

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 2015. 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 2015.

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 2015.

The following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

Amendments to FRS 5	Non-current Assets held for sales and Discontinued operation (<i>Annual Improvements 2012-2014 Cycle</i>)
Amendments to FRS 7	Financial Instruments: Disclosures (<i>Annual Improvements to FRSs 2012- 2014 Cycle</i>)
Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 11	Joint Arrangements-Accounting for Acquisitions of Interests in Joint Operations
FRS 14	Regulatory Deferral Accounts
Amendments to FRS 101	Presentation of Financial Statements- Disclosure Initiative
Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 119	Employee Benefits (<i>Annual Improvements 2012-2014 Cycle</i>)
Amendments to FRS 127	Separate Financial Statements – Equity Method in Separate Financial Statements
Amendments to FRS 134	Interim Financial Reporting (<i>Annual Improvements 2012-2014 Cycle</i>)

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

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

FRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

FRSs, Interpretations and amendments effective for a date yet to be confirmed

Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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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 2015 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	114,927	-	-	-	-	114,927
-Rental income	-	21,237	-	-	-	21,237
-Car park management income	-	-	1,325	-	-	1,325
-Others	288	-	-	-	-	288
-Hotel and food and beverage	-	16,056	-	-	-	16,056
Inter-segment	-	-	-	-	-	-
Total	115,215	37,293	1,325	-	-	153,833
OTHER INCOME						
Fair value gain	-	-	-	-	-	-
Interest income	369	96	1	-	-	466
Inter-Co Interest	-	-	-	-	-	-
Rental income *	1,469	27	-	-	-	1,496
Others	399	-	7	-	-	406
Total	2,237	123	8	-	-	2,368
RESULTS						
Segment results	36,535	20,800	1,248	(356)	-	58,227
Finance cost						(2,106)
Profit before tax						56,121
Taxation						(12,762)
Net profit for the Period						43,359

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 2016 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 2015.

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 3,173,700 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 RM2,538,960. 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
21 Jan 2016	1,800	1,800	Exercise of Warrants
03 Feb 2016	12,000	12,000	
10 Feb 2016	6,000	6,000	

19 Feb 2016	45,200	45,200	2011/2016 at RM0.80 per share
26 Feb 2016	1,800,000	1,800,000	
04 Mar 2016	32,000	32,000	
08 Mar 2016	55,000	55,000	
11 Mar 2016	512,400	512,400	
15 Mar 2016	44,000	44,000	
18 Mar 2016	654,500	654,500	
22 Mar 2016	10,800	10,800	
Total	3,173,700	3,173,700	

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.

The warrants shall expire on 19 August 2016.

(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 March 2016	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 March 2016.

11. COMMITMENT

The amount of capital commitment not provided for in the financial statements as at 31 March 2016 is as follow:

Approved and contracted for: **RM**
15,724,153

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 2015.

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/(paid to):</u>	
Bestari Bestmart Sdn Bhd	432,000
Harapan Terang Motor Sdn Bhd	5,100
<u>Purchases from :</u>	
Wawasan Batu-Bata Sdn Bhd	2,100,973

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 March 2016, the Company had issued 2,889,700 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 RM2,311,760.

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 RM153.8 million and RM56.1 million respectively for the current quarter ended 31 March 2016. This represents a decrease of approximately 42% and 49% respectively over the results achieved in the preceding corresponding quarter ended 31 March 2015.

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:

	First Quarter Ended 31.03.16 RM'000	First Quarter Ended 31.03.15 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	153,833	263,831	(109,998)	(42)
Cost of sales	65,554	122,063	(56,509)	(46)
Other income	2,368	2,707	(339)	(13)
Selling and marketing expenses	7,637	8,213	(576)	(7)
Administrative expenses	24,783	24,749	34	0
Finance costs	2,106	1,775	331	19
Profit before taxation	56,121	109,738	(53,617)	(49)

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group's profit before taxation for the quarter under review was approximately 22% lower than the results registered in the immediate preceding quarter ended 31 December 2015. This was mainly due to the gain arising from fair value adjustment as disclosed in the preceding quarterly report.

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

	First Quarter Ended 31.03.16 RM'000	Fourth Quarter Ended 31.12.15 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	153,833	95,482	58,351	61
Cost of sales	65,554	34,088	31,466	92
Other income	2,368	60,735	(58,367)	(96)
Selling and marketing expenses	7,637	10,331	(2,694)	(26)
Administrative expenses	24,783	36,825	(12,042)	(33)
Finance costs	2,106	1,332	774	58
Profit before taxation	56,121	72,097	(15,976)	(22)

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 2,400 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

	Current Quarter Ended 31.03.2016 RM'000	Financial Period Ended 31.03.2016 RM'000
Malaysian income tax	12,762	12,762
Over provision of taxation	-	-
Deferred tax	-	-
Total Income Tax Expense	<u>12,762</u>	<u>12,762</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 31.03.2016 RM'000	Financial Period Ended 31.03.2016 RM'000
Profit before taxation	56,121	56,121
Taxation at Malaysian statutory tax rate of 24%	13,469	13,469
Non-deductible expenses	393	393
Utilisation of previously unrecognised business losses and capital allowance	(330)	(330)
Tax savings arising from Investment Tax Allowance	(770)	(770)
Tax expense	<u>12,762</u>	<u>12,762</u>

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
	Total		90,616,369.54

Status as at to-date

As at to-date, the Company has obtained the approval from the Estate Land Board's approval for item 1, 2 and 4 on 09-03-2016 but rectifications to the lists thereto for item 2 and 4 pending and transfers not presented for registration.

For item 1 and 3 is still pending registration of the transfers.

21. BORROWINGS

	As at 31.03.2016 RM'000	As at 31.12.2015 RM'000
<u>Short term borrowings (Secured)</u>		
Bank overdrafts	3,252	-
Hire purchase	67	-
Bankers' acceptance	5,600	11,100
Term loan	24,066	24,066
Revolving credit	50,000	30,000
	<u>82,985</u>	<u>65,166</u>
<u>Long term borrowings (Secured)</u>		
Term loan	<u>85,631</u>	<u>94,779</u>
<u>Total Borrowings</u>		
Bank overdrafts	3,252	-
Hire purchase	67	-
Bankers' acceptance	5,600	11,100
Term loan	109,697	118,845
Revolving credit	50,000	30,000
	<u>168,616</u>	<u>159,945</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 2015.

23. DIVIDEND PAYABLE

No interim ordinary dividend has been declared or approved for the financial period ended 31 March 2016.

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 31.03.16 RM'000	Financial Period Ended 31.03.16 RM'000
Profit attributable to ordinary equity holders of the parent	43,359	43,359
Issued ordinary shares as at beginning of the period	999,820	999,820
Exercise of warrants	1,680	1,680
Weighted average number of ordinary shares in issue	1,001,500	1,001,500
	Sen	Sen
Basic earnings per share	<u>4.33</u>	<u>4.33</u>

(b) DILUTED

	Current Quarter Ended 31.03.16 RM'000	Financial Period Ended 31.03.16 RM'000
Profit attributable to ordinary equity holders of the parent	43,359	43,359
Weighted average number of ordinary shares in issue	1,001,500	1,001,500
Effects of warrants	10,532	10,532
Adjusted weighted average number of ordinary shares in issue and issuable	<u>1,012,032</u>	<u>1,012,032</u>
	Sen	Sen
Diluted earnings per share	<u>4.28</u>	<u>4.28</u>

25. PROFIT BEFORE TAXATION

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

	3 Months Ended 31.03.16 RM'000	Year-to-date Ended 31.03.16 RM'000
(a) Interest income	446	446
(b) Other income including investment income	1,922	1,922
(c) Interest expense	(1,791)	(1,791)
(d) Depreciation and amortisation	(2,462)	(2,462)
(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	-	-

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 31.03.2016 RM'000	As at 31.12.2015 RM'000
The retained earnings of the Group:-		
- Realised	1,218,311	1,117,337
- Unrealised	219,325	276,940
	<u>1,437,636</u>	<u>1,394,277</u>
Less: Consolidation adjustments	(62,263)	(62,263)
Total Group retained earnings as per Consolidated accounts	<u>1,375,373</u>	<u>1,332,014</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 May 2016.

On Behalf of the Board
KSL Holdings Berhad

Lee Chye Tee
Executive Director