

## 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
<b>REVENUE</b>						
External sales:						
-Sales of properties	523,301	-	-	-	-	523,301
-Rental income	-	84,577	-	-	-	84,577
-Car park management income	-	-	4,937	-	-	4,937
-Others	1,969	-	-	-	-	1,969
-Hotel and food and beverage	-	74,277	-	-	-	74,277
Inter-segment	-	120	-	34,530	(34,650)	-
Total	525,270	158,974	4,937	34,530	(34,650)	689,061
<b>OTHER INCOME</b>						
Interest income	3,069	555	21	-	-	3,645
Rental income *	4,828	30	-	-	-	4,858
Others	1,736	112,968	30	-	-	114,734
Inter-segment	910	69	87	19,846	(20,912)	-
Total	10,543	113,622	138	19,846	(20,912)	123,237
<b>RESULTS</b>						
Segment results	188,249	204,425	4,560	53,240	(54,512)	395,962
Finance cost						(9,510)
Profit before tax						386,452
Taxation						(69,115)
Net profit for the Period						317,337

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 2016 that are unusual because of their nature, size or incidence except for the gain arising from fair value adjustment of RM112.7 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**

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 2016.

**9. DEBT AND EQUITY SECURITIES**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter, except for the following:

**Repurchase of Share buyback/ Treasury shares**

During the current quarter, the Company repurchased 51,300 of its issued ordinary shares from the open market at an average price of RM 1.07 per share. The total consideration paid for the repurchased including transaction costs was RM 55,022. The repurchased transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965. As at 31 December 2016, the cumulative total number of treasury shares held were 7,917,500 shares. None of these treasury shares held were sold or cancelled during the financial period ended 31 December 2016.

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

There were no changes in the composition of the Group during the current quarter ended 31 December 2016.

**11. COMMITMENT**

There were no capital commitments not provided for in the financial statements as at 31 December 2016.

**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>
<b><u>Rental received from/(paid to):</u></b>	
Bestari Bestmart Sdn Bhd	1,831,500
Harapan Terang Motor Sdn Bhd	20,400
Bintang-bintang Sd Bhd	(190,800)
<b><u>Purchases from :</u></b>	
Wawasan Batu-Bata Sdn Bhd	7,641,828

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**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.

**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 RM231.4 million and RM190.9 million respectively for the current quarter ended 31 December 2016. This represents an increase of approximately 142% and 165% respectively over the results achieved in the preceding corresponding quarter ended 31 December 2015.

The increase was mainly contributed by the following:-

1. 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.
2. the increase in gain of approximately RM112.7 million from the fair value adjustment of investment properties (4th Quarter 2015: RM56.1 million).

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

	<b>Fourth Quarter Ended 31.12.16 RM'000</b>	<b>Fourth Quarter Ended 31.12.15 RM'000</b>	<b>Variances Increase/ (Decrease) RM'000</b>	<b>%</b>
Revenue	231,356	95,482	135,874	142
Cost of sales	108,803	34,088	74,715	219
General other income	1,999	4,619	(2,620)	(57)
Fair value gain	112,721	56,116	56,605	100
Selling and marketing expenses	6,986	10,331	(3,345)	(32)
Administrative expenses	36,934	36,825	109	0
Finance costs	2,435	1,332	1,103	83
Profit before taxation	190,914	72,097	118,817	165

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

The Group's profit before taxation for the quarter under review was approximately 163% higher than the results registered in the immediate preceding quarter ended 30 September 2016.

The increase in profit after taxation for the current quarter ended 31 December 2016 was mainly due to the following:

1. 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.

2. the gain of approximately RM112.7 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 31.12.16 RM'000</b>	<b>Third Quarter Ended 30.09.16 RM'000</b>	<b>Variances Increase/ (Decrease) RM'000</b>	<b>%</b>
Revenue	231,356	164,497	66,859	41
Cost of sales	108,803	61,702	47,101	76
General other income	1,999	2,471	(472)	19
Fair value gain	112,721	-	112,721	N/A
Selling and marketing expenses	6,986	4,858	2,128	44
Administrative expenses	36,934	25,318	11,616	46
Finance costs	2,435	2,367	68	3
Profit before taxation	190,914	72,706	118,208	163

## 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 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 ten (10) 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.

#### **18. PROFIT FORECAST**

Not applicable

#### **19. INCOME TAX EXPENSE**

	<b>Current Quarter Ended 31.12.2016 RM'000</b>	<b>Financial Period Ended 31.12.2016 RM'000</b>
Malaysian income tax	19,406	64,459
Under provision of taxation	190	190
Deferred tax	4,466	4,466
Total Income Tax Expense	<u>24,062</u>	<u>69,115</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 31.12.2016 RM'000</b>	<b>Financial Period Ended 31.12.2016 RM'000</b>
Profit before taxation	190,914	386,452
Taxation at Malaysian statutory tax rate of 24%	45,819	92,748
Non-deductible expenses	6,753	8,799
Income not subject to tax	(27,053)	(27,053)
Utilisation of previously unrecognised business losses and capital allowance	(531)	(1,708)
Tax savings arising from Investment Tax Allowance	(926)	(3,671)
Tax expense	24,062	69,115

## 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):-

	<b>Name of subsidiaries</b>	<b>Particulars of the land</b>	<b>Purchase Price (RM)</b>
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)	16,108,596.90

		23099 for PTD 21435 to PTD 21466.	
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**

The Company has successfully registered the transfers for item 1 (all 57 titles) and 2 (52 of 58 titles) on 12-08-2016.

Registration of the transfer for items 3, 4 and 6 titles of item 2 are still pending.

**21. BORROWINGS**

	<b>As at 31.12.2016 RM'000</b>	<b>As at 31.12.2015 RM'000</b>
<b><u>Short term borrowings (Secured)</u></b>		
Bank overdraft	9,027	-
Hire purchase	143	-
Bankers' acceptance	5,500	11,100
Term loan	25,566	24,066
Revolving credit	50,000	30,000
	90,236	65,166
<b><u>Long term borrowings (Secured)</u></b>		
Term loan	68,613	94,779
<b><u>Total Borrowings</u></b>		
Bank overdraft	9,027	-
Hire purchase	143	-
Bankers' acceptance	5,500	11,100
Term loan	94,179	118,845
Revolving credit	50,000	30,000
	158,849	159,945

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 December 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.

	<b>Current Quarter Ended 31.12.16 RM'000</b>	<b>Financial Period Ended 31.12.16 RM'000</b>
Profit attributable to ordinary equity holders of the parent	166,852	317,337
Issued ordinary shares as at beginning of the period	1,029,590	999,678
Exercise of warrants	-	15,426
Weighted average number of ordinary shares in issue	1,029,590	1,015,104
	<b>Sen</b>	<b>Sen</b>
Basic earnings per share	<u>16.21</u>	<u>31.26</u>

**(b) DILUTED**

	<b>Current Quarter Ended 31.12.16 RM'000</b>	<b>Financial Period Ended 31.12.16 RM'000</b>
Profit attributable to ordinary equity holders of the parent	166,852	317,337
Weighted average number of ordinary shares in issue	1,029,590	1,015,104
Adjusted weighted average number of ordinary shares in issue and issuable	1,029,590	1,015,104
	<b>Sen</b>	<b>Sen</b>
Diluted earnings per share	<u>16.21</u>	<u>31.26</u>

**25. PROFIT BEFORE TAXATION**

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

	<b>3 Months Ended 31.12.16 RM'000</b>	<b>Year-to-date Ended 31.12.16 RM'000</b>
(a) Interest income	1,635	3,645
(b) Other income including investment income	364	6,871
(c) Interest expense	(1,865)	(7,543)
(d) Depreciation and amortisation	(3,167)	(10,581)
(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>112,721</u>	<u>112,721</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:-

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
The retained earnings of the Group:-		
- Realised	1,374,852	1,117,337
- Unrealised	336,762	276,940
	<u>1,711,614</u>	<u>1,394,277</u>
Less: Consolidation adjustments	(62,263)	(62,263)
Total Group retained earnings as per Consolidated accounts	<u>1,649,351</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 27 February 2017.

On Behalf of the Board  
KSL Holdings Berhad

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Lee Chye Tee  
Executive Director