

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 June 2020

- Amendments to MFRS 16, Leases – Covid-19- Related Rent Concessions

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 17 August 2020

- Amendments to MFRS 4, Insurance Contracts- Extension of the Temporary Exemption from Applying MFRS 9

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7, Financial Instruments, MFRS 4, Insurance Contracts and MFRS 16, Leases –Interest Rate Benchmark Reform (Phase 2)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018 – 2020)
- Amendments to MFRS 3, Business Combinations — Reference to the Conceptual Framework
- Amendment to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018 – 2020)

- Amendments to MFRS 116, Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets — Onerous Contracts - Cost of Fulfilling a Contract
- Amendment to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018 – 2020)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, Insurance Contracts and Amendments to MFRS 17, Insurance Contracts
- Amendments to MFRS 101, Presentation of Financial Statements – Classification of liabilities as current or non-current
- Amendments to MFRS 101, Presentation of Financial Statements – Disclosure of Accounting Policies
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

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 2020 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 | 198,421 | - | - | - | - | - | 198,421 |
| -Rental income | - | 11,903 | - | - | - | - | 11,903 |
| -Car park management income | - | - | 358 | - | - | - | 358 |
| -Others | 1,857 | - | - | - | - | - | 1,857 |
| -Hotel and food and beverage | - | 12,455 | - | - | - | - | 12,455 |
| Inter-segment | - | - | - | - | - | - | - |
| Total | 200,278 | 24,358 | 358 | - | - | - | 224,994 |
| OTHER INCOME | | | | | | | |
| Interest income | 733 | 304 | 3 | 1 | 4 | - | 1,045 |
| Rental income * | 3,843 | 40 | - | - | - | - | 3,883 |
| Inter-segment | 75 | 21 | 3 | 107 | - | (206) | - |
| Others | 1,197 | - | 20 | - | - | - | 1,217 |
| Total | 5,848 | 365 | 26 | 108 | 4 | (206) | 6,145 |
| RESULTS | | | | | | | |
| Segment results | 63,500 | 5,873 | 247 | (348) | (8) | (206) | 69,058 |
| Finance cost | | | | | | | (1,847) |
| Profit before tax | | | | | | | 67,211 |
| Taxation | | | | | | | (16,127) |
| Net profit for the period | | | | | | | 51,084 |

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 2021 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 2020.

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 2021.

11. COMMITMENT

The amount of capital commitment not provided for in the financial statements as at 30 June 2021 is as follow:

| | |
|------------------------------|------------------------|
| Approved and contracted for: | RM <u>1,172,812</u> |
|------------------------------|------------------------|

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 2020.

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 | 2,460,000 |
| 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 recorded revenue of RM132.54 million for the current quarter ended 30 June 2021 compared to revenue of RM37.04 million in the corresponding quarter of the previous financial year, representing an increase of 258%. The Group's performance improved from loss before tax of RM1.97 million in the corresponding quarter of the previous financial year to profit before tax of RM44.80 million for the current quarter ended 30 June 2021.

The financial performance was higher in the current quarter due to higher contributions from property development segment. This was unlike the previous corresponding quarter whereby most of the economic activities came to a standstill as businesses were unprepared for MCO 1.0 when it was implemented. However, the hotel and resort business under the property investment segment continued to be impacted by the consequences of the MCO.

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

| | Second Quarter Ended 30.06.21 RM'000 | Second Quarter Ended 30.06.20 RM'000 | Variences Increase/ (Decrease) RM'000 | % |
|--------------------------------|--|--|--|-------|
| Revenue | 132,540 | 37,042 | 95,498 | 258 |
| Cost of sales | 69,974 | 23,508 | 46,466 | 198 |
| Other income | 3,065 | 3,301 | (236) | (7) |
| Selling and marketing expenses | 2,095 | 4,517 | (2,422) | (54) |
| Administrative expenses | 17,792 | 13,096 | 4,696 | 36 |
| Finance costs | 945 | 1,188 | (243) | (20) |
| Profit/ (loss) before taxation | 44,799 | (1,966) | 46,765 | 2,379 |

16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group's profit before taxation for the quarter under review was approximately 100% higher than the results registered in the immediate preceding quarter ended 31 March 2021.

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

| | Second Quarter Ended 30.06.21 RM'000 | First Quarter Ended 31.03.21 RM'000 | Variances Increase/ (Decrease) RM'000 | % |
|--------------------------------|--|---|--|------|
| Revenue | 132,540 | 92,454 | 40,086 | 43 |
| Cost of sales | 69,974 | 46,998 | 22,976 | 49 |
| Other income | 3,065 | 3,080 | (15) | 0 |
| Selling and marketing expenses | 2,095 | 2,545 | (450) | (18) |
| Administrative expenses | 17,792 | 22,677 | (4,885) | (22) |
| Finance costs | 945 | 902 | 43 | 5 |
| Profit before taxation | 44,799 | 22,412 | 22,387 | 100 |

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 remains uncertain because of closed borders and travel restrictions. With the weak consumer sentiments, the Group expects performance to be challenging for the financial year ending 31 December 2021.

18. PROFIT FORECAST

Not applicable

19. INCOME TAX EXPENSE

| | Current Quarter Ended 30.06.2021 RM'000 | Financial Period Ended 30.06.2021 RM'000 |
|--------------------------|---|--|
| Taxation | | |
| -current taxation | 10,776 | 16,127 |
| Total Income Tax Expense | <u>10,776</u> | <u>16,127</u> |

20. STATUS OF CORPORATE PROPOSAL ANNOUNCED

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

21. BORROWINGS

| | As at 30.06.2021 RM'000 | As at 31.12.2020 RM'000 |
|--|-------------------------------|-------------------------------|
| <u>Short term borrowings (Secured)</u> | | |
| Term loan | <u>12,963</u> | <u>12,338</u> |
| <u>Long term borrowings (Secured)</u> | | |
| Term loan | <u>85,863</u> | <u>88,155</u> |
| <u>Total Borrowings</u> | | |
| Term loan | <u><u>98,826</u></u> | <u><u>100,493</u></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 2020.

23. DIVIDEND PAYABLE

No interim ordinary dividend has been declared or approved for the financial period ended 30 June 2021.

24. EARNINGS PER SHARE

(a) BASIC

Basic earnings per share amounts are calculated by dividing loss 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 30.06.21 RM'000 | Financial Period Ended 30.06.21 RM'000 |
|--|---|--|
| Profit attributable to ordinary equity holders of the parent | 34,023 | 51,084 |
| 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>3.34</u> | <u>5.02</u> |

(b) DILUTED

| | Current Quarter Ended 30.06.21 RM'000 | Financial Period Ended 30.06.21 RM'000 |
|---|---|--|
| Profit attributable to ordinary equity holders of the parent | 34,023 | 51,084 |
| 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>3.34</u> | <u>5.02</u> |

25. PROFIT BEFORE TAXATION

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

| | 3 Months Ended 30.06.21 RM'000 | Year-to-date Ended 30.06.21 RM'000 |
|--|---|---|
| (a) Interest income | 710 | 1,045 |
| (b) Other income including investment income | 2,355 | 5,100 |
| (c) Interest expense | 878 | 1,713 |
| (d) Depreciation and amortisation | 2,606 | 5,220 |
| (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 loss 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 dated 26 August 2021.

On Behalf of the Board
 KSL Holdings Berhad

Lee Chye Tee
 Executive Director