

## **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 2016. 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 2016.

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 2016.

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 2017**

Amendments to FRS 12	Disclosure of Interests in Other Entities (Annual Improvements 2014 – 2016 Cycle)
Amendments to FRS 107	Statement of Cash Flows – Disclosure Initiative
Amendments to FRS 112	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

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

Amendments to FRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014 – 2016 Cycle)
Amendments to FRS 2	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
Amendments to FRS 4	Insurance Contracts – Applying MFRS 9 Financial Instruments with FRS 4 Insurance Contracts
FRS 9	Financial Instruments (2014)
Amendments to FRS 128	Investments in Associates and Joint Ventures (Annual Improvements 2014 – 2016 Cycle)
Amendments to FRS 140	Investment Property – Transfers of Investment Property

### **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

The Group plans to apply the abovementioned standards, amendments and interpretations in the respective financial years when the above standards, amendments and interpretations become effective.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior period financial statements of the Group upon their first adoption.

The Group has not applied the following standards and amendments (which are applicable upon adoption of MFRS framework) that have been issued by the MASB but are not yet effective.

### **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 availed itself of this transitional arrangement and will continue to apply FRSs in the preparation of its financial statements. Accordingly, the Group will be required to apply MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* in its financial statements for the financial year ending 31 December 2018, being the first set of financial statements prepared in accordance with the new MFRS framework.

## **2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the financial statements for the year ended 31 December 2016 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	226,832	-	-	-	-	226,832
-Rental income	-	41,691	-	-	-	41,691
-Car park management income	-	-	2,476	-	-	2,476
-Others	1,591	-	-	-	-	1,591
-Hotel and food and beverage	-	35,230	-	-	-	35,230
Inter-segment	-	-	-	-	-	-
Total	228,423	76,921	2,476	-	-	307,820
<b>OTHER INCOME</b>						
Interest income	1,458	223	33	-	-	1,714
Rental income *	2,645	-	-	-	-	2,645
Others	815	8	14	-	-	837
Inter-segment	215	61	13	5,115	(5,404)	-
Total	5,133	292	60	5,115	(5,404)	5,196
<b>RESULTS</b>						
Segment results	79,791	45,370	2,320	4,615	(5,404)	126,692
Finance cost						(2,535)
Profit before tax						124,157
Taxation						(27,520)
Net profit for the Period						96,637

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 June 2017 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 2016.

There has been no revaluation of investment properties during the current quarter and financial year.

#### **9. DEBT AND EQUITY SECURITIES**

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**

There were no changes in the composition of the Group during the current quarter ended 30 June 2017.

#### **11. COMMITMENT**

There were no capital commitments not provided for in the financial statements as at 30 June 2017.

## 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 2016.

## 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:</u></b>	
Bestari Bestmart Sdn Bhd	988,200
Harapan Terang Motor Sdn Bhd	10,200

---

## 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 RM140.4 million and RM53.9 million respectively for the current quarter ended 30 June 2017. This represents an increase of approximately 1% and a decrease of 19% respectively over the results achieved in the preceding corresponding quarter ended 30 June 2016.

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>Second Quarter Ended 30.06.17 RM'000</b>	<b>Second Quarter Ended 30.06.16 RM'000</b>	<b>Variations Increase/ (Decrease) RM'000</b>	<b>%</b>
Revenue	140,385	139,375	1,010	1
Cost of sales	60,680	49,426	11,254	23
Other income	2,807	3,678	(871)	(24)
Selling and marketing expenses	9,632	5,932	3,700	62
Administrative expenses	17,788	18,382	(594)	(3)
Finance costs	1,171	2,602	(1,431)	(55)
Profit before taxation	53,921	66,711	(12,790)	(19)

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

The Group's profit before taxation for the quarter under review was approximately 23% lower than the results registered in the immediate preceding quarter ended 31 March 2017.

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

	<b>Second Quarter Ended 30.06.17 RM'000</b>	<b>First Quarter Ended 31.03.17 RM'000</b>	<b>Variances Increase/ (Decrease) RM'000</b>	<b>%</b>
Revenue	140,385	167,435	(27,050)	(16)
Cost of sales	60,680	65,336	(4,656)	(7)
Other income	2,807	2,389	418	17
Selling and marketing expenses	9,632	7,430	2,202	30
Administrative expenses	17,788	25,458	(7,670)	(30)
Finance costs	1,171	1,364	(193)	(14)
Profit before taxation	53,921	70,236	(16,315)	(23)

## 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.

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 30.06.2017 RM'000</b>	<b>Financial Period Ended 30.06.2017 RM'000</b>
Malaysian income tax	11,722	27,520
Deferred tax	-	-
<b>Total Income Tax Expense</b>	<b>11,722</b>	<b>27,520</b>

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 30.06.2017 RM'000</b>	<b>Financial Period Ended 30.06.2017 RM'000</b>
Profit before taxation	53,921	124,157
Taxation at Malaysian statutory tax rate of 24%	12,941	29,797
Non-deductible expenses	501	734
Utilisation of previously unrecognised business losses and capital allowance	(516)	(903)
Tax savings arising from Investment Tax Allowance	(1,204)	(2,108)
<b>Tax expense</b>	<b>11,722</b>	<b>27,520</b>

**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 (“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**

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 as the Vendor have still not obtained Estate Land Board’s approval for the transfer.

**21. BORROWINGS**

	As at 30.06.2017 RM’000	As at 31.12.2016 RM’000
<b><u>Short term borrowings (Secured)</u></b>		
Bank overdraft	-	9,027

Bankers' acceptance	-	5,500
Term loan	21,559	25,566
Revolving credit	5,383	50,000
	<u>26,942</u>	<u>90,093</u>

**Long term borrowings (Secured)**

Term loan	<u>53,519</u>	<u>68,976</u>
-----------	---------------	---------------

**Total Borrowings**

Bank overdraft	-	9,027
Bankers' acceptance	-	5,500
Term loan	75,078	94,542
Revolving credit	5,383	50,000
	<u>80,461</u>	<u>159,069</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 2016.

**23. DIVIDEND PAYABLE**

No interim ordinary dividend has been declared or approved for the financial period ended 30 June 2017.

**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 30.06.17 RM'000</b>	<b>Financial Period Ended 30.06.17 RM'000</b>

Profit attributable to ordinary equity holders of the parent	42,199	96,637
Issued ordinary shares as at beginning of the period	1,029,591	1,029,591
Weighted average number of ordinary shares in issue	1,029,591	1,029,591
	<b>Sen</b>	<b>Sen</b>
Basic earnings per share	<u>4.10</u>	<u>9.39</u>

**(b) DILUTED**

	<b>Current Quarter Ended 30.06.17 RM'000</b>	<b>Financial Period Ended 30.06.17 RM'000</b>
Profit attributable to ordinary equity holders of the parent	42,199	96,637
Weighted average number of ordinary shares in issue	1,029,591	1,029,591
Adjusted weighted average number of ordinary shares in issue and issuable	<u>1,029,591</u>	<u>1,029,591</u>
	<b>Sen</b>	<b>Sen</b>
Diluted earnings per share	<u>4.10</u>	<u>9.39</u>

**25. PROFIT BEFORE TAXATION**

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

	<b>3 Months Ended 30.06.17 RM'000</b>	<b>Year-to-date Ended 30.06.17 RM'000</b>
(a) Interest income	1,009	1,714
(b) Other income including investment income	1,798	3,482
(c) Interest expense	958	1,977
(d) Depreciation and amortisation	2,044	4,084
(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 30.06.2017 RM'000	As at 31.12.2016 RM'000
The retained earnings of the Group:-		
- Realised	1,584,410	1,369,731
- Unrealised	221,020	339,062
	<u>1,805,430</u>	<u>1,708,793</u>
Less: Consolidation adjustments	(62,263)	(62,263)
Total Group retained earnings as per Consolidated accounts	<u>1,743,167</u>	<u>1,646,530</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 August 2017.

On Behalf of the Board  
KSL Holdings Berhad

---

Lee Chye Tee  
Executive Director