

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 Main Market 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 2013. 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 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 2013, except as follows:

On 1 January 2014, the Group adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2014:

Amendments to FRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 10, FRS 12 and FRS 127	Investment Entities
Amendments to FRS 136	Recoverable Amount Disclosure for Non-Financial Assets
Amendments to FRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group.

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').

On 7 August 2013, MASB has announced to allow Transitioning Entities to defer the adoption of the MFRS Framework to annual periods beginning on or after 1 January 2015.

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 2015. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2013 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	172,298	-	-	-	-	172,298
-Rental income	-	17,454	-	-	-	17,454
-Car park management income	-	-	899	-	-	899
-Others	-	2,138	-	-	-	2,138
-Hotel and food and beverage	-	15,129	-	-	-	15,129
Inter-segment sales	-	-	-	-	-	-
Total	172,298	34,721	899	-	-	207,918
OTHER INCOME						
Interest income	459	70	-	-	-	529
Inter-Co Interest	906	3	-	2,670	(3,579)	-
Rental income	1,021*	-	-	-	-	1,021
Others	86	94	-	-	-	180
Total	2,472	167	-	2,670	(3,579)	1,730
RESULTS						
Segment results	64,826	19,916	837	428	(3,579)	82,428
Finance cost						(2,059)
Profit before tax						80,369
Taxation						(19,335)
Net profit for the Period						61,034

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 2014 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 2013.

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

9. DEBT AND EQUITY SECURITIES

(a) Exercise of Warrants 2011/2016

During the current quarter, the Company has issued 6,750 new ordinary shares of RM0.50 each for cash at RM1.60 each pursuant to the exercise of Warrants 2011/2016 and the total cash proceeds arising from the exercise of Warrants amounted to RM10,800.00. The details of the Warrants exercised during the current quarter are as follows:

Allotment Date	No. of Warrants exercised	No. of shares allotted	Type of issue
23 January 2014	6,750	6,750	Exercise of Warrants 2011/2016 at RM1.60 per share
Total	6,750	6,750	

As a result of the exercise of the Warrants mentioned above, the total number of issued and paid up shares of RM1.60 each of the Company has increased from 390,547,487 to 390,554,237 shares. The new ordinary shares issued arising from the exercise of Warrants shall rank pari passu in all respect with the existing ordinary shares of the Company, save and except that the new shares shall not be entitled to any dividends, rights, allotments and/or distributions, unless the exercise of Warrant is effected before the book closure of the share registers for determination of the entitlement to such rights or distributions.

(b) Share buyback/ Treasury shares

There were no share buyback during the current quarter. The shares repurchased are being held as treasury shares and treated in accordance with the requirements of Section 67A of the Companies Act, 1965. Details of the shares buyback for the current quarter to date are as follows:

	Number of shares	Purchase Price			Cost RM
		Highest price RM	Lowest price RM	Average Cost RM	
As at 31 March 2014	4,141,400	1.64	1.00	1.06	4,383,725

Other than the above, 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 except that the Company had on 7 January 2014, the Group acquired a subsidiary company, KSL Medini Development Sdn Bhd with an issued and paid-up share capital of RM 3-00 comprising three (3) Ordinary Shares of RM 1-00 each, and an authorised share capital of RM400,000-00 comprising 400,000 Ordinary Shares of RM 1-00 each.

11. COMMITMENT

The amount of commitment not provided for in the financial statements as at 31 March 2014 is as follow:

Approved and contracted for:

Acquisition of land

RM

1,782,500

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 2013.

13. RECURRENT RELATED PARTY TRANSACTIONS

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

Group	RM
<u>Rental received from:</u>	
Bestari Bestmart Sdn Bhd	432,000
Harapan Terang Motor Sdn Bhd	5,100
<u>Purchases from :</u>	
Harapan Terang Motor Sdn Bhd	16,830
Wawasan Batu-Bata Sdn Bhd	1,830,150

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 RM207.9 million and RM80.4 million respectively for the current quarter ended 31 March 2014. This represents an increase of approximately 55% and 28% respectively over the results achieved in the preceding corresponding quarter ended 31 March 2013.

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.

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

	First Quarter Ended 31.3.14 RM'000	First Quarter Ended 31.3.13 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	207,918	134,095	73,823	55
Cost of sales	97,131	48,795	48,336	99
Other income	1,730	1,499	231	15
Selling and marketing expenses	7,421	4,385	3,036	69
Administrative expenses	22,666	17,415	5,251	30
Other expenses	2	3	(1)	(33)
Finance costs	2,059	2,411	(352)	(15)
Profit before taxation	80,369	62,585	17,784	28

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group's profit before taxation for the quarter under review was approximately 518% higher than the results registered in the immediate preceding quarter ended 31 December 2013.

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.

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

	First Quarter Ended 31.3.14 RM'000	Fourth Quarter Ended 31.12.13 RM'000	Variences Increase/ (Decrease) RM'000	%
Revenue	207,918	114,085	93,833	82
Cost of sales	97,131	64,063	33,068	52
Other income	1,730	10,448	(8,718)	(83)
Selling and marketing expenses	7,421	7,526	(105)	(1)
Administrative expenses	22,666	37,643	(14,977)	(40)
Other expenses	2	3	(1)	(33)
Finance costs	2,059	2,284	(225)	(10)
Profit before taxation	80,369	13,014	67,355	518

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.

The Group has approximately 2,100 acres of 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.

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. Presently, the Group has investment properties including hotel and mall operation that are contributing millions of annual rental income. Going forward, the Group is very 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.

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 31.3.2014 RM'000	Financial Period Ended 31.3.2014 RM'000
Malaysian income tax	19,340	19,340
Deferred tax	(5)	(5)
Total Income Tax Expense	19,335	19,335

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 31.3.2014 RM'000	Financial Period Ended 31.3.2014 RM'000
Profit before taxation	80,369	80,369
Taxation at Malaysian statutory tax rate of 25%	20,092	20,092
Unutilisation of previously unrecognised business losses and capital allowance	(893)	(893)
Net of losses & expenses not deductible for tax purposes	136	136
Tax expense	19,335	19,335

20. STATUS OF CORPORATE PROPOSAL ANNOUNCED

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

21. BORROWINGS

	As at 31.3.2014 RM'000	As at 31.12.2013 RM'000
<u>Short term borrowings (Secured)</u>		
Bank overdrafts	8,150	13,992
Bankers' acceptance	11,530	26,000
Revolving credit	5,184	5,184
Term loan	21,966	14,654
	46,830	59,830
<u>Long term borrowings (Secured)</u>		
Revolving credit	6,444	7,740
Term loan	113,830	122,978
	120,274	130,718
<u>Total Borrowings</u>		
Bank overdrafts	8,150	13,992
Bankers' acceptance	11,530	26,000
Revolving credit	11,628	12,924
Term loan	135,796	137,632
	167,104	190,548

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 2013.

23. DIVIDEND PAYABLE

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

24. EARNINGS PER SHARE

(a) BASIC

Basic earnings 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 31.3.14 RM'000	Financial Period Ended 31.3.14 RM'000
Profit attributable to ordinary equity holders of the parent	61,304	61,304
Issued ordinary shares as at beginning of the period	386,406	386,406
Exercise of warrants	7	7
Weighted average number of ordinary shares in issue	386,413	386,413
	Sen	Sen
Basic earnings per share	<u>15.80</u>	<u>15.80</u>

(b) DILUTED

	Current Quarter Ended 31.3.14 RM'000	Financial Period Ended 31.3.14 RM'000
Profit attributable to ordinary equity holders of the parent	61,304	61,304
Issued ordinary shares as at beginning of the period	386,406	386,406
Exercise of Warrants	7	7
Adjustment for effect of dilution on assumed exercise of Warrants	25,429	25,429
Adjusted weighted average number of ordinary shares in issue and issuable	411,842	411,842
	Sen	Sen
Diluted earnings per share	<u>14.82</u>	<u>14.82</u>

25. PROFIT BEFORE TAXATION

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

	3 Months Ended 31.3.14 RM'000	Year-to-date Ended 31.3.14 RM'000
(a) Interest income	529	529
(b) Other income including investment income	1,201	1,201
(c) Interest expense	(1,842)	(1,842)
(d) Depreciation and amortisation	(2,408)	(2,408)
(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/ Net loss 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 31.3.2014 RM'000	As at 31.12.2013 RM'000
The retained earnings of the Group:-		
- Realised	1,015,240	953,876
- Unrealised	141,437	141,750
	<u>1,156,677</u>	<u>1,095,626</u>
Less: Consolidation adjustments	(62,263)	(62,263)
Total Group retained earnings as per Consolidated accounts	<u>1,094,414</u>	<u>1,033,363</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 28 May 2014.

On Behalf of the Board
KSL Holdings Berhad

Khoo Cheng Hai @ Ku Cheng Hai
Group Managing Director