

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	643,070	-	-	-	-	643,070
-Rental income	-	73,180	-	-	-	73,180
-Car park management income	-	-	3,457	-	-	3,457
-Others	-	9,235	-	-	-	9,235
-Hotel and food and beverage	-	72,084	-	-	-	72,084
Inter-segment	-	120	-	156,464	(156,584)	-
Total	643,070	154,619	3,457	156,464	(156,584)	801,026
OTHER INCOME						
Interest income	3,599	500	-	-	-	4,099
Inter-Co Interest	3,823	48	-	11,578	(15,449)	-
Rental income	4,126*	204	-	-	(180)	4,150
Others	1,774	88,912	-	-	-	90,686
Total	13,322	89,664	-	11,578	(15,629)	98,935
RESULTS						
Segment results	258,134	181,038	2,922	161,614	(165,449)	438,259
Finance cost						(8,665)
Profit before tax						429,594
Taxation						(89,428)
Net profit for the Period						340,166

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 December 2014 that are unusual because of their nature, size or incidence except for the gain arising from fair value adjustment of RM88.2 million on investment properties.

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

A single tier interim dividend, in respect of the financial year ended 31 December 2014 of 5 sen per ordinary share of RM0.50 each and the implementation of a Dividend Reinvestment Plan that provides shareholders with an option to reinvest their cash dividend in new ordinary shares of RM0.50 each was approved by the shareholders.

Based on the election made by the shareholders, a total of 27,037,633 new ordinary shares of RM0.50 each were issued and the remaining portion of RM3,251,735.89 was paid in cash on 25 February 2015.

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 2014.

9. DEBT AND EQUITY SECURITIES

(a) Exercise of Warrants 2011/2016

During the current quarter, the Company had issued 2,807,019 new ordinary shares of RM0.50 each for cash at RM1.60 each and 138,000 new ordinary shares of RM0.50 each for cash at RM0.80 each pursuant to the exercise of Warrants 2011/2016. The total cash proceeds received from the exercise of Warrants was amounted to RM4,601,630.40. 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
13 October 2014	444	444	Exercise of Warrants 2011/2016 at RM1.60 per share
13 November 2014	47,525	47,525	
19 November 2014	700	700	
26 November 2014	292,000	292,000	
03 December 2014	149,000	149,000	
05 December 2014	188,800	188,800	
10 December 2014	2,128,550	2,128,550	
26 December 2014	138,000	138,000	Exercise of Warrants 2011/2016 at RM0.80 per share
Total	2,945,019	2,945,019	

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) Repurchase and Resale of Share buyback/ Treasury shares

During the current financial quarter, the Company repurchased 400,000 of its issued shares for a total cash consideration of RM1,623,006.65 in the open market at an average price of RM4.05 per share including transaction cost. The repurchased transactions were financed by internally generated funds.

During the current financial quarter, the Company disposed of 2,000,000 of its issued ordinary shares held as treasury shares for a total cash consideration of RM8,880,200.00 in the open market at an average price of RM4.44 per share. The proceeds from the resale were utilized for working capital purposes.

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			RM
		Highest price RM	Lowest price RM	Average Cost RM	
As at 1 October 2014	4,141,400	1.64	1.00	1.06	4,383,725.00
October 2014	400,000	4.10	3.99	4.05	1,623,006.65
December 2014	(2,000,000)	4.44	4.44	4.44	(8,880,200.00)
As at 31 December 2014	2,541,400	4.10	1.00	1.32	3,361,331.45

(c) **Bonus Issue**

The Company had on 19 December 2014 issued 393,083,906 new Bonus Shares of RM0.50 each, on the basis of one (1) new ordinary share for every one (1) existing ordinary shares held on the entitlement date. In addition, a total of 91,523,702 additional warrants arising from the adjustments made in relation to the Bonus Issue have been issued and the exercise price of the outstanding warrants is revised from RM1.60 to RM0.80.

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 capital commitment not provided for in the financial statements as at 31 December 2014 is as follow:

	RM
<u>Approved and contracted for:</u>	
Acquisition of land	<u>65,676,381</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:-

Group	RM
<u>Rental received from/(paid to):</u>	
Bestari Bestmart Sdn Bhd	1,728,000
Harapan Terang Motor Sdn Bhd	20,400
Bintang- bintang Sdn Bhd	(195,000)
<u>Purchases from :</u>	
Harapan Terang Motor Sdn Bhd	139,681
Wawasan Batu-Bata Sdn Bhd	8,611,670

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 31 December 2014, the Company had issued 130,706,548 new ordinary shares of RM0.50 each for cash at RM0.80 each pursuant to the exercise of Warrants 2011/2016. The total cash proceeds received from the exercise of Warrants was amounted to RM104,565,238.40.

(b) Proposed Acquisition of Land

The following wholly-owned subsidiaries of the Company, had on 30 January 2015 entered into four (4) separate Sale and Purchase Agreements (“ the SPAs”) with Indah Corporation Berhad (the “Vendor”) for the purpose of acquiring of all those freehold land, more particularly described below (“the Land”), for a total cash consideration of RM90,616,369.54 (“Purchase Price”) (the “Proposed Acquisitions”):-

	Name of subsidiaries	Particulars of the land	Purchase Price (RM)
1.	KSL Development Sdn Bhd (Company No. 313164-T) - Wholly-owned subsidiary of Harapan Terang Sdn Bhd, which in turn is the wholly-owned subsidiary of KSL	(i) HS(D) 23160 to HS(D) 23180 for PTD 21507 to PTD 21527; (ii) HS(D) 23182 to HS(D) 23208 for PTD 21529 to PTD 21555; and (iii) HS(D) 23238 to HS(D) 23246 for PTD 21585 to PTD 21593	28,029,509.64
2.	Goodpark Development Sdn Bhd (Company No. 99464-A)	(i) HS(D) 23123 to HS(D) 23159 for PTD 21470 to PTD 21506; and (ii) HS(D) 23209 to HS(D) 23237 for PTD 21556 to PTD 21584.	32,657,284.85
3.	Eversonic Sdn Bhd (Company No. 199680-P)	(i) HS(D) 23077 to HS(D) 23080 for PTD 21424 to PTD 21427; and (ii) HS(D) 23088 to HS(D) 23099 for PTD 21435 to PTD 21466.	16,108,596.90
4.	Bintang-Bintang Development Sdn Bhd (Company No. 118624-U)	HS(D) 23100 to HS(D) 23122 for PTD 21447 to PTD 21469	13,820,978.15
	Total		90,616,369.54

On the even date, an initial deposit of RM 9,061,638.00 has been paid to the Vendor via internally generated funds of the Company. The details of the SPA had been announced to the Bursa on 30 January 2015.

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 RM166.6 million and RM153.3 million respectively for the current quarter ended 31 December 2014. This represents an increase of approximately 46% and 1,078% respectively over the results achieved in the preceding corresponding quarter ended 31 December 2013.

The current quarter's performance was mainly contributed by the change in sales mixed and percentage of completion of the existing main on-going projects of the Group, especially in Johor Bahru and Klang.

The increase in profit after taxation for the current quarter ended 31 December 2014 was mainly due to the gain of approximately RM88.2 million from the fair value adjustment of investment properties .

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

	Fourth Quarter Ended 31.12.14 RM'000	Fourth Quarter Ended 31.12.13 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	166,581	114,085	52,496	46
Cost of sales	65,064	64,063	1,001	2
Other income	91,768	10,448	81,320	778
Selling and marketing expenses	4,674	7,526	(2,852)	(38)
Administrative expenses	33,299	37,643	(4,344)	(12)
Other expenses	-	3	(3)	(100)
Finance costs	2,029	2,284	(255)	(11)
Profit before taxation	153,283	13,014	140,269	1,078

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group's profit before taxation for the quarter under review was approximately 66% higher than the results registered in the immediate preceding quarter ended 30 September 2014.

The increase in profit after taxation for the current quarter ended 31 December 2014 was mainly due to the gain of approximately RM88.2 million from the fair value adjustment of investment properties .

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

	Fourth Quarter Ended 31.12.14 RM'000	Third Quarter Ended 30.9.14 RM'000	Variences Increase/ (Decrease) RM'000	%
Revenue	166,581	206,435	(39,854)	(19)
Cost of sales	65,064	88,059	(22,995)	(26)
Other income	91,768	2,526	89,242	3,533
Selling and marketing expenses	4,674	3,348	1,326	40
Administrative expenses	33,299	23,068	10,231	44
Finance costs	2,029	2,317	(288)	(12)
Profit before taxation	153,283	92,169	61,114	66

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 31.12.2014 RM'000	Financial Period Ended 31.12.2014 RM'000
Malaysian income tax	17,457	83,203
Over provision of taxation	(1,338)	(1,129)
Deferred tax	7,359	7,354
Total Income Tax Expense	23,478	89,428

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 31.12.2014 RM'000	Financial Period Ended 31.12.2014 RM'000
Profit before taxation	153,283	429,594
Taxation at Malaysian statutory tax rate of 25%	38,320	107,398
Utilisation of previously unrecognised business losses and capital allowance	(61)	(3,819)
Expenses not deductible for tax purposes	2,859	3,489
Income not subject to tax	(17,640)	(17,640)
Tax expense	23,478	89,428

20. STATUS OF CORPORATE PROPOSAL ANNOUNCED

New Issue of Securities (Chapter 6 of Listing Requirements): Other Issue of Securities Dividend Reinvestment Plan (“DRP”)

On 7 January 2015, the Company announced that the issue price of the new ordinary shares of RM0.50 each in KSL to be issued pursuant to the DRP, which is applicable to the entire single tier interim dividend of RM0.05 per KSL Share for the financial year ending 31 December 2014, was fixed at RM1.57 per share.

A total of 27,037,633 New Shares were issued and listed on the Main Market of Bursa Malaysia Securities Berhad on 26 February 2015.

21. BORROWINGS

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
<u>Short term borrowings (Secured)</u>		
Bank overdrafts	838	13,992
Bankers' acceptance	10,700	26,000
Revolving credit	-	5,184
Term loan	24,067	14,654
	<u>35,605</u>	<u>59,830</u>

Long term borrowings (Secured)

Revolving credit	-	7,740
Term loan	116,863	122,978
	116,863	130,718

Total Borrowings

Bank overdrafts	838	13,992
Bankers' acceptance	10,700	26,000
Revolving credit	-	12,924
Term loan	140,930	137,632
	152,468	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

The Board of Directors has recommended the following final dividend in respect of the financial year ended 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 final 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 31.12.14 RM'000	Financial Period Ended 31.12.14 RM'000
Profit attributable to ordinary equity holders of the parent	127,917	338,278
Issued ordinary shares as at beginning of the period	390,277	388,006
Exercise of warrants	998	1,011
Bonus Issue	131,028	32,757
Weighted average number of ordinary shares in issue	522,303	421,774
	Sen	Sen
Basic earnings per share	<u>24.49</u>	<u>80.20</u>

(b) DILUTED

	Current Quarter Ended 31.12.14 RM'000	Financial Period Ended 31.12.14 RM'000
Profit attributable to ordinary equity holders of the parent	127,917	338,278
Issued ordinary shares as at beginning of the period	522,303	421,774
Exercise of warrants	111,704	84,758
	<u>634,007</u>	<u>506,532</u>
	Sen	Sen
Diluted earnings per share	<u>20.18</u>	<u>66.78</u>

25. PROFIT BEFORE TAXATION

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

	3 Months Ended 31.12.14 RM'000	Year-to-date Ended 31.12.14 RM'000
(a) Interest income	1,363	4,099
(b) Other income including investment income	2,206	6,637
(c) Interest expense	(1,737)	(7,609)
(d) Depreciation and amortisation	(3,239)	(10,491)
(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 Gain in FV adjustment	88,200	88,200

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 31.12.2014 RM'000	As at 31.12.2013 RM'000
The retained earnings of the Group:-		
- Realised	1,001,788	953,876
- Unrealised	237,485	141,750
	<u>1,239,273</u>	<u>1,095,626</u>
Less: Consolidation adjustments	(62,263)	(62,263)
Total Group retained earnings as per Consolidated accounts	<u>1,177,010</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 27 February 2015.

On Behalf of the Board
KSL Holdings Berhad

Lee Chye Tee
Executive Director