

## 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 (IFRSs) and the Companies Act 2016 in Malaysia.

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 2020

- Amendments to MFRS 3, Business Combinations – Definition of Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
- 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 2018 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	231,153	-	-	-	-	231,153
-Rental income	-	48,538	-	-	-	48,538
-Car park management income	-	-	2,470	-	-	2,470
-Others	1,414	-	-	-	-	1,414
-Hotel and food and beverage	-	34,323	-	-	-	34,323
Inter-segment	-	-	-	-	-	-
<b>Total</b>	<b>232,567</b>	<b>82,861</b>	<b>2,470</b>	<b>-</b>	<b>-</b>	<b>317,898</b>
<b>OTHER INCOME</b>						
Interest income	2,824	430	10	3	-	3,267
Rental income *	2,610	-	-	-	-	2,610
Inter-segment	1,144	1	21	7,558	(8,724)	-
Fair value adjustment	-	-	-	-	-	-
Others	1,563	-	16	-	-	1,579
<b>Total</b>	<b>8,141</b>	<b>431</b>	<b>47</b>	<b>7,561</b>	<b>(8,724)</b>	<b>7,456</b>
<b>RESULTS</b>						
Segment results	81,843	48,599	2,241	6,966	(8,724)	130,925
Finance cost						(4,767)
Profit before tax						126,158
Taxation						(29,509)
<b>Net profit for the Period</b>						<b>96,649</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 June 2019 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 2018.

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 June 2019.

#### 11. COMMITMENT

There were no capital commitments not provided for in the financial statements as at 30 June 2019.

#### 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 2018.

#### 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

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#### 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 RM195.9 million and RM88.6 million respectively for the current quarter ended 30 June 2019. This represents an increase of 32% and 61% respectively over the results achieved in the preceding corresponding quarter ended 30 June 2018.

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 30.06.19 RM'000	Second Quarter Ended 30.06.18 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	195,914	148,488	47,426	32
Cost of sales	87,103	67,868	19,235	28
Other income	4,670	1,632	3,038	186
Selling and marketing expenses	768	7,617	(6,849)	(90)
Administrative expenses	21,829	18,616	3,213	17
Finance costs	2,323	956	1,367	143
Profit before taxation	88,561	55,063	33,498	61

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group's profit before taxation for the quarter under review was approximately 136% higher than the results registered in the immediate preceding quarter ended 31 March 2019.

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

	Second Quarter Ended 30.06.19 RM'000	First Quarter Ended 31.03.19 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	195,914	121,985	73,929	61
Cost of sales	87,103	55,763	31,340	56
General other income	4,670	2,786	1,884	68

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Selling and marketing expenses	768	639	129	20
Administrative expenses	21,829	28,330	(6,501)	(23)
Finance costs	2,323	2,444	(121)	(5)
Profit before taxation	88,561	37,595	50,966	136

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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 30.06.2019 RM'000	Financial Period Ended 30.06.2019 RM'000
Taxation		
-current taxation	20,784	29,509
<b>Total Income Tax Expense</b>	<b>20,784</b>	<b>29,509</b>

20. STATUS OF CORPORATE PROPOSAL ANNOUNCED

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

21. BORROWINGS

	As at 30.06.2019 RM'000	As at 31.12.2018 RM'000
<u>Short term borrowings (Secured)</u>		
Term loan	6,933	6,933
Revolving credit	-	17,375
	<u>6,933</u>	<u>24,308</u>
 <u>Long term borrowings (Secured)</u>		
Term loan	105,159	23,661
Revolving credit	70,000	121,625
	<u>175,159</u>	<u>145,286</u>
 <u>Total Borrowings</u>		
Term loan	112,092	30,594
Revolving credit	70,000	139,000
	<u>182,092</u>	<u>169,594</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 2018.

23. DIVIDEND PAYABLE

No interim ordinary dividend has been declared or approved for the financial period ended 30 June 2019.

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 30.06.19 RM'000	Financial Period Ended 30.06.19 RM'000
Profit attributable to ordinary equity holders of the parent	67,778	96,649
Issued ordinary shares as at beginning of the period	1,017,216	1,017,216
Effect of shares issued during the period- Treasury share	-	-
Weighted average number of ordinary shares in issue	1,017,216	1,017,216
	Sen	Sen
Basic earnings per share	<u>6.66</u>	<u>9.50</u>

(b) DILUTED

	Current Quarter Ended 31.03.19 RM'000	Financial Period Ended 31.03.19 RM'000
Profit attributable to ordinary equity holders of the parent	67,778	96,649
Weighted average number of ordinary shares in issue	<u>1,017,216</u>	<u>1,017,216</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>1,017,216</u>	<u>1,017,216</u>
	Sen	Sen
Diluted earnings per share	<u>6.66</u>	<u>9.50</u>

## 25. PROFIT BEFORE TAXATION

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

	3 Months Ended 30.06.19 RM'000	Year-to-date Ended 30.06.19 RM'000
(a) Interest income	2,467	3,267
(b) Other income including investment income	2,203	4,189
(c) Interest expense	2,097	4,341
(d) Depreciation and amortisation	2,660	5,490
(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>-</u>	<u>-</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 27 Aug 2019.

On Behalf of the Board  
KSL Holdings Berhad

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Lee Chye Tee  
Executive Director