

## 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
<b>REVENUE</b>						
External sales:						
-Sales of properties	348,908	-	-	-	-	348,908
-Rental income	-	68,673	-	-	-	68,673
-Car park management income	-	-	3,881	-	-	3,881
-Others	33	54	-	-	-	87
-Hotel and food and beverage	-	46,595	-	-	-	46,595
Inter-segment	-	-	-	57,000	(57,000)	-
<b>Total</b>	<b>348,941</b>	<b>115,322</b>	<b>3,881</b>	<b>57,000</b>	<b>(57,000)</b>	<b>468,144</b>
<b>OTHER INCOME</b>						
Interest income	2,743	697	30	-	-	3,470
Rental income *	3,770	-	-	-	-	3,770
Inter-segment	680	2	18	12,550	(13,250)	-
Others	2,093	6	28	-	-	2,127
<b>Total</b>	<b>9,286</b>	<b>705</b>	<b>76</b>	<b>12,550</b>	<b>(13,250)</b>	<b>9,367</b>
<b>RESULTS</b>						
Segment results	108,139	68,814	3,557	68,575	(70,250)	178,835
Finance cost						(4,534)
Profit before tax						174,301
Taxation						(41,437)
<b>Net profit for the Period</b>						<b>132,864</b>

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 September 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.

10. CHANGES IN COMPOSITION OF THE GROUP

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

#### 11. COMMITMENT

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

Approved and contracted for:	RM <u>128,034,048</u>
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However, out of the above capital commitment, RM120,234,048 had been fully paid on 19-10-2018.

#### 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	1,482,300
Harapan Terang Motor Sdn Bhd	15,300

#### 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 RM187.2 million and RM72.6 million respectively for the current quarter ended 30 September 2018. This represents an increase of approximately 33% and 70% respectively over the results achieved in the preceding corresponding quarter ended 30 September 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:

	Third Quarter Ended 30.09.18 RM'000	Third Quarter Ended 30.09.17 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	187,188	140,585	46,603	33
Cost of sales	82,181	63,839	18,342	29
Other income	4,639	2,884	1,755	61
Selling and marketing expenses	6,100	10,374	(4,274)	(41)
Administrative expenses	28,327	25,301	3,026	12
Finance costs	2,643	1,178	1,465	124
Profit before taxation	72,576	42,762	29,814	70

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group's profit before taxation for the quarter under review was approximately 32% higher than the results registered in the immediate preceding quarter ended 30 June 2018.

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

	Third Quarter Ended 30.09.18 RM'000	Second Quarter Ended 30.06.18 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	187,188	148,488	38,700	26
Cost of sales	82,181	67,868	14,313	21
Other income	4,639	1,632	3,007	184

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Selling and marketing expenses	6,100	7,617	(1,517)	(20)
Administrative expenses	28,327	18,616	9,711	52
Finance costs	2,643	956	1,687	176
Profit before taxation	72,576	55,063	17,513	32

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## 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 30.09.2018 RM'000	Financial Period Ended 30.09.2018 RM'000
Malaysian income tax	18,005	40,952
Under provision of taxation	485	485
Deferred tax	-	-
Total Income Tax Expense	<u>18,490</u>	<u>41,437</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 30.09.2018 RM'000	Financial Period Ended 30.09.2018 RM'000
Profit before taxation	<u>72,576</u>	<u>174,301</u>
Taxation at Malaysian statutory tax rate of 24%	17,418	41,832
Non-deductible expenses	2,511	3,021
Utilisation of previously unrecognised business losses and capital allowance	(435)	(966)
Tax savings arising from Investment Tax Allowance	<u>(1,004)</u>	<u>(2,450)</u>
Tax expense	<u><u>18,490</u></u>	<u><u>41,437</u></u>

20. STATUS OF CORPORATE PROPOSAL ANNOUNCED

Proposed Acquisition of Land

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

The Company had on 19 October 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 12 March 2018.



21. BORROWINGS

	As at 30.09.2018 RM'000	As at 31.12.2017 RM'000
<u>Short term borrowings (Secured)</u>		
Term loan	6,933	21,559
Revolving credit	17,375	5,383
	<u>24,308</u>	<u>26,942</u>
 <u>Long term borrowings (Secured)</u>		
Term loan	25,394	42,789
Revolving credit	121,625	-
	<u>147,019</u>	<u>42,789</u>
 <u>Total Borrowings</u>		
Term loan	32,327	64,348
Revolving credit	139,000	5,383
	<u>171,327</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 September 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 30.09.18 RM'000	Financial Period Ended 30.09.18 RM'000
Profit attributable to ordinary equity holders of the parent	54,086	132,864
Issued ordinary shares as at beginning of the period	1,017,216	1,025,222
Effect of shares issued during the period- Treasury share	-	(5,895)
Weighted average number of ordinary shares in issue	-	-
	Sen	Sen
Basic earnings per share	<u>5.32</u>	<u>13.03</u>

(b) DILUTED

	Current Quarter Ended 30.09.18 RM'000	Financial Period Ended 30.09.18 RM'000
Profit attributable to ordinary equity holders of the parent	54,086	132,864
Weighted average number of ordinary shares in issue	1,017,216	1,019,327
Adjusted weighted average number of ordinary shares in issue and issuable	<u>1,017,216</u>	<u>1,019,327</u>
	Sen	Sen
Diluted earnings per share	<u>5.32</u>	<u>13.03</u>

25. PROFIT BEFORE TAXATION

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

	3 Months Ended 30.09.18 RM'000	Year-to-date Ended 30.09.18 RM'000
(a) Interest income	2,265	3,470
(b) Other income including investment income	1,169	5,898
(c) Interest expense	2,376	3,861
(d) Depreciation and amortisation	2,095	6,210
(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 26 November 2018.

On Behalf of the Board  
 KSL Holdings Berhad

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 Lee Chye Tee  
 Executive Director