

KSL Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8170

Third Quarterly Report 2014

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

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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.

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This report, for which the directors (the “Directors”) of KSL Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.

FINANCIAL HIGHLIGHT

- The Group's revenue amounted to approximately HK\$120.5 million for the nine months ended 30 April 2015, representing an increase of approximately HK\$79.9 million or 196.9% as compared with the nine months ended 30 April 2014.
- The profit attributable to owners of the Company is approximately HK\$24.6 million for the nine months ended 30 April 2015, representing an increase of approximately HK\$6.9 million or 38.9% as compared with the nine months ended 30 April 2014 mainly due to increase in income from our contracting business with the increase in number of contracting projects undertaken by the Group during the nine months ended 30 April 2015.
- The Board does not recommend the payment of dividend for the nine months ended 30 April 2015.

THIRD QUARTERLY RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the nine months ended 30 April 2015 (the "Relevant Period"), together with the unaudited comparative figures for the corresponding period in 2014, as follows:

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

For the nine months ended 30 April 2015

		Nine months ended 30 April	
		2015	2014
Notes		HK\$' 000	HK\$' 000
		(Unaudited)	(Unaudited)
Revenue	3	120,461	40,574
Cost of sales	4	<u>(76,494)</u>	<u>(13,192)</u>
Gross profit		43,967	27,382
Other income		404	125
Administrative and other operating expenses	5	<u>(13,428)</u>	<u>(5,921)</u>
Operating profit		30,943	21,586
Finance costs		<u>(51)</u>	<u>(127)</u>
Profit before income tax		30,892	21,459
Income tax expense	6	<u>(6,281)</u>	<u>(3,742)</u>
Profit and total comprehensive income for the period attributable to owners of the Company		<u>24,611</u>	<u>17,717</u>
		HK cents	HK cents
Basic and diluted earnings per share	8	<u>6.4</u>	<u>4.9</u>

Details of dividends are disclosed in Note 7 to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 April 2015

	Share capital HK\$' 000	Share premium HK\$' 000	Merger reserve HK\$' 000 (Note 1)	Retained earnings HK\$' 000	Total HK\$' 000
Balance at 1 August 2014	20	—	—	52,810	52,830
Arising from the reorganisation	494	—	(494)	—	—
Capitalisation issue	3,084	(3,084)	—	—	—
Placing of shares	514	30,326	—	—	30,840
Expenses incurred in connection with the placing of shares	—	(2,868)	—	—	(2,868)
Profit and total comprehensive income for the period	—	—	—	24,611	24,611
Dividend to equity holders	—	—	—	(22,590)	(22,590)
Balance at 30 April 2015 (unaudited)	4,112	24,374	(494)	54,831	82,823
Balance at 1 August 2013 (Note 2)	20	—	—	27,852	27,872
Profit and total comprehensive income for the period	—	—	—	17,717	17,717
Balance at 30 April 2014 (unaudited)	20	—	—	45,569	45,589

Notes:

1. Merger reserve represents the difference between the share capital issued by the Company for acquisition of the subsidiaries pursuant to a reorganisation for the listing and the aggregate capital of the subsidiaries being acquired at the time of the reorganisation.
2. For the purpose of the preparation of the unaudited condensed consolidated statement of changes in equity, the balance of the share capital at 30 April 2014 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the reorganisation.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 April 2015

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 Office A and Office B, 12th Floor, Billion Plaza 2, 10 Cheung Yue Street, Kowloon, 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 "Listing Date").

Pursuant to the reorganisation of the Group (the "Reorganisation") in connection with the listing of the shares of the Company on the GEM (the "Listing"), the Company became the holding company of the Group on 19 November 2014. Details of the Reorganisation are set out in the prospectus of the Company dated 28 November 2014 (the "Prospectus").

The principal activity of the Company is investment holding. The Group's principal activities are the provision of engineering consulting, contracting and project management services in Hong Kong with a focus on geotechnical engineering works.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the nine months ended 30 April 2015 have been prepared by our Directors in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by 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 nine months ended 30 April 2015 are consistent with those adopted in the Group's annual financial statements for the year ended 31 July 2014.

The unaudited condensed consolidated financial statements for the nine months ended 30 April 2015 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 nine months ended 30 April 2015 are presented in Hong Kong dollars ("HK\$"), which is the same functional currency of the Company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 April 2015

3. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents receipts from provision of engineering consulting, contracting and project management services in the ordinary course of business. Revenue recognised during the nine months ended 30 April 2015 are as follows:

	Nine months ended 30 April	
	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Engineering consulting	27,341	31,156
Contracting	88,431	3,571
Project management	4,500	5,640
Others	189	207
	<u>120,461</u>	<u>40,574</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 and related geotechnical works as contractor.

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

Others: Organisation of continuing professional development courses, seminars and conferences, provision of related administration services and sales of technical books in Hong Kong.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 April 2015

4. COST OF SALES

	Nine months ended 30 April	
	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Staff costs	9,056	8,337
Subcontracting charges	64,155	2,462
Other expenses	3,283	2,393
	<u>76,494</u>	<u>13,192</u>

5. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	Nine months ended 30 April	
	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Staff costs including directors' emoluments	5,478	3,345
Listing expenses	2,329	—
Legal and professional fees	1,555	—
Operating lease rental on premises	958	—
Other expenses	3,108	2,576
	<u>13,428</u>	<u>5,921</u>

6. INCOME TAX EXPENSE

	Nine months ended 30 April	
	2015 HK\$' 000 (Unaudited)	2014 HK\$' 000 (Unaudited)
Hong Kong profits tax	<u>6,281</u>	<u>3,742</u>

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit of the Group for the period as stated above.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 April 2015

7. DIVIDEND

No dividend was paid or proposed to the owners of the Company since its incorporation, nor has any dividend been proposed since the end of the Relevant Period and up to the date of this report. In September 2014, Victor Li & Associates Limited, KSL Engineering Limited and Centre For Research & Professional Development Limited, all being subsidiaries of the Company, declared and paid dividends of an aggregate amount of HK\$22,590,000 to their respective then shareholder.

The Board did not recommend the payment of dividend for the nine months ended 30 April 2015 (nine months ended 30 April 2014: nil).

8. EARNINGS PER SHARE

The calculations of basic earnings per share for the nine months ended 30 April 2015 are based on the followings:

	Nine months ended 30 April	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	24,611	17,717
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	387,476,923	359,800,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and Capitalisation Issue had been effective on 1 August 2013.

No diluted earnings per share was presented as there was no potential ordinary shares in issue during the Relevant Period.

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK\$40.6 million for the nine months ended 30 April 2014 to approximately HK\$120.5 million for the nine months ended 30 April 2015, representing a growth of approximately 196.9%. Such increase was mainly due to the increase in geotechnical engineering services provided by our Group as a result of the overall development in the construction industry in Hong Kong and the increase in number of contracting projects undertaken by the Group during the Relevant Period.

Cost of Sales

Our cost of sales increased from approximately HK\$13.2 million for the nine months ended 30 April 2014 to approximately HK\$76.5 million for the nine months ended 30 April 2015, representing an increase of approximately 479.9%. Such increase was mainly attributable to the increase in our subcontracting charges with the increase in number of contracting projects undertaken by the Group during the Relevant Period.

Gross Profit

Our gross profit amounted to approximately HK\$27.4 million and HK\$44.0 million for the nine months ended 30 April 2014 and 2015 respectively, representing a growth of approximately 60.6%, as a result of the increase in our revenue as discussed above.

Our gross profit margin decreased from approximately 67.5% for the nine months ended 30 April 2014 to approximately 36.5% for the nine months ended 30 April 2015, mainly due to a larger proportion of our revenue for the current period being derived from our contracting business as compared with that in the previous period. Our contracting business generally has lower gross profit margin (albeit usually associated with larger absolute amount of revenue) as compared with our engineering consulting and project management business. This is because our business model for our contracting business involves the use of subcontractors, resulting in subcontracting charges incurred by us and thus lower gross profit margin, while our engineering consulting and project management business do not involve the use of subcontractors.

Other Income

Our other income amounted to approximately HK\$125,000 and HK\$404,000 for the nine months ended 30 April 2014 and 2015 respectively, representing an increase of approximately 223.2%, which was mainly due to the increase in rental income earned from the rental of the leasehold properties to a third party starting from January 2015.

Administrative and Other Operating Expenses

Our administrative and other operating expenses amounted to approximately HK\$5.9 million and HK\$13.4 million for the nine months ended 30 April 2014 and 2015 respectively, representing an increase of approximately 126.8%. Such increase was primarily due to the listing expenses of approximately HK\$2.3 million, legal and professional fee upon the Listing of approximately HK\$1.6 million and rental expenses of office premises of approximately HK\$1.0 million upon the rental of new office premises in September 2014 incurred during the nine months ended 30 April 2015 (2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

For the nine months ended 30 April 2014 and 2015, our finance costs amounted to approximately HK\$127,000 and HK\$51,000 respectively, representing a decrease of approximately 59.8%. Such decrease was mainly due to the combined effect of (i) the reduction in our interest expense on bank borrowing from approximately HK\$127,000 for the nine months ended 30 April 2014 to approximately HK\$40,000 for the nine months ended 30 April 2015 as a result of the full repayment of bank borrowing in October 2014; and (ii) offset by the increase in interest on finance lease from nil for the nine months ended 30 April 2014 to approximately HK\$11,000 for the nine months ended 30 April 2015 mainly because of the purchase of our motor vehicle by way of finance lease arrangement.

Income Tax Expenses

For the nine months ended 30 April 2014 and 2015, our income tax expenses amounted to approximately HK\$3.7 million and HK\$6.3 million respectively, representing an increase of approximately 67.9%. Such increase was primarily due to the increase in profit for the period which was consistent with the increase in revenue for the Relevant Period.

Profit for the Period

As a result of the aforesaid and in particular our increase in revenue and increase in cost of sales as discussed above, our profit and total comprehensive income for the Relevant Period attributable to owners of our Company increased from approximately HK\$17.7 million for the nine months ended 30 April 2014 to approximately HK\$24.6 million for the nine months ended 30 April 2015, representing an increase of approximately 38.9%.

Dividend

The Board did not recommend any payment of dividend for the nine months ended 30 April 2015 (nine months ended 30 April 2014: nil).

BUSINESS REVIEW AND OUTLOOK

We are principally engaged in the provision of engineering consulting, contracting and project management services in Hong Kong with a focus on geotechnical engineering works. Geotechnical engineering is a branch of civil engineering concerned with the study and modification of soil and rocks. The geotechnical engineering works in which we participated as a consultant, contractor and/or project manager included foundation design and construction works for building construction projects, excavations and structural designs for the construction of underground facilities, site formation works and landslip preventive works.

The Company's shares (the "Shares") were successfully listed on the GEM on 5 December 2014 by way of placing ("Placing"). 102,800,000 placing shares (comprising 51,400,000 new shares offered by the Company and 51,400,000 sale shares offered by the selling shareholder) were placed at HK\$0.6 per share pursuant to the Placing. The net proceeds from the Placing were about HK\$21.7 million after deduction of listing-related expenses.

The Directors consider that the continued increase in major infrastructure and construction projects in Hong Kong had led to a general increase in the demand for geotechnical engineering services, resulting in more business opportunities being presented to and secured by our Group and thus recording an increase in our revenue for the nine months ended 30 April 2015 as compared to the same period in 2014.

Looking forward, our Group will continue to pursue the following key business strategies: (i) further developing our contracting business by making use of additional financial resources available from the Placing to undertake more geotechnical engineering projects, as the aggregate number and size of projects that we are able to undertake in our contracting business hinges on the amount of our available working capital in view of the time lags that often exist between making payments to our subcontractors and receiving payments from our customers and the possible requirements for surety bonds; (ii) further strengthening our in-house team of engineering staff by recruiting additional qualified and experienced engineers in order to cope with our business development and our plan to further develop for our contracting business and by providing more training opportunities to our engineering staff; and (iii) developing more efficient in-house computer programs for use in developing engineering designs for our engineering consulting and contracting businesses by upgrading some of our engineering computer programs and recruiting a dedicated in-house information technology officer.

DISCLOSURE OF INTERESTS

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

As at 30 April 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to in the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long Position in the Company's Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Dr. Li Kai Shun (Note 1)	Interest in controlled corporation	308,400,000	75%

Note:

- Dr. Li Kai Shun ("Dr. Li") beneficially owns the entire issued share capital of Sonic Solutions Limited ("Sonic Solutions") and is deemed, or taken to be, interested in all the Shares by Sonic Solutions for the purposes of the SFO. Dr. Li is an executive Director, the chairman of the Company and the sole director of Sonic Solutions.

MANAGEMENT DISCUSSION AND ANALYSIS

DISCLOSURE OF INTERESTS – *continued*

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

- (ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/Nature	Number of Shares held/ interested in	Percentage of shareholding
Dr. Li	Sonic Solutions	Beneficial owner	1	100%

Save as disclosed above, as at 30 April 2015, none of the Directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept under Section 352 of the SFO; or was required as otherwise to notify the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company.

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

As at 30 April 2015, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/ interested in	Long/short position	Percentage of total issued share capital of the Company
Dr. Li (Note 1)	Interest in controlled corporation	308,400,000	Long	75%
Ms. Lam Joley (Note 2)	Interest of spouse	308,400,000	Long	75%
Sonic Solutions (Note 1)	Beneficial owner	308,400,000	Long	75%

Notes:

- Dr. Li beneficially owns the entire issued share capital of Sonic Solutions and is deemed, or taken to be, interested in all the Shares held by Sonic Solutions for the purposes of the SFO. Dr. Li is an executive Director, the chairman of the Company and the sole director of Sonic Solutions.
- Ms. Lam Joley is the spouse of Dr. Li and is deemed, or taken to be, interested in all the Shares in which Dr. Li is interested for the purposes of the SFO.

Save as disclosed above, as at 30 April 2015, no person, other than the Directors and chief executive of the Company whose interests are set out in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” 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.

COMPETING INTERESTS

During the nine months period ended 30 April 2015, 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.

INTEREST OF COMPLIANCE ADVISOR

As at 30 April 2015, as notified by the Company’s compliance advisor, Messis Capital Limited (the “Compliance Advisor”), except for the compliance advisor agreement entered into between the Company and the Compliance Advisor dated on 18 September 2014, neither the Compliance Advisor nor its directors, employees or associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

PURCHASE, SALES OF REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Since the Listing Date to 30 April 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE CODE

Since the Listing Date to 30 April 2015, 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 since the Listing Date to 30 April 2015.

DIVIDEND

The Board did not recommend the payment of dividend for the nine months ended 30 April 2015 (nine months ended 30 April 2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 April 2015.

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 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 Mr. Ong Chi King, Mr. Ho Ho Ming and Mr. Ko Chi Keung, all being independent non-executive Directors. Mr. Ong Chi King currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 April 2015.

By order of the Board
KSL Holdings Limited
Li Kai Shun
Chairman and Executive Director

Hong Kong, 11 June 2015

As at the date of this report, the executive Directors are Dr. LI Kai Shun, Mr. TAM Yi Shek, Mr. CHAN Kin Pong and Mr. TSANG Siu Wah; and the independent non-executive Directors are Mr. HO Ho Ming, Mr. KO Chi Keung and Mr. ONG Chi King.