

## A. EXPLANATORY NOTES PURSUANT TO MFRS 134

### 1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The Group has prepared its financial statements using the Malaysian Financial Reporting Standards (“MFRS”) for the financial period ended 30 June 2023.

The interim financial report is unaudited and is prepared in accordance with MFRS134 *Interim Financial Reporting* and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2022. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2022.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 31 December 2022 except for the adoption of the following Accounting Standards, Amendments and Interpretations:

		<u>Effective dates</u>
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

#### **Standards issued but not yet effective**

		<u>Effective dates</u>
Amendments to MFRS 16	Lease liability in a sale and leaseback	1 January 2024
Amendments to MFRS 101	Non-Current Liabilities with Covenants	1 January 2024
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

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 2022 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
<b>REVENUE</b>							
External sales:							
-Sales of properties	513,439	-	-	-	-	-	513,439
-Rental income	-	43,438	-	-	341	-	43,779
-Car park management income	-	-	2,249	-	-	-	2,249
-Others	5,239	-	-	-	-	-	5,239
-Hotel and food and beverage	-	40,429	-	-	-	-	40,429
Inter-segment	-	-	-	-	-	-	-
Total	518,678	83,867	2,249	-	341	-	605,135
<b>OTHER INCOME</b>							
Interest income	2,886	437	10	2	19	-	3,354
Rental income *	3,977	62	-	-	-	-	4,039
Inter-segment	531	85	17	1,231	-	(1,864)	-
Fair value adjustment	-	-	-	-	-	-	-
Others	1,845	25	8	-	310	-	2,188
Total	9,239	609	35	1,233	329	(1,864)	9,581
<b>RESULTS</b>							
Segment results	212,764	51,983	1,791	895	(96)	(1,864)	265,473
Finance cost							(1,980)
Profit before tax							263,493
Taxation							(62,995)
Net profit for the period							200,498

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 2023 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 2022.

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

The Company has on 15 June 2023 incorporated a subsidiary company named KSL Bestari Sdn Bhd with an issued and paid-up share capital of RM 100-00, for which the Company's wholly owned subsidiary, VIP Beyond Sdn Bhd holds 70%.

## 11. COMMITMENT

The amount of capital commitment not provided for in the financial statements as at 30 June 2023 is as follow:

Approved and contracted for:	<b>RM</b> <u>244,541,049</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 2022.

## 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>
<b><u>Rental received from:</u></b>	
Bestari Bestmart Sdn Bhd	2,706,000
Harapan Terang Motor Sdn Bhd	10,200
<b><u>Purchases from :</u></b>	
Tiram Quarry Sdn Bhd	493,338

## 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 except:-

On 12 July 2023, VIP Beyond Sdn. Bhd., a wholly-owned subsidiary of the Group entered into a conditional SPA with Kulim (Malaysia) Sdn. Bhd. to acquire 6 parcel of freehold lands measuring approximately 68.063 hectares, all in Mukim Kota Tinggi, District of Kota Tinggi, State of Johor for a total consideration of RM49,292,628.

On 12 July 2023, KSL Bestari Sdn. Bhd., a subsidiary of the Group entered into a conditional SPA with Kulim (Malaysia) Sdn. Bhd. to acquire a parcel of freehold land measuring approximately 34.424 hectares, in Mukim Kota Tinggi, District of Kota Tinggi, State of Johor for a total consideration of RM28,661,426.

**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 RM325.21 million and RM145.89 million respectively for the current quarter ended 30 June 2023. This represents an increase of 77% and 106% respectively over the results achieved in the preceding corresponding quarter ended 30 June 2022.

The current quarter's performance was mainly contributed by the Group's flagship projects from the property development segment in Johor Bahru, Kluang and Klang namely Taman Bestari Indah, Taman Kempas Indah, Taman Mutiara Bestari, KSL Residence @Kangkar Tebrau, KSL Avery Park, Taman Mengkibol, Bandar Bestari Klang and 18 Madge.

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

	<b>Second Quarter Ended 30.06.23 RM'000</b>	<b>Second Quarter Ended 30.06.22 RM'000</b>	<b>Variances Increase/ (Decrease) RM'000</b>	<b>%</b>
Revenue	325,207	183,538	141,669	77
Cost of sales	145,664	90,826	54,838	60
Other income	5,444	3,566	1,878	53
Selling and marketing expenses	12,354	5,149	7,205	140
Administrative expenses	25,759	19,240	6,519	34
Finance costs	982	952	30	3
Profit before taxation	145,892	70,937	74,955	106

**16. COMMENT ON MATERIAL CHANGE IN PROFIT BEFORE TAXATION**

The Group's profit before taxation for the quarter under review was approximately 24% higher than the results registered in the immediate preceding quarter ended 31 March 2023.

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

	<b>Second Quarter Ended 30.06.23 RM'000</b>	<b>First Quarter Ended 31.03.23 RM'000</b>	<b>Variences Increase/ (Decrease) RM'000</b>	<b>%</b>
Revenue	325,207	279,928	45,279	16
Cost of sales	145,664	130,552	15,112	12
Other income	5,444	4,137	1,307	32
Selling and marketing expenses	12,354	11,191	1,163	10
Administrative expenses	25,759	23,723	2,036	9
Finance costs	982	998	(16)	(2)
Profit before taxation	145,892	117,601	28,291	24

## 17. COMMENTARY ON PROSPECTS

The property industry remains challenging with escalating cost of building materials, supply chain disruptions, shortage of workers and uptrend in interest rate. The economy has yet to recover from the consequential impact of the Covid-19 pandemic.

The Group has continued to exercise caution in its business plans and activities. At the same time, the Group continued to place greater emphasis on building capacities, expertise and improving management effectiveness and efficiency so that the Group will remain strong and resilient in facing the current and future challenges.

Despite the economic downturn, the Group has been preparing the ground works including seeking regulatory approvals and stands ready to launch new housing projects at the appropriate time taking into account market sentiments.

## 18. PROFIT FORECAST

Not applicable

**19. INCOME TAX EXPENSE**

	<b>Current Quarter Ended 30.06.2023 RM'000</b>	<b>Financial Period Ended 30.06.2023 RM'000</b>
Taxation		
-current taxation	36,344	62,995
Total Income Tax Expense	<u>36,344</u>	<u>62,995</u>

**20. STATUS OF CORPORATE PROPOSAL ANNOUNCED**

There were no corporate proposals announced but not completed during the period under review except for the following:

**1. Proposed Acquisition**

On 08 August 2022, KSL Development Sdn Bhd, a wholly owned subsidiary of Harapan Terang Sdn Bhd, which in turn is a wholly owned subsidiary of the Company announced its proposal to acquire all that parcel of lands measuring approximately 84.087 acres in area forming part of thirteen (13) parcels of freehold master lands located in Mukim Pulau, Daerah Johor Bahru, Negeri Johor for a total consideration of RM 109,884,891.60.

**Status as at to-date**

As at to-date, certain conditions precedent stipulated in the Sale and Purchase Agreement are still pending fulfillment.

**2. Proposed Acquisition**

On 12 September 2022, KSL Medini Development Sdn Bhd, a wholly owned subsidiary of the Company announced its proposal to acquire all that parcel of lands measuring approximately 53.89 acres in area forming part of ten (10) parcels of freehold master lands located in Mukim Jeram Batu, Daerah Pontian, Negeri Johor for a total consideration of RM102,935,612.34.

**Status as at to-date**

As at to-date, certain conditions precedent stipulated in the Sale and Purchase Agreement are still pending fulfillment.



**21. BORROWINGS**

	<b>As at 30.06.2023 RM'000</b>	<b>As at 31.12.2022 RM'000</b>
<b><u>Short term borrowings (Secured)</u></b>		
Term loan	<u>20,325</u>	<u>20,325</u>
<b><u>Long term borrowings (Secured)</u></b>		
Term loan	<u>37,850</u>	<u>48,013</u>
<b><u>Total Borrowings</u></b>		
Term loan	<u>58,175</u>	<u>68,338</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 2022.

**23. DIVIDEND PAYABLE**

No interim ordinary dividend has been declared or approved for the financial period ended 30 June 2023.

**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.

	<b>Current Quarter Ended 30.06.23 RM'000</b>	<b>Financial Period Ended 30.06.23 RM'000</b>
Profit attributable to ordinary equity holders of the parent	109,548	200,498
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
	<b>Sen</b>	<b>Sen</b>
Basic earnings per share	<u>10.77</u>	<u>19.71</u>
<b>(b) DILUTED</b>		
	<b>Current Quarter Ended 30.06.23 RM'000</b>	<b>Financial Period Ended 30.06.23 RM'000</b>
Profit attributable to ordinary equity holders of the parent	109,548	200,498
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
	<b>Sen</b>	<b>Sen</b>
Diluted earnings per share	<u>10.77</u>	<u>19.71</u>

## 25. PROFIT BEFORE TAXATION

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

	<b>3 Months Ended 30.06.23 RM'000</b>	<b>Year-to-date Ended 30.06.23 RM'000</b>
(a) Interest income	2,373	3,354
(b) Other income including investment income	3,071	6,227
(c) Interest expense	730	1,460
(d) Depreciation and amortisation	1,674	3,369
(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 dated 24 August 2023.

On Behalf of the Board  
KSL Holdings Berhad

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KU HWA SENG  
Chairman