

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 2 September 2014, MASB allowed Transitioning Entities to defer the adoption of the MFRS Framework to annual periods beginning on or after 1 January 2017. The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework for the financial periods as allowed.

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	520,000	-	-	-	-	520,000
-Rental income	-	54,268	-	-	-	54,268
-Car park management income	-	-	2,610	-	-	2,610
-Others	-	6,826	-	-	-	6,826
-Hotel and food and beverage	-	50,741	-	-	-	50,741
Total	520,000	111,835	2,610	-	-	634,445
OTHER INCOME						
Interest income	2,316	420	-	-	-	2,736
Inter-Co Interest	2,879	30	-	8,505	(11,414)	-
Rental income	2,963*	-	-	-	-	2,963
Others	1,042	426	-	-	-	1,468
Total	9,200	876	-	8,505	(11,414)	7,167
RESULTS						
Segment results	223,558	65,154	2,436	3,213	(11,414)	282,947
Finance cost						(6,636)
Profit before tax						276,311
Taxation						(65,950)
Net profit for the Period						210,361

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 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 had issued 2,264,050 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 RM3,622,480.00. The details of the Warrants exercised during 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
19 September 2014	2,257,750	2,257,750	Exercise of Warrants 2011/2016 at RM1.60 per share
Total	2,264,050	2,264,050	

As a result of the exercise of the Warrants mentioned above, the total number of issued and paid up shares of the Company has increased from 390,554,237 to 392,818,287 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 30 September 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

The Company has 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 400,000-00 comprising 400,000 Ordinary Shares of RM 1-00 each.

11. COMMITMENT

The amount of capital commitment not provided for in the financial statements as at 30 September 2014 is as follow:

	RM
<u>Approved and contracted for:</u>	
Acquisition of land	<u>52,332,460</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 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>
<u>Rental received from:</u>	
Bestari Bestmart Sdn Bhd	1,296,000
Harapan Terang Motor Sdn Bhd	15,300
<u>Purchases from :</u>	
Harapan Terang Motor Sdn Bhd	89,660
Wawasan Batu-Bata Sdn Bhd	6,168,000

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) Exercise of Warrants 2011/2016

Subsequent to the financial period ended 30 September 2014, the paid-up share capital of the Company was increased by RM24,334.50 by way of allotment and issuance of 48,669 new ordinary shares of RM0.50 each arising from the exercise of 48,669 warrants.

(b) Share buyback/ Treasury shares

Subsequent to the financial period ended 30 September 2014, the Company had purchased 400,000 ordinary shares of RM0.50 each of its issued share capital from the open market for a total consideration of RM1,624,646.65. The share buy-back transactions were financed by internally generated funds. The purchased shares are held as treasury shares in accordance with the requirements of Sections 67A of the Companies Act, 1965.

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 RM206.4 million and RM92.2 million respectively for the current quarter ended 30 September 2014. This represents a decrease of approximately 5% and an increase of approximately 0.15% respectively over the results achieved in the preceding corresponding quarter ended 30 September 2013.

The lower Group's profit before taxation was mainly due to the change in sales mixed and 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 30.9.14 RM'000	Third Quarter Ended 30.9.13 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	206,435	216,799	(10,364)	(5)
Cost of sales	88,059	97,346	(9,287)	(10)
Other income	2,526	1,775	751	42
Selling and marketing expenses	3,348	7,795	(4,447)	(57)
Administrative expenses	23,068	18,869	4,199	22
Other expenses	-	1	(1)	(100)
Finance costs	2,317	2,528	(211)	(8)
Profit before taxation	92,169	92,035	134	0.15

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group's profit before taxation for the quarter under review was approximately 11% lower than the results registered in the immediate preceding quarter ended 30 June 2014.

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

	Third Quarter Ended 30.9.14 RM'000	Second Quarter Ended 30.6.14 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	206,435	220,092	(13,657)	(6)
Cost of sales	88,059	97,711	(9,652)	(10)
Other income	2,526	2,911	(385)	(13)
Selling and marketing expenses	3,348	3,909	(561)	(14)
Administrative expenses	23,068	15,350	7,718	50
Other expenses	-	-	-	-
Finance costs	2,317	2,260	57	3
Profit before taxation	92,169	103,773	(11,604)	(11)

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

	Current Quarter Ended 30.9.2014 RM'000	Financial Period Ended 30.9.2014 RM'000
Malaysian income tax	22,825	65,746
Under provision of taxation	(785)	209
Deferred tax	-	(5)
Total Income Tax Expense	<u>22,040</u>	<u>65,950</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 30.9.2014 RM'000	Financial Period Ended 30.9.2014 RM'000
Profit before taxation	92,169	276,311
Taxation at Malaysian statutory tax rate of 25%	23,042	69,078
Unutilisation of previously unrecognised business losses and capital allowance	(1,233)	(3,758)
Net of losses & expenses not deductible for tax purposes	231	630
Tax expense	22,040	65,950

20. STATUS OF CORPORATE PROPOSAL ANNOUNCED

On 2 October 2014, KSL Berhad has announced to undertake the following proposals:

- I. bonus issue of up to 487,149,008 bonus shares to be credited as fully paid-up, on the basis of 1 bonus Share for every 1 existing KSL Share held on the bonus issue entitlement date;
- II. establishment of a dividend reinvestment plan that will provide shareholders of KSL the option to elect to reinvest in whole or in part their dividend in dividend reinvestment shares;
- III. increase in the authorized share capital of KSL from RM500,000,000 comprising 1,000,000,000 KSL Shares to RM1,000,000,000 comprising 2,000,000,000 KSL Shares; and
- IV. amendments to the Articles of Association of the KSL Berhad to facilitate the implementation of the Proposed Dividend Reinvestment Plan.

On 4 November 2014, Bursa Securities had vide its letter dated 3 November 2014 (which was received on 4 November 2014) approved for the following:

- (a) Listing of and quotation for the bonus shares to be issued pursuant to the proposed bonus Issue;
- (b) Listing of and quotation for up to 94,330,721 new additional warrants arising from the adjustments to the existing outstanding warrants pursuant to the proposed

bonus issue; and

- (c) Listing of up to 94,330,721 new KSL Shares arising from the exercise of the additional warrants.

The shareholders of KSL have approved all the above proposals at the EGM held on 28 November 2014.

21. BORROWINGS

	As at 30.9.2014 RM'000	As at 31.12.2013 RM'000
<u>Short term borrowings (Secured)</u>		
Bank overdrafts	16,070	13,992
Bankers' acceptance	10,600	26,000
Revolving credit	-	5,184
Term loan	21,967	14,654
	48,637	59,830
<u>Long term borrowings (Secured)</u>		
Revolving credit	-	7,740
Term loan	120,798	122,978
	120,798	130,718
<u>Total Borrowings</u>		
Bank overdrafts	16,070	13,992
Bankers' acceptance	10,600	26,000
Revolving credit	-	12,924
Term loan	142,765	137,632
	169,435	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 DECLARED

The Board of Directors has recommended the following interim dividend in respect of the financial year ending 31 December 2014:

- | | | | |
|---|------------------|---|---|
| 1 | Amount per share | : | single tier dividend of 5 sen per share |
| 2 | Date payable | : | To be determined later |
| 3 | Entitlement date | : | To be determined later |

The Board has determined that the Dividend Reinvestment Plan will apply to this interim dividend and shareholders of the Company be given an option to elect to reinvest in whole or in part the electable portion (the portion of dividend to which the option to reinvest applies, as determined by the Board) at the issue price for the Dividend Reinvestment shares.

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 30.9.14 RM'000	Financial Period Ended 30.9.14 RM'000
Profit attributable to ordinary equity holders of the parent	70,129	210,361
Issued ordinary shares as at beginning of the period	386,413	386,406
Exercise of warrants	252	762
Weighted average number of ordinary shares in issue	386,665	387,168
	Sen	Sen
Basic earnings per share	<u>18.14</u>	<u>54.33</u>

(b) DILUTED

	Current Quarter Ended 30.9.14 RM'000	Financial Period Ended 30.9.14 RM'000
Profit attributable to ordinary equity holders of the parent	70,129	210,361
Issued ordinary shares as at beginning of the period	386,665	387,168
Exercise of warrants	50,877	36,405
	<hr/>	<hr/>
Adjusted weighted average number of ordinary shares in issue and issuable	437,542	423,573
	<hr/>	<hr/>
	Sen	Sen
Diluted earnings per share	<u>16.03</u>	<u>49.66</u>

25. PROFIT BEFORE TAXATION

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

	9 Months Ended 30.9.14 RM'000	Year-to-date Ended 30.9.14 RM'000
(a) Interest income	804	2,736
(b) Other income including investment income	1,722	4,431
(c) Interest expense	(2,060)	(5,872)
(d) Depreciation and amortisation	(2,427)	(7,252)
(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 30.9.2014 RM'000	As at 31.12.2013 RM'000
The retained earnings of the Group:-		
- Realised	1,164,565	953,876
- Unrealised	141,437	141,750
	<u>1,306,002</u>	<u>1,095,626</u>
Less: Consolidation adjustments	(62,263)	(62,263)
Total Group retained earnings as per Consolidated accounts	<u><u>1,243,739</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 28 November 2014.

On Behalf of the Board
KSL Holdings Berhad

Khoo Cheng Hai @ Ku Cheng Hai
Group Managing Director