

## **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 2014. 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 2014.

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 2014, except as follows:

On 1 January 2015, the Group adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2015:

Amendments to FRS 1	First-time adoption of Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
Amendments to FRS 2	Share-based Payment (Annual Improvements 2010-2012 Cycle)
Amendments to FRS 3	Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to FRS 8	Operating Segments (Annual Improvements 2010-2012 Cycle)
Amendments to FRS 13	Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to FRS 116	Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
Amendments to FRS 119	Employee Benefits – Defined Benefit Plans: Employee Contribution
Amendments to FRS 124	Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
Amendments to FRS 138	Intangible Assets (Annual Improvements 2010-2012 Cycle)
Amendments to FRS 140	Investment Property (Annual Improvements 2011-2013 Cycle)

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 8 September 2015, MASB allowed Transitioning Entities to defer the adoption of the MFRS Framework to annual periods beginning on or after 1 January 2018. 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 2014 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	531,443	-	-	-	-	531,443
-Rental income	-	74,331	-	-	-	74,331
-Car park management income	-	-	5,539	-	-	5,539
-Others	-	6,442	-	-	-	6,442
-Hotel and food and beverage	-	68,353	-	-	-	68,353
Inter-segment	-	120	-	16,265	(16,385)	-
Total	531,443	149,246	5,539	16,265	(16,385)	686,108
<b>OTHER INCOME</b>						
Fair value gain	-	56,117	-	-	-	56,117
Interest income	2,810	773	-	-	-	3,583
Inter-Co Interest	3,287	99	-	20,340	(23,726)	-
Rental income *	4,423	221	-	-	(60)	4,584
Others	3,015	3,086	-	-	(2,135)	3,966
Total	13,535	60,296	-	20,340	(25,921)	68,250
<b>RESULTS</b>						
Segment results	203,077	147,511	4,899	32,923	(38,860)	349,550
Finance cost						(7,177)
Profit before tax						342,373
Taxation						(74,733)
Net profit for the Period						267,640

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 2015 that are unusual because of their nature, size or incidence except for the gain arising from fair value adjustment of RM56.1 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

The following single tier interim dividend under 3<sup>rd</sup> Dividend Reinvestment Plan which has been declared on 28 August 2015 and was completed during the financial period:

Total Dividend	<u>RM</u> 19,728,600
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**Mode of settlement:**

1. By issuance of new ordinary shares (12,506,136 new ordinary shares of RM 0.50 each @ 1.39 per share)	17,383,529
2. By cash	2,345,071

#### 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 2015.

9. DEBT AND EQUITY SECURITIES

(a) Exercise of Warrants 2011/2016

During the current quarter, the Company had issued 7,166,300 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 RM5,733,040. The details of the Warrants exercised during the financial period are as follows:

Listing Date	No. of Warrants exercised	No. of shares allotted	Type of issue
02 Oct 2015	819,000	819,000	Exercise of Warrants 2011/2016 at RM0.80 per share
08 Oct 2015	43,100	43,100	
19 Oct 2015	188,100	188,100	
22 Oct 2015	425,800	425,800	
26 Oct 2015	4,200	4,200	
27 Oct 2015	4,802,400	4,802,400	
05 Nov 2015	359,600	359,600	
18 Nov 2015	454,300	454,300	
01 Dec 2015	67,800	67,800	
04 Dec 2015	2,000	2,000	
<b>Total</b>	<b>7,166,300</b>	<b>7,166,300</b>	

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 of 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			RM
		Highest price RM	Lowest price RM	Average Cost RM	
As at 31 December 2015	7,775,800	4.100	1.000	1.448	11,261,974

#### 10. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter ended 31 December 2015.

#### 11. COMMITMENT

The amount of capital commitment not provided for in the financial statements as at 31 December 2015 is as follow:

Approved and contracted for:	<b>RM</b> <u>15,724,153</u>
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#### 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 2014.

#### 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/(paid to):</u></b>	
Bestari Bestmart Sdn Bhd	1,728,000
Harapan Terang Motor Sdn Bhd	20,400
Bintang-bintang Sdn Bhd	(188,100)
<b><u>Purchases from :</u></b>	
Wawasan Batu-Bata Sdn Bhd	11,359,207

#### 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:-

##### **Exercise of Warrants 2011/2016**

Subsequent to the financial period ended 31 December 2015, the Company had issued 1,865,000 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 RM1,492,000.

**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 RM95.5 million and RM75.9 million respectively for the current quarter ended 31 December 2015. This represents a decrease of approximately 43% and 51% respectively over the results achieved in the preceding corresponding quarter ended 31 December 2014.

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

	<b>Fourth Quarter Ended 31.12.15 RM'000</b>	<b>Fourth Quarter Ended 31.12.14 RM'000</b>	<b>Variances Increase/ (Decrease) RM'000</b>	<b>%</b>
Revenue	95,482	166,581	(71,099)	(43)
Cost of sales	31,381	62,850	(31,469)	(50)
Other income	60,508	91,809	(31,301)	(34)
Selling and marketing expenses	10,443	4,680	5,763	123
Administrative expenses	36,912	32,892	4,020	12
Finance costs	1,331	2,029	(698)	(34)
Profit before taxation	75,921	155,489	(79,568)	(51)

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

The Group's profit before taxation for the quarter under review was approximately 16% higher than the results registered in the immediate preceding quarter ended 30 September 2015.

The increase in profit after taxation for the current quarter ended 31 December 2015 was mainly due to the gain of approximately RM56.1 million from the fair value adjustment of investment properties .

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

	<b>Fourth Quarter Ended 31.12.15 RM'000</b>	<b>Third Quarter Ended 30.9.15 RM'000</b>	<b>Variances Increase/ (Decrease) RM'000</b>	<b>%</b>
Revenue	95,482	150,125	(54,643)	(36)
Cost of sales	31,381	51,400	(20,019)	(39)
Other income	60,508	3,180	57,328	1,803
Selling and marketing expenses	10,443	8,678	1,765	20
Administrative expenses	36,912	25,747	11,165	43
Finance costs	1,331	2,036	(705)	(35)
Profit before taxation	75,921	65,444	10,477	16

## 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.

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.



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, the prospects of the Group remains bright.

#### 18. PROFIT FORECAST

Not applicable

#### 19. INCOME TAX EXPENSE

	<b>Current Quarter Ended 31.12.2015 RM'000</b>	<b>Financial Period Ended 31.12.2015 RM'000</b>
Malaysian income tax	7,081	72,327
Over provision of taxation	41	(1,146)
Deferred tax	3,552	3,552
Total Income Tax Expense	<u>10,674</u>	<u>74,733</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 31.12.2015 RM'000</b>	<b>Financial Period Ended 31.12.2015 RM'000</b>
Profit before taxation	<u>75,921</u>	<u>342,373</u>
Taxation at Malaysian statutory tax rate of 25%	18,980	85,593
Utilisation of previously unrecognised business losses and capital allowance	(2,677)	(4,935)
Expenses not deductible for tax purposes	8,400	8,104
Income not subject to tax	(14,029)	(14,029)

Tax expense

10,674

74,733

## 20. STATUS OF CORPORATE PROPOSAL ANNOUNCED

### 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 (the 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
	<b>Total</b>		<b>90,616,369.54</b>

### Status as at to-date

As at to-date, the approval of the Estate Land Board which is required by the Pengarah Tanah dan Galian Johor for the registration of the transfers of the lands, though already applied for, has still not be obtained.

**21. BORROWINGS**

	As at 31.12.2015 RM'000	As at 31.12.2014 RM'000
<b><u>Short term borrowings (Secured)</u></b>		
Bank overdrafts	-	4,929
Bankers' acceptance	11,100	10,700
Term loan	24,066	24,066
	<u>35,166</u>	<u>39,695</u>
 <b><u>Long term borrowings (Secured)</u></b>		
Term loan	94,779	116,863
Revolving credit	30,000	-
	<u>124,779</u>	<u>116,863</u>
 <b><u>Total Borrowings</u></b>		
Bank overdrafts	-	4,929
Bankers' acceptance	11,100	10,700
Term loan	118,845	140,929
Revolving credit	30,000	-
	<u>159,945</u>	<u>156,558</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 2014.

**23. DIVIDEND PAYABLE**

No interim ordinary dividend has been declared or approved for the financial period ended 31 December 2015.

**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.

	<b>Current Quarter Ended 31.12.15 RM'000</b>	<b>Financial Period Ended 31.12.15 RM'000</b>
Profit attributable to ordinary equity holders of the parent	65,247	267,640
Issued ordinary shares as at beginning of the period	980,966	781,071
Dividend Reinvestment Plan	8,337	36,092
Exercise of warrants	6,173	163,925
Weighted average number of ordinary shares in issue	995,476	981,088
	<b>Sen</b>	<b>Sen</b>
Basic earnings per share	<u>6.55</u>	<u>27.28</u>

**(b) DILUTED**

	<b>Current Quarter Ended 31.12.15 RM'000</b>	<b>Financial Period Ended 31.12.15 RM'000</b>
Profit attributable to ordinary equity holders of the parent	65,247	267,640
Weighted average number of ordinary shares in issue	995,476	981,088
Effects of warrants	14,039	16,790
Adjusted weighted average number of ordinary shares in issue and issuable	<u>1,009,515</u>	<u>997,878</u>

	<b>Sen</b>	<b>Sen</b>
Diluted earnings per share	<u>6.46</u>	<u>26.82</u>

**25. PROFIT BEFORE TAXATION**

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

	<b>3 Months Ended 31.12.15 RM'000</b>	<b>Year-to-date Ended 31.12.15 RM'000</b>
(a) Interest income	767	3,583
(b) Other income including investment income	3,624	8,550
(c) Interest expense	(1,030)	(5,889)
(d) Depreciation and amortisation	(3,855)	(11,319)
(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	<u>56,117</u>	<u>56,117</u>

**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:-

	<b>As at 31.12.2015 RM'000</b>	<b>As at 31.12.2014 RM'000</b>
The retained earnings of the Group:-		
- Realised	1,096,776	973,242
- Unrealised	291,118	222,481
	<u>1,387,894</u>	<u>1,195,723</u>
Less: Consolidation adjustments	<u>(54,320)</u>	<u>(62,263)</u>

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Total Group retained earnings as per Consolidated accounts	1,333,574	1,133,460
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**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 February 2016.

On Behalf of the Board  
KSL Holdings Berhad

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Lee Chye Tee  
Executive Director