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 2011. 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 2011.

On 19 November 2011, MASB announced the adoption of the Malaysia Financial Reporting Standards ("MFRS Framework"). The MFRS framework is effective from 1 January 2012 and is to facilitate convergence with the International Financial Reporting Standards ("IFRS"). Nevertheless, the Group is allowed by MASB to defer the adoption of these new accounting standards to financial year ending 31 December 2013 as the Group is within the scope of IC Interpretation 15 Agreements for Construction of Real Estate.

Upon adoption of these new accounting standards, the impact on the financial position and performance of the Group has yet to be determined as the Group is in the process of assessing the financial effects of the differences between FRS and accounting standards under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2013.

The significant accounting policies and presentation adopted by the Group in these interim financial statements are consistent with those of the Group's consolidated audited financial statements for the year ended 31 December 2011, except for the adoption of the following Financial Reporting Standards (FRS), Issues Committee (IC) Interpretations and amendments to FRS and IC Interpretations which are relevant to the Group's operations with effect from 1 January 2012:-

Revised FRS 124	:	Related Party Disclosures
IC Interpretation 19	:	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	:	FRS 119 –The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction
Amendment to FRS 7	:	Financial Instruments: Disclosures on Transfers

		of Financial Assets
Amendments to FRS 1	:	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 112	:	Deferred Tax Recovery of Underlying Assets

The adoption of the above standards and interpretations are not expected to have any significant impact on the financial statements of the Group in the year of initial application.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2011 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	60,634	-	-	-	-	-	60,634
-Rental income	-	11,680	-	-	-	-	11,680
-Car park management income	-	-	-	535	-	-	535
-Others		1,658	-	-	-	-	1,658
Inter-segment sales	-	401	-	-	-	(401)	-
Total	60,634	13,739	-	535	-	(401)	74,507
OTHER INCOME							
Rental income	911*	-	-	-	-	-	911
Others	683	1	-	-	-	-	684
Total	1,594	1	-	-	-	-	1,595
RESULTS							
Segment results	28,069	9,206	(1)	493	(466)	-	37,301
Finance cost							(2,620)
Profit before tax							34,681
Taxation							(9,408)
Net profit for the Period							25,273

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 2012 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 2011.

There has been no revaluation of investment properties during the current quarter and finanacial 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 not provided for in the financial statements as at 31 March 2012 is as follow:

	RM
Approved and contracted for:	
Acquisition of land	13,523,800
Capital expenditure pertaining to the construction of properties (KSL Resort)	19,158,500
	32,682,300

12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets since the last audited Statement of Financial Position as at 31 March 2012.

13. RECURRENT RELATED PARTY TRANSACTIONS

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

Group	RM
Rental received from:	
Bestari Bestmart Sdn Bhd	378,000
Harapan Terang Motor Sdn Bhd	5,100
Purchases from :	
Harapan Terang Motor Sdn Bhd	7,223
Wawasan Batu-Bata Sdn Bhd	1,336,500

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 RM74.5 million and RM34.7 million respectively for the current quarter ended 31 March 2012. This represents an increase of approximately 71% and 110% respectively over the results achieved in the preceding corresponding quarter ended 31 March 2011.

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 higher Group's revenue was mainly due to the change in sales mixed and higher percentage of completion of the existing main on-going projects of the Group, especially in Johor Bahru.

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

	First Quarter Ended 31.03.12 RM'000	First Quarter Ended 31.03.11 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	74,507	43,451	31,056	71
Cost of sales	27,626	19,446	8,180	42
Other income	1,595	1,172	423	36
Selling and marketing expenses	1,442	1,112	330	30
Administrative expenses	9,730	5,626	4,104	73
Other expenses	3	4	(1)	(25)
Finance costs	2,620	1,911	709	37
Profit before taxation	34,681	16,524	18,157	110

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group's profit before taxation for the quarter under review was approximately 73% higher than the results registered in the immediate preceding quarter ended 31 December 2011.

The higher Group's profit before taxation was mainly due to the change in sales mixed and higher percentage of completion of the existing main on-going projects of the Group, especially in Johor Bahru.

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

	First Quarter Ended 31.03.12 RM'000	Fourth Quarter Ended 31.12.11 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	74,507	68,976	5,531	8
Cost of sales	27,626	31,755	(4,129)	(13)
Other income	1,595	1,395	200	14
Selling and marketing expenses	1,442	2,743	(1,301)	(47)
Administrative expenses (inclusive of loss in fair value adjustment of RM5.376m*)	9,730	12,802*	(3,072)	(24)
Other expenses	3	6	(3)	(50)
Finance costs	2,620	2,974	(354)	(12)
Profit before taxation	34,681	20,091	14,590	73

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. The Group will continue to build wide range of premium quality products, ranging from deluxe residences with top-class finishes and facilities to small-to-medium sized units with practical and efficient layouts. These developments are anticipated to further strengthen the Group's foothold in landed properties'market in the state of Johor.

As at 31 March 2012, the Group has over 2,000 acres land held for current and future development which are strategically located in the District of Johor Bahru, Batu Pahat, Kluang, Segamat, Muar, Mersing, Klang and Kuala Lumpur. Most of these properties are available for immediate development as they have been granted approval for subdivision. These will help the Group to sustain its medium to long term development and profitability.

Most of the total land held in Johor, are located in the high growth Iskandar Development Region. More investment is expected to come from Singapore to the Iskandar Corridor. The Group is expected to benefit from the effect in view of its strong brand name in the Johor property market as most of its flagship projects are located in the Iskandar Centre.

Besides, the Group plans to develop the land held in Klang into a mixed development projects and is expected to anticipate a gross development value of RM2.5 billion with five (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 drives 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 future 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 in Johor Bahru, 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 is designed to be a 10-storey high-end residence with a potential gross development value of RM160 million. It is expected to commence construction work in 2012, subject to the approvals of the relevant authorities.

Besides property development activities, the Group continues to pursue selective investments in order to enhance its portfolio quality and diversity, and to generate stable, predictable returns for shareholders. The Group's debut mall, KSL City Mall, which opened in December 2010, has successfully delivered attractive rental income to the Group in 2011. In addition, two Giant Hypermarts (in Muar and Nusa Bestari, Johor Bahru) are also contributing positively to the Group's total rental income. In total, the Group has investment properties that are contributing approximately RM46 million of annual rental income, which represents 17% of total revenue in 2011. Going forward, the Group is strongly confident that with favourable market conditions, continuous management effort and innovative promotions and marketing campaigns, KSL City Mall and other investment properties will continue to generate attractive recurring revenue.

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 31.03.2012 RM'000	Financial Period Ended 31.03.2012 RM'000
Malaysian income tax	9,500	9,500
Deferred tax	(92)	(92)
Total Income Tax Expense	9,408	9,408

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 31.03.2012 RM'000	Financial Period Ended 31.03.2012 RM'000
Profit before taxation	34,681	34,681
Taxation at Malaysian statutory tax rate of 25%	8,670	8,670
Net of losses & expenses not deductible for tax purposes	738	738
Tax expense	9,408	9,408

20. STATUS OF CORPORATE PROPOSAL ANNOUNCED

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

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 3,239 realienated lots of the freehold land in Daerah Kluang, Johor for a total cash consideration of RM55,000,000.

Status as at to-date

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

21. BORROWINGS

	As at 31.03.2012 RM'000	As at 31.12.2011 RM'000
Short term borrowings (Secured)		
Bank overdrafts	25,457	17,000
Bankers' acceptance	34,120	21,032
Term loan	15,527	13,691
Hire Purchase	382	458
	75,486	52,181
Long term borrowings (Secured)		
Term loan	187,976	190,742
Hire Purchase	37	86
	188,013	190,828
Total Borrowings		
Bank overdrafts	25,457	17,000
Bankers' acceptance	34,120	21,032
Term loan	203,503	204,433
Hire Purchase	419	544
	263,499	243,009

All of the above borrowings are denominated in Ringgit Malaysia.

22. CHANGES IN MATERIAL LITIGATION

There were no changes in material litigation, including the status of pending material litigation since the date of the last annual Statement of Financial Position ended 31 December 2011.

23. DIVIDEND PAYABLE

No interim ordinary dividend has been declared or approved for the financial period ended 31 March 2012.

24. 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 31.03.12 RM'000	Financial Period Ended 31.03.12 RM'000
Profit attributable to ordinary equity holders of the parent	25,273	25,273
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	6.54	6.54

(b) DILUTED

	Current Quarter Ended 31.03.12 RM'000	Financial Period Ended 31.03.12 RM'000
Profit attributable to ordinary equity holders of the parent	25,273	25,273
Issued ordinary shares as at beginning of the period	386,406	386,406
Adjustment for effect of dilution on Warrants issued	-	-
Adjusted weighted average number of ordinary shares in issue and issuable	386,406	386,406

	Sen	Sen
Diluted earnings per share	6.54	6.54

25. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after crediting/(charging) the following income/(expenses):

		3 Months Ended 31.03.2012 RM'000	Year-to-date Ended 31.03.2012 RM'000
(a)	Interest income	203	203
(b)	Other income including investment income	1,392	1,392
(c)	Interest expense	(2,540)	(2,540)
(d)	Depreciation and amortisation	(576)	(576)
(e)	Provision for and write off of receivables	-	-
(f)	Provision for and write off of inventories	-	-
(g)	Gain or loss on disposal of quoted or unquoted investment properties	-	-
(h)	Impairment of assets	-	-
(i)	Foreign exchange gain/(loss)	-	-
(j)	Gain/(loss) on derivatives	-	-
(k)	Exceptional items	-	-

26. REALISED AND UNREALISED RETAINED EARNINGS

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive of Bursa Malaysia Main Market Listing Requirements is as follows:-

	As at 31.03.2012 RM'000	As at 31.12.2011 RM'000
The retained earnings of the Group:-		
- Realised	661,052	642,159
- Unrealised	115,863	109,208

	776,915	751,367
Less: Consolidation adjustments	(62,262)	(62,262)
Total Group retained earnings as per Consolidated accounts	714,653	689,105

27. 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 29 May 2012.

On Behalf of the Board
KSL Holdings Berhad

Khoo Cheng Hai @ Ku Cheng Hai
Group Managing Director