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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 2019

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 2019 (THE “RELEVANT PERIOD”)

- The Group’s revenue amounted to approximately HK\$12 million for the Relevant Period, representing a decrease of approximately HK\$9 million or approximately 42.8% as compared to the six months ended 31 January 2018.
- The gross profit of the Group amounted to approximately HK\$2.1 million for the Relevant Period, representing a decrease of approximately HK\$1.3 million or approximately 39.3% as compared to the six months ended 31 January 2018.
- The loss attributable to owners of the Company is approximately HK\$9.7 million for the Relevant Period, which was similar to that for the six months ended 31 January 2018.
- The basic and diluted loss per share for the Relevant Period was approximately HK2.4 cents, which was similar to that for the six months ended 31 January 2018.
- 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 2019 (the “Relevant Period”), together with the unaudited comparative figures for the corresponding period in 2018, as follows:

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

For the three and six months ended 31 January 2019

	Notes	Three months ended 31 January		Six months ended 31 January	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4	7,195	13,914	12,005	21,001
Cost of sales		<u>(5,645)</u>	<u>(11,616)</u>	<u>(9,932)</u>	<u>(17,588)</u>
Gross profit		1,550	2,298	2,073	3,413
Other income	5	63	1,206	165	1,951
Fair value changes on financial assets					
at fair value through profit or loss		—	(2,400)	—	80
(Loss)/gain on disposal of subsidiaries		—	(97)	73	(97)
Administrative and other operating expenses		<u>(5,419)</u>	<u>(5,997)</u>	<u>(9,933)</u>	<u>(11,868)</u>
Loss before income tax	6	(3,806)	(4,990)	(7,622)	(6,521)
Income tax expense	7	<u>(151)</u>	<u>(244)</u>	<u>(151)</u>	<u>(244)</u>
Loss for the period		<u>(3,957)</u>	<u>(5,234)</u>	<u>(7,773)</u>	<u>(6,765)</u>
Other comprehensive income for the period, net of tax					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising during the period		<u>393</u>	<u>—</u>	<u>393</u>	<u>—</u>
Total comprehensive expense for the period		<u><u>(3,564)</u></u>	<u><u>(5,234)</u></u>	<u><u>(7,380)</u></u>	<u><u>(6,765)</u></u>

INTERIM RESULTS

		Three months ended		Six months ended	
		31 January		31 January	
		2019	2018	2019	2018
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to:					
	Owners of the Company	(3,376)	(9,119)	(9,672)	(9,769)
	Non-controlling interests	<u>(581)</u>	<u>3,885</u>	<u>1,899</u>	<u>3,004</u>
		<u><u>(3,957)</u></u>	<u><u>(5,234)</u></u>	<u><u>(7,773)</u></u>	<u><u>(6,765)</u></u>
Total comprehensive (expense)/income					
for the period attributable to:					
	Owners of the Company	(2,983)	(9,119)	(9,279)	(9,769)
	Non-controlling interests	<u>(581)</u>	<u>3,885</u>	<u>1,899</u>	<u>3,004</u>
		<u><u>(3,564)</u></u>	<u><u>(5,234)</u></u>	<u><u>(7,380)</u></u>	<u><u>(6,765)</u></u>
		HK cents	HK cents	HK cents	HK cents
Basic and diluted loss per share	9	<u><u>(0.8)</u></u>	<u><u>(2.2)</u></u>	<u><u>(2.4)</u></u>	<u><u>(2.4)</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 2019

		As at 31 January 2019 HK\$'000 (Unaudited)	As at 31 July 2018 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	<u>3,955</u>	<u>1,388</u>
Current assets			
Trade and other receivables	11	35,284	13,093
Amounts due from customers for contract work		3,264	3,107
Tax recoverable		1,052	1,390
Cash and cash equivalents	12	<u>50,702</u>	<u>66,584</u>
		<u>90,302</u>	<u>84,174</u>
Total assets		<u>94,257</u>	<u>85,562</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	14	4,112	4,112
Share premium	14	24,394	24,394
Other reserves	15	<u>43,426</u>	<u>52,705</u>
		<u>71,932</u>	<u>81,211</u>
Non-controlling interests		<u>(2,271)</u>	<u>(4,202)</u>
Total equity		<u>69,661</u>	<u>77,009</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2019

		As at 31 January 2019 HK\$'000 (Unaudited)	As at 31 July 2018 HK\$'000 (Audited)
	Notes		
Current liabilities			
Trade and other payables	13	21,063	7,756
Amounts due to customers for contract work		1,740	4
Amount due to the non-controlling interests of a subsidiary		1,000	—
Tax payable		793	793
		<u>24,596</u>	<u>8,553</u>
Total liabilities		<u>24,596</u>	<u>8,553</u>
Total equity and liabilities		<u>94,257</u>	<u>85,562</u>
Net current assets		<u>65,706</u>	<u>75,621</u>
Total assets less current liabilities		<u>69,661</u>	<u>77,009</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 January 2019

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 August 2017	<u>4,112</u>	<u>24,394</u>	<u>67,356</u>	<u>95,862</u>	<u>(180)</u>	<u>95,682</u>
(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>
Balance at 1 August 2018	4,112	24,394	52,705	81,211	(4,202)	77,009
(Loss)/profit and total comprehensive (expense)/income for the period	—	—	(9,279)	(9,279)	1,899	(7,380)
Disposal of subsidiaries	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>32</u>	<u>32</u>
Balance at 31 January 2019 (unaudited)	<u><u>4,112</u></u>	<u><u>24,394</u></u>	<u><u>43,426</u></u>	<u><u>71,932</u></u>	<u><u>(2,271)</u></u>	<u><u>69,661</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 January 2019

	Six months ended	
	31 January	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<u>(5,829)</u>	<u>(7,414)</u>
Net cash generated (used in)/from investing activities	<u>(10,396)</u>	<u>23,383</u>
Net cash used in financing activities	<u>—</u>	<u>—</u>
Net (decrease)/increase in cash and cash equivalents	(16,225)	15,969
Cash and cash equivalents at beginning of the period	66,584	21,107
Effect on foreign exchange rate changes	<u>343</u>	<u>—</u>
Cash and cash equivalents at end of the period, represented by cash at banks and on hand	<u><u>50,702</u></u>	<u><u>37,076</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 July 2014. The registered office of the Company is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The headquarters and principal place of business in Hong Kong is located at Unit 1902, 19/F., Harbour Centre, No. 25 Harbour Road, Wanchai, 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, interior design services and decoration works in Hong Kong, including but not limited to geotechnical engineering works, and property sub-leasing business in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 31 January 2019 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 2018 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\$"). Other than those subsidiaries established in the PRC whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its remaining subsidiaries are HK\$. The reason for selecting HK\$ as its presentation currency is that the Company is a public company listed on GEM, where most of the investors are located in Hong Kong.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2019

4. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents revenue derived from provision of engineering consulting, contracting, interior design services and decoration works, and property sub-leasing in the ordinary course of business. Revenue recognised during the three months and six months ended 31 January 2019 and 2018 are as follows:

	Three months ended		Six months ended	
	31 January		31 January	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Engineering consulting	—	—	—	989
Contracting	1,849	672	5,351	2,671
Interior design and decoration	1,105	13,093	2,413	17,192
Gross rental income from property sub-leasing	4,241	—	4,241	—
Others	—	149	—	149
	<u>7,195</u>	<u>13,914</u>	<u>12,005</u>	<u>21,001</u>

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

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

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

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

Property sub-leasing: The sub-leasing of properties in the PRC.

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 2019

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, tax recoverable, 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.

	Mainland China	Hong Kong				
	Property sub-leasing HK\$'000	Engineering consulting HK\$'000	Contracting HK\$'000	Interior design and decoration HK\$'000	Others HK\$'000	Total HK\$'000
For the six months ended 31 January 2019 (unaudited)						
Revenue	4,241	—	5,351	2,413	—	12,005
Segment results	604	—	(1,277)	(824)	—	(1,497)
Unallocated corporate expenses						(6,198)
Gain on disposal of subsidiaries						73
Loss before income tax						(7,622)
Income tax expense						(151)
Loss for the period						<u>(7,773)</u>
Included in segment results are:						
Depreciation of property, plant and equipment	243	—	—	—	—	243

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2019

4. REVENUE AND SEGMENT INFORMATION — *continued*

	Hong Kong				Total HK\$'000
	Engineering consulting HK\$'000	Contracting HK\$'000	Interior design and decoration HK\$'000	Others HK\$'000	
	For the six months ended 31 January 2018 (unaudited)				
Revenue	989	2,671	17,192	149	21,001
Segment results	(518)	(2,043)	1,146	(321)	(1,736)
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					(97)
Loss before income tax					(6,521)
Income tax expense					(244)
Loss for the period					<u>(6,765)</u>
Included in segment results are:					
Depreciation of property, plant and equipment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

5. OTHER INCOME

	Three months ended 31 January		Six months ended 31 January	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Government grants	—	—	—	22
Loan interest income	—	915	—	1,619
Others	63	291	165	310
	<u>63</u>	<u>1,206</u>	<u>165</u>	<u>1,951</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2019

6. LOSS BEFORE INCOME TAX

	Three months ended		Six months ended	
	31 January		31 January	
	2019	2018	2019	2018
	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	4,140	456	4,987	883
Impairment loss on trade receivables	—	88	—	88
Depreciation of property, plant and equipment	437	302	640	601
Staff costs (including directors' remuneration)				
– Salaries and allowances	2,241	3,435	4,694	6,883
– Mandatory provident fund contributions	89	104	197	208
Subcontracting charges	2,284	7,694	6,365	11,720
	<u>2,284</u>	<u>7,694</u>	<u>6,365</u>	<u>11,720</u>

7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	31 January		31 January	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong profits tax	—	244	—	244
PRC enterprise income tax	151	—	151	—
	<u>151</u>	<u>244</u>	<u>151</u>	<u>244</u>

Hong Kong profits tax is calculated at 16.5% (Six months ended 31 January 2018: 16.5%) of the estimated assessable profits of the Group for the period as stated above.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries are 25% from 1 January 2008 onwards.

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 2019

8. DIVIDEND

The Board did not recommend a payment of an interim dividend for the six months ended 31 January 2019 (Six months ended 31 January 2018: Nil).

9. LOSS PER SHARE

The calculations of basic loss per share for the three months and six months ended 31 January 2019 and 2018 are based on the following:

	Three months ended 31 January		Six months ended 31 January	
	2019	2018	2019	2018
	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>(3,376)</u>	<u>(9,119)</u>	<u>(9,672)</u>	<u>(9,769)</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 share in issue during the Relevant Period (Six months ended 31 January 2018: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the Relevant Period, the Group has spent approximately HK\$978,000 on property, plant and equipment (six months ended 31 January 2018: HK\$37,000). In addition, the Group had acquired property, plant and equipment with carrying value amounted to HK\$2,130,000 (six months ended 31 January 2018: Nil) through acquisition of a subsidiary during the Relevant Period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2019

11. TRADE AND OTHER RECEIVABLES

	31 January 2019 HK\$'000 (Unaudited)	31 July 2018 HK\$'000 (Audited)
Trade receivables (Note)	9,478	9,615
Retention receivables	335	336
Other receivables, deposits and prepayments	<u>25,471</u>	<u>3,142</u>
	<u><u>35,284</u></u>	<u><u>13,093</u></u>

Note: Generally, no credit period is granted to customers. The Group seeks to maintain strict control over its outstanding receivables and has applied necessary credit control policies to minimize credit risk. Overdue balances are reviewed regularly by senior management.

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

	31 January 2019 HK\$'000 (Unaudited)	31 July 2018 HK\$'000 (Audited)
0 – 30 days	1,591	7,627
31 – 60 days	–	2
61 – 90 days	1	1,171
91 – 365 days	7,886	715
Over 365 days	<u>–</u>	<u>100</u>
	<u><u>9,478</u></u>	<u><u>9,615</u></u>

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on the aforesaid, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2019

12. CASH AND CASH EQUIVALENTS

	31 January 2019 HK\$'000 (Unaudited)	31 July 2018 HK\$'000 (Audited)
Cash at banks	50,535	66,545
Cash on hand	<u>167</u>	<u>39</u>
Cash and cash equivalents	<u><u>50,702</u></u>	<u><u>66,584</u></u>

Notes:

(a) Analysis of cash and cash equivalents by currency:

	31 January 2019 HK\$'000 (Unaudited)	31 July 2018 HK\$'000 (Audited)
Denominated in HK\$	47,281	66,580
Denominated in RMB	<u>3,421</u>	<u>4</u>
	<u><u>50,702</u></u>	<u><u>66,584</u></u>

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates.

13. TRADE AND OTHER PAYABLES

	31 January 2019 HK\$'000 (Unaudited)	31 July 2018 HK\$'000 (Audited)
Trade payables (Note)	5,862	5,245
Accruals and other payables	<u>15,201</u>	<u>2,511</u>
	<u><u>21,063</u></u>	<u><u>7,756</u></u>

Note: Generally, no credit period is granted by suppliers.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2019

13. TRADE AND OTHER PAYABLES — *continued*

Note: — *continued*

As at 31 January 2019 and 31 July 2018, the ageing analysis of the Group's trade payables based on invoice date is as follows:

	31 January 2019 HK\$'000 (Unaudited)	31 July 2018 HK\$'000 (Audited)
0 – 30 days	117	3,758
31 – 60 days	5	612
61 – 90 days	1	91
Over 90 days	5,739	784
	<u>5,862</u>	<u>5,245</u>

14. 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 2018 and 31 January 2019	<u>2,000,000,000</u>	<u>20,000</u>
	Number of ordinary shares	Share premium HK\$'000
Issued and fully paid:		
As at 31 July 2018 and 31 January 2019	<u>411,200,000</u>	<u>4,112</u> <u>24,394</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 January 2019

15. OTHER RESERVES

	Merger reserve HK\$'000 (Note 1)	Translation reserve HK\$'000	Statutory reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 August 2017	(494)	—	—	67,850	67,356
Loss and total comprehensive expense for the period	—	—	—	(9,769)	(9,769)
Balance at 31 January 2018 (unaudited)	<u>(494)</u>	<u>—</u>	<u>—</u>	<u>58,081</u>	<u>57,587</u>
Balance at 1 August 2018	(494)	—	—	53,199	52,705
Loss and total comprehensive income/(expense) for the period	—	393	—	(9,672)	(9,279)
Transfer to reserve	—	—	85	(85)	—
Balance at 31 January 2019 (unaudited)	<u>(494)</u>	<u>393</u>	<u>85</u>	<u>43,442</u>	<u>43,426</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.

16. COMMITMENTS

(a) Operating lease commitments – The Group as lessee

As at 31 January 2019, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 January 2019 HK\$'000 (Unaudited)	31 July 2018 HK\$'000 (Audited)
No later than 1 year	29,668	3,173
Later than 1 year and no later than 5 years	68,952	1,662
Beyond five years	55,601	—
	<u>154,221</u>	<u>4,835</u>

The Group is the lessee in respect of properties for sub-leasing business, office premises and equipment under operating leases. The leases typically run for an initial period of 5 months to 10 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 2019

16. COMMITMENTS – *continued*

(b) Operating lease commitments – The Group as lessor

The Group sub-leases its properties in the PRC under operating leases. Sub-leases of properties in the PRC usually run for 5 months to 5 years. Lease payments are usually negotiated to reflect market rentals. None of the leases includes contingent rentals.

The minimum lease receivables under non-cancellable operating leases are as follows:

	31 January 2019 HK\$'000 (Unaudited)	31 July 2018 HK\$'000 (Audited)
No later than 1 year	16,178	–
Later than 1 year and no later than 5 years	<u>27,471</u>	<u>–</u>
	<u>43,649</u>	<u>–</u>

17. 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Directors' emoluments	<u>1,014</u>	<u>513</u>	<u>1,940</u>	<u>1,026</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 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 prevention works.

The Group experienced a decrease in revenue and an increase in net loss for the Relevant Period compared to the same period last year. The Directors consider that the changes were mainly due to a drastic decrease in revenue derived from the provision of engineering consulting services, interior design services and decoration works services as the entire engineering industry in Hong Kong has been shrinking due to the filibustering in the Hong Kong Legislative Council since 2015.

The Directors also consider that the aforesaid decrease in revenue was as a result of the resignation of several key experts and experienced consultants who were responsible for the Company's engineering consulting services and the Company has yet to identify suitable replacements during the Relevant Period. The decrease in revenue was partially offset by the increase in revenue generated from the provision of contracting services.

The Directors are always cautiously monitoring the overall construction costs with respect to the works undertaken by the Group as contractor which are affected by various factors including, but not limited to the overall market conditions, costs in the construction industry and the overall economy in Hong Kong.

On 12 February 2019, the Company appointed Mr. So Chi Wai ("Mr. So") as the chief operating officer of the Group with effect from the same date and he is responsible for overseeing the engineering consulting and contracting business and report to the Board. Mr. So has over 30 years of experience in civil engineering industry and over 20 years of experience in geotechnical engineering field in Hong Kong. Based on Mr. So's profile and experience, the Directors are of the view that the appointment of Mr. So could be regarded as a suitable replacement for the resigned experts and experienced consultants in engineering consulting and contracting business and expect that Mr. So will provide valuable contribution to the Company.

In order to expand the Group's business in the People's Republic of China (the "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 an equity transfer agreement with Mr. Wang Longzuo (the "Vendor"), pursuant to which the Group has agreed to purchase and the Vendor has agreed to sell 100% equity interest in Shenzhen Zhongshengtu Assets Management Co., Ltd (深圳中深國投資產管理有限公司) (the "ZSGT"), a company established in the PRC with limited liability for the consideration of HK\$11,648,400. ZSGT is engaged in subletting business in which it sublets partitioned office premises located at Shenzhen to various sub-tenants. The transaction completed on 8 November 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite the short operating history and track record, the financial performance of ZSGT has grown steadily since completion of acquisition, which is mainly attributable to (i) annual increase in the number of startup companies in the PRC in recent years which has in turn led to increasing demand for small-sized offices in the PRC; and (ii) the concept of “sharing offices” has become more popular and widely accepted in the PRC in recent years as it offers a more flexible and affordable way for the entrepreneurs to startup and grow their businesses.

Looking forward, the Directors expect that the competition of the construction market will continue to be intense notwithstanding the fact that the HKSAR Government has implemented different policies such as “Long Term Housing Strategies” and “Lantau Tomorrow” in the Chief Executive’s 2018 Policy Address on 10 October 2018, which may in turn revitalise Hong Kong’s construction engineering industry. 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 prudently 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 addition, the Directors are of the view that the acquisition of ZSGT can provide a very stable rental income to the Group and with a huge growth potential. The Company is devoted to developing the business of the provision of sharing office service in the PRC and will periodically consider different business opportunities in PRC so as to enhance the future returns to the Group and the shareholders of the Company.

FINANCIAL REVIEW

Revenue

Our revenue decreased from approximately HK\$21 million for the six months ended 31 January 2018 to approximately HK\$12 million for the Relevant Period, representing a decrease of approximately 42.8%. 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.

During the six months ended 31 January 2019, the Group acquired 100% equity interest in ZSGT. ZSGT is principally engaged in property sub-leasing business in the PRC and is currently managing a portfolio of 6 projects with a gross floor area of approximately 10,000 square meters. Since the acquisition, ZSGT has contributed approximately HK\$4,241,000 to the Group’s revenue during the Relevant Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Our cost of sales decreased from approximately HK\$17.6 million for the six months ended 31 January 2018 to approximately HK\$9.9 million for the Relevant Period, representing a decrease of approximately 43.5%. Such decrease was mainly attributable to the decrease in subcontracting charges and cost of direct materials incurred during the Relevant Period. The decrease in subcontracting charges and cost of direct materials by approximately HK\$5.1 million and HK\$3.8 million respectively as compared to the six months ended 31 January 2018 was due to the downturn of the business of provision of interior design services and decoration works.

Gross Profit

Our gross profit decreased from approximately HK\$3.4 million for the six months ended 31 January 2018 to HK\$2.1 million for the Relevant Period, representing a decrease of approximately 39.3%, as a result of the decrease in our revenue and cost of sales as discussed above.

Other Income

Our other income decreased by approximately HK\$1,786,000 from approximately HK\$1,951,000 for the six months ended 31 January 2018 to approximately HK\$165,000 for the Relevant Period, representing a decrease of approximately 91.5%. The substantial decrease in other income was because no loan interest income had been generated during the Relevant Period (six months ended 31 January 2018: HK\$1,619,000).

Administrative and Other Operating Expenses

Our administrative and other operating expenses amounted to approximately HK\$11.9 million and HK\$9.9 million for the six months ended 31 January 2018 and 2019, respectively, representing a decrease of approximately 16.3%. Such decrease was primarily due to the decrease in staff costs of approximately HK\$2.2 million which was resulted by tightened cost control measures implemented by the Group during the Relevant Period.

Income Tax Expense

For the six months ended 31 January 2018 and 2019, our income tax expense amounted to approximately HK\$244,000 and HK\$151,000, respectively, representing a decrease of approximately 38.1%. Such decrease was primarily due to the loss from the interior design and decoration segment for the Relevant Period, as a result of the downturn 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\$9.7 million for the Relevant Period, remained at the level similar to that for the six months ended 31 January 2018.

Interim Dividend

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

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

The Group maintained a healthy financial position during the Relevant Period. As at 31 January 2019, the Group had a cash and bank balance of approximately HK\$50.7 million (31 July 2018: approximately HK\$66.6 million). The current ratio as at 31 January 2019 was approximately 3.7 (31 July 2018: approximately 9.8).

Gearing Ratio

The gearing ratio of the Group as at 31 January 2019 was nil (31 July 2018: Nil), which remained low as the Group was not in need of any 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 2019, the Group did not have any charges on its assets (31 July 2018: Nil).

Foreign Exchange Exposure

Most of the Group's bank balances and income are denominated in either Renminbi or Hong Kong dollars. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. The Directors considered that no hedging of exchange risk is required and accordingly, there were no financial instruments being used for hedging purposes during the six months ended 31 January 2019. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.

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 2019, the share capital and equity attributable to owners of the Company amounted to approximately HK\$4.1 million and HK\$71.9 million respectively (31 July 2018: approximately HK\$4.1 million and HK\$81.2 million respectively).

Capital Commitments

As at 31 January 2019, the Group did not have any capital commitments (31 July 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources Management

As at 31 January 2019, the Group had 28 (31 July 2018: 22) employees, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$4.9 million for the Relevant Period as compared to approximately HK\$7.1 million for the six months ended 31 January 2018. 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 Acquisition and Disposals

ZSGT

On 8 November 2018, the Group completed the acquisition of 100% equity interest in ZSGT. ZSGT is principally engaged in property sub-leasing in the PRC. For details of the acquisition, please refer to the Company's announcements dated 17 September 2018 and 15 October 2018.

Contingent Liabilities

As at 31 January 2019, the Group did not have any material contingent liability (31 July 2018: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 in this announcement, 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. Mr. Lin Ye was appointed as the Chairman of the Board on 12 October 2018, 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.

EVENT AFTER THE RELEVANT PERIOD

The Board has proposed to change the English name of the Company (the "Proposed Change of Company Name") from "KSL Holdings Limited" to "China All Nation International Holdings Group Limited", and to adopt and register the Chinese name of "中國全民國際控股集團有限公司" as the dual foreign name of the Company, which will form part of the Company's name.

The special resolution for the Proposed Change of Company Name was duly passed by the Shareholders at the extraordinary general meeting held on 21 January 2019. Further announcement(s) will be made by the Company as and when appropriate to inform the Shareholders of the effective date of the Proposed Change of Company Name and the new stock short name of the Company for trading of the Shares on the Stock Exchange. For details, please refer to the announcement of the Company dated 3 December 2018, the circular of the Company dated 27 December 2018 and the poll results announcement of the Company dated 21 January 2019.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2019.

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, Ms. Guo Liying 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.

By order of the Board
KSL Holdings Limited
Lin Ye
Chairman

Hong Kong, 15 March 2019

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.