

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.

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 annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101, Presentation of Financial Statements – Classification of liabilities as current or non-current

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 2019 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	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE							
External sales:							
-Sales of properties	125,788	-	-	-	-	-	125,788
-Rental income	-	36,981	-	-	-	-	36,981
-Car park management income	-	-	1,057	-	-	-	1,057
-Others	731	-	-	-	-	-	731
-Hotel and food and beverage	-	20,529	-	-	-	-	20,529
Inter-segment	-	-	-	-	-	-	-
Total	126,519	57,510	1,057	-	-	-	185,086
OTHER INCOME							
Interest income	1,440	659	10	4	8	-	2,121
Rental income *	4,313	85	-	-	-	-	4,398
Inter-segment	1,704	186	28	12,600	-	(14,518)	-
Others	3,410	10	30	-	-	-	3,450
Total	10,867	940	68	12,604	8	(14,518)	9,969
RESULTS							
Segment results	7,027	21,778	842	11,895	(369)	(14,518)	26,655
Finance cost							(3,640)
Profit before tax							23,015
Taxation							(9,277)
Net profit for the Period							13,738

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 2020 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 2019.

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 2020.

11. COMMITMENT

The amount of capital commitment not provided for in the financial statements as at 30 September 2020 is as follow:

Approved and contracted for:	RM <u>26,238,600</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 2019.

13. RECURRENT RELATED PARTY TRANSACTIONS

The significant recurrent related party transactions for the financial period were summarized as follow:-

Group	RM
<u>Rental received from:</u>	
Bestari Bestmart Sdn Bhd	2,461,400
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 RM67.8 million and RM8.7 million respectively for the current quarter ended 30 September 2020. This represents a decrease of 49% and 86% respectively over the results achieved in the preceding corresponding quarter ended 30 September 2019.

The period's revenue and operating profit was lower compared to the corresponding period of last year as the property market remained weak due to the slowdown in economy arising from the imposition of various Movement Control Order (MCO) across the country to control the COVID-19 pandemic.

The Group's hotels and resorts business segment was affected by lower sales, cancellation of events and room sales primarily due to the growing concerns and uncertainties created by the COVID-19 pandemic.

The current quarter's performance is explained in the detailed financial analysis below:

	Third Quarter Ended 30.09.20 RM'000	Third Quarter Ended 30.09.19 RM'000	Variances Increase/ (Decrease) RM'000	%
Revenue	67,756	134,162	(66,406)	(49)
Cost of sales	36,848	45,565	(8,717)	(19)
Other income	3,522	3,560	(38)	(1)
Selling and marketing expenses	3,577	1,084	2,493	230
Administrative expenses	21,147	29,296	(8,149)	(28)
Finance costs	1,036	1,642	(606)	(37)
Profit before taxation	8,670	60,135	(51,465)	(86)

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group's financial results in the previous quarter was adversely impacted by the lockdown measures. With the gradual easing of the lockdown measures, the Group's revenue increased significantly from RM37.0 million to RM67.8 million, and recorded a pre-tax profit of RM8.7 million in the current quarter under review.

The Group's pre-tax profit is explained in the detailed financial analysis below:

	Third Quarter Ended 30.09.20 RM'000	Second Quarter Ended 30.06.20 RM'000	Variences Increase/ (Decrease) RM'000	%
Revenue	67,756	37,042	30,714	83
Cost of sales	36,848	23,508	13,402	57
Other income	3,522	3,301	221	7
Selling and marketing expenses	3,577	4,517	(940)	(21)
Administrative expenses	21,147	13,096	8,051	61
Finance costs	1,036	1,188	(152)	(13)
Profit/(Loss) before taxation	8,670	(1,966)	10,636	(541)

17. COMMENTARY ON PROSPECTS

The COVID-19 pandemic has resulted in unprecedented preventive global lockdown measures of varying degrees and these undoubtedly have adversely impacted the global economy.

The property development business segment is expected to be impacted by slower property sales mainly due to the expected liquidity squeeze arising from the contraction of the economy. The lockdown measure has also affected the progress of construction of the Group's ongoing projects.

Going forward, the Directors expect that the footfall to the shopping malls will continue remain low due to the general public still being wary of COVID-19 infection despite the implementation of preventive SOPs. The low footfall may create a downward pressure on rental collections and revenue.

As for the hotels and resorts business segment, the Directors also expect that the occupancy rates and the revenue from events will remain low arising from low tourist arrivals coupled with new social distancing rules during the Recovery MCO period.

The recent incentives announced under the Short-term Economic Recovery Plan in Malaysia, particularly for the hotels and resorts and property development business segments, may partly mitigate the adverse impact of the COVID-19 pandemic. Taking into account of all the aforesaid, the Directors expect the results of the Group for the remaining quarter of the financial year ending 31 December 2020 to be adversely impacted.

18. PROFIT FORECAST

Not applicable

19. INCOME TAX EXPENSE

	Current Quarter Ended 30.09.2020 RM'000	Financial Period Ended 30.09.2020 RM'000
Taxation		
-current taxation	2,332	9,277
Total Income Tax Expense	2,332	9,277

20. STATUS OF CORPORATE PROPOSAL ANNOUNCED

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

21. BORROWINGS

	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
<u>Short term borrowings (Secured)</u>		
Term loan	5,433	6,933
 <u>Long term borrowings (Secured)</u>		
Term loan	97,993	101,692
 <u>Total Borrowings</u>		
Term loan	103,426	108,625

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 2019.

23. DIVIDEND PAYABLE

No interim ordinary dividend has been declared or approved for the financial period ended 30 September 2020.

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 30.09.20 RM'000	Financial Period Ended 30.09.20 RM'000
Profit attributable to ordinary equity holders of the parent	6,338	13,738
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>0.62</u>	<u>1.35</u>

(b) DILUTED

	Current Quarter Ended 30.09.20 RM'000	Financial Period Ended 30.09.20 RM'000
Profit attributable to ordinary equity holders of the parent	6,338	13,738
Weighted average number of ordinary shares in issue	1,017,216	1,017,216
Adjusted weighted average number of ordinary shares in issue and issuable	1,017,216	1,017,216

	Sen	Sen
Diluted earnings per share	<u>0.62</u>	<u>1.35</u>

25. PROFIT BEFORE TAXATION

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

	3 Months Ended 30.09.20 RM'000	Year-to-date Ended 30.09.20 RM'000
(a) Interest income	564	2,121
(b) Other income including investment income	2,958	7,848
(c) Interest expense	941	3,317
(d) Depreciation and amortisation	2,652	7,959
(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 25 November 2020.

On Behalf of the Board
 KSL Holdings Berhad

 Lee Chye Tee
 Executive Director