

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 2010. 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 2010.

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 2010 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 2011:

Amendments to FRS 1	Limited Exemption for Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Additional Exemptions for First-Time Adopters (Amendments to FRS 1)	
Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2)	
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
TR 3	Guidance on Disclosure of Transition to IFRSs
TR I - 4	Shariah Compliant Sale Contracts

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:

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for

business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statements of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt these standards.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2010 was not qualified.

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	Car Park Operator RM'000	Investment Holding RM'000	Elimination RM'000	Consolidated RM'000
REVENUE							
External sales:							
-Sales of properties	32,836	-	-	-	-	-	32,836
-Rental income	-	8,218	-	-	-	-	8,218
-Car park management income	-	-	-	303	-	-	303
-Others	-	2,094	-	-	-	-	2,094
Inter-segment sales	-	674	-	-	-	(674)	-
Total	32,836	10,986	-	303	-	(674)	43,451
OTHER INCOME							
Rental income	874*	-	-	-	-	-	874
Others	298	-	-	-	-	-	298
Total	1,172	-	-	-	-	-	1,172
RESULTS							
Segment results	10,544	8,659	-	280	(374)	(674)	18,435
Finance cost							(1,911)
Profit before tax							16,524
Taxation							(3,655)
Net profit for the Period							12,869

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 31 March 2011 that are unusual because of their nature, size or incidence.

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

There were no dividends paid during the current quarter.

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 2010.

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.

10. CHANGES IN COMPOSITION OF THE GROUP

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

11. COMMITMENT

The amount of commitment for the purchase of land not provided for in the financial statements as at 31 March 2011 is as follow:

	RM
<u>Approved and contracted for:</u>	
Acquisition of land	96,487,311
Construction of investment properties	27,351,000
	<hr/>
	123,838,311
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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 2010.

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:</u>	
Bestari Bestmart Sdn Bhd	378,000
Harapan Terang Motor Sdn Bhd	5,100
<u>Purchases from :</u>	
Harapan Terang Motor Sdn Bhd	10,084
Wawasan Batu-Bata Sdn Bhd	73,428

14. EVENTS SUBSEQUENT TO THE DATE OF THE FINANCIAL POSITION

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.

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 RM43.5 million and RM16.5 million respectively for the current quarter ended 31 March 2011. This represents a decrease of approximately 19% and 26% respectively over the results achieved in the preceding corresponding quarter ended 31 March 2010.

The current quarter's performance was mainly contributed by the Group's flagship projects in Johor Bahru, Muar, Yong Peng and Segamat namely KSL City Shopping Mall, 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:

	First Quarter Ended 31.03.11 RM'000	First Quarter Ended 31.03.10 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	43,451	53,536	(10,085)	(19)
Cost of sales	19,446	25,756	(6,310)	(24)
Other income	1,172	1,665	(493)	(30)
Selling and marketing expenses	1,112	918	194	21
Administrative expenses	5,626	5,105	521	10
Other expenses	4	6	(2)	(33)
Finance costs	1,911	1,191	720	60
Profit before taxation	16,524	22,225	(5,701)	(26)

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group's profit before taxation for the quarter under review was approximately 83% lower than the results registered in the immediate preceding quarter ended 31 December 2010. This was mainly due to the gain arising from fair value adjustment as disclosed in the preceding quarterly report.

The lower Group's profit before taxation is explained in the detailed financial analysis below:

	First Quarter Ended 31.03.11 RM'000	Fouth Quarter Ended 31.12.10 RM'000	Variences Increase/ (Decrease) RM'000	%
Revenue	43,451	36,474	6,977	19
Cost of sales	19,446	14,391	5,055	35
Other income	1,172	83,915	(82,743)	(99)
Selling and marketing expenses	1,112	1,397	(285)	(20)
Administrative expenses	5,626	4,687	939	20
Other expenses	4	12	(8)	(67)
Finance costs	1,911	2,184	(273)	(13)
Profit before taxation	16,524	97,718	(81,194)	(83)

17. COMMENTARY ON PROSPECTS

In line with the Group's aspirations to provide quality and affordable housing, the Group plans to continue developing residential and commercial properties in Johor Bahru, Segamat, Kluang and Muar in the state of Johor. These developments are anticipated to further strengthen the Group's foothold in landed properties' market in the state of Johor. Apart from this, with attractive recurring revenue from two Giant Hypermarkets (in Muar and Nusa Bestari, Johor Bahru) and KSL City Shopping Mall and encouraging sales of D'Esplanade luxury condominiums, the Group anticipates better growth and performance in terms of revenues and profit.

The Group has approximately 1,830 acres of land bank for development, strategically located in prime areas in Johor, such as the district of Johor Bahru, Batu Pahat, Kluang, Segamat, Muar and Mersing. Approximately 60% of the land bank in Johor is located in the high growth Iskandar Development Region. More investment is expected to come from Singapore to the Iskandar Corridor. The effect is indeed spilling over to the property market in Johor. The Group is expected to benefit from the effect in view of its strong brand name in the Johor property market.

The Group's very first township development in the Klang Valley is expected to take off by the end of 2011. The development project (approximately 450 acres) anticipates a gross development value (GDV) of RM2.5 billion with (5) main development phases and spans over a period of ten (10) years. The site is strategically located along Jalan Klang-Banting and is 15 minutes from the Klang town centre. This mixed development project is expected to entail thousands of units of residential and commercial properties. The project is anticipated to be a success and provides impetus for the Group's earnings growth.

In line with the Group's confidence in the high-end property market and the proven success of the Group in its maiden integrated commercial project, namely KSL City, the Group is gradually moving up the value chain by going into medium to high-end property development. Forging ahead, the Group has planned to further venture into another high-end property residential project within the Golden Triangle of Kuala Lumpur. This project will be named Madge 18 and is strategically located at Jalan Madge off Jalan U-Thant, Ampang Hilir, around the U-Thant Embassy area. Madge 18 will consist of 50 units, 10-storey high-end residences, with a potential gross development value of RM200 million and is expected to commence construction work by the end of 2011, subject to the approvals of the relevant authorities.

Besides properties development activities, the Group is also looking at ways to increase its source of recurring income stream from its property assets. Currently, the Group has investment properties which are contributing approximately RM 11 million of yearly rental income. Going forward, with the KSL City Shopping Mall which was in operation since 12 December 2010, the rental income from the Group's investment properties is expected to increase further. It is estimated that the KSL City Shopping Mall will contribute substantially to the annual rental revenue of the Group commencing 2011.

In the medium to long term, the Group is optimistic that its growth will be sustainable with its portfolio of existing projects and the visible pipeline of new launches of prime projects in the offering. With the imminent opening of KSL Resort, a luxury hotel consisting of two blocks in the Central Business District (CBD) of Johor Bahru, the Group is anticipating another new source of continuous income.

Above all, the Group is committed to operational efficiency enhancement and good risk management and corporate governance practices. Strategic initiatives are in motion to improve pricing and marketing strategies as well as product development and innovation, reduce operational costs, improve cash flow and ensure better returns moving forward, across all operational divisions. Internal support system is continuously monitored and improved to provide the efficiency and effectiveness necessary to deliver consistent performance.

Barring any unforeseen circumstances, with diligent development planning and introduction of various business improvement initiatives coupled with the favourable industry outlook, the prospects of the Group remains bright.

18. PROFIT FORECAST

Not applicable

19. INCOME TAX EXPENSE

	Current Quarter Ended 31.03.2011 RM'000	Financial Period Ended 31.03.2011 RM'000
Malaysian income tax	3,691	3,691
Deferred tax	(36)	(36)
Total Income Tax Expense	<u>3,655</u>	<u>3,655</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 Group is as follow:

	Current Quarter Ended 31.03.2011 RM'000	Financial Period Ended 31.03.2011 RM'000
Profit before taxation	<u>16,524</u>	<u>16,524</u>
Taxation at Malaysian statutory tax rate of 25%	4,131	4,131
Income not subject to tax	(73)	(73)
Utilisation of previously unrecognised tax losses and unabsorbed Capital allowance	(482)	(482)
Net of losses & expenses not deductible for tax purposes	79	79
Tax expense	<u>3,655</u>	<u>3,655</u>

20. SALES OF UNQUOTED INVESTMENTS AND PROPERTIES

There were no sales of unquoted investment and properties except for the disposal of two units of its investment properties on 01 February 2011 which resulted in a gain on disposal of RM 80,000.

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 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.

2. Proposed Renounceable Rights Issue Warrants

Proposed Renounceable Rights Issue of up to 97,636,871 Warrants at an issue price of RM0.20 for each Warrant on the basis of 1 Warrant for every 4 existing ordinary shares of RM0.50 each in KSL held as at an entitlement date to be determined later

Status as at to-date

Subsequent to the announcement on 21 March 2011, the following approval had been obtained:

- (a) Bursa Malaysia Securities Berhad has vide its letter dated 13 May 2011 approved the admission to the Official List and the listing and quotation of the Warrants;
- (b) The Controller of Foreign Exchange of Bank Negara Malaysia has vide its letter dated 19 May 2011 approved the issuance of the Warrants to non-resident shareholders of the Company.

23. BORROWINGS

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
<u>Short term borrowings (Secured)</u>		
Bank overdrafts	9,578	-
Revolving credit	-	-
Bankers' acceptance	5,000	-
Term loan	3,712	3,712
Hire Purchase	295	295
	18,585	4,007
<u>Long term borrowings (Secured)</u>		
Term loan	162,803	163,730
Hire Purchase	186	258
	162,989	163,987
<u>Total Borrowings</u>		
Bank overdrafts	9,578	-
Bankers' acceptance	5,000	-
Term loan	166,515	167,442
Hire Purchase	481	552
	181,574	167,994

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 31 December 2010.

26. DIVIDEND PAYABLE

No interim ordinary dividend has been declared or approved for the financial period ended 31 March 2011.

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 31.03.11 RM'000	Financial Period Ended 31.03.11 RM'000
Profit attributable to ordinary equity holders of the parent	12,869	12,869
Issued ordinary shares as at beginning of the period	386,406	386,406
Weighted average number of ordinary shares in issue	386,406	386,406
	Sen	Sen
Basic earnings per share	<u>3.33</u>	<u>3.33</u>

(b) DILUTED

Not applicable.

28. REALISED AND UNREALISED RETAINED EARNINGS

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits and accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses .

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:-

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
The retained earnings of the Group:-		
- Realised	595,318	581,819
- Unrealised	119,326	119,847
	<u>714,644</u>	<u>701,666</u>
Less: Consolidation adjustments	(62,262)	(62,262)
Total Group retained earnings as per Consolidated accounts	<u><u>652,382</u></u>	<u><u>639,404</u></u>

29. 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 27 May 2011.

On Behalf of the Board
KSL Holdings Berhad

Khoo Cheng Hai @ Ku Cheng Hai
Group Managing Director