

A. EXPLANATORY NOTES PURSUANT TO FRS 134

1. (a) Basis of preparation

The financial statements of the Group have been prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and comply with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards and the Companies Act 2016 in Malaysia. These are the Group's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial years, the financial statements of the Group were prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia. The transition to MFRSs does not have financial impact to the financial statements of the Group.

The financial statements are reported in Ringgit Malaysia, which is the Group's functional currency.

(b) Statement of compliance

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

MFRS 16, Leases

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

MFRS 17, Insurance Contracts

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

Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures – 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.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the year ended 31 December 2017 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	94,671	-	-	-	-	94,671
-Rental income	-	22,368	-	-	-	22,368
-Car park management income	-	-	1,193	-	-	1,193
-Hotel and food and beverage	-	14,236	-	-	-	14,236
Total	94,671	36,604	1,193	-	-	132,468
OTHER INCOME						
Interest income	829	173	10	-	-	1,012
Rental income *	1,256	-	-	-	-	1,256
Others	818	1	10	-	-	829
Total	2,903	174	20	-	-	3,097
RESULTS						
Segment results	24,566	22,298	1,051	(317)	-	47,598
Finance cost						(935)
Profit before tax						46,663
Taxation						(10,402)
Net profit for the Period						36,261

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 2018 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 2017.

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, except for the following:

Treasury Shares

During the current quarter, the Company repurchased 5,109,000 of its issued ordinary shares from the open market at an average price of RM1.01 per share. The total consideration paid for the repurchased including transaction costs was RM5,174,161. 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 March 2018, the cumulative total number of treasury shares held were 17,395,400 shares. None of these treasury shares held were sold or cancelled during the financial period ended 31 March 2018.

10. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter ended 31 March 2018.

11. COMMITMENT

The amount of capital commitment not provided for in the financial statements as at 31 March 2018 is as follow:

Approved and contracted for:	RM <u>287,277,695</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 2017.

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	494,100
Harapan Terang Motor Sdn Bhd	5,100

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:-

Share buyback/ Treasury shares

Subsequent to the financial period ended 31 March 2018, the Company had purchased 2,897,000 ordinary shares of its issued share capital from the open market for a total consideration of RM2,713,994. The share buy-back transactions were financed by internally generated funds. The purchased shares are held as treasury shares in accordance with the requirements of Sections 127 of the Companies Act 2016.

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 RM132.5 million and RM46.7 million respectively for the current quarter ended 31 March 2018. This represents a decrease of approximately 21% and 34% respectively over the results achieved in the preceding corresponding quarter ended 31 March 2017.

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 31.03.18 RM'000	First Quarter Ended 31.03.17 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	132,468	167,435	(34,967)	(21)
Cost of sales	56,215	65,336	(9,121)	(14)
Other income	3,097	2,389	708	30
Selling and marketing expenses	6,429	7,430	(1,001)	(13)
Administrative expenses	25,323	25,458	(135)	(1)
Finance costs	935	1,364	(429)	(31)
Profit before taxation	46,663	70,236	(23,573)	(34)

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group's profit before taxation for the quarter under review was approximately 59% lower than the results registered in the immediate preceding quarter ended 31 December 2017. This was partly 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 31.03.18 RM'000	Fourth Quarter Ended 31.12.17 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	132,468	249,099	(116,631)	(47)
Cost of sales	56,215	112,569	(56,199)	(50)

Other income	3,097	27,766	(24,669)	(89)
Selling and marketing expenses	6,429	12,043	(5,614)	(47)
Administrative expenses	25,323	37,806	(12,483)	(33)
Finance costs	935	1,088	(153)	(14)
Profit before taxation	46,663	114,764	(66,845)	(59)

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 31.03.2018 RM'000	Financial Period Ended 31.03.2018 RM'000
Malaysian income tax	10,402	10,402
Deferred tax	-	-
Total Income Tax Expense	10,402	10,402

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 31.03.2018 RM'000	Financial Period Ended 31.03.2018 RM'000
Profit before taxation	46,663	46,663
Taxation at Malaysian statutory tax rate of 24%	11,199	11,199
Utilisation of previously unrecognised business losses and capital allowance	(102)	(102)
Tax savings arising from Investment Tax Allowance	(695)	(695)
Tax expense	10,402	10,402

20. STATUS OF CORPORATE PROPOSAL ANNOUNCED

Proposed Acquisition of Land

- (a) 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	(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	28,029,509.64

	wholly-owned subsidiary of KSL	PTD 21555; and (iii) HS(D) 23238 to HS(D) 23246 for PTD 21585 to PTD 21593	
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.

- (b) On 12 March 2018, Goodpark Development Sdn Bhd, a wholly owned subsidiary of the Company announced its proposal to acquire two (2) parcels of leasehold land measuring 47.7346 hectares in Mukim Tebrau, District of Johor Bahru, Johor for a total purchase consideration of RM133,593,387.

Status as at to-date

As at to-date, certain conditions precedent stipulated in the Sale and Purchase Agreement are still pending fulfillment.

- (c) On 20 March 2018, Gantang Jaya Sdn Bhd and Bintang-Bintang Development Sdn Bhd, both wholly owned subsidiaries of the Company announced their proposal to acquire three (3) and six (6) parcels of freehold lands measuring approximately 747,184.12 square metres in Mukim of Pulai, District of Johor Bahru, Johor for a total purchase consideration of RM176,937,384.

Status as at to-date

As at to-date, certain conditions precedent stipulated in the Sale and Purchase Agreement are still pending fulfillment.

21. BORROWINGS

	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
<u>Short term borrowings (Secured)</u>		
Bank overdraft	-	-
Bankers' acceptance	-	-
Term loan	21,559	21,559
Revolving credit	5,383	5,383
	<u>26,942</u>	<u>26,942</u>
<u>Long term borrowings (Secured)</u>		
Term loan	<u>33,694</u>	<u>42,789</u>
<u>Total Borrowings</u>		
Bank overdraft	-	-
Bankers' acceptance	-	-
Term loan	55,253	64,348
Revolving credit	5,383	5,383
	<u>60,636</u>	<u>69,731</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 2017.

23. DIVIDEND PAYABLE

No interim ordinary dividend has been declared or approved for the financial period ended 31 March 2018.

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 31.03.18 RM'000	Financial Period Ended 31.03.18 RM'000
Profit attributable to ordinary equity holders of the parent	36,261	36,261
Issued ordinary shares as at beginning of the period	1,025,222	1,025,222
Effect of shares issued during the period- Treasury share	(1,674)	(1,674)
Weighted average number of ordinary shares in issue	1,023,548	1,023,548
	Sen	Sen
Basic earnings per share	<u>3.54</u>	<u>3.54</u>

(b) DILUTED

	Current Quarter Ended 31.03.18 RM'000	Financial Period Ended 31.03.18 RM'000
Profit attributable to ordinary equity holders of the parent	36,261	36,261
Weighted average number of ordinary shares in issue	1,023,548	1,023,548
Adjusted weighted average number of ordinary shares in issue and issuable	<u>1,023,548</u>	<u>1,023,548</u>
	Sen	Sen
Diluted earnings per share	<u>3.54</u>	<u>3.54</u>

25. PROFIT BEFORE TAXATION

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

	3 Months Ended 31.03.18 RM'000	Year-to-date Ended 31.03.18 RM'000
(a) Interest income	1,012	1,012
(b) Other income including investment income	2,085	2,085
(c) Interest expense	700	700
(d) Depreciation and amortisation	2,055	2,055
(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. 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 May 2018.

On Behalf of the Board
KSL Holdings Berhad

Lee Chye Tee
Executive Director