KSL HOLDINGS BERHAD
(511433-P)

ANNUAL REPORT 2010


or Ms.Sherly: 012-743 2331


SIGNING CEREMONY FOR
THE FIBERISATION OF
D'ESPLANADE RESIDENCE
27 APRIL 2011


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BRIDAL SHOW 2011

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

1. Ku Hwa Seng (Executive Chairman)
2. Khoo Cheng Hai @ Ku Cheng Hai (Group Managing Director)
3. Ku Tien Sek (Executive Director)
4. Lee Chye Tee (Executive Director)
5. Gow Kow (Independent Non-Executive Director)
6. Goh Tyau Soon (Independent Non-Executive Director)
7. Tey Ping Cheng (Independent Non-Executive Director)

AUDIT COMMITTEE

Chairman

Gow Kow (Independent Non-Executive Director)

Members

1. Goh Tyau Soon (Independent Non-Executive Director)
2. Tey Ping Cheng (Independent Non-Executive Director)

COMPANY SECRETARY

Ng Yim Kong *(LS 0009297)*
c/o Strategy Corporate Secretariat Sdn. Bhd.
Unit 07-02, Level 7, Persoft Tower,
6B Persiaran Tropicana, 47410 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7804 5929 / Fax: 03-7805 2559

REGISTERED OFFICE

Wisma KSL, 148, Batu 1 ½, Jalan Buloh Kasap
85000 Segamat, Johor Darul Takzim
Tel: 07-931 1430 / Fax: 07-932 4888
E-mail: account@ksl.net.my
Website: http://www.ksl.net.my

AUDITORS

Ernst & Young *(AF: 0039)*
Chartered Accountants
Suite 11.2, Level 11, Menara Pelangi
2, Jalan Kuning, Taman Pelangi
80400 Johor Bahru, Johor Darul Takzim
Tel: 07-334 1740 / Fax: 07-334 1749
Website: http://www.ey.com

PRINCIPAL BANKERS

1. Malayan Banking Berhad (3813-K)
2. OCBC Bank (Malaysia) Berhad (295400-W)
3. RHB Bank Berhad (6171-M)
4. AmBank (M) Berhad (8515-D)

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7841 8000 / Fax: 03-7841 8151
Website: http://www.symphony.com.my

SOLICITORS

1. Tea, Kelvin Kang & Company
   Suite 8.1, Level 8, Menara Pelangi, Jalan Kuning, Taman Pelangi
   80400 Johor Bahru, Johor Darul Takzim
   Tel: 07-334 5481 / Fax: 07-334 5482

2. Lee Fook Leong & Co
   No. 29, 31 & 33, 1st Floor, (Peti Surat 95), Jalan Kekwa
   85007 Segamat, Johor Darul Takzim
   Tel: 07-931 3479 / Fax: 07-931 4180

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad (635998-W)
Stock Name: KSL
Stock Code: 5038

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting of the Company will be held at Level 1 EXPO @ KSL City, No. 33, Jalan Seladang, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim on Tuesday, 21 June 2011 at 11.00 a.m. for the following purposes:-

AGENDA

1) To receive the Audited Financial Statements for the year ended 31 December 2010 together with the Directors' and Auditors' Reports thereon.

2) To approve the payment of the Directors' Fees for the year ended 31 December 2010. — Resolution 1

3) To approve a First and Final Dividend of 10% less 25% tax for the year ended 31 December 2010. — Resolution 2

4) To re-elect the following Directors who are retiring in accordance with Article 76 of the Company's Articles of Association:-

   a) Mr. Gow Kow — Resolution 3

   b) Mr. Goh Tyau Soon — Resolution 4

5) To re-appoint Messrs. Ernst & Young, the retiring Auditors of the Company and to authorise the Board of Directors to fix their remuneration. — Resolution 5

6) **SPECIAL BUSINESS:-**
To consider and, if thought fit, pass with or without modifications, the following Resolutions:-

ORDINARY RESOLUTION 1 — Resolution 6

- **AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued and paid-up share capital of the Company for the time being, subject always to the approvals of the relevant regulatory authorities.**"**

Taman 順和花园 Nusa Bestari Johor Bahru

ISKANDAR MALAYSIA

FREEHOLD

NOTICE OF ANNUAL GENERAL MEETING *(Cont'd)*

ORDINARY RESOLUTION 2 Resolution 7

- **RENEWAL OF SHAREHOLDERS' APPROVAL FOR THE PROPOSED SHARE BUY-BACK**

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB") and all other prevailing laws, rules, regulations and orders issued and/or amended from time to time by the relevant regulatory authorities, the Company be and is hereby authorised to renew the approval granted by the members of the Company at the Tenth Annual General Meeting of the Company held on 22 June 2010, authorising the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company for the time being ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through BMSB upon such terms and conditions as the Directors of the Company may deem fit and expedient in the interest of the Company and an amount not exceeding the retained profits and share premium account of the Company as at 31 December 2010 of RM111,741,448 and RM28,868,900 respectively be allocated by the Company for the Proposed Share Buy-Back.

AND THAT upon completion of the purchase by the Company of its own shares, the Directors be and are hereby authorised to cancel such shares or retain such shares as the treasury shares or a combination of both. The Directors are further authorised to resell the treasury shares on BMSB or distribute the treasury shares as dividends to the members of the Company or subsequently cancel the treasury shares or any combination of the three (3).

AND FURTHER THAT the Directors be and are hereby authorised to carry out the Proposed Share Buy-Back immediately upon the passing of this resolution until:-

a) the conclusion of the next Annual General Meeting ("AGM") of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;

b) the expiration of the period within which the next AGM is required by law to be held; or

c) revoked or varied by ordinary resolution passed by the members of the Company in a general meeting,

whichever occur first but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and to take all steps as are necessary and/or to do all such acts and things as the Directors may deem fit and expedient in the interest of the Company to give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, amendments and/or variations as may be imposed by the relevant authorities."

7) To transact any other business of the Company of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a First and Final Dividend of 10% less 25% tax in respect of the year ended 31 December 2010 will be payable on 15 September 2011 to Depositors registered in the Record of Depositors at the close of business on 23 August 2011.

A Depositor shall qualify for entitlement only in respect of:-

a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 23 August 2011 in respect of ordinary transfers; and

b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order Of The Board
KSL HOLDINGS BERHAD

NG YIM KONG (LS0009297)
Company Secretary
Date: 30 May 2011

Notes: -

- *A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy or Proxies to attend and vote on his(her) behalf. A Proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
- *Where a member appoints two (2) or more Proxies, the appointment shall be invalid unless he(she) specifies the proportions of his(her) holdings to be represented by each Proxy.*
- *The Form of Proxy shall be signed by the appointor or his(her) attorney duly authorised in writing or, if the member is a corporation, it must be executed under its common seal or by its duly authorised attorney or officer.*
- *The instrument appointing a Proxy must be deposited at the registered office of the Company at Wisma KSL, 148, Batu 1½, Jalan Buloh Kasap, 85000 Segamat, Johor Darul Takzim not less than forty-eight (48) hours before the time for the Meeting i.e. latest by Saturday, 18 June 2011 at 11.00 a.m or any adjournment thereof.*

Explanatory Notes on Special Business:-

a) AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

The proposed Resolution 6 under item 6 of the agenda above, if passed, will empower the Directors of the Company, from the date of the Eleventh Annual General Meeting, with the authority to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued and paid up capital of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

The general mandate sought to grant authority to Directors to allot and issue of shares is a renewal of the mandate that was approved by the shareholders at the Tenth Annual General Meeting held on 22 June 2010. The renewal of general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/ or future investment projects, working capital and/ or acquisitions.

Up to the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the Tenth Annual General Meeting because there was no need for any fund raising activity for the purpose of investment, acquisition or working capital.

b) RENEWAL OF SHAREHOLDERS' APPROVAL FOR THE PROPOSED SHARE BUY-BACK

The proposed Resolution 7 under item 6 of the agenda above is to renew the members' approval for the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company on Bursa Malaysia Securities Berhad.

Members are requested to refer to the Share Buy-Back Statement laid out in pages 99 to 106 of this Annual Report for additional information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of Directors who are standing for re-election in Agenda 4 (Gow Kow and Goh Tyau Soon) of the Notice of the Eleventh Annual General Meeting are laid out in pages 16 to 18 of this Annual Report.

GROUP CORPORATE STRUCTURE

KSL Holdings Berhad
(511433-P)

Shareholding	Subsidiary	Shareholding	Subsidiary
100%	Bintang-Bintang Development Sdn Bhd (118624-U)		
100%	Bintang-Bintang Enterprise Sdn Bhd (109888-U)		
100%	Clarion Housing Development Sdn Bhd (741626-W)		
100%	Eversonic Sdn Bhd (199680-P)		
100%	Exportex Sdn Bhd (150362-V)		
100%	Goodpark Development Sdn Bhd (99464-A)		
100%	Khoo Soon Lee Realty Sdn Bhd (66384-P)		
100%	KSL Properties Sdn Bhd (711917-U)		
100%	Harapan Terang Sdn Bhd (167509-T)	100%	KSL Development Sdn Bhd (313164-T)
100%	Harapan Terang Properties Sdn Bhd (254910-H)		
100%	Harapan Terang Realty Sdn Bhd (64152-M)		
100%	Prosper Plus Industry Sdn Bhd (251713-A)		
100%	KSL Properties Management Sdn Bhd (F.K.A Pure Properties Sdn Bhd) (828043-V)		
100%	Sejota Sdn Berhad (60808-D)		
100%	Sering Cemerlang Sdn Bhd (770091-W)		
100%	Sure Success Properties Sdn Bhd (809424-W)		
100%	Tai Lik Development (Batu Anam) Sdn Bhd (53316-T)		
100%	Villa Bestari Sdn Bhd (689233-H)		

- Investment Holding
- Property Development
- Property Management
- Property Investment
- Property Investment And Development
- Car Park Operator

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of your Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of KSL HOLDINGS BERHAD GROUP ("Group") for the financial year ended 31 December 2010.

FINANCIAL HIGHLIGHTS

KSL Holdings Berhad ("the Company" or "KSLH") recorded a Group consolidated turnover and profit before tax of RM177.9 million and RM164.3 million respectively for the financial year ended 31 December 2010. This represents a decrease of 5% and an increase of 43% over the results achieved in the previous financial year respectively. Your Group's decrease in turnover is mainly attributable to the decrease in sales of properties. However, such decrease is mitigated by an increase in rental income from investment properties. On the other hand, increase in profit before tax is principally attributable to a gain in fair value adjustments of investment properties.

Your Group's statement of financial position as at 31 December 2010 remained strong with shareholders' funds and total assets of RM878.2 million and RM1,208 million respectively. Net assets per share soared by 9.13% to RM2.27 per share as compared to RM2.08 per share as at 31 December 2009.

DIVIDENDS

Your Board is pleased to recommend a First and Final Dividend of 10% less 25% tax for the financial year ended 31 December 2010 for shareholders' approval at the forthcoming Eleventh Annual General Meeting of KSLH. Your Board is of the view that the recommended dividend provides an adequate balance between rewarding its investors with appropriate return and retaining sufficient profits to sustain future growth.

HAPPENING EVENTS DURING THE FINANCIAL YEAR

1. LAND BANK REPLENISHMENT

Your Group had on 14 June 2010 entered into a Sale and Purchase Agreement ("the Agreement") with The Secretary of State for Foreign and Commonwealth Affairs of the United Kingdom of Great Britain and Northern Ireland (SSFCA) to acquire a piece of land held under Certificate of Title No. 12738 for Lot No. 123 Section 89A (now known as GERAN 33682 Lot 123 Section 089A) in the Town of Kuala Lumpur, District of Kuala Lumpur measuring in area 3,384.073 square meters or thereabout together with building erected thereon known as No. 18, Jalan Madge, Kuala Lumpur for a total purchase consideration of Ringgit Malaysia Twenty Five Million Three Hundred and Ninety Eight Thousand Four Hundred and Eighty Six (RM25,398,486.00) only and upon terms and conditions as are stipulated in the Agreement.

Your Group had also on 12 November 2010 entered into a Sale and Purchase Agreement ("the SPA") with Mengkibol Kemajuan Sdn. Bhd. (Company No. 39499-D) to acquire all and every one of the 3,239 realienated lots of the freehold land measuring approximately 244 acres, held under surrendered master title known as Grant 19318, Lot 3047, in Mukim Kluang, Daerah Kluang, Negeri Johor for a total purchase consideration of Ringgit Malaysia Fifty Five Million (RM55,000,000.00) only and upon the terms and conditions as are stipulated in the SPA. The land is located along Kluang-Rengam main road. It is approximately four kilometres South East of Kluang town. All and every one of the 3,239 realienated lots of the freehold land for development known as Taman Mengkibol are free from all encumbrances, mortgages, assignments, title retention, trust arrangements, agreements, caveats (private, trust, lien and/or registrar), liens, prohibitory orders, easements, equities and/or claims whatsoever with vacant possession.

CHAIRMAN'S STATEMENT *(Cont'd)*

2. CORPORATE EXERCISE

Pursuant to the authority given to the directors of your Company in Annual General Meeting (AGM) on 23 June 2009 to allot and issue shares under S132D of the Companies Act, 1965 up to an amount not exceeding in total 10% of the issued capital of your Company for such purposes as your Directors consider would be in the best interest of the Company, your Board has during the period undertaken a private placement exercise to issue 35,100,000 ordinary shares of RM0.50 each at a private placement price of RM1.18 per new ordinary share payable in full on application. The exercise was completed and the new shares were successfully quoted on the Main Market of Bursa Malaysia Securities Berhad on 12 March 2010. Total funds raised from the Private Placement exercise amounted to RM41.42 million and the proceeds was applied in full for additional working capital purposes.

ECONOMIC AND INDUSTRY OVERVIEW

1. OVERVIEW OF MALAYSIAN ECONOMY

After the downturn in 2009, the Malaysian economy experienced a strong resumption of growth in 2010 with an expansion of 7.2%. Growth was driven mainly by robust domestic demand, with strong expansion in private sector activity. Meanwhile, the public sector continued to support the domestic economy through the implementation of programmes to further enhance the country's infrastructure and the public sector delivery system. External demand rebounded strongly in the first half of the year, underpinned by strong regional demand and to some extent, the low base effect. However, it subsequently moderated in the second half-year in tandem with the slowdown in global trade and the diminishing base effect.

The Malaysian economy is projected to grow by 5 – 6% in 2011. Growth is likely to improve during the course of the year with better growth performance in the second half of the year. The growth momentum will be underpinned by strong domestic demand, emanating primarily from private sector activity. Meanwhile, the public sector will remain supportive of growth, with higher capital spending projected in the second half of 2011. This is mainly resulting from the implementation of new projects and the acceleration of on-going projects to promote private sector activity. The projected growth of Malaysian economy is based on the expectation of moderate growth in advanced economies and a return to more normal growth rate by Asian economies. Nevertheless, there remains risks to the growth projection which include sharper than expected deterioration in external economies, significant volatility in capital flows given the continued uncertainty in international markets and higher than anticipated inflation emanating from supply-driven factors.
(Source: 2010 Bank Negara Annual Report)

2. OVERVIEW OF MALAYSIAN PROPERTY SECTOR

Construction activity in the residential sub-sector moderated following the completion of several high-end properties, particularly condominiums and apartments. In addition, the performance of the sub-sector in the first half of 2010 was affected by the delay in launching new projects during the economic downturn in 2009 when developers were more cautious. However, following the economic recovery, coupled with attractive financing packages and affordable interest rates, housing starts recorded an increase of 3.2% in the second quarter of 2010 compared with the preceding quarter. In addition, the take-up rate of newly launched residential units improved to 19.5% (January – June 2009: 12.3%). Despite slower housing construction activity, high-end landed properties located in preferred areas were well-received with 100% take-up rate during launches. The aggressive promotion of MM2H programme also contributed to the strong take-up rate of high-end properties. With the strong domestic economic performance coupled with the buoyant secondary housing market, potential house buyers, particularly in the Klang Valley, Penang and Selangor are shifting from a wait-and-see attitude in 2009 to ready-to-commit in the second half of 2010.

CHAIRMAN'S STATEMENT *(Cont'd)*

Growth in the non-residential sub-sector increased strongly, driven primarily by ongoing construction of commercial properties, particularly purpose-built offices. In addition, private projects in the five growth corridors, including Johor Premium Outlet and Lido Boulevard in Iskandar Malaysia as well as Kota Kinabalu City Waterfront and South China Place in Sabah Development Corridor contributed to the sub-sector. During the first half of 2010, shopping complexes under construction increased to 1.48 million sm (end-June 2009: 1.44 million sm). Demand for retail space in shopping complexes remained strong, with the average occupancy rate at 81.2% in the first half of 2010 (January – June 2009: 81.4%), reflecting retailers' confidence in consumer spending.

Construction of leisure properties improved further in line with the growth of the tourism sector. As at end-June 2010, 86 hotels were under construction, offering 21,884 rooms (end-June 2009: 82 hotels; 21,110 rooms). Construction starts involved seven hotels with a total of 589 rooms, of which three were in Perak, two in Johor as well as one each in Kelantan and Sarawak. The average occupancy rate of three-to-five star hotels remained at 54.0%, on account of steady tourist arrivals.
(Source: Economic Performance and Prospects Report 2010/2011, Ministry of Finance, Malaysia)

The Government is aware of the difficulties faced by the *rakyat*, particularly young adults who have just joined the workforce with income less than RM3,000, to own a house. To assist this group, the Government will introduce *Skim Rumah Pertamaku* through *Cagamas Berhad* which will provide a guarantee on downpayment of 10% for houses below RM220,000. This scheme is for first-time house buyers with household income less than RM3,000 per month. In other words, the house buyers will obtain a 100% loan without having to pay the 10% down payment. In addition, first-time house buyers will also be given stamp duty exemption of 50% on instruments of transfer on a house price not exceeding RM350,000. The Government also proposes that stamp duty exemption of 50% be given on loan agreement instruments to finance such first-time purchase of houses. In addition, measures announced in last budget year and effected early this financial year, such as the scheme that enables EPF contributors to utilize current and future savings in Account 2, are expected to support the industry.
(Source: 2011 Budget announced on 15 October 2010)

3 PROSPECTS OF YOUR GROUP

In line with your Group's aspirations to provide quality and affordable housing, your Group plans to continue developing residential and commercial properties in Johor Bahru, Segamat, Kluang and Muar in the state of Johor. These developments are anticipated to further strengthen your Group's foothold in landed properties'market in the state of Johor. Apart from this, with attractive recurring revenue from two Giant Hypermarts (in Muar and Nusa Bestari, Johor Bahru) and KSL City Shopping Mall and encouraging sales of D'Esplanade luxury condominiums, your Group anticipates better growth and performance in terms of revenues and profit.

Your Group has approximately 1,830 acres of land bank for development, strategically located in prime areas in Johor, such as the district of Johor Bahru, Batu Pahat, Kluang, Segamat, Muar and Mersing. Approximately 60% of the land bank in Johor is located in the high growth Iskandar Development Region. More investment is expected to come from Singapore to the Iskandar Corridor. The effect is indeed spilling over to the property market in Johor. Your Group is expected to benefit from the effect in view of its strong brand name in the Johor property market.

CHAIRMAN'S STATEMENT *(Cont'd)*

Your Group's very first township development in the Klang Valley which is proposed to be named Bandar Bestari is expected to take off by the end of 2011. The development is envisaged to spread over a period of 8 to 10 years. The site is strategically located along Jalan Klang-Banting and is 15 minutes from the Klang town centre. This mixed development project is expected to entail thousands of units of residential and commercial properties. The project is anticipated to be a success and provides impetus for your Group's earnings growth.

In line with your Group's confidence in the high-end property market and the proven success of your Group in its maiden integrated commercial project, namely KSL City in Johor Bahru, your Group is gradually moving up the value chain by going into medium to high-end property development. Forging ahead, your Group has planned to further venture into another high-end property residential project within the Golden Triangle of Kuala Lumpur. This project will be named Madge 18 and is strategically located at Jalan Madge off Jalan U-Thant, Ampang Hilir, around the U-Thant Embassy area. Madge 18 will consist of 50 units, 10-storey high-end residences, with a potential gross development value of RM200 million and is expected to commence construction work by the end of 2011, subject to the approvals of the relevant authorities.

Besides properties development activities, your Group is also looking at ways to increase its source of recurring income stream from its property assets. Currently, we have investment properties which are contributing approximately RM 11 million of yearly rental income to your Group. Going forward, with the KSL City Shopping Mall which was in operation since 12 December 2010, the rental income from your Group's investment properties is expected to increase further. It is estimated that the KSL City Shopping Mall will contribute substantially to the annual rental revenue of your Group commencing 2011.

In the medium to long term, your Group is optimistic that its growth will be sustainable with its portfolio of existing projects and the visible pipeline of new launches of prime projects in the offering. With the imminent opening of KSL Resort, a luxury hotel consisting of two blocks in the Central Business District (CBD) of Johor Bahru, your Group is anticipating another new source of continuous income.

Above all, your 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.

Barring any unforeseen circumstances, with diligent development planning and introduction of various business improvement initiatives coupled with the favourable industry outlook, the prospects of your Group remains bright.

LAND BANK

As at 31 December 2010, your Group has approximately 2,280 acres of land held for current and future development which are strategically located in the District of Johor Bahru, Batu Pahat, Kluang, Segamat, Muar, Mersing and Klang. Approximately 68% of the land bank is located in the Iskandar Development Region and Klang Valley. 74% of these lands are available for immediate development as they have been granted approval for subdivision.

REVIEW OF THE GROUP DEVELOPMENT ACTIVITIES

During the year, your Group has six (6) major on-going projects on stream in the District of Johor Bahru, Muar and Klang which comprise mixed development of commercial and residential properties. The projects are Taman Nusa Bestari, Taman Bestari Indah, Taman Kempas Indah, Maharani Riviera, KSL City and Bandar Bestari. Three of the projects in Johor Bahru, namely Taman Nusa Bestari, Taman Bestari Indah and Taman Kempas Indah, continued to contribute significantly to your Group's annual turnover and further enhanced your Group's presence as a key player in Johor Bahru. In addition to your Group's traditional strength in constructing landed properties, the completion of KSL City in Johor Bahru, will further strengthen your Group's opportunities in the marketing of high-rise properties and large commercial properties.

CHAIRMAN'S STATEMENT *(Cont'd)*

1. TAMAN NUSA BESTARI

Taman Nusa Bestari comprising two (2) parcels of freehold land measuring approximately 227 acres. These pieces of land are located along Jalan Sungai Danga and both sides of the Second Link Highway from Johor Bahru to Singapore. The land lies geographically about 14 kilometres due north-west of Johor Bahru City Centre and enjoy a good road access provided by the Second Link Highway and Jalan Sungai Danga. The development project comprises over 2,000 units of mixed development with estimated sales value of approximately RM1.0 billion. Taman Nusa Bestari is envisaged to spread over a period of four (4) years. As at 31 December 2010, about 55% of the land has been developed and completed.

2. TAMAN BESTARI INDAH

Taman Bestari Indah has over 10,000 units of properties with gross sales value of over RM2.1 billion. This township would spread over a period of eight (8) to ten (10) years to complete and would cover an estimated area of over 700 acres. It is located at about 19 kilometres north of Johor Bahru City Centre and about 4 kilometres west of Ulu Tiram town. It is strategically positioned to benefit from the proposed expansion along Johor Bahru's eastern growth corridor. At present, this township is under active construction and is in various stages of completion. As at 31 December 2010, about 32% of the land has been developed and completed.

3. TAMAN KEMPAS INDAH

Taman Kempas Indah is located at about 18 kilometres north of Johor Bahru City Centre and is strategically situated along the North-South Highway, Jalan Maju Jaya and adjacent to the north-east of the Kempas Interchange. This new township covering an estimated area of 237 acres comprises over 1,500 units of properties with estimated sales value of over RM1.0 billion to spread over a period of four (4) to five (5) years. As at 31 December 2010, about 26% of the land has been developed and completed.

4. MAHARANI RIVIERA

Maharani Riviera, a new township planned in Muar, was duly approved by the relevant authorities in 2006. It is located immediately after the Sultan Ismail Bridge (Muar Bridge) from the Muar town centre and at the waterfront of Sungai Muar and the Straits of Malacca respectively. It lies approximately 1 kilometre from Muar town centre. The land enjoys good road access provided by Jalan Kesang. The project covering an estimated area of 188 acres comprises over 1,400 units of properties with estimated sales value of over RM800 million which development would spread over a period of four (4) to five (5) years. As at 31 December 2010, about 10% of the land has been developed and completed.

5. KSL CITY

The KSL City comprises a commercial podium which consists of retail shops, hypermarts, cinemas, car parks, hotel and condominium podiums. It is well located in the heart of Johor Bahru City Centre and is only five (5) minutes drive from Johor Bahru town centre and Johor Bahru new Custom, Immigration and Quarantine (CIQ) to Singapore. The KSL City Shopping Mall, touted as the largest commercial complex in southern region, was officially opened in December 2010. Construction for both condominiums and hotels are progressing as scheduled and both podiums are expected to be completed by the end of year 2011.

CHAIRMAN'S STATEMENT *(Cont'd)*

6. BANDAR BESTARI

Bandar Bestari, your Group's debut mixed development project in the Klang Valley, marks yet another milestone of your Group. The flagship project is strategically located along Jalan Klang-Banting and about 15 minutes from Klang town centre. It is easily accessible via North Klang Valley Expressway (NKVE), Kesas, Federal Highway and South Klang Valley Expressway (SKVE). To add to its advantage, it is located in close proximity with a few established shopping centres such as AEON Bukit Tinggi and Bukit Raja Jusco and a number of mature neighbourhoods such as Bandar Botanic and Bandar Puteri. With approximately 450 acres, the project anticipates a gross development value (GDV) of RM2.5 billion with five (5) main development phases and spans over a period of ten (10) years. As at 31 December 2010, earthwork has begun and progress is according to your Group's plans.

LOOKING AHEAD

Year 2011 will be an exciting year. Besides striving for the highest quality in current ongoing projects, your Group continues to unveil well-planned projects which are in response to public demand and in adaption to market trend and changes. Furthermore, your Group's success in opening the landmark commercial complex has gained momentum and confidence in your Group's capability to progress to new frontier that your Group has never been before especially with the upcoming opening of luxury hotels in the CBD of Johor Bahru. With relatively higher margin, efficient planning and tight cost control, we are confident of a good performance by your Group and look forward to a promising and profitable year ahead.

APPRECIATION

On behalf of your Board, I would like to extend our appreciation and gratitude to you, our valued shareholders, investors, customers, business associates and the regulatory authorities for your continued trust, support and confidence in your Group. I would also like to convey your Board's heartfelt gratitude to the management and staff for their commitment, untiring efforts and also their continuous dedication towards the advancement of your Group.

Last but not least, my sincere thanks to the members of the Board for their invaluable insight and guidance.

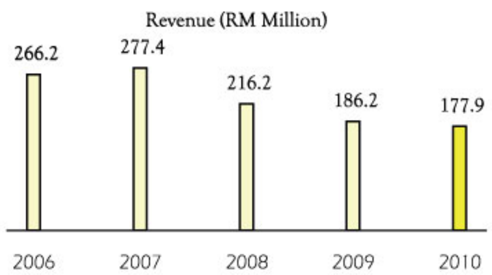
Thank you.

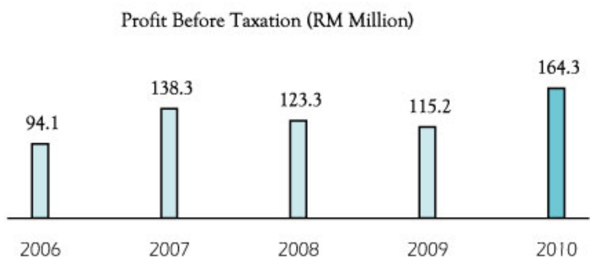
KU HWA SENG
Executive Chairman

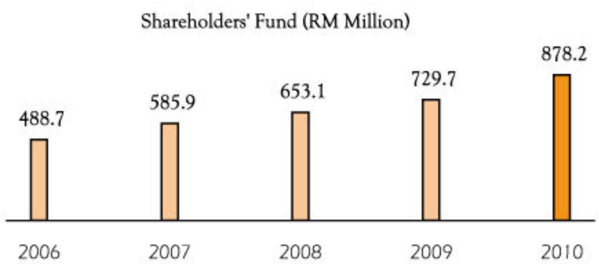
FIVE-YEAR FINANCIAL HIGHLIGHTS
YEAR ENDED 31 DECEMBER

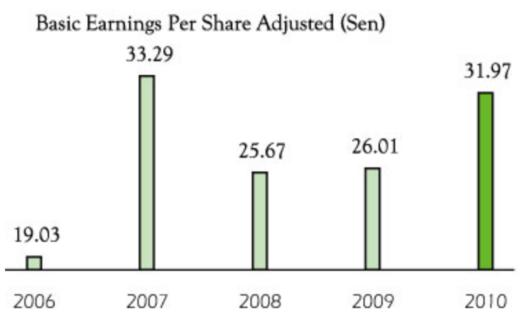
	2006	2007	2008	2009	2010
(RM Million)					
Revenue	266.2	277.4	216.2	186.2	**177.9**
Profit Before Taxation	94.1	138.3	123.3	115.2	**164.3**
Shareholders' Funds	488.7	585.9	653.1	729.7	**878.2**
(Sen per share)					
Basic Earnings Per Share	19.03**	33.29	25.67	26.01	**31.97**
Dividend Per Share - Gross	12.00	8.00	5.00	5.00	**5.00**

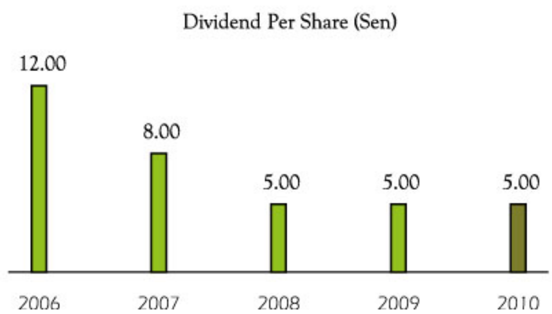
**** Adjusted for Bonus Issue of 1 for 3**











DIRECTORS' PROFILE

KU HWA SENG

Executive Chairman

Ku Hwa Seng, aged 55, Malaysian, was appointed to the Board on 19 November 2001 as an Executive Director and was subsequently appointed as the Executive Chairman of KSL Holdings Berhad ("KSLH" or "the Company") on 24 February 2011. He joined the KSLH Group in 1981 and has since gained vast invaluable experience and built a strong business network over the past twenty-nine (29) years in the property development industry. Presently, he is involved in the KSLH Group's business development and operations in south Johor. He oversees the day-to-day management, decision-making and operations of Johor Bahru office. He is a director of most of the subsidiary companies within the KSLH Group and also a director of several other private limited companies.

He is deemed to have certain conflict of interest with the Company by virtue of his interest in certain privately owned companies, which are also involved in property development business. However, these privately owned companies are not in direct competition with the business of the Company.

Ku Hwa Seng is the brother to Khoo Cheng Hai @ Ku Cheng Hai, Ku Tien Sek and Ku Wa Chong, who are the Directors and/or the substantial shareholders of the Company. He does not hold any directorships in other public companies. He has no convictions for any offences within the past ten (10) years other than traffic offences, if any.

KHOO CHENG HAI @ KU CHENG HAI

Group Managing Director
Members of Remuneration Committee

Khoo Cheng Hai @ Ku Cheng Hai, aged 59, Malaysian, is the founder of the KSLH Group. He was appointed to the Board on 19 November 2001 as the Group Managing Director.

He is the driving force behind the KSLH Group's development, growth and expansion. He is known for his prudence, foresight and business acumen, which has helped to see the KSLH Group through two (2) recessions in the last twenty-nine (29) years. With his vast experience, he is responsible for the KSLH Group's business development and day-to-day operations of the KSLH Group. He is a director of most of the subsidiary companies within the KSLH Group and also a director of several other private limited companies.

He is deemed to have certain conflict of interest with the Company by virtue of his interest in certain privately owned companies, which are also involved in property development business. However, these privately owned companies are not in direct competition with the business of the Company.

Khoo Cheng Hai @ Ku Cheng Hai is the brother to Ku Hwa Seng, Ku Tien Sek and Ku Wa Chong, who are the Directors and/or the substantial shareholders of the Company. He does not hold any directorships in other public companies. He has no convictions for any offences within the past ten (10) years other than traffic offences, if any.

KU TIEN SEK

Executive Director

Ku Tien Sek, aged 53, Malaysian, was appointed to the Board on 19 November 2001 as an Executive Director. He has been involved in the management of the KSLH Group since 1981 particularly in KSLH Group's public relations as well as the formulation of the KSLH Group's strategic plans and policies. Presently, he is involved in the KSLH Group's business development and operations in south Johor especially Taman Bestari Indah. He is also responsible for the development of the KSLH Group's future expansion plans, particularly in the Klang Valley. He is a director of most of the subsidiary companies within the KSLH Group and also a director of several other private limited companies.

He is deemed to have certain conflict of interest with the Company by virtue of his interest in certain privately owned companies, which are also involved in property development business. However, these privately owned companies are not in direct competition with the business of the Company.

DIRECTORS' PROFILE *(Cont'd)*

Ku Tien Sek is the brother to Khoo Cheng Hai @ Ku Cheng Hai, Ku Hwa Seng and Ku Wa Chong, who are the Directors and/or the substantial shareholders of the Company. He does not hold any directorships in other public companies. He has no convictions for any offences within the past ten (10) years other than traffic offences, if any.

LEE CHYE TEE

Executive Director

Lee Chye Tee, aged 47, Malaysian, was appointed to the Board on 1 December 2003 as Executive Director of the Company. He is a fellow member of the Chartered Association of Certified Accountants. He is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Taxation. He has many years experience in accounting, auditing, taxation and management consultancy. He is presently responsible for the overall accounting and corporate finance functions of the KSLH Group.

Lee Chye Tee does not hold any directorships in other public companies. He does not have any family relationship with any Director and/or substantial shareholder of the Company or any business arrangement with the Company in which he has personal interest. He has no convictions for any offences within the past ten (10) years other than traffic offences, if any.

GOW KOW

Independent Non-Executive Director
Chairman of Audit Committee
Members of Nomination Committee and Remuneration Committee

Gow Kow, aged 57, Malaysian, was appointed to the Board on 19 November 2001 as an Independent Non-Executive Director. He is fellow member of the Association of Chartered Certified Accountants and the Malaysian Institute of Taxation. He is also a member of the Malaysian Institute of Accountants, the Institute of Certified Public Accountants of Singapore and the Institute of Chartered Secretaries and Administrators. He joined Tan Choon Chye & Co (now known as Gow & Tan), a Public Accounting Firm in August 1978 as an Audit Assistant and had been holding various positions in the firm before he was admitted as an Audit Partner in October 1985. He assumed the position of managing partner of the firm since January 1988. He has more than twenty-eight (28) years of public practice experience. His working exposures include accounting, auditing, taxation, liquidation and management consultancy.

Gow Kow does not hold any directorships in other public companies. He does not have any family relationship with any Director and/or substantial shareholder of the Company or any business arrangement with the Company in which he has personal interest. He has no convictions for any offences within the past ten (10) years other than traffic offences, if any.

GOH TYAU SOON

Independent Non-Executive Director
Chairman of Nomination Committee
Members of Audit Committee and Remuneration Committee

Goh Tyau Soon, aged 66, Malaysian, was appointed to the Board on 1 April 2002 as an Independent Non-Executive Director. He holds a Master of Law degree (LLM) from Kings College, University of London; Bachelor of Law (LLB) from Hull University and Barrister-at-Law (Middle Temple). He is a practicing lawyer and Principal Partner of Andrew T.S. Goh & Khairil, Malacca. He has been in private practice for more than thirty-nine (39) years principally engaged in conveyance and bank work.

Goh Tyau Soon does not hold any directorships in other public companies. He does not have any family relationship with any Director and/or substantial shareholder of the Company or any business arrangement with the Company in which he has personal interest. He has no convictions for any offences within the past ten (10) years other than traffic offences, if any.

DIRECTORS' PROFILE *(Cont'd)*

TEY PING CHENG

Independent Non-Executive Director
Chairman of Remuneration Committee
Members of Audit Committee and Nomination Committee

Tey Ping Cheng, aged 42, Malaysian, was appointed to the Board on 15 April 2002 as an Independent Non-Executive Director. He is a member of the Malaysian Institute of Accountants and the CPA Australia. He graduated in 1994 with a degree in Bachelor of Business, majoring in Accounting from Curtin University of Technology, Perth, Australia. He has been a Partner of Tey Consultancy, a company secretarial and tax consultancy firm since 1992. Currently, he is the Council Member of Malaysian Association of Company Secretaries.

Tey Ping Cheng is currently the Independent Director of Lii Hen Industries Bhd. He does not have any family relationship with any Director and/or substantial shareholder of the Company or any business arrangement with the Company in which he has personal interest. He has no convictions for any offences within the past ten (10) years other than traffic offences, if any.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

KSLH is traditionally a company that grew up from the small town of Segamat. We are close to our roots and understand very well our social responsibility towards the community in which we operate in and at large.

Corporate social responsibility is nothing new to us. It is ingrained in our corporate decisions and operations. Our Group's policy has always been to construct quality and affordable houses for the community to buy and own. Over the years, our Group has helped hundreds and thousands of people to have their own houses. We will continue to strive to provide affordable opportunities to people to have their own shelters over their heads which is also in line with the Government's desire to see more home ownerships.

During the year under review, our Group had also made contributions in kinds and/or in cash to various organisations to help them to further their objectives and causes in charity, arts, culture, education, health and welfare. It is our Group's belief that it must return to the community what it has benefited.

In our Group, corporate social responsibility is not only a statement. It is our way of life!

CORPORATE GOVERNANCE STATEMENT

The Malaysian Code on Corporate Governance ("the Code"), which was effective in March 2000, set out the basic principles and best practices of corporate governance over the structures and processes that companies may use as a guide in their operations towards achieving the optimal governance framework.

The Board of Directors of KSLH is committed to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities. Good corporate governance will protect and enhance the long-term value of the Company for the benefit of shareholders and other stakeholders.

The Board of Directors is, therefore, pleased to report that the Company has complied with the major principles set out in Part 1 of the Code. Set out below is a statement which explains how the Company has applied the Best Practices as set out in Part 2 of the Code.

(A) THE BOARD OF DIRECTORS

(1) BOARD BALANCE

The Board currently has four (4) Executive Directors and three (3) Independent Non-Executive Directors and is therefore, in compliance with Paragraph 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB") which stipulates that at least one-third (1/3) of the Board comprises Independent Directors. The Board having reviewed its size and composition is satisfied that its current size and composition is effective for the proper functioning of the Board. Together, the Directors would bring a wide range of business and financial experience relevant to the Company and forming an effective Board for decision-making process. The brief profiles of the Board members are set out in pages 16 to 18. of this Annual Report.

The roles of the Chairman and Group Managing Director are separated to ensure a balance of power and authority. There is also balance in the Board memberships because of the presence of Independent Non-Executive Directors who are of a high calibre and credibility, and who have the necessary skill and experience to carry sufficient weight in Board decisions. The Independent Directors as defined under Paragraph 1.01 of BMSB's Listing Requirements are independent of management and are free from any business or other relationships that could interfere with the exercise of their independent judgment or the ability to act in the best interests of the Company. The roles of Independent Directors are particularly important in bringing an independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Independent Directors led by Mr. Gow Kow provide a macro, independent and balanced assessment of proposals from the Executive Directors.

The Board meets at least four (4) times a year, with additional meetings convened as necessary. During the year ended 31 December 2010, five (5) Board meetings were held with due notice of issues to be discussed and conclusions in discharging its duties and responsibilities properly recorded. The detailed attendance record of each Director during the financial year under review is as follows:-

NAME OF DIRECTORS	ATTENDANCE
Dato' Haji Ishak Bin Ismail (Resigned on 12 August 2010)	1/3
Khoo Cheng Hai @ Ku Cheng Hai	5/5
Ku Hwa Seng	4/5
Ku Tien Sek	4/5
Lee Chye Tee	5/5
Gow Kow	5/5
Goh Tyau Soon	5/5
Tey Ping Cheng	4/5

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

(2) APPOINTMENTS TO THE BOARD

The Company had set up the Nomination Committee on 11 April 2002 to provide a formal and transparent procedure for the appointment of new Directors to the Board. All the members of the Nomination Committee are Independent Non-Executive Directors. The members of Nomination Committee comprise the following:-

1. Goh Tyau Soon *(Chairman)*
2. Gow Kow
3. Tey Ping Cheng

The Nomination Committee shall be primarily responsible for identifying and recommending to the Board new candidates to be filled by the shareholders or by the Board and also recommending Directors to fill the seats on Board committees.

The Board, through the Nomination Committee, assesses the effectiveness of the Board as a whole, the committees of the Board and the contributions of each Director on an ongoing basis. The Board also annually reviews the required mix of skills, experiences and other qualities including core competencies, which Non-Independent Directors should bring to the Board. The Company Secretary assists the Board in ensuring that all appointments are properly made and all necessary information is obtained from Directors, for the purposes of meeting statutory obligations and other regulatory requirements.

During the financial year under review, the Nomination Committee had reviewed the Board effectiveness, its size and structure.

(3) RE-ELECTION OF THE DIRECTORS

In accordance with the Company's Articles of Association, one-third (1/3) or nearest to one-third (1/3) of the Directors for the time being shall retire from their office and be eligible for re-election provided always that all the Directors shall retire from their office at least once in each three (3) years but shall be eligible for re-election. Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next annual general meeting and shall then be eligible for re-election.

Details of the Directors who submit themselves for re-election this year may be found in pages 7, 16 to 18 of this Annual Report.

(4) SUPPLY OF INFORMATION

All Board members are supplied with information on a timely manner. Board papers are circulated to the Directors prior to the Board meetings to enable the Directors to obtain further information and explanation, where necessary, in order to be briefed properly before the meetings.

The Board papers provide, amongst others, the followings:-

1. the quarterly report highlighting unaudited Group financial results and factors affecting the Group results;
2. minutes of meetings of the Board and all committees of the Board;
3. details of performance of the various business units and management proposals that required Board's approval;
4. list of Directors' circular resolutions passed during the period covered;

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

(4) SUPPLY OF INFORMATION *(Cont'd)*

5. list of Directors' dealings in securities during the period covered;

6. list of announcements submitted to BMSB during the period covered; and

7. major operational and financial issues.

All Directors have full access to the information within the Company and are entitled to obtain full disclosure of facts from the management and advice or services from the Company Secretary or independent professional adviser at the Company's expenses in carrying out their duties. This ensures that all the matters that are put forward to the Board for decision making will be discussed and examined in an impartial manner, taking into account the long term interests of shareholders, employees, suppliers and other public in which the Group conducts its business.

(5) DIRECTORS' REMUNERATION

The Remuneration Committee had been set up for the purpose of establishing a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors and to structure the component parts of remuneration so as to link rewards to corporate and individual performance of the Board of Directors. All the Remuneration Committee's members are Independent Non-Executive Directors except for Khoo Cheng Hai @ Ku Cheng Hai who is the Group Managing Director of the Company. The Remuneration Committee comprises the following Directors:-

1. Tey Ping Cheng *(Chairman)*

2. Gow Kow

3. Goh Tyau Soon

4. Khoo Cheng Hai @ Ku Cheng Hai

The Remuneration Committee of the Company is primarily responsible for recommending the following for the Board's consideration:-

1. the framework of remuneration and the remuneration packages for Executive Directors;

2. any performance related pay schemes for Executive Directors; and

3. the guidelines for determining the remuneration of Non-Executive Directors.

During the financial year under review, the Remuneration Committee had at its meeting deliberated on Executive Directors' remuneration. The level of remuneration should be sufficient to attract and retain the Directors needed to run the Company successfully.

It is the ultimate responsibility of the entire Board to approve the remuneration of the Board of Directors. The Board will ensure that the Directors' remuneration scheme is linked to their performance, service, seniority, experience and scope of responsibilities. The Directors concerned shall abstain from discussion of their own remuneration. The Board also reimburses any reasonable expenses incurred by these Directors in the course of discharge their duties as Directors.

The details of remuneration paid to Directors, in aggregation and analysed into bands of RM50,000 during the financial year ended 31 December 2010 are as follow:-

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

(5) DIRECTORS' REMUNERATION *(Cont'd)*

Remuneration	**Executive Directors RM '000**	**Non-Executive Directors RM '000**
Directors' Fees	-	90
Salaries	2,073	-
Allowances	200	14
Bonuses	555	-
Total	2,828	104

Number of Directors whose remuneration falls into the following bands:-

Range of Remuneration	**Executive Directors**	**Non-Executive Directors**
Below RM50,000	-	3
RM 50,001 to RM 100,000	1	-
RM 100,001 to RM 150,000	-	-
RM 200,001 to RM 250,000	1	-
RM 750,001 to RM 800,000	2	-
RM 950,001 to RM 1,000,000	1	-
Total	5	3

The disclosure of Directors' remuneration is made in accordance with the BMSB's Listing Requirements. However, it represents a deviation from the Best Practices of the Code which require details of remuneration awarded to each Director. The Board of Directors is of the opinion that separate disclosure will infringe upon the Directors' rights of privacy.

(6) DIRECTORS' TRAINING

The Directors have participated in conferences, seminars and training programmes to keep abreast with inter-alia financial sector issues and challenges, and the current and future developments in the global financial market. The Directors may also request to attend additional training courses according to their individual needs to equip themselves for the discharge of their responsibilities as directors of a public listed company and in the Board Committees in which they serve.

The Directors of the Company had attended briefing given by the Company Secretary pertaining to the amendments to Listing Requirements of BMSB in connection with the implementation of Electronic Dividend payment during the financial year under review. In addition to that, the following Directors had attended the conferences, seminars and training programmes as mentioned below:-

1. Lee Chye Tee

• Analysis of Recent Tax Cases, Construing Court Decisions & Managing Tax Appeals Efficiently	13 Apr 2010
• National Seminar on Taxation 2010	26 Oct 2010
• Insider Trading and Whistle Blowing Policy	24 Nov 2010

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

2. Gow Kow

• The Challenges of Implementing FRS 139	06 Jan 2010
• Workshop on Analysis of Recent Tax Cases, Construing Court Decisions & Managing Tax Appeals Efficiently	11 Mar 2010
• National Tax Conference 2010	6 & 7 July 2010
• Mastering Tax Cases-Strategies to Minimise Tax	03 Aug 2010
• Insider Trading and Whistle Blowing Policy	24 Nov 2010

3. Tey Ping Cheng

• Real Property Gains Tax – Implications & Exemptions	31 Mar 2010
• National Tax Conference 2010	6 & 7 July 2010
• Minutes Writing Workshop	31 July 2010
• Seminar Percukaian Kebangsaan 2010	26 Oct 2010
• 2011 Budget Seminar Highlights & Implications	29 Oct 2010
• Insider Trading and Whistle Blowing Policy	24 Nov 2010
• Corporate Social Responsibility (CRS)	27 Nov 2010

4. Khoo Cheng Hai@ Ku Cheng Hai

• Insider Trading and Whistle Blowing Policy	24 Nov 2010

5. Ku Hwa Seng

• Insider Trading and Whistle Blowing Policy	24 Nov 2010

6. Ku Tien Sek

• Insider Trading and Whistle Blowing Policy	24 Nov 2010

7. Goh Tyau Soon

• Insider Trading and Whistle Blowing Policy	24 Nov 2010

(B) ACCOUNTABILITY AND AUDIT

(1) FINANCIAL REPORTING

The Board aims to provide and present a balanced and meaningful assessment of the Company's financial performance and prospects from the quarterly announcement and at the end of the financial year, primarily through financial statements and the Chairman's Statement in the Annual Report. This also applies to other price-sensitive public reports and reports to regulators.

(2) STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board of Directors is required under Paragraph 15.26(a) of BMSB's Listing Requirements to issue a statement explaining their responsibility in the preparation of the annual financial statements. The Directors are also required by the Companies Act, 1965 to prepare financial statements for each financial year, which have been made out in accordance with the approved accounting standards and to give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year.

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

The Directors are responsible for keeping proper accounting records, which are disclosed with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

In preparing these financial statements, the Directors have:-

1. selected appropriate accounting policies and applied them consistently;
2. made judgements and estimates that are reasonable and prudent;
3. ensured that all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
4. prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries that the Group has adequate resources to continue in operational existence for the foreseeable future.

(3) INTERNAL CONTROL

The Directors are also responsible for taking such steps that are reasonable to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board acknowledges its overall responsibility to maintain a sound system of internal controls to safeguard the Group's assets and consequently the shareholders' investment in the Company. However, it should be noted that, by its nature and its design, the system of internal controls is to manage rather than to eliminate risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against fraud, misstatement or loss.

The Board has reviewed the current system to ensure its effectiveness and to work towards complying with the guidelines issued by the relevant authorities.

The Group's Statement on Internal Control may be found on pages 28 to 29 of this Annual Report.

(4) RELATIONSHIP WITH AUDITORS

The Board via the Audit Committee, maintains a formal and transparent professional relationship with the Group's auditors, both internal and external in seeking their professional advice and ensuring compliance with accounting standards and statutory requirements.

The Company's independent external Auditors fill an essential role for the shareholders by enhancing the reliability of the Company's financial statements and giving assurance of that reliability to users of these financial statements. The external Auditors have an obligation to bring any significant defects in the Company's system of control and compliance to the attention of the management; and if necessary, to the Audit Committee and the Board. This includes the communication of fraud.

During the financial year under review, the Group's external Auditors were invited and attended all the Audit Committee meetings and most of the Board meetings.

The Internal Auditors of the Group are independent with unrestricted access to information and rendered full cooperation by all levels of management in order to carry out their functions effectively. The Company is aware that the internal audit function forms an integral part of an effective system of corporate governance. Thus the Internal Auditors' impartiality, integrity and objectivity are greatly respected and being reciprocated by their professionalism in conducting audits of the Company.

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

The role of the Audit Committee in relation to the external Auditors and the number of meetings held during the financial year as well as the attendance record of each member are shown in the Audit Committee Report and may be found on pages 30 to 34 of this Annual Report.

(C) SHAREHOLDERS

INVESTORS' RELATIONS AND SHAREHOLDERS' COMMUNICATION

The Board believes that investors and shareholders should be informed of all material business matters, which influence the Company. In view of this, the Group has established a direct line of communication through timely release of information on the Group's performance and major developments via appropriate channels of communication. In addition to various announcements made during the year, the timely release of quarterly financial results provides shareholders with an up to date overview of the Group's performance and operations. At the Annual General Meeting, the Board also provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf.

Members of the Board as well as the Auditors of the Company are present to answer questions raised at the Annual General Meeting. Where appropriate, the Chairman of the Board will provide a written answer to any significant question that may not be readily answered on the spot.

(D) OTHERS

(1) MATERIAL CONTRACTS

During the financial year under review, there were no material contracts, including those related to loans, entered into by the Company and/or subsidiary companies, which involved Directors' and substantial shareholders' interests.

(2) SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Group, Directors or management by the relevant regulatory bodies.

(3) REVALUATION POLICY OF LANDED PROPERTIES

The Group did not adopt any revaluation policy on the landed properties held for developments.

(4) AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

The Company did not sponsor any ADR or GDR programme during the financial year under review.

(5) PROFIT GUARANTEE

There was no profit guarantee given by the Company during the financial year under review.

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

(6) OPTIONS OR CONVERTIBLE SECURITIES

No options or convertible securities were issued during the financial year under review.

(7) NON-AUDIT FEES PAID TO EXTERNAL AUDITORS

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year under review by the external Auditors and their affiliated company was RM69,600.

(8) RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions entered into by the Group during the financial year under review are disclosed in Note 31 to the Financial Statements on page 86 of this Annual Report.

(9) SHARE BUY-BACK

There were no share buy-backs by the Company during the financial year under review.

(10) VARIATION OF RESULTS

There was no material variance between the results for the financial year ended 31 December 2010 and the unaudited results previously announced by the Company.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

The Malaysian Code of Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The BMSB's Listing Requirements require directors of listed companies to include a statement of the state of their internal controls in the annual reports. The BMSB's Statement on Internal Control: Guidance for Directors of Public Listed Companies provides guidance for compliance with these requirements.

Set out below is the Board's Statement on Internal Control, which has been prepared in accordance with the Guidance.

THE BOARD'S RESPONSIBILITY

The Board of Directors recognizes the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its responsibility for the Group's system of internal controls and risk management, and for reviewing the adequacy and integrity of those systems. These systems of internal control are utilized to mitigate as much of the principal risks as possible in achieving the corporate objectives or goals of the Group. It should be noted, however, that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board shall endeavor to continue to improving and enhancing the Group's existing system of internal control pertaining to the identified risks, with the anticipation of changing business environment due to changes in technologies and regulatory requirements etc.

RISK MANAGEMENT FRAMEWORK

The Risk Management Framework sets out the Group's underlying approach to risk management such as identification, analysis, evaluation and prioritization of risks. It also sets out risk management and monitoring process of the Group. The Board with the assistance of the internal audit team regularly reviews the framework to ensure its adequacy and effectiveness, in line with changes in its business environment, strategies and activities. The Group has in place an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives throughout the period.

Results of the ongoing reviews of the Internal Audit Function are reported regularly to the audit committee. The work of the Internal Audit function is focused on area of priorities as identified by risk analysis and is in accordance with an annual audit plan approved by the Audit Committee. The Audit Committee holds regular meetings to deliberate on findings and recommendations for improvement on the state of the internal control system, and report back to the Board.

Some internal control weaknesses were identified during the financial period under review, all of which have been or are being addressed by the management. None of these weaknesses have resulted in any material loss that would require disclosure in the Group's financial statements. The Internal Audit team has highlighted to the executive and operational management on areas of improvement, provided recommendations and subsequently reviewed the extent to which their recommendations have been implemented.

STATEMENT ON INTERNAL CONTROL *(Cont'd)*

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Other key elements of Internal control are described as follows:-

1. in considering business proposal and operational matters, the management evaluates risks involved and obtains advice from experts, if necessary, in order to make effective decision in the best interest of the Group.

2. full board meetings are held quarterly. Schedule of matters are set and brought to discussion, ensuring that the Board maintains supervision over appropriate controls. Detailed explanation is given on pertinent issues. Thorough deliberation and discussion by the Board is demanded before reaching any conclusion.

3. the Group maintains a simple yet clearly-defined organizational structure with distinguishable operating, management and senior management level. The organizational structure streamlines reporting processes and encourages responsive actions by facilitating information flow vertically and horizontally across the Group.

4. delegation of authority also serves as a reference tool for the identification and verification of transactions that requires proper approval.

5. the job descriptions of employees enable the employees to understand what needs to be achieved within their scope of responsibilities. Employees' knowledge, skills and abilities are further enhanced through continuing education, training and development activities, which enable them to operate and monitor the system of internal control effectively.

6. every development cycle is under absolute supervision from both the managerial personnel and operational employees. Both spending and progress are closely monitored throughout the project life cycle via project financial reports, progress status reports and project meetings.

7. comprehensive computerized financial system enables the production of timely, reliable and relevant management reports for the purposes of resources allocation decision making.

8. internal control systems in place are subject to regular review and amendment, whenever necessary, to respond to emerging changes in the environment the Group operates. The systems ensure that reports are timely, relevant and reliable for decision making and review purposes. These reports cover both quantitative and qualitative areas.

AUDIT COMMITTEE REPORT

TERMS OF REFERENCE

The terms of reference of the Audit Committee are set out on pages 32 to 34 of this Annual Report.

MEMBERSHIP AND MEETINGS

The Audit Committee comprises three (3) Independent Non-Executive Directors with Mr. Gow Kow as the Chairman. During the financial year ended 31 December 2010, the Audit Committee held five (5) meetings. Other Executive Directors attended the meetings upon invitation by the Chairman of the Audit Committee, when necessary. The Group's external Auditors attended all the meetings. Details on the attendance record of the Audit Committee members at the Audit Committee Meetings are set out as follow:-

NUMBER OF MEETINGS AND DETAILS OF ATTENDANCE

	ATTENDANCE
Gow Kow Chairman (Independent Non-Executive Director)	5/5
Goh Tyau Soon (Independent Non-Executive Director)	5/5
Tey Ping Cheng (Independent Non-Executive Director)	4/5

SUMMARY OF ACTIVITIES

In line with the terms of reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial year under review in discharging its functions:-

1. reviewing and recommending the Group's unaudited quarterly financial results for the Board's approval;
2. reviewing the audited financial statements before recommending for the Board's approval;
3. reviewing with the external Auditors their scope of work, audit strategy and audit plan. Prior to the audit, representative from external Auditors presented the audit strategy and plan;
4. reviewing the evaluation of the system of internal accounting and control, the audit report and the assistance given by the Company's employees to the external Auditors;
5. reviewing Internal Audit Plan for the financial year to ensure adequate coverage over activities and time period;
6. reviewing the related party transactions to ensure that these were not detrimental to the Company and its minority shareholders;
7. reviewing the auditors' remuneration to ensure its adequateness and fairness;
8. reviewing the Internal Audit reports on findings and recommendations and management's responses thereto to ensure adequate remedial actions have been taken; and
9. meeting with the external Auditors.

AUDIT COMMITTEE REPORT *(Cont'd)*

INTERNAL AUDIT FUNCTIONS

The Group does not have its own internal audit department and the internal audit functions were outsourced to assist the Audit Committee in discharging its duties and responsibilities.

The Internal Auditor adopts a risk-based approach focusing its work mainly on key processes and principal risk areas of the operating units, in accordance with the internal audit plan approved by the Audit Committee. The Internal Auditor undertakes regular and systematic reviews of the system of internal controls and processes so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. The Internal Auditor provides the Audit Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the operating units with established policies and procedures.

The fees paid to the internal audit firm for the financial year ended 31 December 2010 was RM25,000.

For the current financial year, internal audit works were principally focused on the Group's operations in Segamat Branch and Skudai Branch, in the following areas:-

(a) reviewing the adequacy of Group's policies and procedures with regards to sales, billings, collections and payments process;

(b) ascertaining the extent to which the Company's and the Group's assets are accounted for and safeguarded from losses of all kinds;

(c) recommending improvements to the existing systems of controls;

(d) identifying opportunities to improve the operations and processes in the Company and the Group;

(e) ascertaining the extent of compliance with established policies and procedures on evaluation of contractors; and

(f) assessing the adequacy of the Company's existing control procedures on project management and material control.

AUDIT COMMITTEE REPORT *(Cont'd)*

TERMS OF REFERENCE OF AUDIT COMMITTEE

OBJECTIVES

The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities relating to accounting and reporting practices of the Group.

In addition, the Audit Committee shall:-

1. oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;
2. maintain open lines of communication between the Board of Directors, the internal auditor and the external auditors for the exchange of views and information, as well as to confirm their respective authorities and responsibilities; and
3. determine the adequacy of the Group's administrative, operating and accounting controls.

COMPOSITION

The Board of Directors shall appoint the Audit Committee members from amongst the Directors of the Company. The Audit Committee shall comprise not less than three (3) members of whom:-

1. all must be Non-Executive Directors, with a majority of them being Independent Directors;
2. at least one (1) member of the Audit Committee:-
   a) must be a member of the Malaysian Institute of Accountants;
   b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
      - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
      - he must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
   c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("BMSB");
3. no Alternate Director shall be appointed as a member of the Audit Committee.

The members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Director.

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

If a member of the Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

QUORUM

The quorum of the Audit Committee shall be two (2) of whom the majority of members present shall be Independent Directors.

AUDIT COMMITTEE REPORT *(Cont'd)*

TERMS OF REFERENCE OF AUDIT COMMITTEE *(Cont'd)*

ATTENDANCE AND MEETINGS

Apart from the members of the Audit Committee who will be present at the meetings, the Audit Committee may invite any member of the management, employees, other Directors and representatives of the external auditors to be present at meetings of the Audit Committee.

The Audit Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting of the Audit Committee if, a request is made by any Audit Committee member, the Company's Managing Director, or the internal or external auditors.

SECRETARY

The Company Secretary shall be the Secretary of the Audit Committee.

FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of the Audit Committee shall include the following:-

1. to review with the external auditors their audit plan, their evaluation of the system of internal accounting and controls and their audit report;
2. to review the assistance given by the Company's employees to the external auditors;
3. to review the adequacy of the scope, function, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
4. to review the financial condition of the Group, its internal controls and audit programme, the performance and findings of internal audit staff and to recommend action to be taken thereon by the management and whether or not appropriate action is taken on the recommendations of the internal audit function;
5. to review the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
    a) changes in or implementation of major accounting policy changes;
    b) significant and unusual events; and
    c) compliance with accounting standards and other legal requirements;
6. to review any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
7. to review and report the same to the Board of Directors any letter of resignation from the external auditors of the Company as well as whether there is any reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;
8. to make recommendations concerning the appointment of the external auditors and their remuneration to the Board of Directors;
9. such other functions as may be agreed to by the Audit Committee and the Board of Directors; and
10. meeting with external auditors at least twice a year.

The Board of Directors shall table the reports of the Audit Committee and the external and internal auditors and corrective actions taken for discussion.

AUDIT COMMITTEE REPORT *(Cont'd)*

TERMS OF REFERENCE OF AUDIT COMMITTEE *(Cont'd)*

MINUTES

Minutes of each Audit Committee meeting are to be prepared and sent to its members. The Secretary shall also circulate the minutes of the meetings of the Audit Committee to all members of the Board of Directors.

RIGHTS OF THE AUDIT COMMITTEE

The Audit Committee shall, wherever necessary and reasonable for its performance of its duties and in accordance with a procedure to be determined by the Board of Directors and at the Company's cost:-

1. have authority to investigate any matter within its terms of reference;
2. have the resources, which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Company;
4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
5. be able to obtain independent professional or other advice; and
6. be able to convene meetings with the external auditors, internal auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

AUDIT COMMITTEE REPORT

The Audit Committee shall ensure that an Audit Committee Report which is prepared at the end of each financial year complies with the following:-

1. the Audit Committee Report shall be clearly set out in the annual report of the Company;
2. the Audit Committee Report shall include the following:-
   a) the composition of the Audit Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
   b) the terms of reference of the Audit Committee;
   c) the number of Audit Committee meetings held during the financial year and details of attendance of each member;
   d) a summary of activities of the Audit Committee in the discharge of its functions and duties for that financial year of the Company; and
   e) a summary of the activities of the internal audit function or activity.

REPORTING OF BREACHES TO BMSB

Where the Audit Committee is of the view that a matter reported by it to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of BMSB's Listing Requirements, the Audit Committee shall promptly report such matter to BMSB.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to the subsidiaries.

The principal activities of the subsidiaries are property development, property management and property investment.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Profit net of tax	121,652,669	2,155,799

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the fair value adjustments of investment properties as disclosed in Note 16 to the financial statements.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2010 were as follows :

	RM
In respect of the financial year ended 31 December 2009 as reported in the directors' report of that year:	
Final dividend of 10% less 25% taxation, on 386,406,487 ordinary shares, paid on 25 August 2010	14,490,228

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2010 of 10% less 25% taxation will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2011.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Khoo Cheng Hai @ Ku Cheng Hai
Ku Hwa Seng
Ku Tien Sek
Gow Kow
Goh Tyau Soon
Tey Ping Cheng
Lee Chye Tee
Dato' Haji Ishak Bin Ismail (Resigned on 12 August 2010)

DIRECTORS' REPORT *(Cont'd)*

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 10 to the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of 50 sen each			
	1.1.2010	**Acquired**	**Sold**	**31.12.2010**
Holding in the name of director, spouse or child				
Direct interest				
Khoo Cheng Hai @ Ku Cheng Hai	18,184,667	-	-	18,184,667
Ku Hwa Seng	17,265,752	500,000	-	17,765,752
Ku Tien Sek	12,186,926	-	-	12,186,926
Indirect interest *				
Khoo Cheng Hai @ Ku Cheng Hai	1,466,666	-	-	1,466,666
Lee Chye Tee	133,333	-	-	133,333
Deemed interest				
Khoo Cheng Hai @ Ku Cheng Hai	144,800,000	-	-	144,800,000
Ku Hwa Seng	144,800,000	-	-	144,800,000
Ku Tien Sek	144,800,000	-	-	144,800,000

* It represents the interests of spouse and child of the directors of the Company in shares of the Company under Section 134(12)(c) of the Companies (Amendment) Act 2007.

By virtue of their interests in shares of the Company, the following directors are deemed interested in shares of all the subsidiary companies to the extent that the Company has an interest :

Khoo Cheng Hai @ Ku Cheng Hai
Ku Hwa Seng
Ku Tien Sek

The other directors in office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT *(Cont'd)*

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM177,723,744 to RM195,273,744 by way of private placement of 35,100,000 ordinary share of 50 sen each at an issue price of RM1.18 per share for cash for additional working capital. The share premium arising amounted to RM23,868,000 has been credited to the share premium account and the corresponding share issue expense of RM63,556 has been set off against share premium. The new ordinary shares rank pari passu in all respect with the existing shares of the Company.

TREASURY SHARES

As at 31 December 2010, the Company held a total of 4,141,400 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM4,383,725 and further details are disclosed in Note 27 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and no provision for doubtful debts was necessary; and

  (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

DIRECTORS' REPORT *(Cont'd)*

OTHER STATUTORY INFORMATION *(Cont'd)*

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SUBSEQUENT EVENTS

Details of the subsequent events are disclosed in Note 36 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 April 2011.

Khoo Cheng Hai @ Ku Cheng Hai

Lee Chye Tee

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Khoo Cheng Hai @ Ku Cheng Hai and Lee Chye Tee, being two of the directors of KSL Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 43 to 93 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and the cash flows for the year then ended.

The information set out in Note 39 to the financial statements have been prepared in accordance with the Guidance of Special Matter No. 1 Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 April 2011.

Khoo Cheng Hai @ Ku Cheng Hai   Lee Chye Tee

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Lee Chye Tee, being the director primarily responsible for the financial management of KSL Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 43 to 93 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed Lee Chye Tee)
at Segamat in the State of Johor)
Darul Ta'zim on 26 April 2011)   Lee Chye Tee

Before me,
Commissioner of Oath
Periethamby A/L Supaiya
No: J 149

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KSL HOLDINGS BERHAD

(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of KSL Holdings Berhad, which comprise the statements of financial position of the Group and of the Company as at 31 December 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 93.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KSL HOLDINGS BERHAD *(Cont'd)*

(Incorporated in Malaysia)

Report on other legal and regulatory requirements *(Cont'd)*

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

The supplementary information set out in Note 39 to the financial statements on page 94 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance of Special Matter No.1 Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF 0039
Chartered Accountants

Wun Mow Sang
1821/12/12(J)
Chartered Accountants

Johor Bahru, Malaysia
Date : 26 April 2011

STATEMENTS OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Revenue	4	177,850,914	186,179,438	4,344,300	4,410,000
Cost of sales	5	(77,108,776)	(92,841,431)	-	-
Gross profit		100,742,138	93,338,007	4,344,300	4,410,000
Other items of income					
Other income	6	93,177,803	50,766,352	-	-
Other items of expense					
Administrative expenses		(17,942,419)	(19,235,701)	(1,424,666)	(1,471,254)
Distribution expenses		(5,375,016)	(7,094,208)	(4,654)	(4,356)
Other expenses		(46,004)	(71,346)	-	-
Finance costs	7	(6,227,257)	(2,457,344)	(3,037)	(3,009)
Profit before tax	8	164,329,245	115,245,760	2,911,943	2,931,381
Income tax expense	11	(42,676,576)	(23,857,575)	(756,144)	(759,108)
Profit net of tax, representing total comprehensive income for the year		121,652,669	91,388,185	2,155,799	2,172,273
Earnings per share attributable to owners of the parent of the Company (sen):					
Basic/Diluted	12	31.97	26.01		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Assets					
Non-current assets					
Property, plant and equipment	14	57,045,577	96,880,260	2,827	4,163
Land held for property development	15(a)	441,054,180	388,761,036	-	-
Investment properties	16	425,074,005	198,691,372	-	-
Intangible assets	17	-	-	-	-
Investments in subsidiaries	18	-	-	83,648,955	83,648,955
		923,173,762	684,332,668	83,651,782	83,653,118
Current assets					
Property development costs	15(b)	168,174,822	136,090,781	-	-
Inventories	19	52,247,376	63,081,102	-	-
Trade and other receivables	20	35,391,994	40,466,032	284,549,165	244,330,959
Other current assets	21	7,311,600	21,178,371	840	-
Cash and bank balances	22	21,665,825	17,849,974	63,732	36,006
		284,791,617	278,666,260	284,613,737	244,366,965
Total assets		1,207,965,379	962,998,928	368,265,519	328,020,083
Equity and liabilities					
Current liabilities					
Borrowings	23	4,007,097	20,250,000	-	-
Trade and other payables	24	82,194,565	51,541,570	36,764,678	25,537,681
Other current liabilities	25	28,174,610	14,733,182	-	-
Current tax payable		7,526,346	6,621,398	474	2,050
		121,902,618	93,146,150	36,765,152	25,539,731
Net current assets		162,888,999	185,520,110	247,848,585	218,827,234

STATEMENTS OF FINANCIAL POSITION *(Cont'd)*
AS AT 31 DECEMBER 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Non-current liabilities					
Borrowings	23	163,987,453	116,855,260	-	-
Other payables	24	24,500	-	-	-
Deferred tax liabilities	26	43,803,886	23,267,481	-	-
		207,815,839	140,122,741	-	-
Total liabilities		329,718,457	233,268,891	36,765,152	25,539,731
Net assets		878,246,922	729,730,037	331,500,367	302,480,352
Equity attributable to equity holders of the Company					
Share capital	27	195,273,744	177,723,744	195,273,744	177,723,744
Share premium	27	28,868,900	5,064,456	28,868,900	5,064,456
Treasury shares	27	(4,383,725)	(4,383,725)	(4,383,725)	(4,383,725)
Revaluation reserve	28	19,084,260	20,126,351	-	-
Retained earnings	29	639,403,743	531,199,211	111,741,448	124,075,877
Total equity		878,246,922	729,730,037	331,500,367	302,480,352
Total equity and liabilities		1,207,965,379	962,998,928	368,265,519	328,020,083

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2010

		<——— Non-Distributable			———>	Distributable	
	Note	Share capital (Note 27) RM	Share premium (Note 27) RM	Treasury shares (Note 27) RM	Revaluation reserve (Note 28) RM	Retained earnings (Note 29) RM	Total Equity RM
At 1 January 2009		177,723,744	5,064,456	(3,065,772)	21,172,427	452,174,877	653,069,732
Revaluation surplus realised		-	-	-	(810,127)	810,127	-
Overprovision of deferred tax in prior years		-	-	-	(38,895)	-	(38,895)
Impairment loss		-	-	-	(262,735)	-	(262,735)
Reversal of deferred tax arising from impairment loss		-	-	-	65,681	-	65,681
Total comprehensive income		-	-	-	-	91,388,185	91,388,185
Dividends	13	-	-	-	-	(13,173,978)	(13,173,978)
Purchase of treasury shares	27	-	-	(1,317,953)	-	-	(1,317,953)
At 31 December 2009		177,723,744	5,064,456	(4,383,725)	20,126,351	531,199,211	729,730,037
At 1 January 2010		177,723,744	5,064,456	(4,383,725)	20,126,351	531,199,211	729,730,037
Revaluation surplus realised		-	-	-	(1,042,091)	1,042,091	-
Total comprehensive income		-	-	-	-	121,652,669	121,652,669
Dividends	13	-	-	-	-	(14,490,228)	(14,490,228)
Issue of ordinary shares pursuant to private placement	27	17,550,000	23,868,000	-	-	-	41,418,000
Share issuance expenses		-	(63,556)	-	-	-	(63,556)
At 31 December 2010		195,273,744	28,868,900	(4,383,725)	19,084,260	639,403,743	878,246,922

COMPANY STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2010

	Note	Share capital (Note 27) RM	Share premium (Note 27) RM	Treasury shares (Note 27) RM	Retained earnings (Note 29) RM	Total Equity RM
		<——— Non-Distributable		———>	Distributable	
At 1 January 2009		177,723,744	5,064,456	(3,065,772)	135,077,582	314,800,010
Total comprehensive income		-	-	-	2,172,273	2,172,273
Dividends	13	-	-	-	(13,173,978)	13,173,978)
Purchase of treasury shares	27	-	-	(1,317,953)	-	(1,317,953)
At 31 December 2009		177,723,744	5,064,456	(4,383,725)	124,075,877	302,480,352
At 1 January 2010		177,723,744	5,064,456	(4,383,725)	124,075,877	302,480,352
Total comprehensive income		-	-	-	2,155,799	2,155,799
Dividends	13	-	-	-	(14,490,228)	(14,490,228)
Issue of ordinary shares pursuant to private placement		17,550,000	23,868,000	-	-	41,418,000
Share issue expenses		-	(63,556)	-	-	(63,556)
At 31 December 2010		195,273,744	28,868,900	(4,383,725)	111,741,448	331,500,367

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Cash flows from operating activities					
Profit before taxation		164,329,245	115,245,760	2,911,943	2,931,381
Adjustments for :					
Interest income	6	(1,032,405)	(950,871)	-	-
Interest expense	7	6,036,374	2,255,389	-	-
Depreciation of property, plant and equipment	8	728,699	1,512,919	1,336	2,784
Gain on disposal of subsidiary company	6	(723,406)	-	-	-
Fair value adjustments of investment properties	6	(82,247,495)	(44,288,911)	-	-
Property, plant and equipment written off	8	351	723	-	-
Loss on disposal of property, plant and equipment	8	19,271	-	-	-
Gain on disposal of land		(100,360)	(38,958)	-	-
Gain arising from compulsory acquisition of land		-	(1,538,267)	-	-
Operating profit before working capital changes		87,010,274	72,197,784	2,913,279	2,934,165
Increase in property development costs		(87,716,384)	(96,412,284)	-	-
Decrease in inventories		89,117,958	114,075,524	-	-
Decrease/(Increase) in trade and other receivables		8,604,283	28,252,267	(40,219,046)	12,267,094
Increase/(Decrease) in trade and other payables		44,743,228	14,093,201	11,226,997	(4,700)
Cash generated from/(used in) operations		141,759,359	132,206,492	(26,078,770)	15,196,559
Interest paid		(6,036,374)	(2,628,200)	-	-
Taxes paid		(20,932,096)	(19,181,091)	(757,720)	(757,119)
Net cash generated from/ (used in) operating activities		114,790,889	110,397,201	(26,836,490)	14,439,440

STATEMENTS OF CASH FLOW *(Cont'd)*
For the financial year ended 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Cash flows from investing activities					
Development expenditure on land held for property development		(74,864,430)	(122,114,236)	-	-
Development expenditure on investment properties		(87,952,750)	(60,334,761)	-	-
Purchase of property, plant and equipment		(17,341,271)	(56,473,703)	-	-
Proceeds from disposal of property, plant and equipment		161,000	16,000	-	-
Proceeds from disposal of subsidiary company	18	10,213,614	-	-	-
Proceeds from disposal of land	4	458,124	2,065,085	-	-
Interest received		1,032,405	950,871	-	-
Proceeds from compulsory acquisition		-	1,538,267	-	-
Cost of investment properties overprovided in previous year	16	164,765	-	-	-
Net cash used in investing activities		(168,128,543)	(234,352,477)	-	-
Cash flows from financing activities					
Purchase of treasury shares		-	(1,317,953)	-	(1,317,953)
Proceeds from issue of shares		41,418,000	-	41,418,000	-
Payment of share issue expenses		(63,556)	-	(63,556)	-
Repayment of term loans		(1,413,087)	(10,955,000)	-	-
Repayment of finance lease		(47,624)	-	-	-
Repayment of revolving credit		(6,300,000)	-	-	-
Repayment of bankers' acceptance		(5,050,000)	-	-	-
Drawdown of term loans		52,000,000	116,855,260	-	-
Drawdown of bankers' acceptance		-	5,050,000	-	-
Drawdown of revolving credit		-	6,300,000	-	-
Dividends paid		(14,490,228)	(13,173,978)	(14,490,228)	(13,173,978)
Net cash generated from/ (used in) financing activities		66,053,505	102,758,329	26,864,216	(14,491,931)
Net increase/(decrease) in cash and cash equivalents		12,715,851	(21,196,947)	27,726	(52,491)
Cash and cash equivalents at beginning of financial year		8,949,974	30,146,921	36,006	88,497
Cash and cash equivalents at end of financial year	22	21,665,825	8,949,974	63,732	36,006

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2010

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at Wisma KSL, 148, Batu 1½, Jalan Buloh Kasap, 85000 Segamat, Johor Darul Ta'zim.

The principal activities of the Company are investment holding and provision of management services to the subsidiaries. The principal activities of the subsidiaries are property development, property management and property investment. There have been no significant changes in the nature of the principal activities during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial year beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements of the Group and of the Company have also been prepared on a historical basis, except for investment properties that have been measured at their fair values.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows :

On 1 January 2010, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

FRS 4: Insurance Contracts
FRS 7: Financial Instruments: Disclosures
FRS 8: Operating Segments
FRS 101: Presentation of Financial Statements (Revised)
FRS 123: Borrowing Costs
FRS 139: Financial Instruments: Recognition and Measurement
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2: Share-based Payment – Vesting Conditions and Cancellations
Amendments to FRS 132: Financial Instruments: Presentation
Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
Improvements to FRSs issued in 2009
IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 10: Interim Financial Reporting and Impairment
IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13: Customer Loyalty Programmes
IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR i – 3: Presentation of Financial Statements of Islamic Financial Institutions

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

2.2 Changes in accounting policies *(Cont'd)*

Adoption of the above Standards and Interpretations did not have any effect on the financial performance or position of the Group and of the Company except for those discussed below :

FRS 7 *Financial Instruments: Disclosures*

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

FRS 8 Operating Segments

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively. These revised disclosures are shown in Note 34.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group and the Company to make new disclosures to enable users of the financial statements to evaluate the Group's and the Company's objectives, policies and processes for managing capital (see Note 37).

The revised FRS 101 was adopted retrospectively by the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

2.2 Changes in accounting policies *(Cont'd)*

FRS 139 *Financial Instruments: Recognition and Measurement*

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard have no material impact on the financial statements. The details of the changes in accounting policies on the adoption of FRS 139 are discussed below:

- Impairment of trade receivables
  Prior to 1 January 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 January 2010, the Group and the Company have remeasured the allowance for impairment losses as at that date in accordance with FRS 139 and there was no material difference noted arising from the remeasurement.

- Retention sum
  During the current and prior years, the Group withheld retention sum for property development work performed which will be released upon the expiry of the defect liability period. Prior to 1 January 2010, this retention sum was recorded at cost in the Group's financial statements. Upon the adoption of FRS 139, the Group has remeasured such retention sum at their amortised cost in accordance with FRS 139. There was no material differences noted arising from remeasurement to be adjusted against the opening balance of retained earnings as at 1 January 2010.

- Inter-company loans
  During the current and prior years, the Company granted interest-free loans and advances to its subsidiaries. Prior to 1 January 2010, these loans and advances were recorded at cost in the Company's financial statements. Upon the adoption of FRS 139, the interest-free loans or advances continue to be recorded initially at cost as the Company regards these loans as short-term advances and payable on demand. Therefore, the effect of discounting is considered as immaterial and the fair value of the loans is equal to the amount of the advances given or received. No adjustments were made to the opening balance of retained earnings as at 1 January 2010.

Amendments to FRS 116 and Amendments to FRS 140

On 1 January 2010, the Group adopted the amendments to FRS 116 Property, Plant and Equipment and amendments to FRS 140 Investment Property which arose from the Improvements to FRS issued in 2009.

The Group has land that is being planned for future development as investment properties. Such land was accounted as property, plant and equipment. Upon adoption of the amendments to FRS 116 and amendments to FRS 140, this land is reclassified and treated as investment properties in accordance with FRS 140.

The Group applied the amendments prospectively. As a result of the adoption of the amendments to FRS 116 and amendments to FRS 140, as at 1 January 2010, the Company has reclassified land and building-in-progress of RM56,347,153 from property, plant and equipment to investment properties, which represents the cost as at 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

2.3 Standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new FRS, Amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

Effective for financial periods beginning on or after 1 March 2010
Amendments to FRS 132: Classification of Rights Issues

Effective for financial periods beginning on or after 1 July 2010
FRS 1: First-time Adoption of Financial Reporting Standards
FRS 3: Business Combinations (revised)
Amendments to FRS 127: Consolidated and Separate Financial Statements
Amendments to FRS 2: Share-based Payment
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS138: Intangible Assets
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 12: Service Concession Arrangements
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011
Amendment to FRS 1: Limited Exemption for Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 7: Improving Disclosures about Financial Instruments
Additional Exemptions for First-Time Adopters (Amendments to FRS 1)
Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2)
IC Interpretation 4: Determining whether an Arrangement contains a Lease
IC Interpretation 18: Transfers of Assets from Customers
TR 3: Guidance on Disclosure of Transition to IFRSs
TR i - 4: Shariah Compliant Sale Contracts

Effective for financial periods beginning on or after 1 January 2012
IC Interpretation 15: Agreements for the Construction of Real Estate
FRS 124: Related Party Disclosures

Except for the changes in accounting policies arising from the adoption of the revised FRS 3, the amendments to FRS 127 and IC Interpretation 15, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3, the amendments to FRS 127 and IC Interpretation 15 are described below.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

2.3 Standards and interpretations issued but not yet effective *(Cont'd)*

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt these standards.

IC Interpretation 15 *Agreements for the Construction of Real Estate*

This Interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the Interpretation provides guidance on how to determine whether an agreement is within the scope of FRS 111 Construction Contracts or FRS 118 Revenue.

The Group currently recognises revenue arising from property development projects using the stage of completion method. Upon the adoption of IC Interpretation 15, the Group may be required to change its accounting policy to recognise such revenues at completion, or upon or after delivery. The Group is in the process of making an assessment of the impact of this Interpretation.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisition of subsidiaries which meet the criteria for merger are accounted for using merger accounting principles. Under the merger method, the results of the subsidiaries being merged are included as if the merger had been effected throughout the current and previous financial year. The difference between the cost of investment and the nominal value of the shares acquired has been classified as a merger deficit and is adjusted against any suitable reserve.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

2.4 Basis of consolidation *(Cont'd)*

Other acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.5 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.6 Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Building-in-progress are also not depreciated as these assets are not available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each to its residual value over the estimated useful life, at the following annual rates:

Building	2%
Plant and machinery	10% to 20%
Motor vehicles	20%
Office equipment	10% to 25%
Tele-communication	10%
Renovation	10%
Sales office	10%
Site office	10%
Signboard	10%
Furniture and fittings	5% to 10%

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

2.6 Property, plant and equipment, and depreciation *(Cont'd)*

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.7 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.6 up to the date of change in use.

2.8 Land held for property development and property development costs

(a) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

2.8 Land held for property development and property development costs (Cont'd)

(b) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the statement of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the statement of comprehensive income is classified as progress billings within trade payables.

2.9 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

2.9 Impairment of non-financial assets *(Cont'd)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.10 Inventories

Inventories of completed commercial and residential properties are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes cost of land, construction and appropriate development overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition for the purpose of the first adoption of the standard, as at transitional date on 1 January 2010.

<u>Loans and receivables</u>

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

2.12 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.14 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

2.14 Financial liabilities *(Cont'd)*

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.15 Borrowing cost

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.16 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

2.16 Income taxes *(Cont'd)*

(b) Deferred tax *(Cont'd)*

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.17 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

2.18 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Group makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.19 Lease

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.20(d).

2.20 Revenue recognition

Revenue is recognised to the extend that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of development properties

Revenue from sales of development properties is recognised on the "percentage of completion" method as described in Note 2.8(b).

(b) Interest income

Interest income on late payment of progress payments from house purchasers is recognised on receipt basis whilst interest income on short term deposits is recognised on accrual basis.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

2.20 Revenue recognition *(Cont'd)*

(c) Dividend income
Dividend income is recognised when rights to receive payment is established.

(d) Rental income
Rental income is recognised on the accrual basis in accordance with the substance of the agreements.

2.21 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.22 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

3. Significant accounting estimates and judgements

(a) Critical judgements made in applying accounting policies

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portion separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below :

(i) Property development

The Group recognises property development revenue and expenses in the statement of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

(ii) Depreciation of property, plant and equipment

The cost of property, plant and equipment, other than freehold land, is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 10 to 50 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loan and receivable at the reporting date is disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

4. REVENUE

Revenue of the Group and of the Company consists of the following :

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Sales of development properties	167,929,579	178,730,457	-	-
Compensation sum from compulsory acquisition	-	1,538,267	-	-
Rental income from investment properties	9,198,743	3,439,714	-	-
Dividend income from subsidiaries	-	-	3,000,000	3,000,000
Management fees from subsidiaries	-	-	1,344,300	1,410,000
Other trade sales	264,468	405,915	-	-
Sales of land	458,124	2,065,085	-	-
	177,850,914	186,179,438	4,344,300	4,410,000

5. COST OF SALES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Property development costs (Note 15(b))	51,856,462	67,478,573	-	-
Cost of inventories sold	23,654,707	22,670,271	-	-
Cost of land (Note 15(a))	357,764	2,026,127	-	-
Other trade cost	1,239,843	666,460	-	-
	77,108,776	92,841,431	-	-

6. OTHER INCOME

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Interest income (Note 8)	1,032,405	950,871	-	-
Rental income (Note 8)	3,071,482	2,201,669	-	-
Sundry income	6,103,015	3,324,901	-	-
Gain on disposal of subsidiary company (Note 8)	723,406	-	-	-
Fair value adjustments of investment properties (Note 8 and Note 16)	82,247,495	44,288,911	-	-
	93,177,803	50,766,352	-	-

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

7. FINANCE COSTS

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Interest expense on:				
Bank borrowings	139,203	287,418	-	-
Finance lease	5,076	-	-	-
Term loans	5,892,095	2,340,782	-	-
Bank charges	190,883	201,955	3,037	3,009
	6,227,257	2,830,155	3,037	3,009
Less: Amount capitalised in property development cost	-	(138,314)	-	-
Less: Amount capitalised in property, plant and equipment	-	(234,497)	-	-
	6,227,257	2,457,344	3,037	3,009

8. PROFIT BEFORE TAX

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Profit before tax is stated after charging/(crediting) :				
Employee benefits expense (Note 9)	10,586,065	9,625,030	1,151,352	1,210,356
Non-executive directors' remuneration (Note 10)				
- Fee	90,000	90,000	90,000	90,000
- Other emoluments	14,000	18,000	14,000	18,000
Auditors' remuneration:				
- Statutory audits	128,500	117,000	22,000	20,000
- Other services	69,600	79,900	8,000	12,500
Direct operating expenses of investment properties :				
- revenue generating during the year	38,687	66,758	-	-
- non-revenue generating during the year	5,534	4,169	-	-
Depreciation (Note 14)	728,699	1,512,919	1,336	2,784
Fair value adjustments of investment properties (Note 6 and Note 16)	(82,247,495)	(44,288,911)	-	-
Rental of machinery	9,519	6,427	-	-
Rental income (Note 6)	(3,071,482)	(2,201,669)	-	-
Management fee received from subsidiaries	-	-	(1,344,300)	(1,410,000)
Interest income (Note 6)	(1,032,405)	(950,871)	-	-
Loss on disposal of property, plant and equipment	19,271	-	-	-
Gain on disposal of subsidiary company (Note 6 and Note 18)	(723,406)	-	-	-
Property, plant and equipment written off	351	723	-	-

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Wages and salaries	9,316,780	8,698,866	1,025,200	1,077,750
Social security contributions	78,081	72,941	3,128	3,276
Contributions to defined contribution plan	1,002,240	785,986	123,024	129,330
Other staff related expenses	188,964	67,237	-	-
	10,586,065	9,625,030	1,151,352	1,210,356

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM3,786,150 (2009 : RM3,805,924) and RM1,151,352 (2009 : RM1,210,356) respectively as further disclosed in Note 10.

10. DIRECTORS' REMUNERATION

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Executive directors' remuneration (Note 9):				
Other emoluments				
- Directors of the Company	2,827,968	2,862,052	1,151,352	1,210,356
- Directors of subsidiaries	958,182	943,872	-	-
	3,786,150	3,805,924	1,151,352	1,210,356
Non-executive directors' remuneration (Note 8):				
Fees	90,000	90,000	90,000	90,000
Other emoluments	14,000	18,000	14,000	18,000
	104,000	108,000	104,000	108,000
Total directors' remuneration	3,890,150	3,913,924	1,255,352	1,318,356

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Executive:				
Salaries and other emoluments	1,967,280	1,990,080	787,200	810,000
Bonus	554,770	562,270	238,000	267,750
Social security contributions	3,128	3,276	3,128	3,276
Contributions to defined contribution plan	302,790	306,426	123,024	129,330
	2,827,968	2,862,052	1,151,352	1,210,356
Non-executive :				
Fees	90,000	90,000	90,000	90,000
Other emoluments	14,000	18,000	14,000	18,000
	104,000	108,000	104,000	108,000
	2,931,968	2,970,052	1,255,352	1,318,356

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

10. DIRECTORS' REMUNERATION *(Cont'd)*

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors 2010	2009
Executive directors:		
RM50,001 - RM100,000	1	-
RM100,001 - RM150,000	-	1
RM200,001 - RM250,000	1	1
RM750,001 - RM800,000	2	2
RM950,001 - RM1,000,000	1	1
Non-executive directors:		
Below RM50,000	3	3

11. INCOME TAX EXPENSE

	Group 2010 RM	2009 RM	Company 2010 RM	2009 RM
Current income tax:				
Malaysian income tax	22,150,616	19,321,777	756,140	758,899
(Over)/Underprovision in prior years:				
Malaysian income tax	(10,445)	(611,580)	4	209
	22,140,171	18,710,197	756,144	759,108
Deferred tax (Note 26):				
Relating to origination and reversal of temporary differences	20,505,791	4,907,972	-	-
Underprovision in prior years	30,614	239,406	-	-
	20,536,405	5,147,378	-	-
Total income tax expense	42,676,576	23,857,575	756,144	759,108

Domestic income tax is calculated at the Malaysian statutory rate of 25% (2009: 25%) of the estimated assessable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

11. INCOME TAX EXPENSE *(Cont'd)*

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2010 RM	2009 RM
Group		
Profit before taxation	164,329,245	115,245,760
Taxation at Malaysian statutory tax rate of 25% (2009 : 25%)	41,082,311	28,811,440
Income not subject to tax	(150,753)	(387,674)
Expenses not deductible for tax purposes	1,537,385	1,362,880
Deferred tax assets not recognised during the year	6,141	767,226
Utilisation of previously unrecognised tax losses	(763,909)	(17,195)
Deferred tax recognised at different tax rate for fair value adjustment of freehold land	945,232	(6,306,928)
Overprovision of income tax expense in prior years	(10,445)	(611,580)
Underprovision of deferred tax in prior years	30,614	239,406
Tax expense for the year	42,676,576	23,857,575
Company		
Profit before taxation	2,911,943	2,931,381
Taxation at Malaysian statutory tax rate of 25% (2009 : 25%)	727,986	732,845
Expenses not deductible for tax purposes	28,154	26,054
Underprovision of income tax expense in prior years	4	209
Tax expense for the year	756,144	759,108

12. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year, excluding treasury shares held by the Company.

	2010	2009
Profit net of tax attributable to the owners of the parent (RM)	121,652,669	91,388,185
Weighted average number of ordinary share in issue	380,556,087	351,306,087
Basic earnings per share (sen)	31.97	26.01

The Company has no potential dilutive ordinary shares as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

13. DIVIDENDS

	Dividends in respect of year			Dividends Recognised in Year	
	2010 RM	2009 RM	2008 RM	2010 RM	2009 RM
Recognised during the year :					
Ordinary final dividend of 10% less 25% taxation on 351,306,087 ordinary shares (3.75 sen per ordinary share)	-	-	13,173,978	-	13,173,978
Ordinary final dividend of 10% less 25% taxation on 386,406,087 ordinary shares (3.75 sen per ordinary share)	-	14,490,228	-	14,490,228	-
Proposed for approval at AGM (not recognised as at 31 December):					
Final dividend for 2010 : 10% less 25% taxation (3.75 sen per ordinary share)	14,490,228	-	-	-	-
	14,490,228	14,490,228	13,173,978	14,490,228	13,173,978

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2010 of 10% less 25% taxation will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and building RM	Freehold land and building in progress RM	Leasehold land and building in progress RM	Plant and machinery RM	Motor vehicles RM	*Other property, plant and equipment RM	Total RM
At 31 December 2010							
Cost							
At 1 January 2010	11,055,036	77,279,164	6,334,571	2,108,857	5,323,744	4,824,198	106,925,570
Additions	-	15,381,746	-	250,362	1,170,196	1,138,967	17,941,271
Disposal	-	-	-	-	(361,322)	-	(361,322)
Disposal of subsidiary company	-	-	-	(27,200)	-	(27,224)	(54,424)
Transfer to property development costs (Note 15(b))	-	(519,414)	-	-	-	-	(519,414)
Transfer to investment properties (Note 16)	(6,686,150)	(43,326,432)	(6,334,571)	-	-	-	(56,347,153)
Written off	-	-	-	(254,928)	-	(299,429)	(554,357)
At 31 December 2010	4,368,886	48,815,064	-	2,077,091	6,132,618	5,636,512	67,030,171
Accumulated depreciation							
At 1 January 2010	1,750,525	-	-	1,431,937	3,696,393	3,166,455	10,045,310
Depreciation charge for the year (Note 8)	128,245	-	-	133,991	68,136	398,327	728,699
Disposal	-	-	-	-	(181,051)	-	(181,051)
Disposal of subsidiary company	-	-	-	(27,198)	-	(27,160)	(54,358)
Written off	-	-	-	(254,898)	-	(299,108)	(554,006)
At 31 December 2010	1,878,770	-	-	1,283,832	3,583,478	3,238,514	9,984,594
Net carrying amount	2,490,116	48,815,064	-	793,259	2,549,140	2,397,998	57,045,577

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

14. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

Group	Freehold land and building RM	Freehold land and building in progress RM	Leasehold land and building in progress RM	Plant and machinery RM	Motor vehicles RM	*Other property, plant and equipment RM	Total RM
At 31 December 2009							
Cost							
At 1 January 2009	4,368,886	51,814,610	6,334,571	1,866,819	4,943,533	4,684,569	74,012,988
Additions	6,686,150	49,193,952	-	242,038	443,881	142,179	56,708,200
Disposal	-	-	-	-	(60,000)	-	(60,000)
Transfer to property development costs (Note 15(b))	-	(53,698)	-	-	-	-	(53,698)
Transfer to investment properties (Note 16)	-	(23,675,700)	-	-	-	-	(23,675,700)
Written off	-	-	-	-	(3,670)	(2,550)	(6,220)
At 31 December 2009	11,055,036	77,279,164	6,334,571	2,108,857	5,323,744	4,824,198	106,925,570
Accumulated depreciation							
At 1 January 2009	1,579,863	-	-	1,294,134	2,952,283	2,755,608	8,581,888
Depreciation charge for the year (Note 8)	170,662	-	-	137,803	791,779	412,675	1,512,919
Disposal	-	-	-	-	(44,000)	-	(44,000)
Written off	-	-	-	-	(3,669)	(1,828)	(5,497)
At 31 December 2009	1,750,525	-	-	1,431,937	3,696,393	3,166,455	10,045,310
Net carrying amount	9,304,511	77,279,164	6,334,571	676,920	1,627,351	1,657,743	96,880,260

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

14. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

	Signboard RM
Company	
At 31 December 2010	
Cost	
At 1 January 2010	27,853
Additions	-
At 31 December 2010	27,853
Accumulated depreciation	
At 1 January 2010	23,690
Depreciation charge for the year (Note 8)	1,336
At 31 December 2010	25,026
Net carrying amount	2,827
At 31 December 2009	
Cost	
At 1 January 2009	27,853
Additions	-
At 31 December 2009	27,853
Accumulated depreciation	
At 1 January 2009	20,906
Depreciation charge for the year (Note 8)	2,784
At 31 December 2009	23,690
Net carrying amount	4,163

* Other property, plant and equipment comprises office equipment, tele-communication, renovations, sales office, site office, signboard and furniture and fittings.

(a) Included in property, plant and equipment of the Group are fully depreciated assets which are still in use costing RM2,273,314 (2009 : RM1,940,893)

(b) Freehold land and building-in-progress with carrying value of RM46,865,767 in previous year was pledged as securities for borrowings as referred to in Note 23. The legal charge has been discharged during the year.

(c) Interest expenses capitalised in previous financial year under freehold land and building-in-progress of the Group amounted to RM234,497.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

14. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

(d) During the financial year, the Group acquired plant and equipment with an aggregate cost of RM600,000 (2009 : RMNil) by means of finance lease. The cash outflow on acquisition of property, plant and equipment amounted to RM17,341,271 (2009 : RM56,708,200).

The carrying amount of plant and equipment held under finance leases at the reporting date is RM811,004 (2009 : RMNil).

Leased assets are pledged as security for the related finance lease liabilities (Note 23).

15. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land held for property development	Freehold land RM
At 31 December 2010	
Cost	
At 1 January 2010	388,761,036
Additions	74,864,430
Transfer to property development costs	(22,213,522)
Disposal	(357,764)
At 31 December 2010	441,054,180
Carrying amount at 31 December 2010 consisting of:	
At cost	384,532,578
At surrogate cost	56,521,602
	441,054,180
At 31 December 2009	
Cost	
At 1 January 2009	272,482,808
Additions	122,114,236
Transfer to property development costs	(3,547,146)
Impairment loss (Note 28)	(262,735)
Disposal	(2,026,127)
At 31 December 2009	388,761,036
Carrying amount at 31 December 2009 consisting of:	
At cost	331,732,716
At surrogate cost	57,028,320
	388,761,036

The surrogate cost represents the revalued amount which was previously allowed under MASB Approved Accounting Standard MAS 7 : Accounting for Property Development, which the Group continues to retain as its surrogate cost .

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

15. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS *(Cont'd)*

(b) Property development costs

	2010 RM	2009 RM
Cumulative property development costs at 1 January :		
Freehold land	63,985,989	78,332,699
Development costs	111,057,158	121,032,746
	175,043,147	199,365,445
Cost incurred during the year :		
Development costs	73,872,719	72,660,104
	248,915,866	272,025,549
Transfers to inventories	(78,365,279)	(100,583,246)
Transfers from property, plant and equipment (Note 14)	519,414	53,698
Transfers from land held for property development	22,213,522	3,547,146
	(55,632,343)	(96,982,402)
Cumulative costs recognised in profit or loss :		
At 1 January	(38,952,366)	(62,598,025)
Recognised during the year (Note 5)	(51,856,462)	(67,478,573)
Reversal of cost previously recognised in profit or loss upon completion	65,851,407	91,124,232
At 31 December	(24,957,421)	(38,952,366)
Foreseeable losses :		
At 1 January	-	(244,835)
Addition	(151,280)	-
Recognised during the year	-	244,835
At 31 December	(151,280)	-
Property development costs at 31 December	168,174,822	136,090,781

Freehold land of the Group with the carrying values of RM158,297,038 (2009 : RM145,604,337) are pledged as securities for borrowings (Note 23).

Included in the development expenditure of the Group are the following expenses capitalised during the financial year:

	2010 RM	2009 RM
Interest	-	138,314
Rental of machinery	1,688,922	1,371,531

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

16. INVESTMENT PROPERTIES

	Group 2010 RM	2009 RM
At 1 January	198,691,372	70,392,000
Additions	87,952,750	60,334,761
Cost overprovided in prior year	(164,765)	-
Transfer from property, plant and equipment (Note 14)	56,347,153	23,675,700
Fair value adjustments (Note 8)	82,247,495	44,288,911
	425,074,005	198,691,372

Investment properties with an aggregate carrying value of RM126,080,000 (2009 : RM125,875,588) are pledged as securities for borrowings (Note 23).

Investment properties comprise a number of freehold shophouses and commercial properties leased to third parties. The fair value of the investment properties was based on indicative valuation by Henry Butcher Malaysia (Johor) Sdn. Bhd., an independent professional qualified valuer, using comparison and investment method of valuation.

17. INTANGIBLE ASSETS

	Group 2010 RM	2009 RM
Computer software		
Cost		
At 1 January/31 December	384,727	384,727
Accumulated amortisation and impairment		
At 1 January/31 December	384,727	384,727
Net carrying amount	-	-

The intangible assets represent computer software which are fully depreciated but still in use.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

18. INVESTMENTS IN SUBSIDIARIES

	Company 2010 RM	Company 2009 RM
Unquoted shares, at cost	83,648,955	83,648,955

Details of the subsidiaries are as follows :

Name of subsidiaries	Country of Incorporation	Equity Interest Held 2010 %	Equity Interest Held 2009 %	Principal Activities
Held by the Company				
Khoo Soon Lee Realty Sdn. Bhd.	Malaysia	100	100	Property investment and development
Goodpark Development Sdn. Bhd.	Malaysia	100	100	Property development
Harapan Terang Sdn. Bhd.	Malaysia	100	100	Property development
Bintang-Bintang Development Sdn. Bhd.	Malaysia	100	100	Property investment and development
Tai Lik Development (Batu Anam) Sdn. Bhd.	Malaysia	100	100	Property development
Sejota Sdn. Berhad	Malaysia	100	100	Property development
Eversonic Sdn. Bhd.	Malaysia	100	100	Property development
Bintang-Bintang Enterprise Sdn. Bhd.	Malaysia	100	100	Property development
Prosper Plus Industry Sdn. Bhd.	Malaysia	100	100	Property investment
Harapan Terang Properties Sdn. Bhd.	Malaysia	100	100	Property development
Harapan Terang Realty Sdn. Bhd.	Malaysia	100	100	Property development
Exportex Sdn. Bhd.	Malaysia	100	100	Property development
Villa Bestari Sdn. Bhd.	Malaysia	100	100	Property management
KSL Properties Sdn. Bhd.	Malaysia	100	100	Property investment and development
Clarion Housing Development Sdn. Bhd.	Malaysia	100	100	Property investment
Sering Cemerlang Sdn. Bhd.	Malaysia	100	100	Property investment
Sure Success Properties Sdn. Bhd.	Malaysia	100	100	Property investment
KSL Properties Management Sdn. Bhd. (Formerly known as Pure Properties Sdn. Bhd.)	Malaysia	100	100	Car park operator
Held through subsidiaries:				
KSL Development Sdn. Bhd.*	Malaysia	100	100	Property investment and development
KSL Realty Sdn. Bhd.**	Malaysia	-	100	Property development

* Subsidiary of Harapan Terang Sdn. Bhd.

** The Group disposed of its 100% equity interest in KSL Realty Sdn. Bhd., which was the subsidiary of Khoo Soon Lee Realty Sdn. Bhd., on 22 March 2010 for a total cash consideration of RM10,220,000.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

18. INVESTMENTS IN SUBSIDIARIES *(Cont'd)*

The disposal had the following effects on the financial position of the Group as at the end of the year :

	2010 RM	2009 RM
Property, plant and equipment	66	66
Inventories	81,047	81,047
Trade and other receivables	10,033,400	10,033,400
Cash and bank balances	6,386	6,386
Trade and other payables	(624,305)	(624,305)
Net assets disposed	9,496,594	9,496,594
Total disposal proceeds	10,220,000	
Gain on disposal to the Group (Note 8)	723,406	
Cash inflow arising on disposals :		
Cash consideration	10,220,000	
Cash and cash equivalents of subsidiary disposed	(6,386)	
Net cash inflow on disposal	10,213,614	

19. INVENTORIES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cost				
Properties held for sale	52,247,376	63,081,102	-	-

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current				
Trade receivables	28,130,726	29,479,575	-	-
Other receivables				
Due from subsidiaries	-	-	284,549,165	244,330,959
Deposit for acquisition of land	5,500,000	2,591,384	-	-
Other deposits	1,319,495	8,369,380	-	-
Sundry receivables	441,773	25,693	-	-
	7,261,268	10,986,457	284,549,165	244,330,959
Total trade and other receivables	35,391,994	40,466,032	284,549,165	244,330,959
Add: Cash and bank balances (Note 22)	21,665,825	17,849,974	63,732	36,006
Total loans and receivables	57,057,819	58,316,006	284,612,897	244,366,965

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

20. TRADE AND OTHER RECEIVABLES (Cont'd)

(a) Other receivables
The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

(b) Trade receivables
The Group's normal trade credit term ranges from 7 to 30 days. Other credit terms are assessed and approved on a case-by-case basis. The Group has no significant concentration of credit risk that may arise from exposure to a single debtor as to groups of debtors.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	2010 RM	2009 RM
Neither past due nor impaired	15,755,975	14,613,905
1 to 30 days past due not impaired	8,753,254	9,277,335
31 to 60 days past due not impaired	2,133,605	2,445,215
61 to 90 days past due not impaired	789,358	1,539,914
91 to 120 days past due not impaired	10,743	682,369
More than 121 days past due not impaired	687,791	920,837
	28,130,726	29,479,575

Trade receivables that are neither past due nor impaired
None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired
The Group has trade receivables amounting to RM12,374,751 (2009: RM14,865,670) that are past due at the reporting date but not impaired.

The trade receivables that are past due but not impaired are unsecured in nature.

21. OTHER CURRENT ASSETS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Accrued billings in respect of property development costs	7,094,105	20,750,437	-	-
Prepayments	115,855	23,167	840	-
Tax recoverable	101,640	404,767	-	-
	7,311,600	21,178,371	840	-

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash on hand and at banks	8,279,412	9,899,974	63,732	36,006
Deposit with licensed bank (Note 32(a))	6,034,415	-	-	-
Repurchase agreement (Note 32(a))	7,351,998	7,950,000	-	-
Cash and bank balances	21,665,825	17,849,974	63,732	36,006
Less : Bank overdrafts	-	(8,900,000)	-	-
Cash and cash equivalents	21,665,825	8,949,974	63,732	36,006

Included in cash and banks of the Group are amounts of RM5,063,623 (2009 : RM6,603,377) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and are restricted from use in other operations.

23. BORROWINGS

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short term borrowings				
Secured :				
Bank overdrafts	-	8,900,000	-	-
Revolving credit	-	6,300,000	-	-
Bankers' acceptance	-	5,050,000	-	-
Obligations under finance lease	294,816	-	-	-
Term loans	3,712,281	-	-	-
	4,007,097	20,250,000	-	-
Long term borrowings				
Secured:				
Obligations under finance lease	257,560	-	-	-
Term loans	163,729,893	116,855,260	-	-
	163,987,453	116,855,260	-	-
Total borrowings				
Bank overdrafts	-	8,900,000	-	-
Revolving credit	-	6,300,000	-	-
Bankers' acceptance	-	5,050,000	-	-
Obligations under finance lease	552,376	-	-	-
Term loans	167,442,174	116,855,260	-	-
	167,994,550	137,105,260	-	-

The secured bank overdrafts and term loans of the Group are secured by certain assets of the Group as disclosed in Notes 15 and 16. The term loans, revolving credit and bankers' acceptance are also secured by corporate guarantees by the Company.

The obligations under finance leases are secured by a charge over the leased assets (Note 14). Other information on financial risks of borrowings are disclosed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Current				
Trade payables				
Third parties	43,662,476	38,954,093	-	-
Related party	-	24,948	-	-
	43,662,476	38,979,041	-	-
Other payables				
Amount due to subsidiaries	-	-	36,538,420	25,303,434
Other deposits	16,862,318	6,104,721	-	-
Accruals and provisions	15,619,384	2,168,151	188,220	196,873
Sundry payables	6,050,387	4,289,657	38,038	37,374
	38,532,089	12,562,529	36,764,678	25,537,681
	82,194,565	51,541,570	36,764,678	25,537,681
Non-current				
Other payables				
Deposit payable	24,500	-	-	-
	24,500	-	-	-
Total trade and other payable	82,219,065	51,541,570	36,764,678	25,537,681
Add: Loans and borrowings	167,994,550	137,105,260	-	-
Total financial liabilities carried at amortised cost	250,213,615	188,646,830	36,764,678	25,537,681

(a) Trade payable are non-interest bearing and the normal trade credit terms granted to the Group range from one month to three months.

(b) The amount due to subsidiaries are unsecured, interest-free and are repayable on demand.

25. OTHER CURRENT LIABILITIES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Progress billing in respect of property development costs	28,174,610	14,733,182	-	-

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

26. DEFERRED TAX LIABILITIES

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
At 1 January	23,267,481	18,146,889	-	-
Recognised in profit or loss (Note 11)	20,536,405	5,147,378	-	-
Recognised in revaluation reserve	-	(26,786)	-	-
At 31 December	43,803,886	23,267,481	-	-

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows :

Deferred tax liabilities of the Group:

	Accelerated capital allowances RM	Investment properties and others RM	Revaluation of freehold land RM	Total RM
At 1 January 2010	119,939	16,889,882	6,257,660	23,267,481
Recognised in profit or loss (Note 11)	(10,100)	20,848,651	(302,146)	20,536,405
At 31 December 2010	109,839	37,738,533	5,955,514	43,803,886
At 1 January 2009	292,681	11,393,000	6,461,208	18,146,889
Recognised in profit or loss (Note 11)	(172,742)	5,496,882	(176,762)	5,147,378
Recognised in revaluation reserve	-	-	(26,786)	(26,786)
At 31 December 2009	119,939	16,889,882	6,257,660	23,267,481

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

27. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

Group and Company

	Number of Ordinary Shares of 50 Sen Each		<——— Amount ———>			
	Share Capital (Issued and Fully Paid)	Treasury Shares	Share Capital (Issued and Fully Paid) RM	Share Premium RM	Total Share Capital and Share Premium RM	Treasury Shares RM
At 1 January 2009	355,447,487	(2,960,400)	177,723,744	5,064,456	182,788,200	(3,065,772)
Purchase of treasury shares	-	(1,181,000)	-	-	-	(1,317,953)
At 31 December 2009	355,447,487	(4,141,400)	177,723,744	5,064,456	182,788,200	(4,383,725)
Private placement	35,100,000	-	17,550,000	23,868,000	41,418,000	-
Share issue expenses	-	-	-	(63,556)	(63,556)	-
At 31 December 2010	390,547,487	(4,141,400)	195,273,744	28,868,900	224,142,644	(4,383,725)

	Number of Ordinary Shares of 50 Sen Each		Amount	
	2010	2009	2010 RM	2009 RM
Authorised share capital				
At 1 January/31 December	1,000,000,000	1,000,000,000	500,000,000	500,000,000

Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM177,723,744 to RM195,273,744 by way of private placement of 35,100,000 ordinary share of 50 sen each at an issue price of RM1.18 per share for cash for additional working capital. The share premium arising amounted to RM23,868,000 has been credited to the share premium account and the corresponding share issue expenses of RM63,556 has been set off against share premium. The new ordinary shares rank pari passu in all respect with the existing shares of the Company.

Treasury shares

The shareholders of the Company, by an ordinary resolution passed in Annual General Meeting held on 22 June 2010, renewed their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhance the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. Treasury shares has no right to voting, dividends and participation in other distribution.

Of the total 390,547,487 (2009 : 355,447,487) issued and fully paid ordinary shares as at 31 December 2010, 4,141,400 (2009 : 4,141,400) were held as treasury shares by the Company. As at 31 December 2010, the number of ordinary shares in issue after the setoff is therefore 386,406,087 (2009 : 351,306,087) ordinary shares of RM0.50 each.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

28. REVALUATION RESERVE

Group	Revaluation reserve-Freehold Land RM
At 1 January 2010	20,126,351
Realised revaluation reserve	(1,042,091)
At 31 December 2010	19,084,260
At 1 January 2009	21,172,427
Realised revaluation reserve	(810,127)
Reversal of deferred tax arising from impairment loss	65,681
Overprovision of deferred tax in prior years	(38,895)
Impairment loss (Note 15(a))	(262,735)
At 31 December 2009	20,126,351

The revaluation reserve is used to record increases in the fair value of freehold land and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. Prior to 1 January 2006, revaluation increase of investment property and land held for property development are also included in this reserve and the revaluation increase of investment properties has been subsequently recognised in retained earnings upon the application of FRS 140 in prior year.

29. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

During the transitional period, the Company can utilise the balance in the 108 account as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Bill, 2007.

As at 31 December 2010, the Company has tax exempt profits available for distribution of approximately RM855,000 (2009 : RM855,000), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit in the 108 balance and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained earnings as at 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

30. COMMITMENTS

(a) Capital commitments

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Approved and contracted for:				
Acquisition of land	49,500,000	28,092,460	-	-
Construction of investment properties and property, plant and equipment	27,907,270	51,647,139	-	-
	77,407,270	79,739,599	-	-

(b) Operating lease commitments - as lessor

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows :

	2010 RM	2009 RM
Not later than 1 year	8,297,763	7,746,204
Later than 1 year but not later than 5 years	35,615,428	33,532,737
Later than 5 years	19,882,295	28,822,283
	63,795,486	70,101,224

Rental income from investment properties recognised in profit or loss during the financial year are disclosed in Note 4.

(c) Operating lease commitments - as lessee

The future minimum lease payments payable under non-cancellable operating leases contracted for as at the reporting date but not recognised as payables, are as follows :

	2010 RM	2009 RM
Not later than 1 year	328,000	136,000

(d) Finance lease commitments

The Group has finance lease for motor vehicles. Future minimum lease payments under finance leases are as follows :

	2010 RM	2009 RM
Not later than 1 year	294,816	-
Later than 1 year and not later than 2 years	257,560	-
	552,376	-

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

31. RELATED PARTY DISCLOSURES

(a) Rental and trading of goods and services

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	2010 RM	2009 RM
Company		
Management fees received from the subsidiaries	1,344,300	1,410,000
Group		
Rental received from :		
Bestari Bestmart Sdn. Bhd. (Note a)	1,407,000	1,332,000
Harapan Terang Motor Sdn. Bhd. (Note b)	20,400	20,400
Bintang-Bintang Sdn. Bhd. (Note c)	126,000	126,000
Purchases from :		
Harapan Terang Motor Sdn. Bhd. (Note b)	31,254	56,997
Wawasan Batu-Bata Sdn. Bhd. (Note c)	2,666,466	2,058,858

Note :

(a) In which Ku Hwa Seng has interest.

(b) In which Ku Tien Sek has interest.

(c) In which Khoo Cheng Hai @ Ku Cheng Hai, Ku Hwa Seng, Ku Tien Sek and a director of certain subsidiary companies, Ku Wa Chong, have interest.

The directors are of opinion that the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are mutually agreed upon.

(b) Compensation of key management personnel

The remuneration of executive directors, who are also the members of key management, during the year was as follows:

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Short-term employee benefits	3,425,950	3,442,750	1,025,200	1,077,750
Post-employment benefits :				
Social security contributions	3,128	3,276	3,128	3,276
Defined contribution plan	357,072	359,898	123,024	129,330
	3,786,150	3,805,924	1,151,352	1,210,356

Included in the total key management personnel are:

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Directors' remuneration	3,786,150	3,805,924	1,151,352	1,210,356

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

(a) Interest rate risk

The Group's interest rate risk arises primarily from loans and borrowings, repurchase agreements and deposit with licensed bank. Borrowings at floating rates expose the Group to cash flow interest rate risk. There is no formal hedging policy with respect to interest rate exposure.

The following tables set out the carrying amounts, the weighted average effective interest rates (WAEIR) as at the reporting date and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk :

	Note	WAEIR %	Within 1 Year RM	1 - 2 Years RM	2 - 3 Years RM	3 - 4 Years RM	4 - 5 Years RM	More than 5 Years RM	Total RM
At 31 December 2010									
Floating rate									
Term loans	23	4.41	3,712,281	11,043,352	33,000,380	33,020,844	32,678,193	53,987,124	167,442,174
Obligations under finance lease	23	2.70	294,816	257,560	-	-	-	-	552,376
Deposit with licensed bank	22	3.00	6,034,415	-	-	-	-	-	6,034,415
Repurchase agreement	22	2.13	7,351,998	-	-	-	-	-	7,351,998
At 31 December 2009									
Floating rate									
Term loans	23	3.90	-	-	7,312,500	29,250,000	29,250,000	51,042,760	116,855,260
Bank overdrafts	23	3.56	8,900,000	-	-	-	-	-	8,900,000
Revolving credit	23	3.80	6,300,000	-	-	-	-	-	6,300,000
Bankers' acceptance	23	4.46	5,050,000	-	-	-	-	-	5,050,000
Repurchase agreement	22	0.99	7,950,000	-	-	-	-	-	7,950,000

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

(a) Interest rate risk *(Cont'd)*

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points higher/lower, with all other variables held constant, the Group's profit before tax would have been RM270,000 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective was to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company actively manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

Group	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Financial liabilities				
Trade and other payables	82,194,565	24,500	-	82,219,065
Loans and borrowings	4,007,097	110,000,329	53,987,124	167,994,550
Total undiscounted financial liabilities	86,201,662	110,024,829	53,987,124	250,213,615
Company				
Financial liabilities				
Trade and other payables, excluding financial guarantees, representing total undiscounted financial liabilities *	36,764,678	-	-	36,764,678

* At the reporting date, the counterparty to the financial guarantees does not have a right to demand cash as default has not occurred. Accordingly, financial guarantees under the scope of FRS 139 are not included in the above maturity profile analysis.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

(c) Credit risk

The Group's credit risk is primarily attributable to trade receivables. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by :

- the carrying amount of each class of financial assets recognised in the statement of financial position.
- an amount of RM171,721,469 (2009 : RM140,002,891) relating to a corporate guarantee provided by the Company to banks for credit facilities granted to subsidiaries.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	20
Trade and other payables (current)	24
Loans and borrowings (current)	23
Loans and borrowings (non-current)	23

The carrying amounts of the trade and other receivables and payables are reasonable approximation of their fair values due to their relatively short maturity periods.

The carrying amounts of the current portion of floating rate loans and borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

The carrying amounts of non-current portion of floating rate loans and borrowings are reasonable approximation of fair values as the interest charge on these loans and borrowings are pegged to, or close to, market interest rates near or at reporting date.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

34. SEGMENT INFORMATION

For management purposes, the Group is organised into four major reportable operating segments :

(i) Property development - the development of residential and commercial properties;

(ii) Property management - management of apartments;

(iii) Property investment - investment in real properties; and

(iv) Investment holding - provision of management services to the subsidiaries.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

2010	Property development RM	Property management RM	Property investment RM	Investment holding RM	Eliminations RM	Consolidated RM
Revenue						
External sales						
- Sales of properties	168,652,171	-	-	-	-	168,652,171
- Rental income	-	-	9,198,743	-	-	9,198,743
Inter-segment	-	-	1,089,216	4,344,300	(5,433,516)	-
	168,652,171	-	10,287,959	4,344,300	(5,433,516)	177,850,914
Other Income						
- Fair value adjustments	-	-	82,247,495	-	-	82,247,495
- Rental income	3,031,482	-	40,000	-	-	3,071,482
- Others	7,110,972	-	747,854	-	-	7,858,826
	10,142,454	-	83,035,349	-	-	93,177,803
Results						
Segment results	77,717,298	(15,350)	92,939,574	2,914,980	(3,000,000)	170,556,502
Finance costs						(6,227,257)
						164,329,245
Income tax expense						(42,676,576)
Profit net of tax						121,652,669

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

34. SEGMENT INFORMATION *(Cont'd)*

2010	Property development RM	Property management RM	Property investment RM	Investment holding RM	Eliminations RM	Consolidated RM
Assets						
Segment assets	769,595,612	8,077	474,844,391	368,265,519	(404,748,220)	1,207,965,379
Consolidated total assets						1,207,965,379
Liabilities						
Segment liabilities	572,761,390	25,412	41,253,088	36,765,152	(321,086,585)	329,718,457
Consolidated total liabilities						329,718,457
Other information						
Capital expenditure	1,790,872	-	104,103,149	-	-	105,894,021
Depreciation and amortisation	668,459	58,904	-	1,336	-	728,699
2009						
Revenue						
External sales						
- Sales of properties	182,333,809	-	-	-	-	182,333,809
- Rental income	-	-	3,439,714	-	-	3,439,714
- Others	405,915	-	-	-	-	405,915
Inter-segment	-	-	-	4,410,000	(4,410,000)	-
	182,739,724	-	3,439,714	4,410,000	(4,410,000)	186,179,438
Other Income						
- Fair value adjustments	-	-	44,288,911	-	-	44,288,911
- Rental income	2,201,669	-	-	-	-	2,201,669
- Others	4,259,631	1,518	14,623	-	-	4,275,772
	6,461,300	1,518	44,303,534	-	-	50,766,352
Results						
Segment results	70,175,383	(4,849)	47,598,180	2,934,390	(3,000,000)	117,703,104
Finance costs						(2,457,344)
						115,245,760
Income tax expense						(23,857,575)
Profit net of tax						91,388,185

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

34. SEGMENT INFORMATION *(Cont'd)*

2009	Property development RM	Property management RM	Property investment RM	Investment holding RM	Eliminations RM	Consolidated RM
Assets						
Segment assets	765,542,829	8,312	231,227,732	328,020,083	(361,800,028)	962,998,928
Consolidated total assets						962,998,928
Liabilities						
Segment liabilities	440,257,700	10,277	45,599,576	25,539,731	(278,138,393)	233,268,891
Consolidated total liabilities						233,268,891
Other information						
Capital expenditure	671,037	-	116,318,226	-	-	116,989,263
Depreciation and amortisation	1,473,583	-	36,552	2,784	-	1,512,919

35. MATERIAL LITIGATIONS

In the previous financial year, legal action to recover claims in respect of mechanical and engineering consultancy services rendered of approximately RM4.1 million have been filed against KSL Properties Sdn Bhd (KSLP) and Khoo Soon Lee Realty Sdn Bhd (KSLR). KSLP and KLSR have disputed these claims and the disputed claims are currently pending trial.

No provision is made in the financial statements of the Group as the directors are of the opinion that the Group has fairly good defence to these claims, based on legal opinion sought.

36. SUBSEQUENT EVENTS

(a) On 31 January 2011, a subsidiary company, Goodpark Development Sdn. Bhd. entered into a conditional sale and purchase agreement for the acquisition of freehold land for a cash consideration of RM28,237,180. The acquisition of freehold land has not been completed as at the date of this report as certain conditions precedent have not been fulfilled.

(b) On 11 March 2011, a subsidiary company, KSLR entered into a conditional sale and purchase agreement for the acquisition of freehold land for a cash consideration of RM23,000,000. The acquisition of freehold land has not been completed as at the date of this report as certain conditions precedent have not been fulfilled.

(c) On 21 March 2011, the Company proposed a renounceable rights issue of up to 97,636,871 warrants at an issue price of RM0.20 for each warrant on the basis of 1 warrant for every 4 existing ordinary shares of RM0.50 each in the Company held as at an entitlement date to be determined later.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

37. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises borrowings and trade and other payables, less cash and bank balances whereas total capital comprises the equity attributable to equity holders of the Group.

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
Borrowings	23	167,994,550	137,105,260	-	-
Trade and other payables	24	82,219,065	51,541,570	36,764,678	25,537,681
Less:					
Cash and bank balances	22	(21,665,825)	(17,849,974)	(63,732)	(36,006)
Net debt		228,547,790	170,796,856	36,700,946	25,501,675
Equity		878,246,922	729,730,037	331,500,367	302,480,352
Total capital		878,246,922	729,730,037	331,500,367	302,480,352
Capital and net debt		1,106,794,712	900,526,893	368,201,313	327,982,027
Gearing ratio		21%	19%	10%	8%

38. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 26 April 2011.

NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

39. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Company as at 31 December 2010 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group As at 31 December 2010 RM	**Company As at 31 December 2010 RM**
Total retained profits of the Company and its subsidiaries:		
- Realised	581,819,167	111,741,448
- Unrealised	119,847,203	-
	701,666,370	111,741,448
Less: Consolidation adjustments	(62,262,627)	-
Retained profits as per financial statements	639,403,743	111,741,448

LIST OF MAJOR PROPERTIES HELD BY THE GROUP
AS AT 31 DECEMBER 2010

No.	Lot No.	Description	Area (sq. ft.)	Existing Use	Tenure	Approximate Age (Year)	Net Book Value as at 31.12.2010 (RM)	Date of Last Revaluation or if none, Date of Acquisition
01.	Lot 11896 HS(D) 2917 Lot 11997 HS(D) 3912 Lot 11840 Geran 71899 Mukim of Johor Bahru District of Johor Bahru Johor Darul Takzim	Development land approved for hotel, apartment and complex	295,515	KSL City	Freehold	–	319,324,237	15.12.2010
02.	Lot 6412 & Lot 6415 Geran 24269 Mukim of Klang District of Klang Selangor Darul Ehsan	Development land approved for mixed development	19,444,095	Vacant land	Freehold	-	180,817,830	01.11.2007
03.	Lot 2437 (CT 13581) Mukim of Tebrau District of Johor Bahru Johor Darul Takzim	Subdivided land under development	21,016,524	Taman Bestari Indah	Freehold	–	108,559,972	27.02.2002
04.	PTD 136166 (Partially) Mukim of Pulai District of Johor Bahru Johor Darul Takzim	Commercial complex	186,872	Giant Nusa Bestari	Freehold	2	68,700,000	15.12.2010
05.	Lot 6530 Mukim of Kesang District of Muar Johor Darul Takzim	Commercial complex	175,677	Giant Muar	Leasehold expired on 12.09.2098	4	63,500,000	15.12.2010
06.	HS(D) 258295 PTD 71065 HS(D) 257249 PTD 71047 Mukim of Pulai District of Johor Bahru Johor Darul Takzim	Subdivided land under development	4,487,943	Taman Nusa Bestari	Freehold	–	57,837,590	17.04.2003
07.	PTD 84133 Mukim of Tebrau District of Johor Bahru Johor Darul Takzim	Subdivided land under development	7,828,368	Taman Kempas Indah	Freehold	–	56,893,467	16.08.2002
08.	Lot 123 Geran 33682 Section 089A District of Kuala Lumpur Kuala Lumpur	Development land	35,622	Vacant Land	Freehold	–	26,194,514	14.06.2010
09.	PTD 4343 & PTD 4344 Mukim of Kesang District of Muar Johor Darul Takzim	Subdivided land for mixed development	7,025,855	Pusat Perdagangan Muar	Leasehold expired on 12.09.2098	–	22,253,473	26.10.2004
10.	Lot 348 Mukim Tebrau District of Johor Bahru Johor Darul Takzim	Development land	257,467	Vacant Land	Freehold	-	7,000,000	15.12.2010

ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital	:	RM500,000,000.00 (1,000,000,000 Ordinary Shares of RM0.50 each)
Issued and fully paid-up	:	RM195,273,743.50 (390,547,487 Ordinary Shares of RM0.50 each)
Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights	:	One (1) Vote per Ordinary Share

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 6 MAY 2011

Size of Holdings	No. of Shareholders	No. of Shareholdings	Percentage of Shareholdings (%)
1 – 99	297	12,119	0.00
100 – 1,000	241	182,479	0.05
1,001 – 10,000	1,878	8,556,044	2.21
10,001 – 100,000	599	17,818,433	4.61
100,001 – 19,320,303 *	128	182,568,267	47.25
19,320,304 and above **	2	177,268,745	45.88
Total	**3,145**	**386,406,087** ***	**100.00**

Notes:

* *Less than 5% of the issued and paid-up share capital.*

** *5% and above of the issued and paid-up share capital.*

*** *The number of 386,406,087 Ordinary Shares was arrived at after deducting 4,141,400 treasury shares retained by the Company from the issued and paid-up share capital of 390,547,487 Ordinary Shares.*

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 6 MAY 2011

No.	Directors	Direct Shareholdings No. of Shares	Direct Shareholdings %	Indirect Shareholdings No. of Shares	Indirect Shareholdings %
1.	Khoo Cheng Hai @ Ku Cheng Hai	18,184,667	4.71	146,266,666*	37.85
2.	Ku Hwa Seng	17,765,752	4.60	144,800,000**	37.47
3.	Ku Tien Sek	12,186,926	3.15	144,800,000**	37.47
4.	Lee Chye Tee	-	-	133,333***	0.03
5.	Gow Kow	-	-	-	-
6.	Goh Tyau Soon	-	-	-	-
7.	Tey Ping Cheng	-	-	-	-

Notes:

* *Deemed interested by virtue of his interest in Premiere Sector Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 and pursuant to Section 134(12)(c) of the Companies Act, 1965.*

** *Deemed interested by virtue of their respective interest in Premiere Sector Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.*

*** *Deemed interested pursuant to Section 134(12)(c) of the Companies Act, 1965.*

ANALYSIS OF SHAREHOLDINGS *(Cont'd)*

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 6 MAY 2011

		Direct Shareholdings		Indirect Shareholdings	
No.	**Substantial Shareholders**	**No. of Shares**	**%**	**No. of Shares**	**%**
1.	Premiere Sector Sdn. Bhd.	144,800,000	37.47	-	-
2.	Khoo Cheng Hai @ Ku Cheng Hai	18,184,667	4.71	146,266,666*	37.85
3.	Ku Hwa Seng	17,765,752	4.60	144,800,000**	37.47
4.	Ku Tien Sek	12,186,926	3.15	144,800,000**	37.47
5.	Ku Wa Chong	4,496,630	1.16	144,800,000**	37.47
6.	Lembaga Tabung Haji	32,468,745	8.40	-	-

Notes:

* *Deemed interested by virtue of his interest in Premiere Sector Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965 and pursuant to Section 134(12)(c) of the Companies Act, 1965.*

** *Deemed interested by virtue of their respective interest in Premiere Sector Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.*

LIST OF TOP THIRTY (30) SHAREHOLDERS AS AT 6 MAY 2011

No.	Name	No. of Shares	%
1.	Premiere Sector Sdn. Bhd.	144,800,000	37.47
2.	Lembaga Tabung Haji	32,468,745	8.40
3.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An for Citibank NA, Singapore (Julius Baer)	17,872,777	4.63
4.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For J.P. Morgan Bank Luxembourg S.A. held for FTIF - Templeton Emerging Markets Fund	15,069,100	3.90
5.	Khoo Cheng Hai @ Ku Cheng Hai	10,666,666	2.76
6.	Ku Hwa Seng	10,666,666	2.76
7.	Khoo Cheng Hai @ Ku Cheng Hai	7,518,001	1.95
8.	Ku Tien Sek	7,431,104	1.92
9.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt An For Royal Bank of Canada (Asia) Limited	7,292,100	1.89
10.	Ku Hwa Seng	6,599,086	1.71
11.	Damai Motor Kredit Sdn. Bhd.	5,884,599	1.52
12.	Mayban Nominees (Tempatan) Sdn. Bhd. Mayban Trustees Berhad for Public Ittikal Fund	5,236,622	1.36
13.	Mayban Nominees (Tempatan) Sdn. Bhd. Mayban Trustees Berhad for Public Regular Savings Fund	4,194,210	1.09
14.	Amanahraya Trustees Berhad Public Growth Fund	4,080,133	1.06
15.	Tokio Marine Life Insurance Malaysia Bhd As Beneficial Owner (PF)	4,000,000	1.04
16.	Strata Century Sdn. Bhd.	3,790,390	0.98
17.	Amanahraya Trustees Berhad Public Far-East Property & Resorts Fund	3,667,000	0.95
18.	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	3,586,200	0.93
19.	Ku Tien Sek	3,555,556	0.92

ANALYSIS OF SHAREHOLDINGS *(Cont'd)*

LIST OF TOP THIRTY (30) SHAREHOLDERS AS AT 6 MAY 2011 *(Cont'd)*

No.	Name	No. of Shares	%
20.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For JPMorgan Chase Bank, National Association held for - Templeton Emerging Markets Fund (Canada)	3,539,200	0.92
21.	Ku Wa Chong	3,339,912	0.86
22.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt An For RBC Dexia Investor Services Trust	2,845,500	0.74
23.	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt An For American International Assurance Berhad	2,304,667	0.60
24.	Amanahraya Trustees Berhad Public Smallcap Fund	2,033,000	0.53
25.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (M) Trustee Bhd for MAAKL Al-Fauzan	2,001,700	0.52
26.	Citigroup Nominees (Asing) Sdn. Bhd. GSCO For Truffle Hound Global Value LLC	2,000,000	0.52
27.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (Pheim)	1,950,000	0.50
28.	Citigroup Nominees (Asing) Sdn. Bhd. Citigroup GM IPB For CIM Global Property Fund Ltd	1,914,000	0.50
29.	Mayban Nominees (Tempatan) Sdn. Bhd. Mayban Trustees Berhad For MAAKL Value Fund	1,825,800	0.47
30.	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	1,775,800	0.46

STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES BY KSL HOLDINGS BERHAD

THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Statement prior to its issuance as it is an exempt statement. Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

DEFINITIONS

Except where the context otherwise requires, the following definitions and terms shall apply throughout this Statement:-

"Act"	:	Companies Act, 1965
"AGM"	:	Annual General Meeting
"Board" or the "Directors"	:	The Board of Directors of KSL Holdings Berhad
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (635998-W)
"Code"	:	Malaysian Code on Take-Overs and Mergers, 2010
"EPS"	:	Earnings per share
"KSL" or the "Company"	:	KSL Holdings Berhad (511433-P)
"KSL Group" or the "Group"	:	KSL and its subsidiary companies
"KSL Shares" or the "Shares"	:	Ordinary shares of RM0.50 each in KSL
"Listing Requirements"	:	The Main Market Listing Requirements of Bursa Securities
"NA"	:	Net Assets
"Proposed Rights Issue of Warrants"	:	Proposed Renounceable Rights Issue of up to 97,636,871 Warrants at an issue price of RM0.20 for each warrant on the basis of 1 warrant for every 4 existing ordinary shares of RM0.50 each in KSL held as at an entitlement date to be determine later
"Proposed Share Buy-Back"	:	Proposed purchase of up to 10% of the issued and paid-up share capital of the Company
"PSSB"	:	Premiere Sector Sdn Bhd (539226-U)
"RM" and "sen"	:	Ringgit Malaysia and sen respectively
"Statement"	:	Statement in relation to proposed renewal of authority to purchase its own shares by the Company

1. INTRODUCTION

On 26 April 2011, the Company announced that the approval granted by the shareholders at the Tenth AGM of KSL held on 22 June 2010 for the Company to purchase its own shares shall expire at the conclusion of the forthcoming Eleventh AGM and that the Company proposed to seek a renewal of the approval from the shareholders at the forthcoming Eleventh AGM to be held on 21 June 2011, to purchase and/or hold as treasury shares, its own Shares representing up to 10% of the issued and paid-up share capital of the Company through Bursa Securities.

STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES BY KSL HOLDINGS BERHAD *(Cont'd)*

The renewal of approval for the Proposed Share Buy-Back will be effective immediately upon the passing of the ordinary resolution for the Proposed Share Buy-Back at the Company's Eleventh AGM to be held on 21 June 2011 until:-

(i) the conclusion of the next AGM of the Company at which time it shall lapse, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM of KSL after that date is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting,

whichever occurs first.

2. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back will enable KSL Group to utilise its surplus financial resources to purchase its own Shares from the market. It may stabilise the supply and demand as well as the prices of KSL Shares traded on the Main Market of Bursa Securities and thereby supporting its fundamental values.

Should KSL Shares be cancelled, either immediately or subsequently after being held as treasury shares, the Proposed Share Buy-Back is expected to strengthen the EPS of the Group and benefit the shareholders of the Company.

The purchased Shares could also be kept as treasury shares and resold on Bursa Securities at a higher price with the intention of realising a potential gain for the Company without affecting the total issued and paid-up share capital of the Company. In the event that the treasury shares are distributed as share dividend, it will serve to reward the shareholders of the Company.

The Proposed Share Buy-Back authority is not expected to have any potential material disadvantage to the Company and its shareholders, as it will be exercised only after in depth consideration of the financial resources of KSL Group, the alternative business opportunities available and the resultant impact on its shareholders. The Directors in exercising any decision on the Proposed Share Buy-Back authority shall be mindful of the interest of the Company and its shareholders.

3. SOURCES OF FUNDS

The Proposed Share Buy-Back shall be financed through internally generated funds and/or bank borrowings. The actual amount of bank borrowings will depend on the financial resources available at the time of the Proposed Share Buy-Back. The Proposed Share Buy-Back will reduce the cash of the Company by an amount equivalent to the multiple of the purchase price of KSL Shares and the actual number of KSL Shares purchased.

In the event the Company decides to utilise bank borrowings to finance the Proposed Share Buy-Back, it will ensure that it has sufficient funds to repay the bank borrowings and interest expense and that the repayment will not have a material impact on the cash flows of the Company.

The actual number of KSL Shares to be purchased, the total amount of funds involved for each purchase and timing of purchase(s) will depend on, *inter-alia*, the market conditions and sentiments of the stock markets as well as the availability of financial resources of the KSL Group at the time of the purchase(s).

STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES BY KSL HOLDINGS BERHAD *(Cont'd)*

Based on the audited financial statements of the Company as at 31 December 2010, the retained profits and share premium account of the Company amounted to RM111,741,448 and RM28,868,900 respectively. For information purposes, the latest unaudited retained profits and share premium account of the Company as at 31 March 2011 amounted to RM111,366,426 and RM28,838,000 respectively.

4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

The potential advantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

(i) All things being equal, the Proposed Share Buy-Back shall enhance the EPS of the Group. This is expected to have a positive impact on the market price of KSL Shares which will benefit the shareholders of KSL.

(ii) The Company may be able to stabilise the supply and demand of its Shares in the open market and thereby supporting the fundamental values of KSL Shares.

(iii) If the purchased Shares are retained as treasury shares, it will provide the Board with an option to sell the Shares at a higher price and therefore make an exceptional gain for the Company. Alternatively, the purchased KSL Shares can be distributed as share dividends to the shareholders.

The potential disadvantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

(i) As the Proposed Share Buy-Back can only be made out of retained profits and the share premium account, it may reduce the financial resources available for distribution to the shareholders of the Company in the immediate future.

(ii) It may result in the Company foregoing other investment opportunities that may emerge in the future with the reduction in financial resources of the KSL Group available after financing the Proposed Share Buy-Back.

In any event, the Directors will be mindful of the interests of KSL and its shareholders in implementing the Proposed Share Buy-Back.

5. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

On the assumption that the Proposed Share Buy-Back is carried out in full, the effects of the Proposed Share Buy-Back on the share capital, shareholdings of Directors and substantial shareholders of KSL, NA, working capital and EPS are set out below:-

1.1 Share Capital

The effects of the Proposed Share Buy-Back on the share capital of KSL will depend on the intention of the Board with regard to the purchased Shares. In the event that the Proposed Share Buy-Back is carried out in full and the purchased Shares are cancelled, the Proposed Share Buy-Back will result in a reduction in the total issued and paid-up share capital of the Company as follows:-

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STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES BY KSL HOLDINGS BERHAD *(Cont'd)*

	Minimum Scenario [1]		Maximum Scenario [2]	
	No. of Shares	RM	No. of Shares	RM
Authorised Share Capital	1,000,000,000	500,000,000	1,000,000,000	500,000,000
Issued and paid-up share capital	390,547,487	195,273,744	390,547,487	195,273,744
Add:- Assuming full exercise of the Proposed Rights Issue of Warrants	-	-	97,636,871	48,818,436
	390,547,487	195,273,744	488,184,358	244,092,180
Less:- Shares purchased amounting to 10% of the issued and paid-up share capital pursuant to the Proposed Share Buy-Back	*(39,054,749)	*(19,527,375)	*(48,818,435)	*(24,409,218)
Upon completion of the Proposed Share Buy-Back	351,492,738	175,746,369	439,365,923	219,682,962

Note:-

1. *Assuming that the issue of Warrants have been approved by shareholders and none of the Warrants is exercised prior to the Proposed Share Buy-Back.*
2. *Assuming that the issue of Warrants have been approved by shareholders and all the Warrants are fully exercised and converted into one new KSL Shares for every Warrants exercised and 10% of the KSL Shares are fully purchased.*

* *Includes 4,141,400 KSL Shares that have been purchased and held as treasury shares as at 6 May 2011.*

5.2 NA

The effect of the Proposed Share Buy-Back on the consolidated NA per Share is dependent on the purchase price(s) of KSL Shares purchased. If the purchase price is less than the audited NA per Share of the Group at the time of purchase, the consolidated NA per Share will increase. Conversely, if the purchase price exceeds the audited consolidated NA per Share at the time of the purchase, the consolidated NA per Share will decrease.

5.3 Working Capital

The Proposed Share Buy-Back will reduce the working capital of the Company, the quantum of which depends on, amongst others, the number of Shares purchased and the purchase prices of the Shares.

For Shares so purchased which are kept as treasury shares, upon its resale, the working capital of the Company will increase. Again, the quantum of the increase in the working capital will depend on the actual selling price of the treasury shares and the number of treasury shares resold.

5.4 EPS

The effects of the Proposed Share Buy-Back on the consolidated EPS of KSL would depend on the purchase price and the number of KSL Shares purchased. The effective reduction in the issued and paid-up share capital of the Company pursuant to the implementation of the Proposed Share Buy-Back may generally, all else being equal, have a positive impact on the consolidated EPS of KSL.

STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES BY KSL HOLDINGS BERHAD *(Cont'd)*

5.5 Dividends

Subject to the approval of shareholders at the forthcoming Eleventh AGM, the Board has on 24 February 2011 recommended a First and Final Dividend of 10% less 25% Income Tax in respect of the financial year ended 31 December 2010.

The Proposed Share Buy-Back may reduce the amount of distributable reserves available for dividends. However, assuming the Proposed Share Buy-Back is implemented in full and KSL's quantum of dividends is maintained at historical levels, the Proposed Share Buy-Back will have the effect of increasing the dividend rate of KSL as a result of the reduction in the issued and paid-up share capital of KSL.

6. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AND DIRECTORS' SHAREHOLDINGS

The effects of the Proposed Share Buy-Back on the share capital of KSL will depend on the intention of the Board with regards to the purchased Shares. In the event that the Shares purchased are retained as treasury shares, the Proposed Share Buy-Back will have no effect on the issued and paid-up share capital of KSL and the shareholdings of the substantial shareholders and Directors. In the event that the Shares purchased by the Company and subsequently cancelled, the Proposed Share Buy-Back will result in a reduction of the issued and paid-up share capital of the Company.

The Proforma effect on the direct and indirect interests of the Directors and substantial shareholders of KSL as at 6 May 2011, being the most practicable date prior to the printing of this Statement has been shown based on the following minimum scenario and maximum scenario:-

Minimum Scenario

Assuming that the issue of Warrants have been approved by shareholders and none of the Warrants are exercised prior to the Proposed Share Buy-Back

Name	As at 6 May 2011[(i)]				After Proposed Share Buy-Back[(ii)]			
	Direct Shareholdings		Indirect Shareholdings		Direct Shareholdings		Indirect Shareholdings	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors								
Khoo Cheng Hai @ Ku Cheng Hai	18,184,667	4.71	146,266,666 [(a)]	37.85	18,184,667	5.17	146,266,666 [(a)]	41.61
Ku Tien Sek	12,186,926	3.15	144,800,000 [(b)]	37.47	12,186,926	3.47	144,800,000 [(b)]	41.20
Ku Hwa Seng	17,765,752	4.60	144,800,000 [(b)]	37.47	17,765,752	5.05	144,800,000 [(b)]	41.20
Lee Chye Tee	-	-	133,333[(c)]	0.03	-	-	133,333[(c)]	0.04
Gow Kow	-	-	-	-	-	-	-	-
Goh Tyau Soon	-	-	-	-	-	-	-	-
Tey Ping Cheng	-	-	-	-	-	-	-	-
Substantial Shareholders								
PSSB	144,800,000	37.47	-	-	144,800,000	41.20	-	-
Khoo Cheng Hai @ Ku Cheng Hai	18,184,667	4.71	146,266,666 [(a)]	37.85	18,184,667	5.17	146,266,666 [(a)]	41.61
Ku Tien Sek	12,186,926	3.15	144,800,000 [(b)]	37.47	12,186,926	3.47	144,800,000 [(b)]	41.20
Ku Hwa Seng	17,765,752	4.60	144,800,000 [(b)]	37.47	17,765,752	5.05	144,800,000 [(b)]	41.20
Ku Wa Chong	4,496,630	1.16	144,800,000 [(b)]	37.47	4,496,630	1.28	144,800,000 [(b)]	41.20
Lembaga Tabung Haji	32,468,745	8.40	-	-	32,468,745	9.24	-	-

(i) After taking into account the 4,140,400 Shares that have been purchased and held as treasury shares.
(ii) Assuming that the purchase of KSL Shares pursuant to the Proposed Share Buy-Back is based on the maximum number of KSL Shares that may be purchased.
(a) Deemed interested by virtue of his interest in PSSB pursuant to Section 6A of the Act and Section 134(12)(c) of the Act respectively.
(b) Deemed interested by virtue of their respective interests in PSSB pursuant to Section 6A of the Act.
(c) Deemed interested pursuant to Section 134(12)(c) of the Act.

STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES BY KSL HOLDINGS BERHAD *(Cont'd)*

Maximum Scenario

Assuming that the issue of Warrants have been approved by shareholders and all the Warrants are fully exercised into new KSL Shares and 10% of KSL Shares are fully purchased.

Name	As at 6 May 2011[i]				Assuming Warrants are fully exercised into new KSL Shares and 10% of the KSL Shares are fully purchased [ii]			
	Direct Shareholdings		Indirect Shareholdings		Direct Shareholdings		Indirect Shareholdings	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors								
Khoo Cheng Hai @ Ku Cheng Hai	18,184,667	4.71	146,266,666 [a]	37.85	22,730,833	5.17	182,833,332 [a]	41.61
Ku Tien Sek	12,186,926	3.15	144,800,000 [b]	37.47	15,233,657	3.47	181,000,000 [b]	41.20
Ku Hwa Seng	17,765,752	4.60	144,800,000 [b]	37.47	22,207,190	5.05	181,000,000 [b]	41.20
Lee Chye Tee	-	-	133,333[c]	0.03	-		166,666[c]	0.04
Gow Kow	-	-	-	-	-		-	
Goh Tyau Soon	-	-	-	-	-		-	
Tey Ping Cheng	-	-	-	-	-		-	
Substantial Shareholders								
PSSB	144,800,000	37.47	-	-	181,000,000	41.20	-	-
Khoo Cheng Hai @ Ku Cheng Hai	18,184,667	4.71	146,266,666 [a]	37.85	22,730,833	5.17	182,833,332 [a]	41.61
Ku Tien Sek	12,186,926	3.15	144,800,000 [b]	37.47	15,233,657	3.47	181,000,000 [b]	41.20
Ku Hwa Seng	17,765,752	4.60	144,800,000 [b]	37.47	22,207,190	5.05	181,000,000 [b]	41.20
Ku Wa Chong	4,496,630	1.16	144,800,000 [b]	37.47	5,620,787	1.28	181,000,000 [b]	41.20
Lembaga Tabung Haji	32,468,745	8.40	-	-	40,585,931	9.24	-	-

(i) After taking into account the 4,140,400 Shares that have been purchased and held as treasury shares.
(ii) Assuming Warrants are fully exercised into KSL Shares and the purchase of KSL shares pursuant to the Proposed Share Buy-Back is based on the maximum number of KSL Shares that may be purchased.
(a) Deemed interested by virtue of his interest in PSSB pursuant to Section 6A of the Act and Section 134(12)(c) of the Act respectively.
(b) Deemed interested by virtue of their respective interests in PSSB pursuant to Section 6A of the Act.
(c) Deemed interested pursuant to Section 134(12)(c) of the Act.

7. PURCHASE OF SHARES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

The Company did not purchase its own Shares from the open market during the financial year ended 31 December 2010.

8. PUBLIC SHAREHOLDING SPREAD

The public shareholding spread of 25% of the issued and paid-up share capital of the Company maintained at all times. Based on the Record of Depositors of the Company as at 6 May 2011, the public shareholding spread of KSL is 48.50%.

STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES BY KSL HOLDINGS BERHAD *(Cont'd)*

9. IMPLICATION RELATING TO THE CODE

The substantial shareholders of KSL, namely PSSB, Khoo Cheng Hai @ Ku Cheng Hai, Ku Tien Sek, Ku Hwa Seng and Ku Wa Chong, who are deemed to be persons acting in concert are holding more than 50% of the total issued and paid-up share capital of the Company, collectively, before and after the Proposed Share Buy-Back. However, PSSB owns 144,800,000 KSL Shares individually based on the Register of Substantial Shareholders as at 6 May 2011, representing 37.47% of the total issued and paid-up share capital of the Company. In the event that the Proposed Share Buy-Back of up to 10% is carried out in full and there is no exercise of the Warrants in a period of six (6) months, the shareholdings of PSSB in KSL would increase to 41.20% of the total issued and paid-up share capital of the Company, if the number of KSL Shares held by PSSB remains unchanged.

On the other hand, assuming the Proposed Share Buy-Back is carried out in full and the Warrants are exercised in full in a period of six (6) months, the shareholdings of PSSB in KSL would increase to 181,000,000 ordinary shares representing 41.20% of the total issued and paid-up share capital of the Company.

Pursuant to Part II of the Code, if a person or a group of persons acting in concert holding more than 33% but less than 50% of the voting shares of a company and such person or group of persons acting in concert acquiring or intends to acquire in any period of six (6) months more than 2% of the voting shares of the company, there is an obligation to undertake a mandatory general offer for the remaining ordinary shares of the company not already owned by the said person or persons acting in concert.

In addition, pursuant to Practice Note 2.3 of the Code, where a group of persons acting in concert hold more than 50% of the voting shares of the offeree, no obligation under Part II of the Code will arise from any further acquisition by such persons acting in concert unless a single member in the group of persons acting in concert acquires voting shares sufficient to increase his holding to more than 33% of the offeree or, if he holds more than 33% and less than 50%, acquires more than 2% of the voting shares of the offeree in any six (6) months period.

As at the date of this Statement, the Company has yet to decide on the percentage of its own Shares to be purchased under the Proposed Share Buy-Back. However, should the Company decide to purchase its own Shares which will result in PSSB's shareholding in KSL in any period of six (6) months increasing by more than 2% of the voting shares of the Company, it will seek a waiver from the Securities Commission under Practice Note 2.9.10 of the Code before the Company purchases its own Shares resulting the trigger point being breached.

Save as disclosed above, none of the other existing substantial shareholders of KSL is expected to trigger the obligation to undertake the mandatory general offer under the Code as a result of the Proposed Share Buy-Back.

10. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for the proportionate increase in the percentage of shareholdings and/or voting rights of shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors or substantial shareholders of the Company or persons connected to them, has any interest, direct or indirect, in the Proposed Share Buy-Back.

STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES BY KSL HOLDINGS BERHAD *(Cont'd)*

11. DIRECTORS' RECOMMENDATION

The Board, having considered the rationale for the Proposed Share Buy-Back and after careful deliberation, is of the opinion that the Proposed Share Buy-Back is in the best interests of KSL and its shareholders and accordingly, recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming Eleventh AGM to be convened.

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KSL HOLDINGS BERHAD
(Company No. 511433-P)
(Incorporated in Malaysia)

FORM OF PROXY

I/We ____

of ____

being a member of **KSL HOLDINGS BERHAD** hereby appoint * the Chairman of the meeting or ____________

____

of ____ or

failing whom____

of ____

as my/our Proxy(ies) to vote for me/us and on my/our behalf at the Eleventh Annual General Meeting of the Company to be held at Level 1 EXPO @ KSL City, No. 33, Jalan Seladang, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim on Tuesday, 21 June 2011 at 11.00 a.m. and at any adjournment thereof for/against * the resolution(s) to be proposed thereat.

My/Our Proxy(ies) is(are) to vote as indicated below:-

No.	Resolutions	For	Against
1.	Resolution 1		
2.	Resolution 2		
3.	Resolution 3		
4.	Resolution 4		
5.	Resolution 5		
6.	Resolution 6		
7.	Resolution 7		

[Please indicate with (X) in the spaces provided how you wish your vote to be casted. If no specific direction as to voting is given, the Proxy will vote or abstain at his(her) discretion.]

Dated this ………..… day of ……………………..…… 2011

Number of shares held:	

____
(Signature/Common Seal of Member)

Notes:-

- *A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy or Proxies to attend and vote on his(her) behalf. A Proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
- *Where a member appoints two (2) or more Proxies, the appointment shall be invalid unless he(she) specifies the proportions of his(her) holdings to be represented by each Proxy.*
- *The Form of Proxy shall be signed by the appointor or his(her) attorney duly authorised in writing or, if the member is a corporation, it must be executed under its common seal or by its duly authorised attorney or officer.*
- *The instrument appointing a Proxy must be deposited at the registered office of the Company at Wisma KSL, 148, Batu 1 ½, Jalan Buloh Kasap, 85000 Segamat, Johor Darul Takzim not less than forty-eight (48) hours before the time for the Meeting i.e. latest by Saturday, 18 June 2011 at 11.00 a.m. or any adjournment thereof.*

Fold this flap for sealing

Then fold here

STAMP

The Company Secretary
KSL HOLDINGS BERHAD
(Company No. 511433-P)
Wisma KSL, 148, Batu 1½
Jalan Buloh Kasap
85000 Segamat
Johor Darul Takzim

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OPENING CEREMONY
12.12.2010
HAPPENING ALWAYS
GIORDANO
ADONIS
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KSL HOLDINGS BERHAD
(511433-P)