABLES

	2018 HK\$'000	2017 HK\$'000
Trade payables	5,245	2,013
Accruals and other payables	2,511	2,459
	<u>7,756</u>	<u>4,472</u>

Notes:

(a) No credit period is granted by suppliers (2017: 0 day to 30 days).

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

	2018 HK\$'000	2017 HK\$'000
0 – 30 days	3,758	296
31 – 60 days	612	27
61 – 90 days	91	43
Over 90 days	784	1,647
	<u>5,245</u>	<u>2,013</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2018

11. 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 2017 and 2018	<u>2,000,000,000</u>	<u>20,000</u>
	Number of ordinary shares	Share premium HK\$'000
		Ordinary shares HK\$'000
Issued and fully paid:		
As at 31 July 2017 and 2018	<u>411,200,000</u>	<u>4,112</u> <u>24,394</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We are principally engaged in the provision of civil engineering consulting, contracting and interior design services and decoration works 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 a project manager include foundation design and construction works of building construction projects, excavation works and structural designs in relation to the construction of underground facilities, site formation works and landslip preventive works.

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 Limited, Affluent Ally Limited and Smart Pathway Limited (the wholly-owned subsidiaries of the Company), at the consideration of HK\$9,000,000, HK\$7,000,000 and HK\$6,000,000, respectively (the “Disposal”). Completion of the Disposal took place on 13 April 2018.

The Directors have always been 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 the overall market conditions and costs in the construction industry and the overall economy in Hong Kong.

Going forward, the Directors expect that the competition of the market will continue to be intense. 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 diversify its customer base and revenue source, as well as carefully evaluate the potential costs and the engineering circumstances pertaining to different potential projects with a view to control the Group’s overall costs at an acceptable and satisfactory level.

In order to expand the Group’s business in the People’s Republic of China (“PRC”), the Group established a wholly foreign-owned enterprise (the “WFOE”) in Shenzhen, the PRC in May 2018. On 17 September 2018, the WFOE entered into a equity transfer agreement (the “Equity Transfer Agreement”) with Mr. Wang Longzuo (the “Vendor”), pursuant to which it has agreed to purchase and the Vendor has agreed to sell 100% equity interest in Shenzhen Zhongshengtuotou Assets Management Co., Ltd (深圳中深國投資產管理有限公司), a company established in the PRC with limited liability for the consideration of HK\$11,648,400. Shenzhen Zhongshengtuotou Assets Management Co., Ltd is engaged in subletting business in which it sublets partitioned office premises located at Shenzhen to various sub-tenants. The transaction has not yet completed up to the date of this result announcement. The Group will periodically consider different business opportunities in PRC to increase the return to the shareholders of the Company (the “Shareholders”).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue decreased from approximately HK\$47.4 million for the year ended 31 July 2017 to approximately HK\$37.2 million during the Relevant Period, representing a decrease of approximately 21.5%. Such decrease was mainly due to the decrease in the Group's revenue derived from the provision of engineering consulting services, as a result of the intense competition faced by the Group.

Cost of Sales

Our cost of sales decreased from approximately HK\$33.9 million for the year ended 31 July 2017 to approximately HK\$33.6 million for the Relevant Period, representing a decrease of approximately 0.9%.

Gross Profit

Our gross profit amounted to approximately HK\$13.5 million and HK\$3.6 million for the years ended 31 July 2017 and 2018 respectively, representing a decrease of approximately 73.3%.

Other Income and Net Gains

Our other income increased by approximately HK\$1.7 million from HK\$3.1 million for the year ended 31 July 2017 to HK\$4.8 million for the Reporting Period, representing an increase of approximately 54.8%. The increase in other income was primarily due to the increase in the gain on disposal of subsidiaries of approximately HK\$2.5 million, which was partially offset by the decrease of loan interest income of HK\$0.8 million during the Relevant Period.

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

For the years ended 31 July 2017 and 2018, the fair value changes on financial assets at fair value through profit or loss amounted to a loss of approximately HK\$1.7 million and HK\$2.9 million respectively, representing an increase of approximately 70.6%.

As disclosed in the announcement of the Company dated 1 November 2017, on 13 January 2017, Fortune Around Limited, a direct wholly-owned subsidiary of the Company, acquired a total of 80,000,000 shares (the "FB Mining Shares") of Future Bright Mining Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 2212), at the cost of HK\$19,200,000. During the Reporting Period, the Group had disposed all FB Mining Shares and hence all equity

securities of the financial assets of the Group were disposed, which resulted in the aforesaid fair value changes on financial assets at fair value through profit and loss amounted to a loss of approximately HK\$2.9 million.

Administrative and Other Operating Expenses

Our administrative and other operating expenses amounted to approximately HK\$26.6 million and HK\$23.7 million for the years ended 31 July 2017 and 2018 respectively, representing a decrease of approximately 10.9%. Such decrease was primarily due to the decrease in depreciation expenses of approximately HK\$292,000 and decrease in donation of approximately HK\$2.4 million.

Income Tax Expense

For the years ended 31 July 2017 and 2018, our income tax expense amounted to approximately HK\$578,000 and HK\$490,000 respectively, representing a decrease of approximately 15.2%. Such decrease was primarily due to the decrease in profit before income tax from the engineering consulting segment and the interior design and decoration segment for the Relevant Period.

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\$14.7 million for the Relevant Period attributable to owners of the Company as compared to a loss of approximately HK\$11.4 million for the year ended 31 July 2017, representing an increase in loss of approximately 28.9%.

Final Dividend

The Board did not recommend the payment of a final dividend for the Relevant Period (2017: Nil).

Liquidity and Financial Resources

The Group maintained a healthy financial position during the Relevant Period. As at 31 July 2018, the Group had a cash and bank balance of approximately HK\$66.6 million (31 July 2017: approximately HK\$21.1 million). The current ratio as at 31 July 2018 was approximately 9.8 (31 July 2017: approximately 16.0).

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 2018 was nil (31 July 2017: Nil) as the Group did not have 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 Reporting Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of Assets

As at 31 July 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 transacted in Hong Kong Dollar which is the presentation and functional 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 2018, the share capital and equity attributable to owners of the Company amounted to approximately HK\$4.1 million and HK\$81.2 million respectively (31 July 2017: approximately HK\$4.1 million and HK\$95.9 million respectively).

Capital Commitments

As at 31 July 2017 and 2018, the Group did not have any material capital commitments.

Human Resources Management

As at 31 July 2018, the Group had 22 (31 July 2017: 39) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$14.1 million for the Relevant Period as compared to approximately HK\$18.7 million for the year ended 31 July 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 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

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 Limited, Affluent Ally Limited and Smart Pathway Limited (all being wholly-owned subsidiaries of the Company previously), at the consideration of HK\$9,000,000, HK\$7,000,000 and HK\$6,000,000, respectively (the "Disposal"). Completion of the Disposal took place on 13 April 2018.

Save as disclosed above, 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 2018, the Group did not have any material contingent liability.

DISCLOSURE OF INTERESTS

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 July 2018, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or which are required pursuant to section 352 of the SFO to be entered in the register referred to therein; or are otherwise required to be notified to the Company and the Stock Exchange pursuant to the standard of dealings by the Directors as referred to the GEM Listing Rules.

As at 31 July 2018, none of the Directors was a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 July 2018, so far as was known to the Directors, the interests and short positions of the following persons (other than the Directors or chief executive of the Company) or entities which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were requested to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Names of Shareholders	Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding
Huang Xiao Fang (Note 2)	Interest in a controlled corporation	94,534,000	22.99%
Sonic Solutions Limited (Note 2)	Beneficial owner	94,534,000	22.99%
Jing Shiqi (Note 3)	Interest in a controlled corporation	60,000,000	14.59%
Wealth Triumph Corporation (Note 3)	Beneficial owner	60,000,000	14.59%
Pan Guorong	Beneficial owner	30,000,000	7.30%
Liu Guo Ping	Beneficial owner	54,833,000	13.33%
Li Song	Beneficial owner	34,738,000	8.45%
Xia Yuqing	Beneficial owner	31,111,000	7.57%

Notes:

1. Interests in Shares stated above represent long positions.
2. 94,534,000 Shares are held by Sonic Solutions Limited as a beneficial owner. The entire issued share capital of Sonic Solutions Limited is wholly-owned by Huang Xiao Fang. As such, Huang Xiao Fang is deemed to be interested in 94,534,000 Shares held by Sonic Solutions Limited.
3. Jing Shiqi beneficially owns the entire issued share capital of Wealth Triumph Corporation which in turns hold 60,000,000 Shares. As such, Jing Shiqi is deemed, or taken to be, interested in all the Shares held by Wealth Triumph Corporation for the purposes of the SFO. Jing Shiqi is the sole director of Wealth Triumph Corporation.

Save as disclosed above, as at 31 July 2018, no person, other than the Directors and chief executive of the Company whose interests are set out in the section “Disclosure of Interest” above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

COMPETITION AND CONFLICT OF INTEREST

Having made specific enquiry of all Directors and substantial Shareholders, during the Reporting Period, 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.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE CODE (THE “CODE”)

During the Reporting Period, the Company had 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 of 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.

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 2018.

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 annual general meeting (the "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 Reporting Period and up to the date of this announcement.

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 Relevant Period 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.

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. Yu Hua Chang and Ms. Guo Liying.

The Audit Committee has reviewed this announcement and the audited consolidated financial statements of the Group for the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

In September 2018, 深圳市福清源科技有限公司 (Shenzhen Fuqingyuan Technology Co., Ltd*) (the “Purchaser”), an indirectly wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Mr. Wang Longzuo (the “Vendor”), pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell 100% equity interest in 深圳中深國投資產管理有限公司 (Shenzhen Zhongshengtuotou Assets Management Co., Ltd*) for the consideration of HK\$11,648,400 (the “Acquisition”).

The Acquisition has not yet been completed up to the date of this results announcement. Details of the Acquisition were disclosed in the Company’s announcements dated 17 September 2018 and 15 October 2018.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM of the Company will be held on 29 November 2018 (Thursday), at 11:00 a.m., at Room 1703–1704, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong.

For determining entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from 26 November 2018 (Monday) to 29 November 2018 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on 23 November 2018 (Friday).

* *For identification purpose only*

APPRECIATION

The Board would like to express its sincere gratitude to our Shareholders, customers, subcontractors and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution to the growth of the Group.

On behalf of the Board
KSL Holdings Limited
Lin Ye
*Chairman and Executive
Director*

Hong Kong, 26 October 2018

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

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.