

A. EXPLANATORY NOTES PURSUANT TO FRS 134

1. BASIS OF PREPARATION

The interim financial statements have been prepared under the historical cost convention except for the investment properties which have been measured at fair values.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2009.

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2009 except for the adoption of the following new and revised Financial Reporting Standards (“FRSs”) and Issues Committee (“IC”) Interpretations which are relevant to the Group’s operation with effect from 1 January 2010:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Share-base Payment- Vesting Conditions and Cancellations
Amendments to FRS 116	Property, Plant and Equipment
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 140	Investment Property
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Financial Instruments: Recognition and Measurement, Financial Instruments: Disclosures and Reassessment of Embedded Derivatives
Amendments to FRSs	Improvements to FRSs (2009)
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2- Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The adoption of the above did not have any significant effects on the interim financial report upon their initial application, other than as discussed below:

a. FRS 101: *Presentation of Financial Statements (revised)*

Prior to 1 January 2010, the components of a set of financial statements consisted of a balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the financial statements. Upon the adoption of the revised FRS 101, a set of financial statements shall now comprise:

1. a statement of financial position;
2. a statement of comprehensive income;
3. a statement of changes in equity;
4. a statement of cash flows; and
5. notes to the financial statements

The statement of comprehensive income consists of profit or loss for the period and other comprehensive income. All non-owner changes in equity previously presented in the consolidated statement of changes in equity are now presented in the statement of comprehensive income as components in other comprehensive income.

This standard did not have any impact on the financial position and results of the Group.

b. FRS 139: *Financial Instruments: Recognition and Measurement*, FRS 7: *Financial Instruments: Disclosures* and Amendments to FRS 139: *Financial Instruments: Recognition and Measurement*

The new Standards on FRS 139: *Financial Instruments: Recognition and Measurement* establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: *Financial Instruments: Presentation* and the requirements for disclosing information about financial instruments are in FRS 7: *Financial Instruments: Disclosures*.

FRS 7: *Financial Instruments: Disclosures* is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's exposure to risks, enhanced disclosure regarding components of the Group's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

These standards did not have any significant impact on the financial position and results of the Group.

c. Amendments to FRS 116: *Property, Plant and Equipment* and FRS 140: *Investment Property*

Prior to 1 January 2010, property being constructed or developed for future use as investment property is classified as property, plant and equipment until the construction or development is completed. Upon the adoption of the Amendments to FRS 116 and FRS 140, such property is accounted for as investment property rather than property, plant and equipment.

The effects arising from the adoption of Amendments to FRS 116 and FRS 140 are as follows:

	Increase/ (Decrease) RM'000
Property, plant and equipment	(90,301)
Investment properties	<u>90,301</u>

Since Amendments to FRS 116 and FRS 140 are applied prospectively, no restatement of comparative figures is required for statement of financial position as at 31 December 2009.

The adoption of other new and revised FRSs, IC Interpretation and Amendments to FRSs has no financial impact on the current interim financial statements or on the consolidated financial statements of the previous financial year.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2009 was not qualified.

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3. SEGMENTAL INFORMATION

The segment revenues and segment results for business segments for the current financial period to-date are as follows: -

	Property Development RM'000	Property Investment RM'000	Property Management RM'000	Investment Holding RM'000	Consolidated RM'000
REVENUE					
External sales:					
-Properties sales	135,153	-	-	-	135,153
-Rental income	-	5,693	-	-	5,693
Inter-segment sales	-	-	-	-	-
Total	135,153	5,693	-	-	140,846
OTHER INCOME					
Rental income	2,155*	10	-	-	2,165
Others	7,569	23	-	-	7,592
Total	9,724	33	-	-	9,757
RESULTS					
Segment results	67,261	6,069	(12)	(1,202)	72,116
Total	67,261	6,069	(12)	(1,202)	72,116
Unallocated expenses					(1,955)
Finance cost					(4,043)
Profit before tax					66,118
Taxation					(17,564)
Net profit for the Period					48,554

Segmental reporting by geographical segments has not been prepared as all activities of the Group's operations are carried out within Malaysia.

*Note: * Rental income arising from letting of vacant undeveloped land and unsold inventory.*

4. ITEMS OF UNUSUAL NATURE AND AMOUNTS

There were no items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter ended 30 September 2010 that are unusual because of their nature, size or incidence.

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5. CHANGES IN ESTIMATES

There were no changes in estimates that have had a material effect in the current quarter results.

6. SEASONAL OR CYCLICAL FACTORS

The business operations of the Group were not affected by any significant seasonal or cyclical factors in the current quarter.

7. DIVIDENDS PAID

The amount of dividends paid during the financial period ended 30 September 2010 was as follow:

In respect of the financial year ended 31 December 2009 as reported in the directors' report of that year:-

	<u>RM'000</u>
First and final dividend of 10% less 25% taxation, on 386,406,087 ordinary Shares, paid on 25 August 2010	<u>14,490</u>

8. CARRYING AMOUNT OF REVALUED ASSETS

The value of the investment properties have been adjusted to fair value at the end of the financial year ended 31 December 2009.

There has been no revaluation of investment properties during the current quarter and financial year.

9. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter ended 30 September 2010.

10. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter.

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11. COMMITMENT

The amount of commitment for the purchase of land not provided for in the financial statements as at 30 September 2010 is as follow:

	RM
<u>Approved and contracted for:</u>	
Acquisition of land	5,258,796
Construction of investment properties	55,259,290
	<u>60,518,086</u>

12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets since the last audited Balance Sheet as at 31 December 2009.

13. RECURRENT RELATED PARTY TRANSACTIONS

The significant recurrent related party transactions for the financial period were summarized as follow:-

<u>Group</u>	<u>RM</u>
<u>Rental received from/(paid to) :</u>	
Bestari Bestmart Sdn Bhd	1,029,000
Harapan Terang Motor Sdn Bhd	15,300
Bintang-Bintang Sdn Bhd	(126,000)
<u>Purchases from :</u>	
Harapan Terang Motor Sdn Bhd	12,743
Wawasan Batu-Bata Sdn Bhd	2,206,694

14. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There were no material events subsequent to the end of the interim period which have not been reflected in the financial statements for the interim period under review except for the following proposed acquisition:-

KSL Development Sdn Bhd, a wholly owned subsidiary of Harapan Terang Sdn Bhd, which in turn is a wholly owned subsidiary of the Company, had on 12 November 2010 entered into a conditional Sales and Purchase Agreement (SPA) with Mengkibol Kemajuan Sdn Bhd to acquire all and every one of the 3239 realienated lots of the freehold land in Daerah Kluang, Johor for a total cash consideration of RM55,000,000-00.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

15. PERFORMANCE REVIEW

The Group has registered revenue and profit before taxation of RM40.4 million and RM19.6 million respectively for the current quarter ended 30 September 2010. This represents a decrease of approximately 26% and an increase of approximately 1% respectively over the results achieved in the preceding corresponding quarter ended 30 September 2009.

The current quarter's performance was mainly contributed by the Group's flagship projects in Johor Bahru, Muar, Yong Peng and Segamat namely Taman Nusa Bestari, Taman Bestari Indah, Taman Kempas Indah and Maharani Riviera.

The current quarter's performance is explained in the detailed financial analysis below:

	Third Quarter Ended 30.09.10 RM'000	Third Quarter Ended 30.09.09 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	40,402	54,617	(14,215)	(26)
Cost of sales	14,536	26,916	(12,380)	(46)
Other income	1,240	1,106	134	12
Selling and marketing expenses	1,013	2,622	(1,609)	(61)
Administrative expenses	4,995	5,965	(970)	(16)
Other expenses	12	28	(16)	(57)
Finance costs	1,516	847	669	79
Profit before taxation	19,570	19,345	225	1

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group's profit before taxation for the quarter under review was approximately 20% lower than the results registered in the immediate preceding quarter ended 30 June 2010. The lower Group's profit before taxation is explained in the detailed financial analysis below:

	Third Quarter Ended 30.09.10 RM'000	Second Quarter Ended 30.06.10 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	40,402	46,908	(6,506)	(14)
Cost of sales	14,536	22,424	(7,888)	(35)

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Other income	1,240	6,852	(5,612)	(82)
Selling and marketing expenses	1,013	1,926	(913)	(47)
Administrative expenses	4,995	3,735	1,260	34
Other expenses	12	16	(4)	(25)
Finance costs	1,516	1,336	180	13
Profit before taxation	19,570	24,323	(4,753)	(20)

17. COMMENTARY ON PROSPECTS

The Board of Directors expects encouraging prospects in the sale of landed residential properties in Johor in view of the Group's land bank of approximately 1,100 acres which are strategically located in Johor Bahru and its niche market and strong brand name in the Johor property scene. The Board of Directors is optimistic that this will contribute positively to the Group's results for the current financial year.

In addition, the Group's Klang Valley Project is expected to come on stream by the year 2011.

As at 30 September 2010, the Group has approximately 2,300 acres of land bank for development strategically located in the District of Klang, Johor Bahru, Batu Pahat, Kluang, Segamat, Muar and Mersing that will help the Group to sustain its medium to long-term development and profitability.

18. PROFIT FORECAST

Not applicable

19. INCOME TAX EXPENSE

	Current Quarter Ended 30.09.2010 RM'000	Financial Period Ended 30.09.2010 RM'000
Malaysian income tax	4,054	17,879
Overprovision of Malaysia Income Tax in prior years	(10)	(10)
Deferred tax	(47)	(305)
Total Income Tax Expense	<u>3,997</u>	<u>17,564</u>

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the

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Group is as follow:

	Current Quarter Ended 30.09.2010 RM'000	Financial Period Ended 30.09.2010 RM'000
Profit before taxation	19,570	66,118
Taxation at Malaysian statutory tax rate of 25%	4,892	16,529
Income not subject to tax	-	(447)
Net of losses & expenses not deductible for tax purposes	(895)	1,482
Tax expense	3,997	17,564

20. SALES OF UNQUOTED INVESTMENTS AND PROPERTIES

There were no sales of unquoted investments and properties during the period under review.

21. QUOTED INVESTMENTS

There were no purchases or disposals of quoted investments or securities during the period under review.

22. STATUS OF CORPORATE PROPOSAL ANNOUNCED

There were no corporate proposals announced but not completed during the period under review except for the following:

1. Proposed Acquisition

On 14 June 2010, Goodpark Development Sdn Bhd, a wholly-owned subsidiary of the Company announced its proposal to acquire a piece of land held under Certificate of Title No. 12738 for Lot No. 123 Section 89A in the Town of Kuala Lumpur District of Kuala Lumpur measuring in area 3384.073 square meters together with the building erected thereon from The Secretary of State for Foreign and Commonwealth Affairs of the United Kingdom of Great Britain and Northern Ireland for a total cash consideration of RM25,398,486-00 .

Status as at to-date

The Group had on 24 September 2010 completed and fully settled the total purchase consideration of the Proposed Acquisition in accordance with the terms of the sale

and purchase agreement dated 14 June 2010.

2. Proposed Acquisition

On 12 November 2010, KSL Development Sdn Bhd, a wholly owned subsidiary of Harapan Terang Sdn Bhd, which in turn is a wholly owned subsidiary of the Company announced its proposal to acquire all and every one of the 3239 realienated lots of the freehold land in Daerah Kluang, Johor for a total cash consideration of RM55,000,000-00.

Status as at to-date

As at to-date, certain conditions precedent stipulated in the Sale and Purchase Agreement are still pending fulfillment.

23. BORROWINGS

	As at 30.09.2010 RM'000	As at 31.12.2009 RM'000
<u>Short term borrowings (Secured)</u>		
Bank overdrafts	2,092	8,900
Revolving credit	-	6,300
Bankers' acceptance	-	5,050
Term loan	2,054	-
	<u>4,146</u>	<u>20,250</u>
<u>Long term borrowings (Secured)</u>		
Term loan	141,313	116,855
	<u>141,313</u>	<u>116,855</u>
<u>Total Borrowings</u>		
Bank overdrafts	2,092	8,900
Revolving credit	-	6,300
Bankers' acceptance	-	5,050
Term loan	143,367	116,855
	<u>145,459</u>	<u>137,105</u>

All of the above borrowings are denominated in Ringgit Malaysia.

24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no financial instruments with off balance sheet risk as at to-date.

25. CHANGES IN MATERIAL LITIGATION

There were no changes in material litigation, including the status of pending material litigation since the last quarter ended 30 June 2010.

26. DIVIDEND PAYABLE

No interim ordinary dividend has been declared or approved for the financial period ended 30 September 2010.

27. EARNINGS PER SHARE

(a) BASIC

Basic earning per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period, excluding treasury shares held by the Group.

	Current Quarter Ended 30.09.10 RM'000	Financial Period Ended 30.09.10 RM'000
Profit attributable to ordinary equity holders of the parent	15,573	48,554
Issued ordinary shares as at beginning of the period	386,406	351,306
Effect of Private Placement 35,100,000 ordinary shares issued on 12 March 2010	-	27,300
Weighted average number of ordinary shares in issue	386,406	378,606
	Sen	Sen
Basic earnings per share	<u>4.03</u>	<u>12.82</u>

(b) DILUTED

Not applicable.

28. AUTHORITY FOR ISSUE

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors passed at the Board of Directors' Meeting held on 24 November 2010.

On Behalf of the Board
KSL Holdings Berhad

Khoo Cheng Hai @ Ku Cheng Hai
Group Managing Director