

A. EXPLANATORY NOTES PURSUANT TO MFRS 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 2020

Amendments to References to the Conceptual Framework in MFRS Standards

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	544,371	-	-	-	-	544,371
-Rental income	-	91,841	-	-	(120)	91,721
-Car park management income	-	-	5,300	-	-	5,300
-Others	855	-	-	-	-	855
-Hotel and food and beverage	-	67,202	-	-	-	67,202
Inter-segment	-	-	-	58,010	(58,010)	-
Total	545,226	159,043	5,300	58,010	(58,130)	709,449
OTHER INCOME						
Interest income	8,609	997	43	-	-	9,649
Rental income *	5,899	-	-	-	-	5,899
Inter-segment	1,187	3	23	25,990	(27,203)	-
Fair value adjustment	-	10,268	-	-	-	10,268
Others	3,235	6	37	-	-	3,278
Total	18,930	11,274	104	25,990	(27,203)	29,094
RESULTS						
Segment results	220,329	100,499	4,731	82,817	(83,936)	324,440
Finance cost						(7,072)
Profit before tax						317,368
Taxation						(93,277)
Net profit for the Period						224,091

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 2018 that are unusual because of their nature, size or incidence except for the gain arising from fair value adjustment of RM10.3 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 2018.

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 31 December 2018.

11. COMMITMENT

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

Approved and contracted for:	RM <u>7,800,000</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/(paid to):</u>	
Bestari Bestmart Sdn Bhd	1,976,400
Harapan Terang Motor Sdn Bhd	20,400
Bintang-bintang Sd Bhd	(200,000)

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 RM241.3 million and RM143.1 million respectively for the current quarter ended 31 December 2018. This represents a decrease of 3% and an increase of approximately 26% respectively over the results achieved in the preceding corresponding quarter ended 31 December 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:

	Fourth Quarter Ended 31.12.18 RM'000	Fourth Quarter Ended 31.12.17 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	241,305	249,099	(7,794)	-3
Cost of sales	68,678	112,414	(43,736)	-39
Other income	19,726	27,766	(8,040)	-29
Selling and marketing expenses	7,951	12,043	(4,092)	-34
Administrative expenses	38,769	37,806	963	3
Finance costs	2,538	1,088	1,450	133
Profit before taxation	143,067	113,508	29,559	26

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group's profit before taxation for the quarter under review was approximately 97% higher than the results registered in the immediate preceding quarter ended 30 September 2018.

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 RM10.3 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 31.12.18 RM'000	Third Quarter Ended 30.09.18 RM'000	Variences Increase/ (Decrease) RM'000	%
Revenue	241,305	187,188	54,117	29
Cost of sales	68,678	82,181	(13,503)	-16
General other income	9,458	4,639	4,819	104
Fair value gain	10,268	-	10,268	N/A
Selling and marketing expenses	7,951	6,100	1,851	30
Administrative expenses	38,769	28,327	10,442	37
Finance costs	2,538	2,643	(105)	-4
Profit before taxation	143,067	72,576	70,491	97

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 31.12.2018 RM'000	Financial Period Ended 31.12.2018 RM'000
Taxation		
-current taxation	30,933	72,370
-deferred taxation	20,907	20,907
Total Income Tax Expense	<u>51,840</u>	<u>93,277</u>

The Group's effective tax rate for the financial period is higher than the statutory tax rate mainly due to recognition of previously unrecognised deductible timing differences as deferred tax (change of CKHT rate from 5% to 10%).

20. STATUS OF CORPORATE PROPOSAL ANNOUNCED

There were no corporate proposals announced during the period under review.

21. BORROWINGS

	As at 31.12.2018 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>

Long term borrowings (Secured)

Term loan	23,661	42,789
Revolving credit	121,625	-
	<u>145,286</u>	<u>42,789</u>

Total Borrowings

Term loan	30,594	64,348
Revolving credit	139,000	5,383
	<u>169,594</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 December 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 31.12.18 RM'000	Financial Period Ended 31.12.18 RM'000
Profit attributable to ordinary equity holders of the parent	91,227	224,091
Issued ordinary shares as at beginning of the period	1,017,216	1,025,222

Effect of shares issued during the period- Treasury share	-	(6,423)
Weighted average number of ordinary shares in issue	1,017,216	1,018,799
	Sen	Sen
Basic earnings per share	<u>8.97</u>	<u>22.00</u>

(b) DILUTED

	Current Quarter Ended 31.12.18 <u>RM'000</u>	Financial Period Ended 31.12.18 <u>RM'000</u>
Profit attributable to ordinary equity holders of the parent	91,227	224,091
Weighted average number of ordinary shares in issue	<u>1,017,216</u>	<u>1,018,799</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>1,017,216</u>	<u>1,018,799</u>
	Sen	Sen
Diluted earnings per share	<u>8.97</u>	<u>22.00</u>

25. PROFIT BEFORE TAXATION

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

	3 Months Ended 31.12.18 <u>RM'000</u>	Year-to-date Ended 31.12.18 <u>RM'000</u>
(a) Interest income	6,179	9,649
(b) Other income including investment income	13,547	19,445
(c) Interest expense	2,193	6,054
(d) Depreciation and amortisation	3,652	9,862
(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	<u>10,268</u>	<u>10,268</u>

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 dated 28 February 2019.

On Behalf of the Board
KSL Holdings Berhad

Lee Chye Tee
Executive Director