

## **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.

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	Hotel RM'000	Car Park Operator RM'000	Investment Holding RM'000	Elimination RM'000	Consolidated RM'000
<b>REVENUE</b>							
External sales:							
-Sales of properties	220,659	-	-	-	-	-	220,659
-Rental income	-	36,397	-	-	-	-	36,397
-Car park management income	-	-	-	1,707	-	-	1,707
-Others	-	4,805	-	-	-	-	4,805
-Hotel & Restaurant	-	-	13,061	-	-	-	13,061
Inter-segment sales	-	870	-	-	85,298	(86,168)	-
Total	220,659	42,072	13,061	1,707	85,298	(86,168)	276,629
<b>OTHER INCOME</b>							
Rental income	2,734*	-	-	-	-	-	2,734
Inter-Co Interest	1,008	1	-	-	5,206	(6,215)	-
Others	1,879	929	2	-	-	-	2,810
Total	5,621	930	2	-	5,206	(6,215)	5,544
<b>RESULTS</b>							
Segment results	104,880	30,273	1,103	1,588	89,126	(92,383)	134,587
Finance cost							(9,241)
Profit before tax							125,346
Taxation							(32,718)
Net profit for the Period							92,628

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 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 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 not provided for in the financial statements as at 30 September 2012 is as follow:

	RM
<u>Approved and contracted for:</u>	
Acquisition of land	12,409,566
Capital expenditure pertaining to the construction of properties (KSL Resort)	<u>9,954,600</u>
	<u><u>22,364,166</u></u>

## 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 December 2011.

## 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	1,134,000
Harapan Terang Motor Sdn Bhd	15,300
<u>Purchases from :</u>	
Harapan Terang Motor Sdn Bhd	29,010
Wawasan Batu-Bata Sdn Bhd	3,555,860

## 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 RM118.7 million and RM56.7 million respectively for the current quarter ended 30 September 2012. This represents an increase of approximately 47% and 38% respectively over the results achieved in the preceding corresponding quarter ended 30 September 2011.

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

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:

	Third Quarter Ended 30.09.12 RM'000	Third Quarter Ended 30.09.11 RM'000	Variances Increase RM'000	%
Revenue	118,672	80,961	37,711	47
Cost of sales	44,850	28,728	16,122	56
Other income	2,518	1,390	1,128	81
Selling and marketing expenses	3,639	2,904	735	25
Administrative expenses	12,923	6,716	6,207	92
Other expenses	14	8	6	75
Finance costs	3,017	2,859	158	6
Profit before taxation	56,747	41,136	15,611	38

**16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION**

The Group's profit before taxation for the quarter under review was approximately 67% higher than the results registered in the immediate preceding quarter ended 30 June 2012.

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:

	Third Quarter Ended 30.09.12 RM'000	Second Quarter Ended 30.06.12 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	118,672	83,450	35,222	42
Cost of sales	44,850	35,932	8,918	25
Other income	2,518	1,431	1,087	76
Selling and marketing expenses	3,639	3,009	630	21
Administrative expenses	12,923	8,413	4,510	54
Other expenses	14	5	9	180
Finance costs	3,017	3,604	(587)	(16)
Profit before taxation	56,747	33,918	22,829	67

## 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 30 September 2012, the Group has approximately 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 is in the midst of developing the land held in Klang 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 from 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.

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 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 opening of KSL Resort, a luxury hotel consisting of two blocks in the Central Business District (CBD) of Johor Bahru, the Group has 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 30.09.2012 RM'000	Financial Period Ended 30.09.2012 RM'000
Malaysian income tax	14,417	32,863
Deferred tax	(46)	(145)
Total Income Tax Expense	<u>14,371</u>	<u>32,718</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 30.09.2012 RM'000	Financial Period Ended 30.09.2012 RM'000
Profit before taxation	56,747	125,346
Taxation at Malaysian statutory tax rate of 25%	14,187	31,337
Net of losses & expenses not deductible for tax purposes	184	1,381
Tax expense	<u>14,371</u>	<u>32,718</u>

**20. STATUS OF CORPORATE PROPOSAL ANNOUNCED**

**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**

The Group had on 4 September 2012 completed and fully settled the total purchase consideration of the Proposed Acquisition in accordance with the terms of the sale and purchase agreement dated 12 November 2010 and the Supplemental Agreement dated 21 December 2011.



**21. BORROWINGS**

	As at 30.09.2012 RM'000	As at 31.12.2011 RM'000
<b><u>Short term borrowings (Secured)</u></b>		
Bank overdrafts	19,354	17,000
Bankers' acceptance	32,170	21,032
Term loan	37,767	13,691
Hire Purchase	164	458
	89,455	52,181
<b><u>Long term borrowings (Secured)</u></b>		
Term loan	154,166	190,742
Hire Purchase	-	86
	154,166	190,828
<b><u>Total Borrowings</u></b>		
Bank overdrafts	19,354	17,000
Bankers' acceptance	32,170	21,032
Term loan	191,933	204,433
Hire Purchase	164	544
	243,621	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 Audited 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 30 September 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 30.09.12 RM'000	Financial Period Ended 30.09.12 RM'000
Profit attributable to ordinary equity holders of the parent	42,376	92,628
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>10.97</u>	<u>23.97</u>

**(b) DILUTED**

	Current Quarter Ended 30.09.12 RM'000	Financial Period Ended 30.09.12 RM'000
Profit attributable to ordinary equity holders of the parent	42,376	92,628
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	<u>10.97</u>	<u>23.97</u>

**25. PROFIT BEFORE TAXATION**

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

	3 Months Ended 30.09.2012 RM'000	Year-to-date Ended 30.09.2012 RM'000
(a) Interest income	290	676
(b) Other income including investment income	2,228	4,868
(c) Interest expense	(2,820)	(8,847)
(d) Depreciation and amortisation	(494)	(1,159)
(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 30.09.2012 RM'000	As at 31.12.2011 RM'000
The retained earnings of the Group:-		
- Realised	732,159	642,159
- Unrealised	112,270	109,208
	844,429	751,367
Less: Consolidation adjustments	(62,262)	(62,262)
Total Group retained earnings as per Consolidated accounts	782,167	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 27 November 2012.

On Behalf of the Board  
KSL Holdings Berhad

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Khoo Cheng Hai @ Ku Cheng Hai  
Group Managing Director