

## **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
<b>REVENUE</b>						
External sales:						
-Sales of properties	352,876	-	-	-	-	352,876
-Rental income	-	35,693	-	-	-	35,693
-Car park management income	-	-	1,842	-	-	1,842
-Others	-	4,419	-	-	-	4,419
-Hotel and food and beverage	-	33,180	-	-	-	33,180
Total	352,876	73,292	1,842	-	-	428,010
<b>OTHER INCOME</b>						
Interest income	1,794	138	-	-	-	1,932
Inter-Co Interest	1,898	12	-	5,468	(7,378)	-
Rental income	2,023*	-	-	-	-	2,023
Others	311	375	-	-	-	686
Total	6,026	525	-	5,468	(7,378)	4,641
<b>RESULTS</b>						
Segment results	148,596	43,309	1,723	2,211	(7,378)	188,461
Finance cost						(4,319)
Profit before tax						184,142
Taxation						(43,910)
Net profit for the Period						140,232

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 June 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

There were no exercises of Warrants during the current quarter. The details of the Warrants exercised for the period ended are as follows:

Allotment Date	No. of Warrants exercised	No. of shares allotted	Type of issue
As at 30 June 2014	6,750	6,750	Exercise of Warrants 2011/2016 at RM1.60 per share
Total	6,750	6,750	

(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 30 June 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 .

**11. COMMITMENT**

There were no commitments not provided for in the financial statements as at 30 June 2014.

**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:-

<u>Group</u>	<u>RM</u>
<b><u>Rental received from:</u></b>	
Bestari Bestmart Sdn Bhd	864,000
Harapan Terang Motor Sdn Bhd	10,200
<b><u>Purchases from :</u></b>	
Harapan Terang Motor Sdn Bhd	47,800
Wawasan Batu-Bata Sdn Bhd	3,730,600

#### 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 except:-

(a) Incorporation of subsidiary company

The Company had on 18 August 2014 incorporated a subsidiary company named VIP Beyond Sdn Bhd with an issued and paid-up share capital of RM 2-00 comprising two (2) Ordinary Shares of RM 1-00 each, and an authorised share capital of RM 100,000-00 comprising 100,000 Ordinary Shares of RM 1-00 each.

(b) Exercise of Warrants 2011/2016

Subsequent to the financial period ended 30 June 2014, the paid-up share capital of the Company was increased by RM6,300-00 by way of allotment and issuance of 6,300 new ordinary shares of RM1.00 each arising from the exercise of 6,300 warrants.

The details of the Warrants exercised subsequent to the financial period are as follows:

Allotment Date	No. of Warrants exercised	No. of shares allotted	Type of issue
12 August 2014	6,000	6,000	Exercise of Warrants 2011/2016 at RM1.60 per share
20 August 2014	300	300	Exercise of Warrants 2011/2016 at RM1.60 per share
Total	6,300	6,300	

**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 RM220.1 million and RM103.8 million respectively for the current quarter ended 30 June 2014. This represents an increase of approximately 2% and 18% respectively over the results achieved in the preceding corresponding quarter ended 30 June 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:

	<b>Second Quarter Ended 30.6.14 RM'000</b>	<b>Second Quarter Ended 30.6.13 RM'000</b>	<b>Variances Increase/ (Decrease) RM'000</b>	<b>%</b>
Revenue	220,092	215,025	5,067	2
Cost of sales	97,711	99,756	(2,045)	(2)
Other income	2,911	1,430	1,481	104
Selling and marketing expenses	3,909	9,720	(5,811)	(60)
Administrative expenses	15,350	16,346	(996)	(6)
Other expenses	-	5	(5)	(100)
Finance costs	2,260	2,813	(553)	(20)
Profit before taxation	103,773	87,815	15,958	18

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

The Group's profit before taxation for the quarter under review was approximately 29% higher than the results registered in the immediate preceding quarter ended 31 March 2014.

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:

	<b>Second Quarter Ended 30.6.14 RM'000</b>	<b>First Quarter Ended 31.3.14 RM'000</b>	<b>Variences Increase/ (Decrease) RM'000</b>	<b>%</b>
Revenue	220,092	207,918	12,174	6
Cost of sales	97,711	97,131	580	1
Other income	2,911	1,730	1,181	68
Selling and marketing expenses	3,909	7,421	(3,512)	(47)
Administrative expenses	15,350	22,666	(7,316)	(32)
Other expenses	-	2	(2)	(100)
Finance costs	2,260	2,059	201	10
Profit before taxation	103,773	80,369	23,404	29

## 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 RM10 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 grow 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

	<b>Current Quarter Ended 30.6.2014 RM'000</b>	<b>Financial Period Ended 30.6.2014 RM'000</b>
Malaysian income tax	23,581	42,921
Under provision of taxation	994	994
Deferred tax	-	(5)
Total Income Tax Expense	<u>24,575</u>	<u>43,910</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:

	<b>Current Quarter Ended 30.6.2014 RM'000</b>	<b>Financial Period Ended 30.6.2014 RM'000</b>
Profit before taxation	103,773	184,142
Taxation at Malaysian statutory tax rate of 25%	25,943	46,036
Unutilisation of previously unrecognised business losses and capital allowance	(1,631)	(2,525)
Net of losses & expenses not deductible for tax purposes	263	399
Tax expense	24,575	43,910

## 20. STATUS OF CORPORATE PROPOSAL ANNOUNCED

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

## 21. BORROWINGS

	<b>As at 30.6.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
<b><u>Short term borrowings (Secured)</u></b>		
Bank overdrafts	11,560	13,992
Bankers' acceptance	16,650	26,000
Revolving credit	5,184	5,184
Term loan	21,966	14,654
	<u>55,360</u>	<u>59,830</u>
<b><u>Long term borrowings (Secured)</u></b>		
Revolving credit	5,148	7,740
Term loan	129,995	122,978
	<u>135,143</u>	<u>130,718</u>
<b><u>Total Borrowings</u></b>		
Bank overdrafts	11,560	13,992
Bankers' acceptance	16,650	26,000
Revolving credit	10,332	12,924
Term loan	151,961	137,632
	<u>190,503</u>	<u>190,548</u>

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 30 June 2014.

**24. EARNINGS PER SHARE**

**(c) 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.

	<b>Current Quarter Ended 30.6.14 RM'000</b>	<b>Financial Period Ended 30.6.14 RM'000</b>
Profit attributable to ordinary equity holders of the parent	79,198	140,232
Issued ordinary shares as at beginning of the period	386,413	386,406
Exercise of warrants	-	7
Weighted average number of ordinary shares in issue	386,413	386,413
	<b>Sen</b>	<b>Sen</b>
Basic earnings per share	<u>20.50</u>	<u>36.29</u>

**(b) DILUTED**

	<b>Current Quarter Ended 30.6.14 RM'000</b>	<b>Financial Period Ended 30.6.14 RM'000</b>
Profit attributable to ordinary equity holders of the parent	79,198	140,232
Issued ordinary shares as at beginning of the period	386,413	386,413
Adjustment for effect of dilution on assumed exercise of Warrants	25,427	25,427
Adjusted weighted average number of ordinary shares in issue and issuable	411,840	411,840
	<b>Sen</b>	<b>Sen</b>
Diluted earnings per share	<u>19.23</u>	<u>34.05</u>

**25. PROFIT BEFORE TAXATION**

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

	<b>6 Months Ended 30.6.14 RM'000</b>	<b>Year-to-date Ended 30.6.14 RM'000</b>
(a) Interest income	1,403	1,932
(b) Other income including investment income	1,508	2,709
(c) Interest expense	(1,970)	(3,812)
(d) Depreciation and amortisation	(2,417)	(4,825)
(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 30.6.2014 RM'000	As at 31.12.2013 RM'000
The retained earnings of the Group:-		
- Realised	1,094,436	953,876
- Unrealised	141,437	141,750
	<u>1,235,873</u>	<u>1,095,626</u>
Less: Consolidation adjustments	(62,263)	(62,263)
Total Group retained earnings as per Consolidated accounts	<u><u>1,173,610</u></u>	<u><u>1,033,363</u></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 26 August 2014.

On Behalf of the Board  
KSL Holdings Berhad

\_\_\_\_\_  
Khoo Cheng Hai @ Ku Cheng Hai  
Group Managing Director