

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	203,580	-	-	-	-	203,580
-Rental income	-	45,479	-	-	-	45,479
-Car park management income	-	-	2,467	-	-	2,467
-Others	21	5	-	-	-	26
-Hotel and food and beverage	-	29,404	-	-	-	29,404
Inter-segment	-	-	-	57,000	(57,000)	-
Total	203,601	74,888	2,467	57,000	(57,000)	280,956
OTHER INCOME						
Interest income	814	374	16	-	-	1,204
Rental income *	2,483	-	-	-	-	2,483
Inter-segment	379	1	9	6,210	(6,599)	-
Others	1,018	5	19	-	-	1,042
Total	4,694	380	44	6,210	(6,599)	4,729
RESULTS						
Segment results	57,042	45,233	2,236	62,705	(63,599)	103,617
Finance cost						(1,891)
Profit before tax						101,726
Taxation						(22,947)
Net profit for the Period						78,779

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 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 2,897,000 of its issued ordinary shares from the open market at an average price of RM0.93 per share. The total consideration paid for the repurchased including transaction costs was RM2,713,994. 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 30 June 2018, the cumulative total number of treasury shares held were 20,292,400 shares. None of these treasury shares held were sold or cancelled during the financial period ended 30 June 2018.

10. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter ended 30 June 2018.

11. COMMITMENT

The amount of capital commitment not provided for in the financial statements as at 30 June 2018 is as follow:

Approved and contracted for:	RM <u>128,034,048</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	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 RM148.5 million and RM55.1 million respectively for the current quarter ended 30 June 2018. This represents an increase of approximately 6% and 2% respectively over the results achieved in the preceding corresponding quarter ended 30 June 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:

	Second Quarter Ended 30.06.18 RM'000	Second Quarter Ended 30.06.17 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	148,488	140,385	8,103	6
Cost of sales	67,868	60,680	7,188	12
Other income	1,632	2,807	(1,175)	(42)
Selling and marketing expenses	7,617	9,632	(2,015)	(21)
Administrative expenses	18,616	17,788	828	5
Finance costs	956	1,171	(215)	(18)
Profit before taxation	55,063	53,921	1,142	2

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group's profit before taxation for the quarter under review was approximately 18% higher than the results registered in the immediate preceding quarter ended 31 March 2018.

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

	Second Quarter Ended 30.06.18 RM'000	First Quarter Ended 31.03.18 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	148,488	132,468	16,020	12
Cost of sales	67,868	56,215	11,653	21
Other income	1,632	3,097	(1,465)	(47)

Selling and marketing expenses	7,617	6,429	1,188	18
Administrative expenses	18,616	25,323	(6,707)	(26)
Finance costs	956	935	21	2
Profit before taxation	55,063	46,663	8,400	18

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 30.06.2018 RM'000	Financial Period Ended 30.06.2018 RM'000
Malaysian income tax	12,545	22,947
Deferred tax	-	-
Total Income Tax Expense	12,545	22,947

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 30.06.2018 RM'000	Financial Period Ended 30.06.2018 RM'000
Profit before taxation	55,063	101,726
Taxation at Malaysian statutory tax rate of 24%	13,215	24,414
Non-deductible expenses	510	510
Utilisation of previously unrecognised business losses and capital allowance	(429)	(531)
Tax savings arising from Investment Tax Allowance	(751)	(1,446)
Tax expense	12,545	22,947

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,	(i) HS(D) 23160 to HS(D) 23180 for PTD 21507 to PTD 21527; (ii) HS(D) 23182 to HS(D)	28,029,509.64

	which in turn is the wholly-owned subsidiary of KSL	23208 for PTD 21529 to 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

The Group had on 29 June 2018 completed and fully settled the total purchase consideration of the Proposed Acquisition in accordance with the terms of the sale and purchase agreement dated 20 March 2018.

21. BORROWINGS

	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
<u>Short term borrowings (Secured)</u>		
Term loan	21,559	21,559
Revolving credit	22,758	5,383
	<u>44,317</u>	<u>26,942</u>
<u>Long term borrowings (Secured)</u>		
Term loan	31,960	42,789
Revolving credit	121,625	-
	<u>153,585</u>	<u>42,789</u>
<u>Total Borrowings</u>		
Term loan	53,519	64,348
Revolving credit	144,383	5,383
	<u>197,902</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 30 June 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 30.06.18 RM'000	Financial Period Ended 30.06.18 RM'000
Profit attributable to ordinary equity holders of the parent	42,518	78,779
Issued ordinary shares as at beginning of the period	1,020,201	1,025,222
Effect of shares issued during the period- Treasury share	(2,985)	(4,840)
Weighted average number of ordinary shares in issue	1,017,216	1,020,382
	Sen	Sen
Basic earnings per share	<u>4.18</u>	<u>7.72</u>

(b) DILUTED

	Current Quarter Ended 30.06.18 RM'000	Financial Period Ended 30.06.18 RM'000
Profit attributable to ordinary equity holders of the parent	42,518	78,779
Weighted average number of ordinary shares in issue	1,017,216	1,020,382
Adjusted weighted average number of ordinary shares in issue and issuable	<u>1,017,216</u>	<u>1,020,382</u>
	Sen	Sen
Diluted earnings per share	<u>4.18</u>	<u>7.72</u>

25. PROFIT BEFORE TAXATION

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

	3 Months Ended 30.06.18 RM'000	Year-to-date Ended 30.06.18 RM'000
(a) Interest income	193	1,205
(b) Other income including investment income	2,644	4,729
(c) Interest expense	785	1,485
(d) Depreciation and amortisation	2,060	4,115
(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 27 August 2018.

On Behalf of the Board
KSL Holdings Berhad

Lee Chye Tee
Executive Director