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KSL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8170)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 OCTOBER 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 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 collectively and individually accept full responsibility, includes particulars given in compliance with the Rules (the “GEM Listing Rules”) Governing the Listing of Securities on GEM of the Stock Exchange 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 THREE MONTHS ENDED 31 OCTOBER 2018

- The Group's revenue amounted to approximately HK\$4.8 million for the Relevant Period, representing a decrease of approximately HK\$2.3 million or approximately 32.1% as compared to the three months ended 31 October 2017.
- The loss attributable to owners of the Company is approximately HK\$6.3 million for the Relevant Period, representing an increase of approximately HK\$5.6 million or approximately 868.6% as compared to the three months ended 31 October 2017, which is mainly due to (i) the decrease in revenue derived from the provision of engineering consulting services, interior design services and decoration works during the Relevant Period; and (ii) the lack of fair value gain on financial assets at fair value through profit or loss of approximately HK\$2.5 million for the three months ended 31 October 2017.
- The Board does not recommend the payment of dividend for the Relevant Period.

FIRST QUARTERLY RESULTS

The board (the “Board”) of Directors 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 three months ended 31 October 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 months ended 31 October 2018

	Notes	Three months ended 31 October	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	4,810	7,087
Cost of sales	4	<u>(4,287)</u>	<u>(5,972)</u>
Gross profit		523	1,115
Other income		102	745
Fair value changes on financial assets			
at fair value through profit or loss		—	2,480
Gain on disposal of subsidiaries		73	—
Administrative and other operating expenses		<u>(4,514)</u>	<u>(5,871)</u>
Loss before income tax		(3,816)	(1,531)
Income tax expense	5	<u>—</u>	<u>—</u>
Loss and total comprehensive expense for the period		<u><u>(3,816)</u></u>	<u><u>(1,531)</u></u>
(Loss)/profit and total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(6,296)	(650)
Non-controlling interests		<u>2,480</u>	<u>(881)</u>
Loss and total comprehensive expense for the period		<u><u>(3,816)</u></u>	<u><u>(1,531)</u></u>
Basic and diluted loss per share	7	<u><u>(1.5)</u></u>	<u><u>(0.2)</u></u>

Details of dividends are disclosed in Note 6 to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 October 2018

	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
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>(650)</u>	<u>(650)</u>	<u>(881)</u>	<u>(1,531)</u>
Balance at 31 October 2017 (unaudited)	<u>4,112</u>	<u>24,394</u>	<u>66,706</u>	<u>95,212</u>	<u>(1,061)</u>	<u>94,151</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	<u>—</u>	<u>—</u>	<u>(6,296)</u>	<u>(6,296)</u>	<u>2,480</u>	<u>(3,816)</u>
Disposal of subsidiaries	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>31</u>	<u>31</u>
Balance at 31 October 2018 (unaudited)	<u>4,112</u>	<u>24,394</u>	<u>46,409</u>	<u>74,915</u>	<u>(1,691)</u>	<u>73,224</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 October 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 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 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 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 for the Relevant Period have been prepared by the Directors in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the GEM Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations. Intra-group balances and transactions, if any, have been fully and properly eliminated. The accounting policies and basis of preparation adopted in the preparation of the financial statements for the three months ended 31 October 2018 are consistent with those adopted in the consolidated financial statements of the Company for the year ended 31 July 2018.

The unaudited condensed consolidated financial statements for the Relevant Period have not been audited by the Company's independent auditors, but have been reviewed by the Company's Audit Committee.

The unaudited condensed consolidated financial statements for the Relevant Period are presented in Hong Kong dollars ("HK\$"), which is the functional currency of the Company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 October 2018

3. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents receipts from provision of engineering consulting, contracting and interior design services and decoration works in the ordinary course of business. Revenue recognised during the three months ended 31 October 2018 and 2017 are as follows:

	Three months ended 31 October	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Engineering consulting	—	989
Contracting	3,502	1,999
Interior design and decoration	<u>1,308</u>	<u>4,099</u>
	<u><u>4,810</u></u>	<u><u>7,087</u></u>

The management of the Company has decided 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. The principal activities of the different 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 for private offices and residential properties, and other small-scaled projects.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 October 2018

4. COST OF SALES

	Three months ended 31 October	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Staff costs	—	705
Subcontracting charges	4,081	4,383
Direct materials	199	688
Other expenses	7	196
	<u>4,287</u>	<u>5,972</u>

5. INCOME TAX EXPENSE

	Three months ended 31 October	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Hong Kong profits tax	<u>—</u>	<u>—</u>

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit of the Group for the Relevant Period.

6. DIVIDEND

The Board did not recommend the payment of dividend for the Relevant Period (Three months ended 31 October 2017: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 October 2018

7. LOSS PER SHARE

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

	Three months ended 31 October	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Loss:		
Loss for the purpose of calculating basic loss per share (loss for the period attributable to owners of the Company)	<u>(6,296)</u>	<u>(650)</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>

No diluted loss per share was presented as there was no potential ordinary shares in issue during the Relevant Period (For the three months ended 31 October 2017: Nil).

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 a substantial 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. The decrease in revenue is 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.

Looking forward, the Directors expect that the competition of the 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 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 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 Zhongshengtuotou Assets Management Co., Ltd (深圳中深國投資產管理有限公司) (the "Target Company"), a company established in the PRC with limited liability for the consideration of HK\$11,648,400. The Target Company 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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue decreased from approximately HK\$7.1 million for the three months ended 31 October 2017 to approximately HK\$4.8 million for the Relevant Period, representing a decrease of approximately 32.1%. Such decrease was mainly due to the decrease in the Group's revenue derived from the provision of engineering consulting services and the provision of interior design services and decoration works services as a result of the intense competition faced by the Group and the entire shrinking engineering industry in Hong Kong as discussed above.

Cost of Sales

Our cost of sales decreased from approximately HK\$6.0 million for the three months ended 31 October 2017 to approximately HK\$4.3 million for the Relevant Period, representing a decrease of approximately 28.2%. 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 staff costs incurred during the Relevant Period due to a decrease in engineering staff as a result of the downturn of the business of provision of engineering consulting services. The Group recorded a lower percentage decrease in its cost of sales than the percentage decrease in its revenue during the Relevant Period, which led to a decrease in the Group's gross profit margin from approximately 15.7% for the three months ended 31 October 2017 to approximately 10.9% for the Relevant Period.

Gross Profit

Our gross profit decreased from approximately HK\$1.1 million for the three months ended 31 October 2017 to approximately HK\$523,000 for the Relevant Period, representing a decrease of approximately 53.1%, as a result of the substantial decrease in our revenue as discussed above.

Other Income

Our other income decreased by approximately HK\$643,000 from approximately HK\$745,000 for the three months ended 31 October 2017 to approximately HK\$102,000 for the Relevant Period, representing a decrease of approximately 86.3%. The decrease in other income was because no loan interest income had been generated during the three months ended 31 October 2018 (2017: HK\$704,000).

Fair value changes on financial assets at fair value through profit or loss

For the three months ended 31 October 2017 and 2018, our fair value changes on financial assets at fair value through profit or loss amounted to a gain of approximately HK\$2.5 million and nil respectively. The disposal of all equity securities held by the Group during the fiscal year ended 2017/18 resulted to the nil gain for the Relevant Period on the aforesaid fair value changes on financial assets at fair value through profit and loss.

Administrative and Other Operating Expenses

Our administrative and other operating expenses amounted to approximately HK\$5.9 million and HK\$4.5 million for the three months ended 31 October 2017 and 2018 respectively, representing a decrease of approximately 23.1%. Such decrease was primarily due to the decrease in staff costs of approximately HK\$1 million and

MANAGEMENT DISCUSSION AND ANALYSIS

legal and professional fees of approximately HK\$0.3 million, which were resulted by tightened cost control measures implemented by the Group during the Relevant Period and less legal and professional fees paid in respect of a potential acquisition.

Loss for the Period

As a result of the aforesaid and in particular the substantial decrease in revenue as discussed above, the Group has recorded a loss of approximately HK\$6.3 million for the Relevant Period attributable to owners of the Company, representing a substantial increase of approximately HK\$5.6 million or 868.6% compared to a loss of approximately HK\$650,000 for the three months ended 31 October 2017.

Dividend

The Board does not recommend the payment of dividend for the Relevant Period (Three months ended 31 October 2017: Nil).

DISCLOSURE OF INTERESTS

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

As at 31 October 2018, the interests and short positions of the Directors and chief executive of the Company in the shares (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 (Chapter 571 of the laws of Hong Kong (the "SFO")) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

Name of Directors	Capacity	Number of ordinary shares interested	Approximate percentage of shareholding
Mr. Lin Ye	Beneficial owner	29,513,000	7.18%

Save as disclosed above and so far as is known to the Directors, as at 31 October 2018, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 October 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	32,135,000	7.81%

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 October 2018, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Disclosure of Interests" 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.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPETITION AND CONFLICT OF INTEREST

Having made specific enquiry of all Directors and substantial shareholders, during the Relevant Period, none of the Directors 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, SALES OF 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, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors (the "Code of Conduct") on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct during the Relevant Period and up to the date of this announcement.

SHARE OPTION SCHEME

The Company 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 option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 October 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE RELEVANT PERIOD

On 3 December 2018, the Company announced that it proposed to change the English name of the Company 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 “**Proposed Change of Company Name**”). The Proposed Change of Company Name is subject to the approval of the shareholders of the Company and of the Registrar of Companies in the Cayman Islands. For details, please refer to the announcement of the Company dated 3 December 2018.

As at the date of this announcement, the Proposed Change of Company Name is yet to complete.

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 C.3.3 and C.3.7 of the CG 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. The Audit Committee consists of three members, namely Ms. Kwong Ka Ki (Chairperson), Mr. Yu Hua Chang and Ms. Guo Liying, all being independent non-executive Directors, Ms. Kwong Ka Ki currently serves as the chairperson of the Audit Committee.

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

By order of the Board
KSL Holdings Limited
Lin Ye
Chairman

Hong Kong, 11 December 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.