

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 2012. 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 2012.

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 2012, 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:-

Effective for financial periods beginning on or after 1 July 2012:

FRS 101	Presentations of Items of Other Comprehensive Income (Amendments to FRS 101)
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Effective for financial periods beginning on or after 1 January 2013:

Amendments to FRS 101	Presentations of Financial Statements (Improvements to FRSs (2012))
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FRS 10	Consolidated Financial Statements
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FRS 11	Joint Arrangements
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FRS 12	Disclosure of interests in Other Entities
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FRS 13	Fair Value Measurements
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FRS 119	Employee Benefits
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FRS 127	Separate Financial Statements
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FRS 128	Investments in Associate and Joint Ventures
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Amendments to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Improvements to FRSs (2012))

IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Amendments to FRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 1	First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
Amendments to FRS 1	First-time Adoption of Malaysian Financial Reporting Standards - (Improvements to FRSs (2012))
Amendments to FRS 116	Property, Plant and Equipment (Improvements to FRSs (2012))
Amendments to FRS 132	Financial Instruments: Presentation (Improvements to FRSs (2012))
Amendments to FRS 134	Interim Financial Reporting (Improvements to FRSs (2012))
Amendments to FRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to FRS 11	Joint Arrangements: Transition Guidance
Amendments to FRS 12	Disclosure of interests in Other Entities: Transition Guidance
Amendments to FRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 10, FRS 12 and FRS 127	Investment Entities
FRS 9	Financial Instruments

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2014.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2012 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	Car Park Operator RM'000	Investment Holding RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External sales:						
-Sales of properties	104,047	-	-	-	-	104,047
-Rental income	-	15,452	-	-	-	15,452
-Car park management income	-	-	572	-	-	572
-Others	-	1,880	-	-	-	1,880
-Hotel and food and beverage	-	12,144	-	-	-	12,144
Inter-segment sales	-	-	-	-	-	-
Total	104,047	29,476	572	-	-	134,095
OTHER INCOME						
Interest income	252	143	-	1	-	396
Inter-Co Interest	319	2	-	1,276	(1,597)	-
Fair value gain	-	-	-	-	-	-
Rental income	936*	-	-	-	-	936
Others	122	45	-	-	-	167
Total	1,629	190	-	1,277	(1,597)	1,499
RESULTS						
Segment results	48,693	17,635	522	(257)	(1,597)	64,996
Finance cost						(2,411)
Profit before tax						62,585
Taxation						(14,728)
Net profit for the Period						47,857

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 2013 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 2012.

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 31 March 2013 is as follow:

	RM
<u>Approved and contracted for:</u>	
Acquisition of land	17,782,900
Capital expenditure pertaining to the construction of properties (KSL Resort)	<u>5,172,200</u>
	<u><u>22,955,100</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 2012.

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	6,729
Wawasan Batu-Bata Sdn Bhd	1,780,908

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 RM134.1 million and RM62.6 million respectively for the current quarter ended 31 March 2013. This represents an increase of approximately 80% and 80% respectively over the results achieved in the preceding corresponding quarter ended 31 March 2012.

The current quarter's performance was mainly contributed by the higher take up rate and percentages of completion of existing ongoing and complete mixed development projects, especially in Johor Bahru. Revenue generated from hotel operation also formed a major part of the increase.

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

	First Quarter Ended 31.03.13 RM'000	First Quarter Ended 31.03.12 RM'000	Variences Increase/ (Decrease) RM'000	%
Revenue	134,095	74,507	59,588	80
Cost of sales	48,795	27,626	21,169	77
Other income	1,499	1,595	(96)	(6)
Selling and marketing expenses	4,385	1,442	2,943	204
Administrative expenses	17,415	9,730	7,685	79
Other expenses	3	3	-	-
Finance costs	2,411	2,620	(209)	(8)
Profit before taxation	62,585	34,681	27,904	80

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group's profit before taxation for the quarter under review was approximately 31% higher than the results registered in the immediate preceding quarter ended 31 December 2012.

The higher Group's profit before taxation was mainly due to the change in sales mixed and percentage of completion of the existing main on-going and complete mixed development projects of the Group, especially in Johor Bahru. Revenue generated from hotel operation also formed a major part of the increase.

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

	First Quarter Ended 31.03.13 RM'000	Fourth Quarter Ended 31.12.12 RM'000	Variances (Decrease) RM'000	%
Revenue	134,095	126,241	7,854	6
Cost of sales	48,795	51,993	(3,198)	(6)
Other income	1,499	5,474	(3,975)	(73)
Selling and marketing expenses	4,385	3,568	817	23
Administrative expenses	17,415	26,192	(8,777)	(34)
Other expenses	3	7	(4)	(57)
Finance costs	2,411	2,283	128	6
Profit before taxation	62,585	47,672	14,913	31

17. COMMENTARY ON PROSPECTS

In line with the Group's aspirations to provide quality 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 2013, the Group has approximately 2,100 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 Development Region. 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 Development Region.

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. The site is strategically located along Jalan Klang-Banting and is 15 minute drive 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. Currently, the Group has investment properties including hotel and mall operation that are contributing approximately RM85 million of annual rental income, which represents 21% of total revenue in 2012. Going forward, the Group is strongly confident that with favourable market conditions, continuous management effort and innovative promotions and marketing campaigns, KSL City Mall, hotel 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 in April 2012, a luxury hotel consisting of two blocks in the Central Business District 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 31.03.2013 RM'000	Financial Period Ended 31.03.2013 RM'000
Malaysian income tax	14,792	14,792
Deferred tax	(64)	(64)
Total Income Tax Expense	<u>14,728</u>	<u>14,728</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 31.03.2013 RM'000	Financial Period Ended 31.03.2013 RM'000
Profit before taxation	<u>62,585</u>	<u>62,585</u>
Taxation at Malaysian statutory tax rate of 25%	15,646	15,646
Utilisation of capital and Industrial Building allowance	(1,240)	(1,240)
Net of losses & expenses not deductible for tax purposes	322	322
Tax expense	<u><u>14,728</u></u>	<u><u>14,728</u></u>

20. STATUS OF CORPORATE PROPOSAL ANNOUNCED

There were no corporate proposals announced but not completed during the period under review.

21. BORROWINGS

	As at 31.03.2013 RM'000	As at 31.12.2012 RM'000
<u>Short term borrowings (Secured)</u>		
Bank overdrafts	23,667	14,125
Bankers' acceptance	20,500	26,700
Revolving credit	5,184	5,184
Term loan	34,253	34,253
Hire Purchase	35	86
	83,639	80,348
<u>Long term borrowings (Secured)</u>		
Revolving credit	11,595	12,924
Term loan	128,076	136,708
	139,671	149,632
<u>Total Borrowings</u>		
Bank overdrafts	23,667	14,125
Bankers' acceptance	20,500	26,700
Revolving credit	16,779	18,108
Term loan	162,329	170,961
Hire Purchase	35	86
	223,310	229,980

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 2012.

23. DIVIDEND PAYABLE

No interim ordinary dividend has been declared or approved for the financial period ended 31 March 2013.

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 31.03.13 RM'000	Financial Period Ended 31.03.13 RM'000
Profit attributable to ordinary equity holders of the parent	47,857	47,857
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>12.39</u>	<u>12.39</u>

(b) DILUTED

	Current Quarter Ended 31.03.13 RM'000	Financial Period Ended 31.03.13 RM'000
Profit attributable to ordinary equity holders of the parent	47,857	47,857
Issued ordinary shares as at beginning of the period	386,406	386,406
Adjustment for effect of dilution on Warrants issued	<u>5,017</u>	<u>5,017</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>391,423</u>	<u>391,423</u>
	Sen	Sen
Diluted earnings per share	<u><u>12.23</u></u>	<u><u>12.23</u></u>

25. PROFIT BEFORE TAXATION

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

	3 Months Ended 31.03.13 RM'000	Year-to-date Ended 31.03.13 RM'000
(a) Interest income	396	396
(b) Other income including investment income	1,103	1,103
(c) Interest expense	(2,211)	(2,211)
(d) Depreciation and amortisation	(844)	(844)
(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/ Gain in FV adjustment	-	-

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 31.03.2013 RM'000	As at 31.12.2012 RM'000
The retained earnings of the Group:-		
- Realised	837,728	760,351
- Unrealised	120,495	153,196
	<u>958,223</u>	<u>913,547</u>
Less: Consolidation adjustments	(58,891)	(62,262)
Total Group retained earnings as per Consolidated accounts	<u>899,332</u>	<u>851,285</u>

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 30 May 2013.

On Behalf of the Board
KSL Holdings Berhad

Khoo Cheng Hai @ Ku Cheng Hai
Group Managing Director