

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
REVENUE						
External sales:						
-Sales of properties	529,582	-	-	-	-	529,582
-Rental income	-	85,846	-	-	(120)	85,726
-Car park management income	-	-	5,091	-	-	5,091
-Others	1,959	2	-	-	-	1,961
-Hotel and food and beverage	-	75,188	-	-	-	75,188
Inter-segment	-	-	-	66,387	(66,387)	-
Total	531,541	161,036	5,091	66,387	(66,507)	697,548
OTHER INCOME						
Interest income	7,250	726	59	-	-	8,035
Rental income *	6,700	-	-	-	(822)	5,878
Others	3,252	20,510	36	-	(1,868)	21,930
Inter-segment	936	4	3	21,657	(22,600)	-
Total	18,138	21,240	98	21,657	(25,290)	35,843
RESULTS						
Segment results	175,757	109,138	4,530	86,926	(89,868)	286,483
Finance cost						(4,800)
Profit before tax						281,683
Taxation						(61,377)
Net profit for the Period						220,306

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 2017 that are unusual because of their nature, size or incidence except for the gain arising from fair value adjustment of RM18.6 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 2017.

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:

Treasury Shares

During the fourth quarter, the Company repurchased 1,550,400 of its issued ordinary shares from the open market at an average price of RM 1.25 per share. The total consideration paid for the repurchased including transaction costs was RM 1,942,753. The repurchased transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. As at 31 December 2017, the cumulative total number of treasury shares held were 12,286,400 shares. None of these treasury shares held were sold or cancelled during the financial period ended 31 December 2017.

10. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter ended 31 December 2017.

11. COMMITMENT

There were no capital commitments not provided for in the financial statements as at 31 December 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>
<u>Rental received from:</u>	
Bestari Bestmart Sdn Bhd	1,976,400
Harapan Terang Motor Sdn Bhd	20,400

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 RM249.1 million and RM114.7 million respectively for the current quarter ended 31 December 2017. This represents an increase of approximately 8% and a decrease of approximately 40% respectively over the results achieved in the preceding corresponding quarter ended 31 December 2016.

The increase in revenue for the current quarter 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 decrease in profit before taxation for the current quarter was mainly due to the fair value gain of approximately RM18.6 million from the investment properties (4th Quarter 2016: RM112.7 million).

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

	Fourth Quarter Ended 31.12.17 RM'000	Fourth Quarter Ended 31.12.16 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	249,143	231,356	17,787	8
Cost of sales	112,569	108,764	3,805	3
Other income	27,763	114,720	(86,957)	(76)
Selling and marketing expenses	12,048	6,827	5,221	76
Administrative expenses	36,432	37,117	(685)	(2)
Finance costs	1,087	2,435	(1,348)	(55)
Profit before taxation	114,764	190,929	(76,165)	(40)

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group's profit before taxation for the quarter under review was approximately 168% higher than the results registered in the immediate preceding quarter ended 30 September 2017.

The increase in profit after taxation for the current quarter ended 31 December 2017 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 RM18.6 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 31.12.17 RM'000	Third Quarter Ended 30.09.17 RM'000	Variences Increase/ (Decrease) RM'000	%
Revenue	249,143	140,585	108,558	77
Cost of sales	112,569	63,839	48,730	76
General other income	9,131	2,884	6,247	216
Fair value gain	18,632	-	18,632	N/A
Selling and marketing expenses	12,048	10,374	1,674	16
Administrative expenses	36,432	25,301	11,131	44
Finance costs	1,087	1,178	(91)	(8)
Profit before taxation	114,764	42,762	72,002	168

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

	Current Quarter Ended 31.12.2017 RM'000	Financial Period Ended 31.12.2017 RM'000
Malaysian income tax	27,147	63,791
Over provision of taxation	(3,477)	(2,668)
Deferred tax		
- Relating to origination and reversal of temporary differences	(100)	(100)
- Relating to reduction in future income tax rate	354	354
Total Income Tax Expense	<u>23,924</u>	<u>61,377</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 31.12.2017 RM'000	Financial Period Ended 31.12.2017 RM'000
Profit before taxation	114,764	281,683
Taxation at Malaysian statutory tax rate of 24%	27,544	67,604
Income not subject to taxation	(4,352)	(4,352)
Non-deductible expenses	4,549	6,572

Utilisation of previously unrecognised business losses and capital allowance	-	(1,389)
Over provision of taxation	(2,668)	(2,668)
Tax savings arising from Investment Tax Allowance	(1,149)	(4,390)
Tax expense	<u>23,924</u>	<u>61,377</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 (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

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

No up-date on the matter as Estate Land Board's approval for the transfer of 6 titles in Item 2 and 14 titles in Item 3 & 4 is in the process of being applied for and still not obtained.

21. BORROWINGS

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
<u>Short term borrowings (Secured)</u>		
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>
<u>Long term borrowings (Secured)</u>		
Term loan	<u>42,789</u>	<u>68,976</u>
<u>Total Borrowings</u>		
Bank overdraft	-	9,027
Bankers' acceptance	-	5,500
Term loan	64,348	94,542
Revolving credit	5,383	50,000
	<u>69,731</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 31 December 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.

	Current Quarter Ended 31.12.17 RM'000	Financial Period Ended 31.12.17 RM'000
Profit attributable to ordinary equity holders of the parent	90,840	220,306
Issued ordinary shares as at beginning of the period	1,025,222	1,025,222
Weighted average number of ordinary shares in issue	1,025,222	1,025,222
	Sen	Sen
Basic earnings per share	<u>8.86</u>	<u>21.49</u>

(b) DILUTED

	Current Quarter Ended 31.12.17 RM'000	Financial Period Ended 30.09.17 RM'000
Profit attributable to ordinary equity holders of the parent	90,840	220,306
Weighted average number of ordinary shares in issue	1,025,222	1,025,222
Adjusted weighted average number of ordinary shares in issue and issuable	<u>1,025,222</u>	<u>1,025,222</u>
	Sen	Sen
Diluted earnings per share	<u>8.86</u>	<u>21.49</u>

25. PROFIT BEFORE TAXATION

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

	3 Months Ended 31.12.17 RM'000	Year-to-date Ended 31.12.17 RM'000
(a) Interest income	5,395	8,036
(b) Other income including investment income	22,368	27,807
(c) Interest expense	819	3,735
(d) Depreciation and amortisation	2,739	8,878
(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 31.12.2017 RM'000	As at 31.12.2016 RM'000
The retained earnings of the Group:-		
- Realised	1,686,333	1,369,731
- Unrealised	242,766	339,062
	<u>1,929,099</u>	<u>1,708,793</u>
Less: Consolidation adjustments	(62,263)	(62,263)
Total Group retained earnings as per Consolidated accounts	<u>1,866,836</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 February 2018.

On Behalf of the Board
KSL Holdings Berhad

Lee Chye Tee
Executive Director