KSL HOLDINGS BERHAD
(511433-P)

2013 ANNUAL REPORT


18 Madge

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ku Hwa Seng (Executive Chairman)
Khoo Cheng Hai @ Ku Cheng Hai (Group Managing Director)
Ku Tien Sek (Executive Director)
Lee Chye Tee (Executive Director)
Gow Kow (Independent Non-Executive Director)
Goh Tyau Soon (Independent Non-Executive Director)
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.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

Malayan Banking Berhad (3813-K)
OCBC Bank (Malaysia) Berhad (295400-W)
RHB Bank Berhad (6171-M)
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

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

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

YK Chin
144B Jalan Sri Pelangi, Taman Pelangi
80400 Johor Bahru, Johor Darul Takzim
Tel: 07-331 9939 / Fax: 07-331 8939

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 Fourteenth Annual General Meeting of the Company will be held at KSL Resorts, Level G, Infusion Private Room, 33, Jalan Seladang, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim on Tuesday, 24 June 2014 at 11.00 a.m. for the following purposes:-

AGENDA

1) To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Directors' and Auditors' Reports thereon. — Please refer to Note B on this Agenda

2) To approve the payment of the Directors' Fees for the financial year ended 31 December 2013. — Resolution 1

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

   a) Mr. Lee Chye Tee — Resolution 2

   b) Mr. Gow Kow — Resolution 3

4) To re-appoint Messrs. Ernst & Young, the retiring Auditors of the Company and to authorise the Board of Directors to fix their remuneration. — Resolution 4

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

5) **ORDINARY RESOLUTION 1** — Resolution 5
   - **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 allot and 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 (excluding treasury shares) for the time being, subject always to the approvals of the relevant regulatory authorities."

6) **ORDINARY RESOLUTION 2** — Resolution 6
   - **PROPOSED RENEWAL OF AUTHORITY FOR THE PURCHASE OF ITS OWN SHARES BY THE COMPANY**

   "**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 governmental and/or regulatory authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company of not exceeding 10% of the total and issued paid-up ordinary shares of RM0.50 each in the Company ("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 may deem fit and expedient in the interest of the Company provided that:-

   a) the aggregate number of shares purchased does not exceed 10% of the total issued and paid-up share capital of the Company for the time being quoted on BMSB;

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

b) the maximum funds to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits and share premium account of the Company as at 31 December 2013 of RM198,384,816 and RM28,868,900 respectively at the time of the purchase(s); and

c) at the discretion of the Directors of the Company, the shares of the Company to be purchased are proposed to be cancelled and/or retained as treasury shares and may be distributed as dividends or resold on BMSB or subsequently cancelled.

AND 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) **ORDINARY RESOLUTION 3** Resolution 7
- **AUTHORITY FOR MR. GOW KOW TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

"**THAT** Mr. Gow Kow who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be and is hereby authorised to continue to act as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2012."

8) **ORDINARY RESOLUTION 4** Resolution 8
- **AUTHORITY FOR MR. GOH TYAU SOON TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

"**THAT** Mr. Goh Tyau Soon who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be and is hereby authorised to continue to act as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2012."

9) **ORDINARY RESOLUTION 5** Resolution 9
- **AUTHORITY FOR MR. TEY PING CHENG TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

"**THAT** Mr. Tey Ping Cheng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be and is hereby authorised to continue to act as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2012."

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

10) 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.

By Order Of The Board
KSL HOLDINGS BERHAD

NG YIM KONG (LS0009297)
Company Secretary
Date: 2 June 2014

Notes: -

A. Appointment of Proxy

(i) *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.*

(ii) *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.*

(iii) *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.*

(iv) *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.*

(v) *A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the members to speak at the meeting.*

(vi) *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 Sunday, 22 June 2014 at 11.00 a.m. or any adjournment thereof.*

B. Audited Financial Statements

This agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the members/shareholders for the Audited financial Statements. Hence, this Agenda item is not put forward for voting.

EXPLANATORY NOTES ON SPECIAL BUSINESS:-

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

The proposed Resolution 5 under item 5 of the agenda above, if passed, will empower the Directors of the Company, from the date of the Fourteenth Annual General Meeting ("14th AGM"), 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 share capital of the Company (excluding treasury shares) 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 Thirteenth Annual General Meeting held on 28 June 2013. 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.

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

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

ii) PROPOSED RENEWAL OF AUTHORITY FOR THE PURCHASE OF ITS OWN SHARES BY THE COMPANY

The proposed Resolution 6 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 127 to 134 of this Annual Report for additional information.

iii) AUTHORITY TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS OF THE COMPANY PURSUANT TO THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 (RESOLUTIONS 7, 8 AND 9)

(a) Mr. Gow Kow

Mr. Gow Kow was appointed as an Independent Non-Executive Director of the Company on 19 November 2001 and has therefore served for more than nine (9) years as at the forthcoming 14th AGM. However, he has met the independence criteria as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"). The Board based on the review and recommendation made by the Nomination Committee, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director. Further rationale for his retention as Independent Non-Executive Director can be found on page 32 of this Annual Report.

(b) Mr. Goh Tyau Soon

Mr. Goh Tyau Soon was appointed as an Independent Non-Executive Director of the Company on 15 April 2002 and has therefore served for more than nine (9) years as at the forthcoming 14th AGM. However, he has met the independence criteria as set out in Chapter 1 of the MMLR. The Board based on the review and recommendation made by the Nomination Committee, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director. Further rationale for his retention as Independent Non-Executive Director can be found on page 32 of this Annual Report.

(c) Mr. Tey Ping Cheng

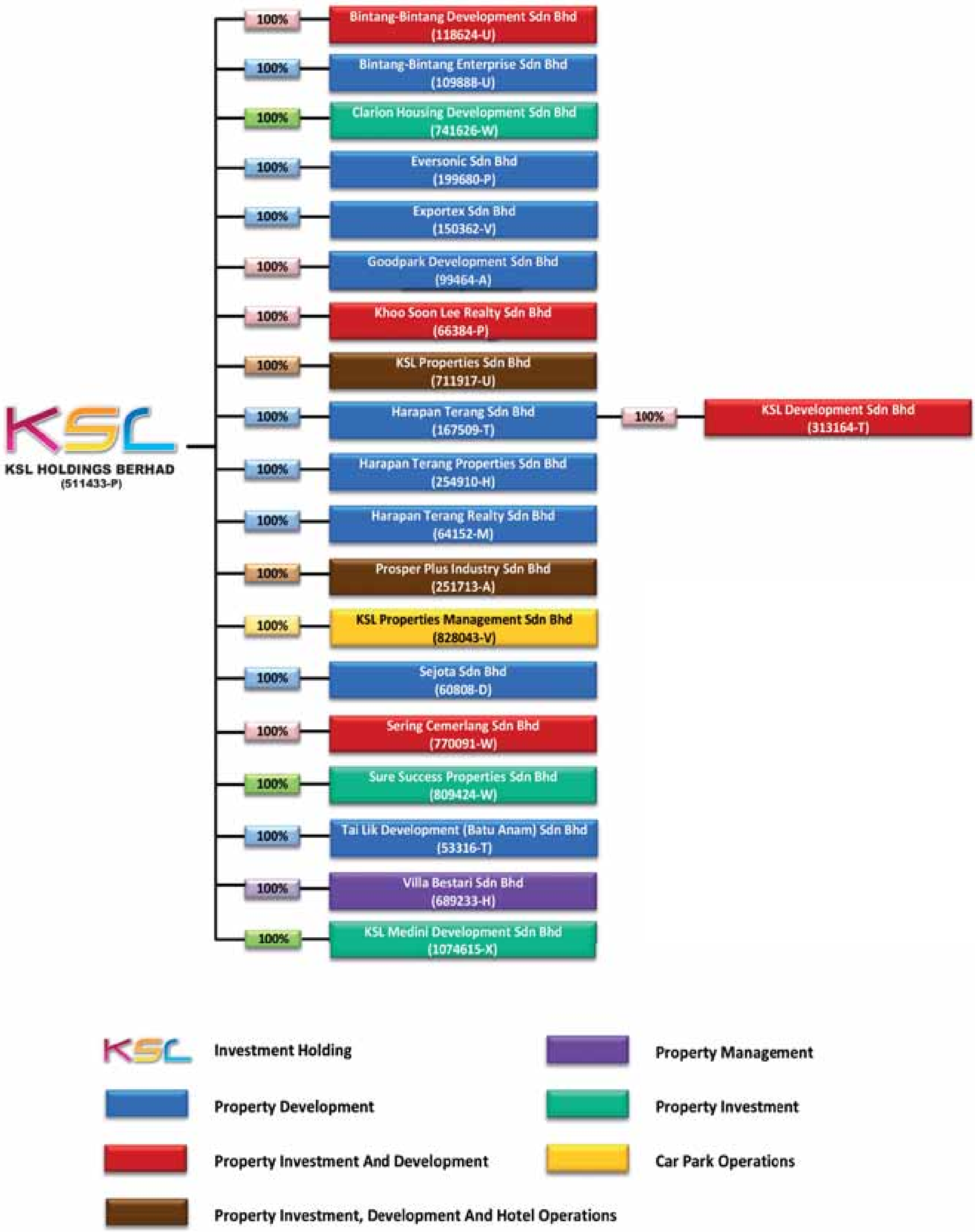
Mr. Tey Ping Cheng was appointed as an Independent Non-Executive Director of the Company on 15 April 2002 and has therefore served for more than nine (9) years as at the forthcoming 14th AGM. However, he has met the independence criteria as set out in Chapter 1 of the MMLR. The Board based on the review and recommendation made by the Nomination Committee, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director. Further rationale for his retention as Independent Non-Executive Director can be found on page 32 of this Annual Report.

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

GENERAL MEETING RECORD OF DEPOSITORS

For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd in accordance with Article 53(1) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 17 June 2014. Only a depositor whose name appears on the Record of Depositors as at 17 June 2014 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

- GROUP CORPORATE STRUCTURE -



FIVE-YEAR FINANCIAL HIGHLIGHTS
YEAR ENDED 31 DECEMBER

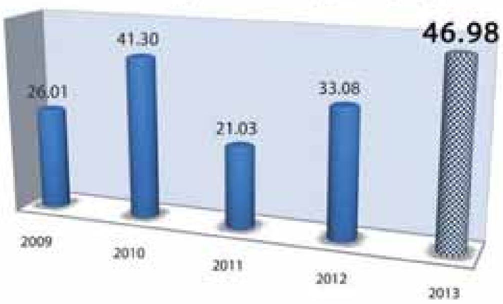
		2009	2010	2011	2012	2013
OPERATING RESULTS (RM Million)						
Revenue		186.2	177.9	272.3	402.9	680.0
Profit Before Taxation		115.2	164.3 *	112.2 *	173.0	255.4
Shareholders' Funds		729.7	894.3 *	979.8 *	1,107.6	1,289.3
SHARE INFORMATION						
Basic Earnings Per Share	Sen	26.01	41.30 *	21.03 *	33.08	46.98
Dividend Per Share - Gross	Sen	5.00	5.00	-	-	-

* Restated due to adoption of FRS 112

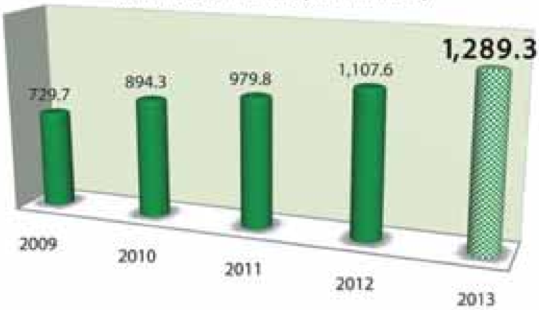
Revenue (RM Million)

Profit Before Taxation (RM Million)

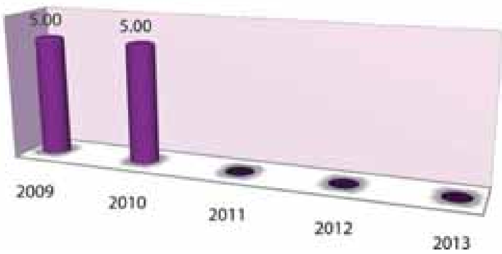
Basic Earnings Per Share Adjusted (Sen)



Shareholders' Fund (RM Million)



Dividend Per Share (Sen)



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 2013.

FINANCIAL HIGHLIGHTS

KSL Holdings Berhad ("the Company" or "KSLH") recorded a Group consolidated turnover and profit before tax of RM680.0 million and RM255.4 million respectively for the financial year ended 31 December 2013. This represents an increase of 69% and 48% over the results achieved in the previous financial year respectively. The increase in turnover was mainly attributable to the higher take up rate and percentages of completion of existing ongoing and completed mixed development projects, especially from projects located in Johor Bahru. Revenue generated from hotel operation formed a major part of the increase in current year's revenue as well.

Your Group's statement of financial position as at 31 December 2013 remained strong with shareholders' funds and total assets of RM1.289 billion and RM1.802 billion respectively. Net assets per share soared by 16.4% to RM3.34 per share as compared to RM2.87 per share as at 31 December 2012.

ECONOMIC AND INDUSTRY OVERVIEW

1. OVERVIEW OF MALAYSIAN ECONOMY

The Malaysian economy expanded by 4.7% in 2013, driven by the continued strong growth in domestic demand. Despite the weaker external environment in the first half of the year, domestic demand remained resilient throughout the year, led by robust private sector activity. Private consumption was supported mainly by favourable employment conditions and wage growth. Private consumption was also supported by Government transfers to low-and-middle-income households and continued access to financing for creditworthy borrowers.

The Malaysian economy is expected to remain on a steady growth path in 2014, expanding by 4.5% to 5.5%. Domestic demand will remain the key driver of growth, albeit at a more moderate pace. Private investment is forecast to register robust growth for the fifth consecutive year, driven by the ongoing implementation of multi-year projects and the improvement in external demand. Public investment is projected to register a higher growth, supported by both Government and public enterprise capital spending. Private consumption will be underpinned by healthy labour market conditions and sustained income growth. Public consumption is anticipated to record a lower growth due to the ongoing fiscal consolidation.
(Source: 2013 Bank Negara Annual Report)

2. OVERVIEW OF MALAYSIAN PROPERTY SECTOR

Growth in the construction sector is projected to increase at a moderate pace of 9.6% in 2014 (2013: 10.6%) due to slower construction activity in the civil engineering subsector following the completion of several major infrastructure projects. However, the acceleration in implementation of transport and O&G related to civil engineering projects will continue to support growth.

Meanwhile, the residential subsector expected to remain strong in view of the increased demand for housing, particularly from the middle-income group. The implementation of PR1MA housing project, is expected to accelerate to meet the target of providing 80,000 units of houses for the middle-income group by 2015.
(Source: Economic Report 2013/2014)

CHAIRMAN'S STATEMENT *(Cont'd)*

3 PROSPECTS OF YOUR GROUP

In line with your Group's aspirations to provide quality housing, your Group plans to continue developing residential and commercial properties in Johor Bahru, Segamat, Kluang and Muar in the state of Johor. Your Group will continue to build wide range of premium quality products, ranging from deluxe residences with top-class finishes and facilities to small-to-medium sized units with practical and efficient layouts. These developments are anticipated to further strengthen your Group's foothold in landed properties' market in the State of Johor.

As at 31 December 2013, your Group has approximately 2,100 acres land held for current and future development which are strategically located in the District of Johor Bahru, Batu Pahat, Kluang, Segamat, Muar, Mersing, Klang and Kuala Lumpur. Most of these properties are available for immediate development as they have been granted approval for subdivision. These will help our Group to sustain its medium to long term development and profitability.

Most of the total land held in Johor are located in the high growth Iskandar Development Region. More investment is expected to come from Singapore to the Iskandar Development Region. Your Group is expected to benefit from the effect in view of its strong brand name in the Johor property market as most of its flagship projects are located in the Iskandar Development Region.

Besides, your Group is in the midst of developing the land held in Klang which is expected to have a gross development value of RM2.5 billion with five (5) main development phases. The site is strategically located along Jalan Klang-Banting and is 15 minute drive from the Klang town centre. This mixed development project is expected to entail thousands of units of residential and commercial properties. The project is anticipated to be a success and provides additional impetus for your Group's future 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 from medium to high-end property development.

Besides property development activities, your Group continues to pursue selective investments in order to enhance its portfolio quality and diversity, and to generate stable, predictable returns for shareholders. Presently, your Group's investment properties include hotel and mall operation that are contributing approximately RM135 million of annual rental income or representing 20% of the Group's total revenue in 2013. Going forward, your Group is very confident that with favourable market conditions, continuous management effort and innovative promotions and marketing campaigns, KSL City Mall, hotel and other investment properties will continue to generate attractive recurring revenue.

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.

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.

CHAIRMAN'S STATEMENT *(Cont'd)*

LOOKING AHEAD

Year 2014 will be an exciting year.

Property development will continue to be the principal driver of revenue. Besides striving for the highest quality in current ongoing projects, your Group will continue to unveil well-planned projects which are in response to public demand and in adaption to market trend and changes.

From the property investment perspective, your Board anticipates strong recurrent rental income from investment properties, particularly from the KSL City Mall. The recurrent income is expected to rise on the back of continuous efficient management efforts and positive leasing market conditions.

Your Board firmly believes that your Group has the propensity to meet challenges and opportunities ahead, and to expand further when the appropriate opportunities arise. With efficient planning and tight cost control, your Group expects another good year of strong performance in 2014.

APPRECIATION

On behalf of your Board, I would like to extend our appreciation and gratitude to our valued shareholders, customers, business associates and the regulatory authorities for the 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

REVIEW OF OPERATIONS

PROPERTY DEVELOPMENT CONTINUES TO BE THE MAIN CONTRIBUTOR OF EARNINGS FOR THE GROUP. IT RECORDS 80% OF THE TOTAL TURNOVER IN FINANCIAL YEAR 2013.

THE BALANCE OF 20% WAS CONTRIBUTED BY RENTAL INCOME FROM INVESTMENT POPERTIES AND HOTEL OPERATION.

The major on-going projects on stream in the District of Segamat, Kluang, Johor Bahru and Klang which comprise mixed development of commercial and high end residential properties continued to contribute significantly to the Group's annual turnover.

KLANG VALLEY AND KUALA LUMPUR

1 BANDAR BESTARI

CANARY GARDEN @ BANDAR BESTARI

Bandar Bestari is a mixed development project located at the new growth corridor of Klang. It covers approximately 465 acres. This project is strategically located along Jalan Klang-Banting and about 15 minutes from Klang town centre. It is easily accessible via the North Klang Valley Expressway (NKVE), Kesas, Federal Highway and South Klang Valley Expressway (SKVE). It is in close proximity to a few established shopping centres such as the AEON Bukit Tinggi and the Bukit Raja Jusco and a number of mature neighbourhoods such as Bandar Botanic and Bandar Puteri.

At present, Canary Garden @ Bandar Bestari is under active construction and is in various stages of completion.

REVIEW OF OPERATIONS *(Cont'd)*

1 BANDAR BESTARI *(Cont'd)*

2 BESTARI BUSINESS PARK, KLANG

Bestari Business Park is the first business park by KSL Holdings Bhd blessed with easy access to major key highways with close proximity to the ports and modern amenities and facilities all within stone's throw. Bestari Business Park is a mixed development consisting of shops and light industry factory. Bestari Business Park is located next to the Canary Garden Township. It is surrounded by KESAS, SKVE, NKVE, Federal Highway, and the upcoming Banting-Taiping Highway.

At present, Bestari Business Park is under active construction and is in various stages of completion.

REVIEW OF OPERATIONS *(Cont'd)*

3 18 MADGE, KUALA LUMPUR

18 Madge is another high-end property residential project of the Group within the golden triangle of Kuala Lumpur. It is strategically located at Jalan Madge off Jalan U-Thant Ampang Hilir, around the U-thant Embassy Area. This low density development offers just 50 units with a varied eight (8) classic designs.

18 Madge is an exciting new upscale concept designed in accordance with the Zen principles, giving an unequalled beauty of spacious condo, a luxurious home. It is designed to be a 10-storey high-end residence with a potential gross development value of approximately RM 160 million.

It offers a combination of comfort, convenience and prestige, a highly conducive living environment, the neighbourhood is nestled within a slew of embassies and other diplomatic installations. Just a stone's throw away from one of the world's iconic buildings, The Petronas Twin Towers, the city's finest shopping, Kuala Lumpur City Centre (KLCC) and leading 5–Star restaurants and hotels along Jalan Sultan Ismail and Jalan Ampang, 18 Madge is well connected to the city's most exciting destination.

18 Madge is project by Veritas Architect, one of Southeast Asia's leading architecture firms renowned for its commitment to design quality and service excellence.

Earthworks have been commenced in year 2014.

JOHOR BAHRU

4 TAMAN NUSA BESTARI

Taman Nusa Bestari comprises 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.

At present, Taman Nusa Bestari is under active construction and is in various stages of completion.

TAMAN NUSA BESTARI

BESTARI HEIGHT @ NUSA BESTARI

REVIEW OF OPERATIONS *(Cont'd)*

D'INSPIRE RESIDENCE @ NUSA BESTARI

5 TAMAN BESTARI INDAH

Taman Bestari Indah is a mixed development project covering an estimated area of 700 acres 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, Taman Bestari Indah is under active construction and is in various stages of completion.

6 TAMAN KEMPAS INDAH

Taman Kempas Indah covering an estimated area of 237 acres 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.

At present, Taman Kempas Indah is under active construction and is in various stages of completion.

KEMPAS HEIGHT @ KEMPAS INDAH

REVIEW OF OPERATIONS *(Cont'd)*

D'SECRET GARDEN @ KEMPAS INDAH

7 KSL RESIDENCE @ TAMAN DAYA

KSL Residence @ Taman Daya is another new project of the Group in the pipeline. The project is located at the junction of Jalan Kangkar Tebrau and Jalan Daya within Kangkar Tebrau lies about 12 kilometers north of Johor Bahru city centre. Notable housing scheme are Taman Daya, Taman Bunga Ros, Taman Delima I and Taman Istimewa. Kawasan Perindustrian Tebrau II & IV and pandan Industrial area are the nearest industrial area in the locality.

KSL Residence @ Taman Daya comprises one block of hotel (360 units) and 3 blocks of service apartment (1022 units). The estimated total gross development value of the service apartments is approximately RM 700 million to spread over a period of 5 years.

Earthworks have been commenced in Year 2014.

REVIEW OF OPERATIONS *(Cont'd)*

8 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) minute drive to Johor Bahru new Custom, Immigration and Quarantine (CIQ). The KSL City Mall which was officially opened in December 2010, has become a new landmark in Johor Bahru City Centre. The KSL City Mall enjoys an exciting tenancy mix, featuring a wide variety of upmarket shopping, garment, entertainment and recreational experience. Effective promotions and marketing campaigns boosted mall traffic and drew abundant consumer spending and growing pool of Singaporean shoppers. The construction of the condominiums was completed in year 2013.

9 KSL HOTEL & RESORT JOHOR BAHRU

KSL Hotel & Resort Johor Bahru is the largest luxury hotel and resort in Johor. It features 868 rooms and suites with luxurious interior and first class facilities. It is the newest and largest integrated resort in Johor. It was officially opened in April 2012. With its convenient location near to the city center and the causeway, the hotel and resort in within the shopping mall which offers a complete new experience for family to explore. Hypermarket and water theme park could be access, all under one roof.

REVIEW OF OPERATIONS *(Cont'd)*

9 KSL HOTEL & RESORT JOHOR BAHRU *(Cont'd)*

DINOSAUR WATER THEME PARK

Five realistic life-size animatronic dinosaurs complete with skin color variations, fitted with robotics and sensors make these extinct beasts move and gnarl at guests who are near them. An 85-foot long Brachiosaurus loom from above and spits out water at intermittent intervals eliciting squeals from adults and children alike.

Prehistoric Compsognathus with their razor sharp teeth guard the pools menacingly.

The park's attraction include two high speed water slides and two giant pail water drops; where water is dumped on visitors when the pail is full. A Kiddy pool with baby slides completes the park.

DIRECTORS' PROFILE

KU HWA SENG

Executive Chairman

Ku Hwa Seng, aged 58, 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 thirty (30) 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 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 and Risk Management Committee

Khoo Cheng Hai @ Ku Cheng Hai, aged 62, 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 thirty (30) 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 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.

DIRECTORS' PROFILE

KU TIEN SEK

Executive Director

Ku Tien Sek, aged 56, 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 Klang Valley. He is also responsible for the development of the KSLH Group's future expansion plans. 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 Tien Sek is 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 ChyeTee, aged 50, 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 and Risk Management Committee
Members of Nomination Committee and Remuneration Committee

Gow Kow, aged 60, 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 thirty (30) 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.

DIRECTORS' PROFILE

GOH TYAU SOON

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

Goh Tyau Soon, aged 69, 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 forty (40) 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.

TEY PING CHENG

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

Tey Ping Cheng, aged 45, 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 organizations 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!

HIGHLIGHTS OF EVENTS

8 AUGUST 2013

BUKA PUASA TREAT FOR SINGLE MUMS

One of the Corporate Social Responsibility projects that we had during the year was "Berbuka puasa with Single mothers". We care and concern towards the less fortunate people in our community. A total of 60 single mothers from Kampung Melayu Majidee Baru Community were treated to a sumptuous buffet at a breaking of fast event at KSL Resort. They also received cash and essential items during the event.

16 SEPTEMBER 2013

MID-AUTUMN CELEBRATION AT KSL CITY MALL

BOARD CHARTER

INTRODUCTION

The main objective of the Board Charter is to set out the functions, role, responsibilities and composition of the Board and to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members discharge its responsibility directly and through Committees.

BOARD COMPOSITION

At least two (2) or one-third ($^1/_3$) of the total number of directors on the Board, must be independent directors. The Company's Articles of Association provides for a minimum of two (2) directors and a maximum of twenty (20). Nominees to the Board of Directors shall be selected and recommended by the Nomination Committee to the Board for approval.

As prescribed by the Listing Requirements, at any one time, at least two (2) directors or one-third (1/3), whichever is higher, of the Board members must be independent directors. The Board must comprise a majority of independent directors where the Chairman of the Board is not an independent director.

The tenure of an independent director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, the independent director may either retire or continue to serve on the Board subject to the director's re-designation as a non-independent director. However, the Board may justify and seek shareholders' approval in the event that it retains an independent director, who has served a cumulative term of nine (9) years as an independent director of the Company.

On boardroom diversity, the Board will review the appropriate skills, experience and knowledge required of the Board members, in the context of the needs of the Group. The Board will review its composition and size from time to time to ensure its appropriateness.

APPOINTMENT AND RE-ELECTION

The appointment of a new director is for consideration and decision by the full Board, upon the recommendation from the Nomination Committee.

The new Director is required to commit sufficient time to attend to the Company's meetings/matters before accepting his/her appointment to the Board

In accordance with the Articles of Association of the Company, all the Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

A Director who is over seventy (70) years of age is subject to yearly re-appointment in accordance with Section 129(6) of the Companies Act, 1965.

INDEPENDENT DIRECTORS

The assessment criteria for independence shall not be limited to the length of service of an independent director but rather particular emphasis is placed on the role of independent directors to facilitate independent and objective decision making in the Company.

BOARD CHARTER *(Cont'd)*

ROLE OF THE BOARD

The Board of Directors takes full responsibility for the overall performance of the Company and its Group and its obligations to the Company's shareholders and other stakeholders. The main duties and responsibility of the Board comprise the followings:-

- Setting the objectives, goals and strategic plan for the Company
- Deliberate, approve and monitoring progress of the Company's strategy, budgets, plans and policies
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed
- To retain an effective Board that consist of competent individuals with appropriate specialized skills and knowledge to lead and control the Company
- Identify principal and potential risks and ensure implementation of appropriate systems to manage / mitigate these risks
- Succession planning including appointing, training, fixing the compensation of and where appropriate, replacing any member of Senior Management
- Maintain an effective system of internal control to safeguard shareholder's investment and Company's assets
- Approve the quarterly results and annual audited financial statements
- Review the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance in accordance with the laws, regulations rules, directives and guidelines
- Develop and implement an investor relations programme or shareholder communications policy for the Company

BOARD COMMITTEES

The Board has four (4) Board Committees with their specific Terms of Reference to assist in the execution of its responsibilities:

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Management Committee

The Committees shall operate under clearly defined Terms of Reference. Independent and Non-Executive Directors play a leading role in these Committees. The Chairman of the respective committees reports to the Board on the outcome of the committee meetings.

The Terms of Reference of the Board Committees are published in the Annual Report.

BOARD MEETINGS

The Board shall meet at least four (4) times a year and has a formal schedule of matters reserved for the Board to decide. However, Special Meeting(s) may be convened as required. Notice of meetings and business to be conducted shall be given to members of the Board at least seven (7) days prior to the meeting.

Matters reserved for the Board to decide will include amongst others decision on acquisition or disposal of assets, and subsidiaries, investment or divestment, material capital commitment and corporate exercises.

BOARD CHARTER *(Cont'd)*

BOARD MEETINGS *(Cont'd)*

A full agenda together with the relevant Board papers are circulated to all the Directors which include, amongst others, the following:-

a) Quarterly financial report and report on the Company's cash and borrowing positions;

b) Reports and Minutes of meetings of all Committees of the Board;

c) A current review of the operations of the Company and budget;

d) Board Circular Resolutions for notation; and

e) Directors' shares dealings.

Unless varied by any terms of reference, meetings and proceedings of the Board will be governed by the Company's Articles of Association.

The Company Secretary shall take minutes of the meetings which shall be reviewed and approved by the Chairman and management before being tabled to the Board at the next meeting.

DIRECTORS' ASSESSMENT / BOARD EVALUATION

The Board recognizes the importance of assessing the effectiveness of individual Directors, the Board as a whole and its Committees. The Board reviews and evaluates its own performance as well as the performance of its Committees on an annual basis.

DIRECTORS' TRAINING

In addition to the mandatory programmes required by the Bursa Securities, the Directors shall continue to update their knowledge and enhance their skills through appropriate education programmes. The Board will assess the training needs of the Directors and shall disclose in the Annual Report the trainings attended by the Directors.

ACCESS TO INFORMATION AND INDEPENDENT ADVICE

Directors shall have access to all information within the Company whether as a full Board or in their individual capacity, to the extent that the information required is pertinent to the discharge of their duties as Directors.

The Board has also put into place a procedure for Directors, whether as a full Board or in their individual capacity, to take independent professional advice at the Company's expense, if necessary.

All Directors have access to the advice and services of the Company Secretaries in carrying out their duties.

FINANCIAL REPORTING

The Company aims to present a clear and fair assessment of the Company's financial position and future prospects in respect of all quarterly results, annual audited financial statements and announcements issued by the Company within the stipulated timeframe.

The Board is assisted by the Audit Committee in scrutinizing information for disclosure to ensure its timeliness, accuracy, adequacy and compliance with the required standards and laws.

BOARD CHARTER *(Cont'd)*

FINANCIAL REPORTING *(Cont'd)*

The Board ensures that the financial statements are prepared so as to give a true and fair view of the current financial status of the Company in accordance with the approved accounting standards.

THE COMPANY SECRETARY

The appointment or removal of Company Secretary or Secretaries of the Board shall be the prerogative of the Board. The Company Secretary has an important role in advisory and assisting the Board and Committees in achieving good corporate governance and ensuring compliance of statutory laws, rules and regulations of the Companies Act, 1965, Bursa Securities Main Market Listing Requirements, the Securities Commission guidelines and other relevant legislation and regulatory authorities.

In addition, proper maintenance of the Group's statutory records, register books and documents are essential in assisting the Board to achieve the spirit and intent of good corporate governance beside ensuring proper conduct at the Annual General Meetings, Extraordinary General Meetings, Board Committees' Meeting and any other meetings and the preparation of minutes thereat.

INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION POLICY

The Board shall ensure timely release of financial results and announcements to provide shareholders with an overview of the Company's performance, corporate exercises and strategies and any other matters affecting the shareholders' interests.

The Board shall maintain appropriate corporate disclosure policies and procedures which are in compliance with the Main Market Listing Requirements of Bursa Securities.

REVIEW OF THE BOARD CHARTER

The Board shall review the said Charter periodically and any amendments/improvements shall be made thereto as and when the Board deems necessary.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") fully support the recommendations of the Malaysian Code on Corporate Governance 2012 ("Code") which sets out the broad principles and recommendations for good corporate governance and best practice for listed companies.

The Board is committed to apply the recommendation of the Code to ensure that good corporate governance is practised throughout the Group to effectively discharge its responsibilities to protect and enhance shareholders' value and those of the other stakeholders.

Emphasising its commitment to good corporate governance practices of the Code, the Board has in place a Board Charter that sets out, amongst others, the responsibilities, authorities, procedures, evaluations and structures of the Board and Board Committees, as well as the relationship between the Board with management and the shareholders of the Company.

The Board of Directors is, therefore, pleased to report that this statement sets out the extent of the Group's compliance with the recommendations of the Code for financial year ended 31 December 2013.

(A) THE BOARD OF DIRECTORS

The Group is led and controlled by an effective Board which understands the Group's philosophy, principles, ethics, mission and vision. The Board maintains specific Board committees with clear responsibilities and terms of reference to assist the Board in carrying out its stewardship role and function, and fulfilling its fiduciary responsibilities.

(1) COMPOSITION OF THE BOARD

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 Main Market 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 21 to 23 of this Annual Report.

The roles of the Chairman and Group Managing Director are separated to ensure a balance of power and authority. Although the position of Chairman is filled by Mr. Ku Hwa Seng, an Executive Director, presence of Independent Non-Executive Directors who are of a high calibre and credibility, and who have the necessary skill and experience ensures that sufficient weight and independent judgement are input into Board decisions. Mr. Ku Hwa Seng was appointed as the Chairman on 24 February 2011 after considering his vast experience, business acumen and strong business network built over the past of thirty years in the property development industry.

The Board composition is appropriate in terms of its membership and size. There is a good mix of skills and core competencies in the Board membership. The Board is well represented by individuals with diverse professional backgrounds and experiences in the areas of finance, accounting, economics and law, as well as property development.

(2) STRENGTHEN COMPOSITION

The Board is led and managed by a diverse and experienced Board of Directors with a wide and varied spectrum of expertise that ensures accountability and competence. The Executive Directors are overall responsible for implementing the strategies and decisions of the Board, overseeing the Group's day-to-day operations and businesses, whilst the Independent Non-Executive Directors provide their independent view, unbiased judgement and knowledge to the management as well as safeguarding the interest of the shareholders. Non-Executive Directors do not participate in the day-today management of the Group.

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

(2) STRENGTHEN COMPOSITION *(Cont'd)*

NOMINATION COMMITTEE

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 is empowered to identify and recommend new appointments of Executive and Non-Executive Directors to the Board. In discharging this duty, the Nomination Committee will assess the suitability of an individual to be appointed to the Board by taken into account the individual's skill, knowledge, expertise and experience, professionalism and integrity. The Nomination Committee is supportive of gender diversity in the boardroom as recommended by the Code and will encourage women candidates to participate to promote the representation of women in the composition of the Board.

The Nomination Committee will arrange for the induction of any new Directors appointed to the Board to enable them to have a full understanding of the nature of the business, current issues within the Company and corporate strategies as well as the structure and management of the Company.

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.

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

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

(2) STRENGTHEN COMPOSITION *(Cont'd)*

DIRECTORS' REMUNERATION *(Cont'd)*

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 and with commitment.

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 the following bands during the financial year ended 31 December 2013 are as below:-

Remuneration	Executive Directors RM '000	Non-Executive Directors RM '000
Directors' Fees	-	90
Salaries	14,203	-
Allowances	180	18
Bonuses	9,989	-
Total	24,372	108

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

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM 50,000	-	3
RM 250,001 to RM 300,000	1	-
RM 7,900,001 to RM 7,950,000	2	-
RM 8,200,001 to RM 8,250,000	1	-
Total	4	3

The disclosure of Directors' remuneration is made in accordance with the BMSB's Main Market Listing Requirements. The Board of Directors is of the opinion that separate disclosure will infringe upon the Directors' rights of privacy.

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

(2) STRENGTHEN COMPOSITION *(Cont'd)*

DIRECTORS' REMUNERATION *(Cont'd)*

The Board noted the importance of the Code of Ethics and Conduct of the Company that emphasized the Company's commitment to ethical practices and compliance with the applicable laws and regulations which also governs the standards of ethics and good conduct expected from the Directors and employees of the Group.

Currently, a formal Code of Ethics and Conduct is not in place for the Group's operation. Insofar as the Board is concerned, the Directors have a duty to declare immediately to the Board and abstain from further discussion and decision making process should they be interested in any transaction to be entered into by the Group and or whenever there is a potential conflict arising from any transactions which involved the interest of the Directors.

The Board will formalize its ethical standards through a Code of Conduct for adoption.

(3) REINFORCE INDEPENDENCE

The Board acknowledge the importance of Independent Non-Executive Directors, who provide objectivity, impartially and independent judgement to ensure that there is an adequate check and balance on the Board. The Independent Non-Executive Directors ensure that business and investment proposals presented by management are fully deliberated and examined. They perform a key role by providing unbiased and independent views, advice and judgement which take into account the interest of the Group and all its stakeholders including shareholders, employees, customers, business associates and the community as a whole. The Independent Directors led by Mr. GowKow provide a macro, independent and balanced assessment of proposals from the Executive Directors.

The Code recommends that the tenure of an independent director should not exceed nine (9) years cumulatively. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to his redesignation as a Non-Executive Director.

Notwithstanding that Mr. Gow Kow, Mr. Goh Tyau Soon and Mr. Tey Ping Cheng have served on the Board for more than nine (9) years since the Company was listed on 6 February 2002 by 31 December 2013, the Board proposes to retain them as Independent Directors of the Company because:

(a) The Board holds the view that a Director's independence cannot be determined arbitary with reference to a set of period of time.

(b) The Group benefits from these long serving Independent Directors who possess detailed knowledge of the Group's business and have proven commitment, experience, competence and wisdom to effectively advise and oversee the management.

(c) The Board has individually assessed Mr. Gow Kow, Mr. Goh Tyau Soon and Mr. Tey Ping Cheng to be independent in character and judgement, independent of management and free from any relationship or circumstances which are likely to affect or could affect their judgement.

(d) Mr. Gow Kow, Mr. Goh Tyau Soon and Mr. Tey Ping Cheng have fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of BMSB and thus, they would be able to function as a check and balance, and bring an element of objectivity to the Board.

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

(3) REINFORCE INDEPENDENCE *(Cont'd)*

(e) They have devoted sufficient time and attention to their professional obligations and have carried out their professional duties always in the best interest to the Company and the shareholders.

The Board meets at least four (4) times a year, with additional meetings convened as necessary. During the year ended 31 December 2013, 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
Khoo Cheng Hai @ Ku Cheng Hai	5/5
Ku Hwa Seng	5/5
Ku Tien Sek	5/5
Lee Chye Tee	5/5
Gow Kow	5/5
Goh Tyau Soon	5/5
Tey Ping Cheng	5/5

(4) 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 4 and 22 of this Annual Report.

(5) BOARD CHARTER

The Board has formalised and adopted a Board Charter which sets out the roles and responsibilities of the Board. The Board will review the Board Charter as and when required to ensure compliance with the regulations.

(6) SUSTAINABILITY

The Board is committed to build a sustainable business by taking into consideration the impact on the environment, social and governance aspect of business operations.

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

(7) 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;
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.

(8) COMPANY SECRETARY

The Company Secretary is responsible for ensuring that the Board procedures are followed and the applicable rules and regulations for the conduct of the affairs of the Board are complied with. The Company Secretary is also responsible for all matters associated with the maintenance of the Board or otherwise required for its efficient operation. The Company Secretary advises the Board on issues relating to corporate governance, compliance with laws, rules, procedures and regulatory requirements.

The Company Secretary attends and ensures that all Board meetings are properly convened and those accurate and proper records of the proceedings and resolutions passed are taken and maintained in the statutory registers of the Company.

The Board ensures that the Company Secretary appointed has the relevant experiences and skills.

(9) FOSTER COMMITMENT

TIME COMMITMENT

The Board based on its annual assessment carried out by the Nomination Committee is satisfied with the time commitments given by its Directors as evidenced by the attendance record of the Directors at Board and Committee meetings.

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

(9) FOSTER COMMITMENT *(Cont'd)*

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 the Main Market Listing Requirements of BMSB 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

• Tax Updates and Recent Developments	21 May 2013
• 2014 Budget Seminar: Accelerating Transformation	07 Nov 2013
• 2014 Budget Proposals and Goods and ServicesTax	27 Nov 2013

2. Gow Kow

• Workshop on Insights To Malaysia's First Transfer Pricing Litigation: MM Sdn Bhd v Ketua Pengarah Hasil Dalam Negeri	08 Apr 2013
• IRB-CTIM Roadshow 2013 "The Importance of Taxpayer Compliance"	16 Apr 2013
• Tax Treatment of e-Commerce Transactions and Withholding Tax in Malaysia	23 July 2013
• Tax Issues in Financial Transactions: Analysis of Recent Tax Cases	25 July 2013
• Seminar PercukaianKebangsaan 2013	07 Nov 2013
• 2014 Budget Proposals and Goods and Services Tax	27 Nov 2013

3. Tey Ping Cheng

• Regulation of Corporations in Malaysia & Common Offences Committed by Company Secretaries	13 Mar 2013
• Workshop on Insights To Malaysia's First Transfer Pricing Litigation: MM Sdn Bhd v Ketua Pengarah Hasil Dalam Negeri	03 May 2013
• Compliance Issues & Common Offences under the Companies Act, 1965	21 Sept 2013
• Breaking New Ground: Landmark Decisions On Reinvestment Allowance and Capital Allowance	03 Oct 2013
• 2014 Budget Proposals and Goods and Services Tax	27 Nov 2013

4. Khoo Cheng Hai @ Ku Cheng Hai

• 2014 Budget Proposals and Goods and Services Tax	27 Nov 2013

5. Ku Hwa Seng

• 2014 Budget Proposals and Goods and Services Tax	27 Nov 2013

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

(9) FOSTER COMMITMENT *(Cont'd)*

DIRECTORS' TRAINING *(Cont'd)*

6. Ku Tien Sek

- 2014 Budget Proposals and Goods and Services Tax — 27 Nov 2013

7. GohTyau Soon

- 2014 Budget Proposals and Goods and Services Tax — 27 Nov 2013

(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. The Audit Committee assists the Board in ensuring the information disclosed is accurate, adequate and complies with all applicable Financial Reporting Standards.

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

The Board of Directors is required under Paragraph 15.26(a) of BMSB's Main Market 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.

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.

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

(3) RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility to maintain a sound risk management framework and effective internal control system 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 Risk Management Committee has been established on 26 February 2014 to review the adequacy and effectiveness of risk management of the Group.

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 Internal Audit Function has been outsourced to an external consultant which reports directly to the Audit Committee.

The Statement on Risk Management and Internal Control which provides an overview of the state of risk management and internal controls within the Group may be found on pages 40 to 42 of this Annual Report.

(4) ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board acknowledges the importance of ensuring that it has in place, appropriate corporate disclosure policies and procedures which leverages on information technology as recommended by the Code.

The Company currently observes and complies with the disclosure requirements as set out in BMSB's Main Market Listing Requirements, guided by Bursa's Corporate Disclosure Guide.

(5) 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 External Auditors have confirmed that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysia Institute of Accountants.

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)*

(5) RELATIONSHIP WITH AUDITORS *(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 43 to 44 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.

The Board recognizes the importance of communications with its shareholders and takes additional measures to encourage shareholders participation at general meetings as recommended by the Code.

The Board will generally carry out resolutions by show of hand, except for Related Party Transaction, if any (wherein poll will be conducted) and unless otherwise demanded by shareholders in accordance with the Articles of Association of the Company.

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) DEPOSITORY RECEIPT PROGRAMME

The Company did not sponsor any Depository Receipt Programme during the financial year under review.

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

(D) OTHERS *(Cont'd)*

(4) PROFIT GUARANTEE

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

(5) OPTIONS OR CONVERTIBLE SECURITIES

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

(6) 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 RM80,500.

(7) 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 pages 110 to 111 of this Annual Report.

(8) SHARE BUY-BACK

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

(9) VARIATION OF RESULTS

There was no material variance between the results for the financial year ended 31 December 2013 and the unaudited results previously announced by the Company.

(10) UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year ended 31 December 2013.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("Board") of KSL Holdings Berhad is pleased to provide the Statement on Risk Management and Internal Control ("Statement") for the financial year ended 31 December 2013, which has been prepared pursuant to paragraph 15.26(b) of Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements for the Main Market and as guided by Statement on Risk Management & Internal Control- Guidance for Directors of Public Listed Issuers ("the Guidance"). The Statement outlines the process to be adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system of the Group.

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. The Board is of the view that the risk management framework and internal control system are designed to manage the Group's risks within an acceptable risk appetite, rather than eliminate the risk of failure to achieve the policies, goals and objectives of the Group. It can therefore only provide reasonable, rather than absolute assurance of effectiveness against material misstatement of management and financial information or against financial losses and fraud. The system of internal control covers, inter alia, financial, operational and compliance controls and risk management procedures.

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, prioritization and mitigation of risks. It also sets out risk management and monitoring process of the Group.

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 year under review. This process is carried out via the following risk management governance structure:-

- **The Board**

  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 Risk Management Committee**

  The Risk Management Committee has been established on 26 February 2014 to review the adequacy and effectiveness of risk management of the Group. The Risk Management Committee's main role is to review, on behalf of the Board, the system of risk management necessary to manage the key risks inherent in the business and to present its findings to the Board.

  In addition, the Risk Management Committee plays a significant role in contributing to the establishment of a more conducive risk management environment. The Risk Management Committee meets once a year to oversee the development of general risk policies and procedures to monitor and evaluate the numerous risks that may arise from the various business activities in the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *(Cont'd)*

RISK MANAGEMENT FRAMEWORK *(Cont'd)*

- **The Audit Committee**

  The Audit Committee is responsible to review the adequacy and effectiveness of internal control and governance systems of the Group. The Audit Committee's main role is to review, on behalf of the Board, the system of internal controls necessary to manage the key risks inherent in the business.

  The Audit Committee is assisted by the internal audit function, whose role is to review the effectiveness of risk identification procedures and control process implemented by the management 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.

- **The External Auditors**

  External auditor will in their course of conducting annual statutory audit of the Group's consolidated financial statements, reviews and where applicable based on their professional judgment highlights significant audit, accounting and internal control matters which require attention of the Board and Audit Committee. The report is made officially and specifically to the Audit Committee and the management post completion of the year end audit. Additionally, the external auditors are invited to attend the quarterly Audit Committee meetings and where applicable will provide views on any related matters for the attention of the Audit Committee.

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 and External Audit teams have highlighted to the Audit Committee and the Board on areas of improvement, provided recommendations and where applicable, subsequently reviewed the extent to which their recommendations have been implemented.

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. formal training programmes, semi and annual performance appraisals, and other relevant procedures are in place to ensure that staff are adequately trained and competent to enable them to discharge their duties and responsibilities effectively. Proper guidelines are also followed for termination of staff.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *(Cont'd)*

OTHER KEY ELEMENTS OF INTERNAL CONTROL *(Cont'd)*

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.

Assurance from Management

The Board is of the view that the Company's overall risk management and internal control system is operating adequately and effectively, in all material aspects, and have received the same assurance from both the Managing Director and Finance Director of the Company. The Board confirms that the risk management process in identifying, evaluating and managing significant risks faced by the Group has been in place throughout 2013 up to the date of approval of this statement. The Board is also of the view that the Group's system of internal control is robust and is able to detect any material losses, contingencies or uncertainties that would require disclosure in the Group's 2013 Annual Report.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. The review was performed in accordance with Recommended Practice Guide (RPG) 5 issued by the Malaysia Institute of Accountants. RPG 5 does not require the external auditor to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

AUDIT COMMITTEE REPORT

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee are set out on pages 45 to 48 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 2013, 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)	5/5

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 2013 was RM25,000.

The Internal Audit Team (IAT) assists the Audit Committee in discharging its duties and responsibilities.

The principal responsibility of the IAT is to conduct periodic audits on internal control matters to ensure their compliance with systems and standard operating procedures in each of the Group's operations. The main objective of the audits is to provide reasonable assurance that they operated satisfactory and effectively. The IAT had undertaken independent and objective reviews of the system internal controls within the Group's operations. The Internal Audit reports were deliberated by the Audit Committee and recommendations were duly implemented by management.

For the current financial year, internal audit works were principally focused on the Group's operations in Klang and Skudai operations to ensure their compliance with systems and standard operating procedures in the following areas:-

- Reviewing the adequacy of KSL Group Klang and Skudai branches policies and procedures with regards to sales and purchase cycles of operations, contracting process, and billing progress and disbursement procedures;
- Ascertaining the extent to which the KSL Group Klang and Skudai branches is accounted for and safeguarded from losses of all kinds;
- Recommending improvements to the existing systems of controls;
- Identifying opportunities to improve the business operations and processes in KSL Group Klang and Skudai branches;
- Reviewing the soundness, adequacy and application of operation system and accounting system;
- Ascertaining the extent of compliance with established policies and procedures on human resource; and
- Assessing the adequacy of the KSL Group Klang and Skudai branches existing control procedures on business operations and material control.

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.

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

QUORUM

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

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 yearend 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;

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

FUNCTIONS AND RESPONSIBILITIES *(Cont'd)*

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.

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;

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

AUDIT COMMITTEE REPORT *(Cont'd)*

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.

TERMS OF REFERENCE OF NOMINATION COMMITTEE

1. OBJECTIVES

The primary objective of the Nominating Committee is to act as a committee of the Board to assist in discharging the Board's responsibilities in: -

a) assessing each of the existing directors' ability to contribute to the effective decision making of the Board;

b) identifying, appointing and orientating new directors;

c) reviewing the mix skills and experience and other qualities the Board requires for it to function independently and efficiently;

d) membership of the Audit and Remuneration Committees and any other Board Committees as appropriate, in consultation with the Chairman of those committees;

e) assessing and evaluating the effectiveness of the Board as a whole and the board committees, assessing the performance of independence of Independent Non-Executive Directors and Chief Executive Officer/ Managing Director; and

f) identifying and recommending directors who are to be put forward for retirement by rotation in accordance with the Company's Articles of Association.

2. COMPOSITION

The Nominating Committee shall be appointed by the Board of Directors from among their members and shall consist of not less than three (3) members. All the members shall be Non-Executive Directors, the majority of whom shall be Independent Directors.

3. QUORUM

The quorum for each meeting shall be two members present.

4. CHAIRMAN

The Chairman of the Nominating Committee shall be an Independent Non-Executive Director. In the absence of the Nominating Committee Chairman, the remaining members present shall elect one of them to chair the meeting.

5. MEETINGS

The number of meetings shall be held not less than once a year and additional meetings shall be held as required. A member may at any time and the Secretary shall on the requisition of a director summon a meeting of the Nominating Committee.

Questions arising at any meeting of Nominating Committee shall be decided by a majority of votes and a determination by a majority of members shall for all purposes be deemed a determination/decision of the Nominating Committee.

TERMS OF REFERENCE OF NOMINATION COMMITTEE

(Cont'd)

5. MEETINGS *(Cont'd)*

In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote **PROVIDED THAT** where two (2) members form a quorum, the Chairman of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the question at issue, shall not have a casting vote.

Minutes of Meeting shall be recorded and kept.

6. SECRETARY

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

7. RESPONSIBILITIES

The Nominating Committee shall have the following responsibilities:-

(a) Recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board. In making its recommendations, the Nominating Committee should consider the candidates'

- skills, knowledge, expertise and experience;
- professionalism;
- integrity; and
- in the case of candidates for the position of independent non-executive directors, the Nominating Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from independent non-executive directors.

(b) Consider in making its recommendations, candidates for directorship proposed by the Chief Executive Officer/Managing Director and, within the bounds of practicability, by any other senior executive or any director or shareholder.

(c) Recommend to the Board, directors to fill seats on Board Committees.

(d) Assess the effectiveness of the Board as a whole.

(e) Assess the effectiveness of the committees of the Board.

(f) Assess the contribution of each individual director.

(g) Review and recommend to the Board the required mix of skills and experience and other qualities the Board requires in order to function independently and efficiently.

(h) Develop and review the criteria used for the selection process of new directors and annual assessment of the board, board committees and individual directors.

(i) Formulate a policy on Board composition including mix of skills, independence and diversity (including gender diversity).

(j) Assess the independence of the Directors annually who have served on the Board for a cumulative term of more than nine (9) years for appointment or otherwise.

TERMS OF REFERENCE OF NOMINATION COMMITTEE
(Cont'd)

7. RESPONSIBILITIES *(Cont'd)*

(k) Review the training and professional development programmes for the Board.

(l) Develop succession plans in order for the Board to maintain appropriate experience, expertise and diversity (including gender diversity).

(m) Consider gender diversity generally when making appointments to the Board.

TERMS OF REFERENCE OF REMUNERATION COMMITTEE

1. COMPOSITION

The Committee shall be appointed by the Board from amongst the Directors of the Company consisting of majority Independent Non-Executive Directors. It shall consist of not less than three (3) members.

2. QUORUM

Two (2) members shall from a quorum for meetings.

3. CHAIRMAN

The members of the Committee shall elect a Chairman from among their members who shall be an Independent Non-Executive Directors. In the absence of the Chairman of the Remuneration Committee, the remaining members present shall elect one their members as Chairman of the meeting.

4. SECRETARY

The Secretary to the Remuneration Committee shall be the Company Secretary.

5. MEETINGS AND MINUTES

a) The Remuneration Committee shall meet at least once a year or at such other times as the Chairman of the Committee deemed necessary.

b) Minutes of each meeting shall be distributed to each member of the Board.

c) Question arising shall be decided by a majority of votes and determination by a majority of members shall for all purposes be deemed a determination of the Remuneration Committee.

d) In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote provided that where two (2) members form a quorum, the Chairman of the meeting which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue, shall not have a casting vote.

6. FUNCTION

a) To recommend to the Board the framework of Executive Directors' remuneration and the remuneration package for each Executive Director, drawing from outside advice as necessary.

b) To recommend to the Board, guidelines for determining remuneration of Non-Executive Directors.

c) To recommend to the board and performance related pay schemes for Executive Directors.

d) To review Executive Directors' scope of service contracts.

e) To consider the appointment of the service of such advisers or consultants as it deems necessary to fulfil its functions.

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

7. REPORTING PROCEDURES

a) The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendation of the Committee.

b) Executive Directors do not participate in discussion on their own remuneration.

c) The determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairman should be a matter for the Board as whole.

d) Level of remuneration should be sufficient to attract and retain the Directors needed to run the Company successfully. The component part of remuneration should be structured so as to link rewards to corporate and individual performance, in the case of executive Directors. The level of remuneration should reflect the experience and responsibilities undertaken by the particular non-executive concerned.

e) Membership of the Remuneration Committee should appear in the Annual Report.

TERMS OF REFERENCE OF RISK MANAGEMENT COMMITTEE

1. OBJECTIVE

The objective of the Committee is to support the Board in fulfilling its responsibilities on risk oversight and to satisfy itself that the integrated risk management functions within the Group are effectively discharged.

2. COMPOSITION AND APPOINTMENT

2.1 The Committee members shall be appointed by the Board from amongst their number and shall consist of not less than three (3) members who are non-independent non-executive director, out of which, at least one (1) of the Committee member shall be an independent director.

2.2 The Chairman of the Committee shall be an independent non-executive director appointed by the Board.

2.3 In the absence of the Chairman of the Committee, the other members of the Committee shall amongst themselves elect a Chairman who must be an independent non-executive director to chair the meeting.

2.4 In the event of any vacancies resulting in the number of members falling below three (3), the vacancy shall be filled within three (3) months of it arising.

3. QUORUM

The quorum for the Committee shall be two (2) members comprising a minimum of one (1) independent non-executive director.

4. SECRETARY

4.1 The Company Secretary shall be the Secretary of the Committee and shall ensure that proper minutes are kept of each meeting for approval of the Committee.

4.2 The Minutes shall be circulated to all members of the Board at the next scheduled Board Meeting.

5. MEETINGS

5.1 The Committee shall meet at least once a year.

5.2 In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion or if so directed by the Board.

5.3 Notice of Committee meetings shall be circulated to all committee members at least one (1) week prior to each meeting unless the Committee waives such requirement.

5.4 The Chairman may require the attendance of any officer of the Group at any part of any meeting.

5.5 The Chairman shall report on each meeting to the Board.

TERMS OF REFERENCE OF RISK MANAGEMENT COMMITTEE *(Cont'd)*

6. AUTHORITY

6.1 The Committee is authorised by the Board to have direct communications with and unrestricted access to all information and documents/resources as well as to officers of the Group which are necessary for the Committee to discharge its duties and responsibilities.

6.2 The Committee shall have the authority to obtain independent professional or other advice and to invite outsiders with relevant experience to attend the meeting, as necessary.

6.3 The Committee shall make recommendations to the Board but shall have no executive powers with regards to its findings and/or recommendations.

7. DUTIES AND RESPONSIBILITIES

The Committee shall provide oversight, direction and counsel to the Group risk management process and shall consider any matters relating to the identification, assessment, monitoring and management of any risks associated with the Group that it deems appropriate. In addition, the Committee shall examine any other matters as directed by the Board.

The duties of the Committee shall include, but not limited to:-

7.1 Review, assess, formulate and recommend risk management strategies, framework, policies, processes, tolerance and risk appetite limits to the Board.

7.2 Monitoring of Group risk exposures to ensure implementation and compliance with approved risk policies and processes of the Group, and to ensure that significant risks identified are being responded to appropriately.

7.3 Review status of management action in mitigating significant risks identified.

7.4 Review and assess the adequacy and effectiveness of the risk management structure, approved risk policies, processes, and support system and to recommend such changes as may be deemed necessary to the Board.

7.5 Review and assess the risks associated with all proposed strategic transactions of the Group and report the same to the Board for its deliberation of the transaction.

7.6 Promote a “risk-aware” culture within the Group.

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 2013.

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 described in Note 17 to the financial statements.

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	181,530,021	8,884,086

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 as disclosed in the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of dividend in respect of the current financial year.

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

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 RM0.50 each			
	1.1.2013	**Acquired**	**Sold**	**31.12.2013**
The Company				
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	-	-	17,265,752
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)*

TREASURY SHARES

As at 31 December 2013, 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 26 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.

(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.

DIRECTORS' REPORT *(Cont'd)*

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 24 April 2014.

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 64 to 119 are drawn up in accordance with the provisions of the Companies Act, 1965 and 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 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 38 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 24 April 2014.

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 64 to 120 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 Johor Bahru in the State of Johor)
Darul Ta'zim on 24 April 2014.) Lee Chye Tee

Before me,
Commissioner of Oath
Gubachen Singh PIS (No: J 119)

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 2013, 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 64 to 119.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 entity's preparation of financial statements that give a true and fair view 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 entity'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 2013 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 38 to the financial statements on page 120 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

Lee Ming Li
2983/03/16(J)
Chartered Accountant

Johor Bahru, Malaysia
Date : 24 April 2014

STATEMENTS OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Revenue	4	680,003,540	402,869,634	10,355,000	87,202,300
Cost of sales	5	(309,959,967)	(160,400,921)	-	-
Gross profit		370,043,573	242,468,713	10,355,000	87,202,300
Other items of income					
Other income	6	15,152,450	11,018,328	5,204,905	6,501,940
Other items of expense					
Administrative expenses		(90,272,738)	(57,258,334)	(5,263,421)	(1,962,649)
Distribution expenses		(29,426,134)	(11,657,801)	(5,940)	(4,757)
Other expenses		(12,532)	(29,329)	-	-
Finance costs	7	(10,035,959)	(11,524,335)	(42,222)	(12,491)
Profit before tax	8	255,448,660	173,017,242	10,248,322	91,724,343
Income tax expense	11	(73,918,639)	(45,210,618)	(1,364,236)	(1,637,002)
Profit net of tax, representing total comprehensive income for the year		181,530,021	127,806,624	8,884,086	90,087,341
Earnings per share attributable to owners of the Company (sen):					
Basic	12 (a)	46.98	33.08		
Diluted	12 (b)	44.84	33.08		

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Assets					
Non-current assets					
Property, plant and equipment	13	151,123,032	145,262,070	2	157
Land held for property development	14	625,432,311	580,601,935	-	-
Investment properties	16	421,826,426	430,266,449	-	-
Investments in subsidiaries	17	-	-	83,648,955	83,648,955
Deferred tax assets	25	2,152,517	9,065,609	-	-
		1,200,534,286	1,165,196,063	83,648,957	83,649,112
Current assets					
Property development costs	15	239,171,290	269,119,877	-	-
Inventories	18	96,227,565	69,482,381	-	-
Trade and other receivables	19	136,689,773	62,196,831	354,280,530	345,311,696
Other current assets	20	23,423,859	15,708,968	1,061	850
Cash and bank balances	21	105,831,617	44,875,923	252,917	1,366,509
Tax recoverable		34,443	89,751	-	-
		601,378,547	461,473,731	354,534,508	346,679,055
Total assets		1,801,912,833	1,626,669,794	438,183,465	430,328,167
Equity and liabilities					
Current liabilities					
Loans and borrowings	22	59,830,049	80,348,459	-	-
Trade and other payables	23	112,199,833	116,086,656	859,930	1,867,849
Other current liabilities	24	67,571,524	38,480,045	-	-
Current tax payable		15,071,824	14,686,744	415,650	436,519
		254,673,230	249,601,904	1,275,580	2,304,368
Net current assets		346,705,317	211,871,827	353,258,928	344,374,687

STATEMENTS OF FINANCIAL POSITION *(Cont'd)*
AS AT 31 DECEMBER 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Non-current liabilities					
Loans and borrowings	22	130,718,137	149,631,680	-	-
Other payables	23	99,898,836	98,932,528	-	-
Deferred tax liabilities	25	27,316,507	20,917,245	-	-
		257,933,480	269,481,453	-	-
Total liabilities		512,606,710	519,083,357	1,275,580	2,304,368
Net assets		1,289,306,123	1,107,586,437	436,907,885	428,023,799
Equity attributable to equity holders of the Company					
Share capital	26	195,273,744	195,273,744	195,273,744	195,273,744
Share premium	26	28,868,900	28,868,900	28,868,900	28,868,900
Treasury shares	26	(4,383,725)	(4,383,725)	(4,383,725)	(4,383,725)
Warrants reserve	26	18,764,150	18,764,150	18,764,150	18,764,150
Revaluation reserve	27	17,420,142	17,778,354	-	-
Retained earnings	28	1,033,362,912	851,285,014	198,384,816	189,500,730
Total equity		1,289,306,123	1,107,586,437	436,907,885	428,023,799
Total equity and liabilities		1,801,912,833	1,626,669,794	438,183,465	430,328,167

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 2013

	<--------------	Non-Distributable	--------------	-------------->		Distributable	
	Share capital (Note 26) RM	Warrants reserve (Note 26) RM	Share premium (Note 26) RM	Treasury shares (Note 26) RM	Revaluation reserve (Note 27) RM	Retained earnings (Note 28) RM	Total equity RM
At 1 January 2012	195,273,744	18,764,150	28,868,900	(4,383,725)	18,435,180	722,821,564	979,779,813
Revaluation surplus realised	-	-	-	-	(656,826)	656,826	-
Profit net of tax, representing total comprehensive income for the year	-	-	-	-	-	127,806,624	127,806,624
At 31 December 2012	195,273,744	18,764,150	28,868,900	(4,383,725)	17,778,354	851,285,014	1,107,586,437
At 1 January 2013	195,273,744	18,764,150	28,868,900	(4,383,725)	17,778,354	851,285,014	1,107,586,437
Revaluation surplus realised	-	-	-	-	(547,877)	547,877	-
Reversal of deferred tax arising from change in tax rate	-	-	-	-	189,665	-	189,665
Profit net of tax, representing total comprehensive income for the year	-	-	-	-	-	181,530,021	181,530,021
At 31 December 2013	195,273,744	18,764,150	28,868,900	(4,383,725)	17,420,142	1,033,362,912	1,289,306,123

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

COMPANY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

		<-------- Non-Distributable		------->	Distributable	
	Share capital (Note 26) RM	Warrants reserve (Note 26) RM	Share premium (Note 26) RM	Treasury shares (Note 26) RM	Retained earnings (Note 28) RM	Total equity RM
At 1 January 2012	195,273,744	18,764,150	28,868,900	(4,383,725)	99,413,389	337,936,458
Profit net of tax, representing total comprehensive income for the year	-	-	-	-	90,087,341	90,087,341
At 31 December 2012	195,273,744	18,764,150	28,868,900	(4,383,725)	189,500,730	428,023,799
At 1 January 2013	195,273,744	18,764,150	28,868,900	(4,383,725)	189,500,730	428,023,799
Profit net of tax, representing total comprehensive income for the year	-	-	-	-	8,884,086	8,884,086
At 31 December 2013	195,273,744	18,764,150	28,868,900	(4,383,725)	198,384,816	436,907,885

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

STATEMENTS OF CASH FLOW

For the financial year ended 31 December 2013

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash flows from operating activities				
Profit before taxation	255,448,660	173,017,242	10,248,322	91,724,343
Adjustments for :				
Interest income	(1,927,702)	(1,144,122)	(5,204,905)	(6,501,940)
Interest expense	9,051,980	11,103,754	39,727	10,018
Depreciation of property, plant and equipment	10,624,600	3,794,162	155	1,335
Cost of investment properties overprovided in previous year	-	2,150	-	-
Fair value adjustments of investment properties	(7,809,188)	(2,521,649)	-	-
Property, plant and equipment written off	1,166	31	-	-
Loss/(Gain) on disposal of property, plant and equipment	161,250	(5,997)	-	-
Gain from compulsory acquisition of land	(254,382)	-	-	-
Operating profit before working capital changes	265,296,384	184,245,571	5,083,299	85,233,756
Property development costs	(45,060,128)	(109,987,534)	-	-
Inventories	66,038,099	78,492,413	-	-
Trade and other receivables	(82,207,833)	(170,735)	(8,969,045)	(27,346,957)
Trade and other payables	26,170,964	79,310,052	(1,007,919)	(61,895,699)
Cash generated from/(used in) operations	230,237,486	231,889,767	(4,893,665)	(4,008,900)
Interest paid	(9,051,980)	(11,103,754)	(39,727)	(10,018)
Taxes paid	(59,976,232)	(29,115,528)	(1,385,105)	(1,201,882)
Net cash generated from/(used in) operating activities	161,209,274	191,670,485	(6,318,497)	(5,220,800)

STATEMENTS OF CASH FLOW *(Cont'd)*
For the financial year ended 31 December 2013

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Cash flows from investing activities				
Development expenditure on land held for property development	(45,030,372)	(94,223,518)	-	-
Development expenditure on investment properties	(3,281,790)	(1,627,830)	-	-
Purchase of property, plant and equipment	(14,806,465)	(55,476,673)	-	-
Proceeds from disposal of property, plant and equipment	15,500	6,000	-	-
Interest received	1,927,702	1,144,122	5,204,905	6,501,940
Proceeds from compulsory acquisition	353,798	-	-	-
Net cash (used in)/generated from investing activities	(60,821,627)	(150,177,899)	5,204,905	6,501,940
Cash flows from financing activities				
Repayment of term loans	(33,329,043)	(12,771,764)	-	-
Repayment of finance lease	(86,481)	(458,361)	-	-
Repayment of revolving credit	(5,184,000)	(2,592,000)	-	-
Repayment of bankers' acceptances	(31,900,000)	(59,972,000)	-	-
Drawdown of bankers' acceptances	31,200,000	65,640,000	-	-
Net cash used in financing activities	(39,299,524)	(10,154,125)	-	-
Net increase/(decrease) in cash and cash equivalents	61,088,123	31,338,461	(1,113,592)	1,281,140
Cash and cash equivalents at beginning of financial year	30,751,293	(587,168)	1,366,509	85,369
Cash and cash equivalents at end of financial year (Note 21)	91,839,416	30,751,293	252,917	1,366,509

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 2013

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 described in Note 17 to the financial statements. 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 ("FRS") 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 2013 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 as disclosed in the accounting policies below.

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 2013, the Group and the Company adopted the following new and amended FRS and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2013.

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
FRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
FRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013

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

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

Description	**Effective for annual periods beginning on or after**
FRS 128 Investment in Associate and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to FRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to FRS 1: Government Loans	1 January 2013
Amendments to FRS 10, FRS 11 and FRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

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

FRS 12 Disclosures of interests in Other Entities

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

FRS 13 Fair Value Measurement

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS. FRS 13 defines fair value as an exit price. As a result of the guidance in FRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. FRS 13 also requires additional disclosures.

Application of FRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

FRS 127 Separate Financial Statements

As a consequence of the new FRS 10 and FRS 12, FRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

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

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities	1 January 2014
Amendments to FRS 136: Recoverable Amount Disclosure for Non-Financial Liabilities	1 January 2014
Amendments to FRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to FRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to FRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to FRSs 2011-2013 Cycle	1 July 2014
FRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
FRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
FRS 9 Financial Instruments: Hedge Accounting and amendments to FRS 9, FRS 7 and FRS 139	To be announced

The directors expect that the adoption of the above standards and interpretation will have no material impact on the financial statements in the period of initial application except as discussed below:

FRS 9 Financial Instruments

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. The adoption of the first phase of FRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Malaysian Financial Reporting Standards (MFRS Framework)

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpreciation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities are allowed to defer the adoption of the new MFRS Framework and may in the alternative, apply Financial Reporting Standards (FRS) as its financial reporting framework for annual periods beginning on or after 1 January 2014.

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

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

The Group falls within the scope definition of Transitioning Entities and has opted to defer adoption of the new MFRS Framework. Accordingly, the Group will present its first set of MFRS financial statements when the MFRS Framework is mandated by the MASB. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2013 could be different if prepared under the MFRS Framework.

2.4 Current versus non-current classification

Assets and liabilities in the statements of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

2.5 Fair value measurement *(Cont'd)*

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.6 Foreign currency

(a) Functional and presentation currency
The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

(b) Foreign currency transactions
Transactions in foreign currencies are initially translated to the respective functional currencies of the Company and its subsidiaries at the exchange rates at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at reporting date are translated at the rate of exchange ruling at that date and the exchange differences arising from the translation are recognised in profit or loss. Exchange differences arising on the settlement of monetary items are also recognised in profit or loss except for exchange differences arising on items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

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

2.6 Foreign currency *(Cont'd)*

(b) Foreign currency transactions *(Cont'd)*
Non-monetary items denominated in foreign currencies recorded at historical cost or fair value could be remeasured. The remeasurement may result in gains and losses and translation differences. The treatment to be accorded to the translation differences shall be in line with whether the gains or losses arising from remeasurement are recognised in profit or loss or in equity.

2.7 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 for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Business combinations involving entities under common control are accounted for by applying the merger method under the MASB Standard No. 21 - Business Combinations. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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

2.7 Basis of consolidation *(Cont'd)*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate FRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

2.8 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

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

2.9 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. Buildings-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 equipment	10% to 20%
Renovation	10%
Sales office	10%
Site office	10%
Signboard	10%
Furniture and fittings	5% to 10%
Hotel equipment	20%
Food and beverage equipment	20%

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.

2.10 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.

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

2.10 Investment properties (Cont'd)

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 2.9 up to the date of change in use.

2.11 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.

(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.

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

2.12 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.

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.

2.13 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.

Inventories of foods, beverages and general store supplies are stated at lower of cost and net realisable value. Cost is determined using the first-in-first-out basis method. Cost comprises the cost of purchase plus the cost of bringing the inventories to its present condition.

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.

2.14 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.

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

2.14 Financial assets *(Cont'd)*

Loans and receivables

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.

2.15 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.

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

2.16 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.

2.17 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 statements 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.

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.

2.18 Borrowing costs

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.

2.19 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.

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

2.19 Income taxes *(Cont'd)*

(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.

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.

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.

2.20 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)*

2.21 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.

2.22 Leases

(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 2.23(d).

2.23 Revenue recognition

Revenue is recognised to the extent 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 sale of development properties is recognised on the "percentage of completion" method as described in Note 2.11(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)*

2.23 Revenue recognition ***(Cont'd)***

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

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

(e) Services
Revenue from parking management is recognised as and when the services are rendered.

(f) Management fees
Management fees are recognised when services are rendered.

(g) Sale of land/goods
Revenue relating to sale of land/goods is recognised upon the transfer of risks and rewards. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(h) Hotel and food & beverage revenue
Hotel and food & beverage revenue represents the invoiced value of charges derived from the hotel and cafeteria operations less trade discounts.

(i) Car park income
Car park income is recognised upon receipt of cash.

(j) Construction contracts
Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.24.

2.24 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

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

2.25 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.

2.26 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.

2.27 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.

2.28 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 statement of financial position of the Group.

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.

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(Cont'd)*

(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 and buildings-in-progress, 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 loans and receivables at the reporting date is disclosed in Note 19.

(iv) Deferred tax assets

Deferred tax assets are recognised for provision for foreseeable loss to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total recognised provision for foreseeable loss of the Group were RM6,752,390 (2012 : RM6,888,250).

(v) Estimates and assumptions

The Company carries its investment properties at fair value, with changes in fair values being recognised in the profit or loss. An independent valuation specialists was engaged to determine fair value as at 31 December 2013 based on investment method or open market method.

The determined fair value of the investment properties is most sensitive to the estimated yield adjustments. The key assumptions used to determine the fair value of the investment properties, are further explained in Note 33.

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(Cont'd)*

(b) Key sources of estimation uncertainty *(Cont'd)*

(vi) Provision for foreseeable losses

The Group recognises a provision for foreseeable loss for affordable houses as required under FRSIC Consensus 17 Development of Affordable Housing. The provision for foreseeable loss for affordable houses represents the shortfall between the cost of constructing affordable housing and the economic benefits expected to be received from the purchasers of affordable housing in the development of affordable housing on involuntary basis. This provision is capitalised in the form of common costs for development of premium housing based on the master and building plans approved.

In determining the provision for foreseeable loss for affordable houses, judgements and assumptions are made by the Group on the structure and construction costs in constructing the affordable houses. In making those judgements, the Group evaluates the provisions based on past experience and by relying on the work of specialists.

4. REVENUE

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Sales of development properties	520,339,450	315,062,970	-	-
Construction contract	22,226,940	-	-	-
Compensation sum from compulsory acquisition	353,798	-	-	-
Rental income from investment properties	71,812,578	56,595,886	-	-
Hotel and food and beverage	62,796,096	28,767,148	-	-
Carpark operations	2,448,470	2,337,845	-	-
Dividend income from subsidiaries	-	-	5,000,000	85,297,500
Management fees from subsidiaries	-	-	5,355,000	1,904,800
Other trade sales	26,208	105,785	-	-
	680,003,540	402,869,634	10,355,000	87,202,300

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

5. COST OF SALES

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Property development costs (Note 15)	204,679,403	124,739,241	-	-
Cost of inventories sold	42,033,123	8,906,075	-	-
Cost for compulsory acquisition of land	99,416	-	-	-
Construction cost	27,896,293	-	-	-
Post construction cost	37,377	59,764	-	-
Cost of running hotel and food & beverage	22,691,643	12,208,665	-	-
Cost of running investment properties	12,450,640	14,205,021	-	-
Other trade cost	72,072	282,155	-	-
	309,959,967	160,400,921	-	-

6. OTHER INCOME

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Interest income (Note 8)	1,927,702	1,144,122	5,204,905	6,501,940
Other rental income (Note 8)	3,941,039	3,704,271	-	-
Sundry income	1,474,521	3,648,286	-	-
Fair value adjustments of investment properties (Note 8 and Note 16)	7,809,188	2,521,649	-	-
	15,152,450	11,018,328	5,204,905	6,501,940

7. FINANCE COSTS

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Interest expense on (Note 8):				
Bank borrowings	1,512,011	3,101,882	-	-
Finance lease	996	15,103	-	-
Others	6,580	-	-	-
Term loans	7,532,393	7,986,769	-	-
Intercompanies loan	-	-	39,727	10,018
Bank charges	983,979	420,581	2,495	2,473
	10,035,959	11,524,335	42,222	12,491

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

8. PROFIT BEFORE TAX

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Profit before tax is stated after charging/(crediting) :				
Employee benefits expense (Note 9)	65,310,929	44,530,748	4,968,997	1,680,799
Non-executive directors' remuneration (Note 10)				
- Fee	90,000	90,000	90,000	90,000
- Other emoluments	18,000	17,000	18,000	17,000
Auditors' remuneration:				
- Statutory audits	221,000	164,000	23,000	21,000
- Other services	80,500	88,000	12,500	9,000
Direct operating expenses of investment properties :				
- revenue generating during the year	13,037,254	14,766,095	-	-
- non-revenue generating during the year	722	-	-	-
Depreciation of property, plant and equipment (Note 13)	10,624,600	3,794,162	155	1,335
Fair value adjustments of investment properties (Note 6 and Note 16)	(7,809,188)	(2,521,649)	-	-
Rental of machinery	1,566	6,582	-	-
Other rental income (Note 6)	(3,941,039)	(3,704,271)	-	-
Management fee received from subsidiaries	-	-	(5,355,000)	(1,904,800)
Interest income (Note 6)	(1,927,702)	(1,144,122)	(5,204,905)	(6,501,940)
Interest expenses (Note 7)	9,051,980	11,103,754	39,727	10,018
Loss/(Gain) on disposal of property, plant and equipment	161,250	(5,997)	-	-
Property, plant and equipment written off	1,166	31	-	-

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Wages and salaries	54,546,078	38,709,653	4,188,000	1,498,500
Social security contributions	274,396	212,735	2,833	2,479
Contributions to defined contribution plan	7,331,275	4,130,315	778,164	179,820
Other staff related expenses	3,159,180	1,478,045	-	-
	65,310,929	44,530,748	4,968,997	1,680,799

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM34,437,465 (2012 : RM22,551,839) and RM4,968,997 (2012 : RM1,680,799) respectively as further disclosed in Note 10.

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

10. DIRECTORS' REMUNERATION

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Executive directors' remuneration (Note 9):				
Other emoluments				
- Directors of the Company	24,372,185	12,604,131	4,968,997	1,680,799
- Directors of subsidiaries	10,065,280	9,947,708	-	-
	34,437,465	22,551,839	4,968,997	1,680,799
Non-executive directors' remuneration (Note 8)				
Fees	90,000	90,000	90,000	90,000
Other emoluments	18,000	17,000	18,000	17,000
	108,000	107,000	108,000	107,000
Total directors' remuneration	34,545,465	22,658,839	5,076,997	1,787,799

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Executive:				
Salaries and other emoluments	10,504,500	4,396,440	3,117,900	1,253,300
Bonus	9,988,700	6,854,990	1,070,100	245,200
Social security contributions	2,833	2,479	2,833	2,479
Contributions to defined contribution plan	3,876,152	1,350,222	778,164	179,820
	24,372,185	12,604,131	4,968,997	1,680,799
Non-executive :				
Fees	90,000	90,000	90,000	90,000
Other emoluments	18,000	17,000	18,000	17,000
	108,000	107,000	108,000	107,000
	24,480,185	12,711,131	5,076,997	1,787,799

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

	Number of Directors	
	2013	2012
Executive directors:		
RM250,001 - RM300,000	1	1
RM4,050,001 - RM4,100,000	-	2
RM4,200,001 - RM4,250,000	-	1
RM7,900,001 - RM7,950,000	2	-
RM8,200,001 - RM8,250,000	1	-
Non-executive directors:		
Below RM50,000	3	3

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

11. INCOME TAX EXPENSES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current income tax:				
Malaysian income tax	60,204,070	41,327,006	1,354,000	1,637,000
Under/(over)provision in prior years:				
Malaysian income tax	212,550	(1,015,789)	10,236	2
	60,416,620	40,311,217	1,364,236	1,637,002
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	6,672,641	4,137,722	-	-
Deferred tax recognised at different tax rate	(2,868,781)	-	-	-
Deferred tax recognised relating to changes in real property gain tax (RPGT) rate	10,036,248	-	-	-
(Over)/underprovision in prior years	(338,089)	761,679	-	-
	13,502,019	4,899,401	-	-
Total income tax expense	73,918,639	45,210,618	1,364,236	1,637,002

Domestic income tax is calculated at the Malaysian statutory rate of 25% (2012 : 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016. The computation of deferred tax as at 31 December 2013 has reflected these changes.

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

11. INCOME TAX EXPENSES *(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 :

	2013 RM	2012 RM
Group		
Profit before taxation	255,448,660	173,017,242
Taxation at Malaysian statutory tax rate of 25% (2012 : 25%)	63,862,165	43,254,311
Income not subject to tax	(28,538)	(758,473)
Deferred tax recognised at different tax rate	(2,868,781)	-
Deferred tax recognised relating to changes in real property gain tax (RPGT) rate	10,036,248	-
Expenses not deductible for tax purposes	3,241,404	2,898,414
Deferred tax assets not recognised during the year	-	1,945
Deferred tax assets not recognised on unutilised business losses	7,524	68,531
Utilisation of previously unrecognised tax losses	(205,844)	-
Under/(over)provision of income tax expense in prior years	212,550	(1,015,789)
(Over)/underprovision of deferred tax in prior years	(338,089)	761,679
Tax expense for the year	73,918,639	45,210,618
Company		
Profit before taxation	10,248,322	91,724,343
Taxation at Malaysian statutory tax rate of 25% (2012 : 25%)	2,562,081	22,931,086
Income not subject to tax	(1,250,000)	(21,324,375)
Expenses not deductible for tax purposes	41,919	30,289
Underprovision of income tax expense in prior years	10,236	2
Tax expense for the year	1,364,236	1,637,002

12. EARNINGS PER SHARE

(a) Basic

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.

The following tables reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	2013	2012
Profit net of tax attributable to the owners of the Company (RM)	181,530,021	127,806,624
Weighted average number of ordinary share in issue	386,406,087	386,406,087
Basic earnings per share (sen)	46.98	33.08

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

12. EARNINGS PER SHARE *(Cont'd)*

(b) Diluted

Diluted earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2013	2012
Profit net of tax attributable to the owners of the Company (RM)	181,530,021	127,806,624
	Number of shares	**Number of shares**
Weighted average number of ordinary shares for basic earnings per share computation	386,406,087	386,406,087
Effects of dilution:		
- Unexercised warrants	18,440,998	-
Weighted average number of ordinary shares for diluted earnings per share computation	404,847,085	386,406,087
Diluted earnings per share (sen)	44.84	33.08

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and building RM	Freehold land and building in progress RM	Plant and machinery RM	Motor vehicles RM	*Other property, plant and equipment RM	Total RM
At 31 December 2013						
Cost						
At 1 January 2013	4,368,886	123,893,243	1,913,020	8,287,530	20,247,014	158,709,693
Additions	-	8,087,899	1,837,100	1,864,384	3,017,082	14,806,465
Disposal	-	-	-	(1,108,387)	-	(1,108,387)
Transfer from investment properties (Note 16)	-	1,857,013	-	-	-	1,857,013
Written off	-	-	-	(54,850)	(25,731)	(80,581)
Reclassification	131,981,142	(131,981,142)	-	-	-	-
At 31 December 2013	136,350,028	1,857,013	3,750,120	8,988,677	23,238,365	174,184,203
Accumulated depreciation						
At 1 January 2013	1,926,762	-	1,195,010	4,361,443	5,964,408	13,447,623
Depreciation charge for the year (Note 8)	5,945,913	-	288,914	1,194,586	3,195,187	10,624,600
Disposal	-	-	-	(931,637)	-	(931,637)
Written off	-	-	-	(54,845)	(24,570)	(79,415)
At 31 December 2013	7,872,675	-	1,483,924	4,569,547	9,135,025	23,061,171
Net carrying amount	128,477,353	1,857,013	2,266,196	4,419,130	14,103,340	151,123,032

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

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

Group	Freehold land and building RM	Freehold land and building in progress RM	Plant and machinery RM	Motor vehicles RM	*Other property, plant and equipment RM	Total RM
At 31 December 2012						
Cost						
At 1 January 2012	4,368,886	84,120,571	1,917,915	7,263,596	6,202,015	103,872,983
Additions	-	39,772,672	67,595	1,540,308	14,096,098	55,476,673
Disposal	-	-	-	(509,399)	-	(509,399)
Written off	-	-	(72,490)	(6,975)	(51,099)	(130,564)
At 31 December 2012	4,368,886	123,893,243	1,913,020	8,287,530	20,247,014	158,709,693
Accumulated depreciation						
At 1 January 2012	1,902,766	-	1,096,772	4,147,081	3,146,771	10,293,390
Depreciation charge for the year (Note 8)	23,996	-	170,722	730,731	2,868,713	3,794,162
Disposal	-	-	-	(509,396)	-	(509,396)
Written off	-	-	(72,484)	(6,973)	(51,076)	(130,533)
At 31 December 2012	1,926,762	-	1,195,010	4,361,443	5,964,408	13,447,623
Net carrying amount	2,442,124	123,893,243	718,010	3,926,087	14,282,606	145,262,070

Company	Signboard 2013 RM	Signboard 2012 RM
Cost		
At 1 January/31 December	27,853	27,853
Accumulated depreciation		
At 1 January	27,696	26,361
Depreciation charge for the year (Note 8)	155	1,335
At 31 December	27,851	27,696
Net carrying amount	2	157

* Other property, plant and equipment comprise office equipment, tele-communication equipment, renovation, sales office, site office, signboard, furniture and fittings, hotel equipment and food and beverage equipment.

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

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

(a) Included in property, plant and equipment of the Group are fully depreciated assets which are still in use costing RM4,535,726 (2012 : RM3,002,088).

(b) During the financial year, the cash outflow on acquisition of property, plant and equipment amounted to RM14,806,465 (2012 : RM55,476,673).

The carrying amount of plant and equipment held under finance leases at the prior year reporting date was RM350,000.

Leased assets were pledged as security for the related finance lease liabilities (Note 22).

14. LAND HELD FOR PROPERTY DEVELOPMENT

Group	**2013 RM**	**2012 RM**
Cost		
At 1 January	580,601,935	555,459,953
Additions	45,030,372	94,223,518
Disposal	(99,416)	-
Transfer from investment properties (Note 16)	8,717,000	-
Transfer to property development costs		
- Land and development costs (Note 15)	(8,555,941)	(73,699,801)
- Provision for foreseeable loss (Note 15)	(512,877)	-
Transfer from property development costs (Note 15)	251,238	4,618,265
At 31 December	625,432,311	580,601,935
Carrying amount at 31 December 2013/2012 consisting of:		
At cost	571,808,663	526,034,896
At surrogate cost	53,623,648	54,567,039
	625,432,311	580,601,935

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 .

Freehold land of the Group with the carrying values of RM173,264,073 (2012 : RM177,799,187) are pledged as securities for loans and borrowings (Note 22).

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

15. PROPERTY DEVELOPMENT COSTS

Group	2013 RM	2012 RM
Cumulative property development costs at 1 January :		
Freehold land	112,917,401	69,723,359
Development costs	280,360,047	188,441,581
	393,277,448	258,164,940
Costs incurred during the year :		
Land costs	-	51,701,289
Development costs	213,479,954	121,455,234
	606,757,402	431,321,463
Provision for foreseeable losses of affordable housing		
At 1 January as previously stated	5,134,397	1,341,209
Addition during the year	-	4,122,239
Transfer from land held for property development (Note 14)	512,877	-
Recognised during the year	(280,135)	(329,051)
At 31 December	5,367,139	5,134,397
Transfers to inventories	(92,783,283)	(107,125,551)
Transfers to land held for property development (Note 14)	(251,238)	(4,618,265)
Transfers from investment properties (Note 16)	8,956,988	-
Transfers from land held for property development (Note 14)	8,555,941	73,699,801
	(75,521,592)	(38,044,015)
Cumulative costs recognised in profit or loss:		
At 1 January	(129,291,968)	(74,991,179)
Recognised during the year (Note 5)	(204,679,403)	(124,739,241)
Reversal of costs previously recognised in profit or loss upon completion	36,539,712	70,438,452
At 31 December	(297,431,659)	(129,291,968)
Property development costs at 31 December	239,171,290	269,119,877

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

	2013 RM	2012 RM
Interest expenses	508,137	636,626
Rental of machinery	4,450,184	2,622,755

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

16. INVESTMENT PROPERTIES

	Group	
	2013 RM	**2012 RM**
At valuation		
At 1 January	430,266,449	426,119,120
Additions	3,281,790	1,627,830
Cost overprovided in prior year	-	(2,150)
Transfer to property, plant and equipment (Note 13)	(1,857,013)	-
Transfer to land held for property development (Note 14)	(8,717,000)	-
Transfer to property development cost (Note 15)	(8,956,988)	-
Fair value adjustments (Note 6)	7,809,188	2,521,649
	421,826,426	430,266,449

Statement of comprehensive income

	2013 RM	**2012 RM**
Rental income derived from investment properties	71,992,578	56,715,885
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	(13,037,254)	(14,766,095)
- Non-rental generating properties	(722)	-
Profit arising from invesment properties carried at fair value	58,954,602	41,949,790

Investment properties with an aggregate carrying value of RM131,730,000 (2012 : RM131,530,000) are pledged as securities for loans and borrowings (Note 22).

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. and First Pacific Valuer Property Consultant Sdn. Bhd., both independent professional qualified valuers.The valuation model is in accordance with that recommended by the Malaysian Valuation Standard laid down by the Board of Valuers, Appraisers and Estate Agents, Malaysia.The valuation was based on the investment and comparison method.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair value hierarchy disclosures for invesment property have been provided in Note 33.

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

17. INVESTMENTS IN SUBSIDIARIES

	Company 2013 RM	Company 2012 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 2013 %	Equity interest held 2012 %	Principal activities
Held by the Company				
Bintang-Bintang Development Sdn. Bhd.	Malaysia	100	100	Property investment and development
Bintang-Bintang Enterprise Sdn. Bhd.	Malaysia	100	100	Property development
Clarion Housing Development Sdn. Bhd.	Malaysia	100	100	Property investment
Eversonic Sdn. Bhd.	Malaysia	100	100	Property development
Exportex Sdn. Bhd.	Malaysia	100	100	Property development
Goodpark Development Sdn. Bhd.	Malaysia	100	100	Property development
Harapan Terang Sdn. Bhd.	Malaysia	100	100	Property development
Harapan Terang Properties Sdn. Bhd.	Malaysia	100	100	Property development
Harapan Terang Realty Sdn. Bhd.	Malaysia	100	100	Property development
Khoo Soon Lee Realty Sdn. Bhd.	Malaysia	100	100	Property investment and development
KSL Properties Sdn. Bhd.	Malaysia	100	100	Property investment, development and hotel operations
KSL Properties Management Sdn. Bhd.	Malaysia	100	100	Car park operations and property management services
Prosper Plus Industry Sdn. Bhd.	Malaysia	100	100	Property investment development and hotel operations
Sejota Sdn. Berhad	Malaysia	100	100	Property development
Sering Cemerlang Sdn. Bhd.	Malaysia	100	100	Property investment and development
Sure Success Properties Sdn. Bhd.	Malaysia	100	100	Property investment
Tai Lik Development (Batu Anam) Sdn. Bhd.	Malaysia	100	100	Property development
Villa Bestari Sdn. Bhd.	Malaysia	100	100	Property management
Held through subsidiary:				
KSL Development Sdn. Bhd.*	Malaysia	100	100	Property investment, development and construction of buildings

* Subsidiary of Harapan Terang Sdn. Bhd.

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

18. INVENTORIES

	Group 2013 RM	Group 2012 RM
Cost		
Properties held for sale	95,597,755	68,909,889
Food and beverage	357,739	289,407
General and operating supplies	272,071	283,085
	96,227,565	69,482,381

19. TRADE AND OTHER RECEIVABLES

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Trade receivables	112,808,290	53,274,829	-	-
Other receivables				
Deposit for acquisition of land	15,944,145	1,735,594	-	-
Amount due from subsidiaries	-	-	354,280,530	345,311,540
Other deposits	2,453,839	1,764,642	-	-
Sundry receivables	5,483,499	5,421,766	-	156
	23,881,483	8,922,002	354,280,530	345,311,696
Total trade and other receivables	136,689,773	62,196,831	354,280,530	345,311,696
Add: Cash and bank balances (Note 21)	105,831,617	44,875,923	252,917	1,366,509
Total loans and receivables	242,521,390	107,072,754	354,533,447	346,678,205

(a) 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.

<u>Ageing analysis of trade receivables</u>

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

	2013 RM	2012 RM
Neither past due nor impaired	42,688,765	22,359,320
1 to 30 days past due not impaired	15,885,329	17,522,246
31 to 60 days past due not impaired	9,011,822	7,347,158
61 to 90 days past due not impaired	3,985,684	2,433,461
91 to 120 days past due not impaired	5,971,051	1,010,846
More than 121 days past due not impaired	35,265,639	2,601,798
	70,119,525	30,915,509
	112,808,290	53,274,829

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

19. TRADE AND OTHER RECEIVABLES *(Cont'd)*

(a) Trade receivables *(Cont'd)*

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 RM70,119,525 (2012 : RM30,915,509) that are past due at the reporting date but not impaired. The amounts are secured under housing loan at the reporting date or with lawyers as stakeholder deposit and land title will only be released upon full payment.

(b) Amount due from subsidiaries

The amount due from subsidiaries is unsecured, bears interest rate at 1.5% per annum and is repayable on demand.

20. OTHER CURRENT ASSETS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Accrued billings in respect of property development costs	22,677,537	15,063,192	-	-
Prepayments	746,322	645,776	1,061	850
	23,423,859	15,708,968	1,061	850
Construction contract costs incurred to date (Note 5)	27,896,293	-	-	-
Attributable profits	(5,669,353)	-	-	-
	22,226,940	-	-	-
Less: Progess billings (Note 4)	(22,226,940)	-	-	-
	-	-	-	-

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash on hand and at banks	105,831,617	31,369,203	252,917	866,509
Repurchase agreement	-	13,506,720	-	500,000
Cash and bank balances	105,831,617	44,875,923	252,917	1,366,509
Less: Bank overdrafts (Note 22)	(13,992,201)	(14,124,630)	-	-
Cash and cash equivalents	91,839,416	30,751,293	252,917	1,366,509

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

21. CASH AND CASH EQUIVALENTS *(Cont'd)*

Included in cash and bank balances of the Group is an amount of RM45,937,044 (2012 : RM23,655,256) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act 1966 and is restricted from use in other operations.

The interest rates of deposits at the prior year reporting date for the Group and the Company were 2.52% per annum and 2.85% per annum respectively.

The average maturities of deposits at the prior year reporting date for the Group and the Company were 2 days and 5 days respectively.

22. LOANS AND BORROWINGS

		Group	
	Maturity	**2013 RM**	**2012 RM**
Short term loans and borrowings			
Secured :			
Bank overdrafts (Note 21)	On demand	13,992,201	14,124,630
Bankers' acceptances	2014	5,400,000	5,150,000
Obligations under finance lease	2013	-	86,481
Revolving credit	2014	5,184,000	5,184,000
Term loans			
- RM loan at BLR - 2.00% per annum	2014	4,008,000	1,670,000
- RM loan at COF + 1.35% per annum	2014	7,312,500	29,250,000
- RM loan at COF + 1.25% per annum	2014	3,333,348	3,333,348
		39,230,049	58,798,459
Unsecured:			
Bankers' acceptances	2014	20,600,000	21,550,000
		59,830,049	80,348,459
Long term loans and borrowings			
Secured:			
Revolving credit	2015 - 2016	7,740,000	12,924,000
Term loans			
- RM loan at BLR - 2.00% per annum	2015 - 2018	14,656,000	18,330,000
- RM loan at COF + 1.35% per annum	2015 - 2019	72,794,425	79,516,620
- RM loan at COF + 1.25% per annum	2015 - 2025	35,527,712	38,861,060
		130,718,137	149,631,680
Total loans and borrowings			
Bank overdrafts		13,992,201	14,124,630
Bankers' acceptances		26,000,000	26,700,000
Obligations under finance lease		-	86,481
Revolving credit		12,924,000	18,108,000
Term loans		137,631,985	170,961,028
		190,548,186	229,980,139

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

22. LOANS AND BORROWINGS *(Cont'd)*

(a) The remaining maturities of the loans and borrowings as at 31 December 2013 are as follows:

	Group	
	2013 **RM**	**2012** **RM**
On demand or within one year	59,830,049	80,348,459
More than 1 year and less than 2 years	27,150,348	41,775,348
More than 2 years and less than 5 years	67,079,044	82,328,664
Later than 5 years	36,488,745	25,527,668
	190,548,186	229,980,139

As at the reporting date, base lending rate ("BLR") is 6.60% per annum (2012 : 6.60% per annum) and the cost of fund ("COF") is 3.35% - 3.73% per annum (2012 : 3.35% to 3.75% per annum).

Bank overdrafts

Bank overdrafts are denominated in RM, bear interest at 4.60% per annum (2012: 4.60% to 7.60% per annum) and are secured by a charge over a freehold land held for development (Note 14).

Bankers' acceptances

Bankers' acceptances bear interest at 3.21% to 4.01% per annum (2012: 3.04% to 3.99% per annum) and are secured by a charge over a freehold land held for development (Note 14), investment properties (Note 16) and corporate guarantee from the Company.

Obligations under finance lease

These obligations were secured by a charge over the leased assets (Note 13). The average discount rate implicit in the leases was 2.70% per annum in prior year.

Revolving credit

Revolving credit of the Group is secured by a charge over a freehold land held for development (Note 14), investment properties (Note 16) and corporate guarantee from the Company.

RM loan at BLR - 2.00% per annum

These loans are secured by a charge over freehold land held for development (Note 14) and corporate guarantee from the Company.

RM loan at COF + 1.35% per annum

This loan is secured by a charge over a freehold land held for development (Note 14), investment properties (Note 16) and corporate guarantee from the Company.

RM loan at COF + 1.25% per annum

This loan is secured by a charge over an investment property (Note 16) and corporate guarantee from the Company.

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

23. TRADE AND OTHER PAYABLES

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Current				
Trade payables				
Third parties	63,038,463	72,246,863	-	-
Other payables				
Amount due to subsidiaries	-	-	363,105	1,509,625
Other deposits	2,034,143	2,487,923	-	-
Accruals and provisions	28,826,809	21,329,225	444,762	325,546
Sundry payables	18,300,418	20,022,645	52,063	32,678
	49,161,370	43,839,793	859,930	1,867,849
	112,199,833	116,086,656	859,930	1,867,849
Non-current				
Other payables				
Deposit payable	21,115,428	19,631,477	-	-
Retention sum	869,054	1,386,697	-	-
Provision for foreseeable losses of affordable housing	77,914,354	77,914,354	-	-
	99,898,836	98,932,528	-	-
Total trade and other payables	212,098,669	215,019,184	859,930	1,867,849
Add: Loans and borrowings	190,548,186	229,980,139	-	-
Total financial liabilities carried at amortised cost	402,646,855	444,999,323	859,930	1,867,849

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

(b) **Sundry payables**
Sundry payables are non interest bearing and are repayable on demand.

(c) **Amount due to subsidiaries**
The amount due to subsidiaries is unsecured, bears interest rate of 1.5% per annum and is repayable on demand.

24. OTHER CURRENT LIABILITIES

	Group 2013 RM	Group 2012 RM
Progress billings in respect of property development costs	67,571,524	38,480,045

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

25. DEFERRED TAX (ASSETS)/LIABILITIES

	Group	
	2013 RM	**2012 RM**
At 1 January	11,851,636	6,952,235
Recognised in equity (Note 27)	(189,665)	-
Recognised in profit or loss (Note 11)	13,502,019	4,899,401
At 31 December	25,163,990	11,851,636
Presented as follows:		
Deferred tax assets	(2,152,517)	(9,065,609)
Deferred tax liabilities	27,316,507	20,917,245
	25,163,990	11,851,636

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

	As at 1 January 2013 RM	**Recognised in profit or loss RM**	**As at 31 December 2013 RM**
Deferred tax (assets)/liabilities of the Group:			
Provision for foreseeable loss	(6,888,250)	135,860	(6,752,390)
Revaluation reserve	7,292,980	(2,108,469)	5,184,511
Property, plant and equipment and Investment Properties	13,624,265	8,356,112	21,980,377
Others	(2,177,359)	6,928,851	4,751,492
	11,851,636	13,312,354	25,163,990

	As at 1 January 2012 RM	**Recognised in profit or loss RM**	**As at 31 December 2012 RM**
Deferred tax (assets)/liabilities of the Group:			
Provision for foreseeable loss	(6,786,250)	(102,000)	(6,888,250)
Revaluation reserve	7,324,522	(31,542)	7,292,980
Property, plant and equipment and Investment Properties	6,465,942	7,158,323	13,624,265
Others	(51,979)	(2,125,380)	(2,177,359)
	6,952,235	4,899,401	11,851,636

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

26. SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND WARRANTS RESERVE

Group and Company

	Number of Ordinary Shares of RM0.50 Each		<------------------------- Amount ------------------------->				
	Share Capital (Issued and Fully Paid)	Treasury Shares	Share Capital (Issued and Fully Paid) RM	Share Premium RM	Warrants Reserve RM	Total Share Capital and Share Premium RM	Treasury Shares RM
At 1 January 2012/ 31 December 2012	390,547,487	4,141,400	195,273,744	28,868,900	18,764,150	242,906,794	(4,383,725)
At 1 January 2013/ 31 December 2013	390,547,487	4,141,400	195,273,744	28,868,900	18,764,150	242,906,794	(4,383,725)

	Number of Ordinary Shares of RM0.50 Each		Amount	
	2013	2012	2013 RM	2012 RM
Authorised share capital				
At 1 January/31 December	1,000,000,000	1,000,000,000	500,000,000	500,000,000

Warrants 2011/2016

The main features of the Warrants are as follows :

(i) Each warrant will entitle its registered holder during the exercise period to subscribe for one new ordinary share at the exercise price, which has been fixed at RM1.60 per share, subject to adjustment in accordance with the provisions of the Deed Poll.

(ii) The warrants may be exercised at any time on or after 26 August 2011 until the end of the tenure of the Warrants. The tenure of the Warrants is for a period of five (5) years. The Warrants not exercised during the exercise period shall thereafter lapse and become void.

(iii) The new ordinary shares of RM0.50 each allotted pursuant to the exercise of the Warrants shall upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of the Company, except that they shall not be entitled to any dividends that may be declared in respect of the financial year prior to the date of allotment and issue of the new shares, nor shall they be entitled to any rights, allotments, distributions or such entitlements for which the record date is prior to the date of allotment and issuance of the new shares.

For the purpose hereof, record date means the date on which as at the close of business the shareholders or debenture holders of the Company must be registered in the register of members or Record of Depositors or the relevant register of debenture holders (as the case may be) in order to participate in such dividends, rights, allotments or other distributions.

The number of Warrants unexercised as at reporting date was 96,601,521.

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

26. SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND WARRANTS RESERVE *(Cont'd)*

Treasury shares

The shareholders of the Company, by an ordinary resolution passed in Annual General Meeting held on 28 June 2013, 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 (2012 : 390,547,487) issued and fully paid ordinary shares as at 31 December 2013, 4,141,400 (2012 : 4,141,400) were held as treasury shares by the Company. As at 31 December 2013, the number of ordinary shares in issue after the set off is therefore 386,406,087 (2012 : 386,406,087) ordinary shares of RM0.50 each.

27. REVALUATION RESERVE

Group	Revaluation reserve- Freehold land RM
At 1 January 2013	17,778,354
Realised revaluation reserve	(547,877)
Deferred tax recognised in equity (Note 25)	189,665
At 31 December 2013	17,420,142
At 1 January 2012	18,435,180
Realised revaluation reserve	(656,826)
At 31 December 2012	17,778,354

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 properties 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 adoption of FRS 140 in prior year.

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

28. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted 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 dividends 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.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2012, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM164,529,000 out of its retained earnings. The balance of the retained earnings as at 31 December 2012 and the entire retained earnings as at 31 December 2013 may be distributed as dividends under the single tier system.

29. COMMITMENTS

(a) Capital commitments

	Group	
	2013 RM	**2012 RM**
Approved and contracted for:		
Acquisition of land	56,534,504	15,620,343
Construction of investment properties and property, plant and equipment	-	17,625,693
	56,534,504	33,246,036

(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 :

	Group	
	2013 RM	**2012 RM**
Not later than 1 year	116,554,403	9,138,066
Later than 1 year but not later than 5 years	57,712,345	32,517,427
Later than 5 years	-	5,609,615
	174,266,748	47,265,108

Rental income from investment properties recognised in income statement of the Group during the financial year is disclosed in Note 4.

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

29. COMMITMENTS *(Cont'd)*

(c) Finance lease commitments

The Group has finance lease for motor vehicles. Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows :

	2013 RM	2012 RM
Minimum lease payment		
Not later than 1 year	-	87,477
Total future minimum lease payments	-	87,477
Less: Future finance charges	-	(996)
Present value of finance lease liabilities	-	86,481
Analysis of present value of finance lease liabilities:		
Not later than 1 year	-	86,481
	-	86,481
Less: Amount due within 12 months	-	(86,481)
Amount due after 12 months	-	-

30. CONTINGENT LIABILITY

In the previous financial year, legal action to recover claims in respect of mechanical and engineering consultancy services rendered of approximately RM3,500,000 has been filed against the Group. The Group has disputed these claims and pending for court decision in prior year.

During the current financial year, this legal case has been resolved and the court has ordered the Group to be liable for a judgement sum which amounted to RM3,927,112. However, the Group has applied for appeal for this case. The judgement sum has been deposited into a joint stakeholder fixed deposit account under both parties' solicitors name, pending the outcome of the appeal to the Court of Appeal.

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:

	2013 RM	2012 RM
Company		
Management fees received from subsidiaries	5,355,000	1,904,800
Loan interest received from subsidiaries	5,202,290	6,501,940
Loan interest paid to subsidiaries	39,727	10,018
Dividend received from subsidiaries	5,000,000	85,297,500
Group		
Rental received from :		
Bestari Bestmart Sdn. Bhd. (Note a)	1,602,000	1,512,000
Harapan Terang Motor Sdn. Bhd. (Note b)	20,400	20,400
Rental paid to :		
Bintang-Bintang Sdn. Bhd. (Note c)	510,000	150,000
Purchases from :		
Harapan Terang Motor Sdn. Bhd. (Note b)	84,071	44,245
Wawasan Batu-Bata Sdn. Bhd. (Note d)	9,798,360	5,284,230
Professional fee paid to related party, Y K Chin Advocate & Solicitors (Note e)	21,710	-

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 directors of certain subsidiary companies, Ku Wa Chong, Ku Keng Leong, Ku Ek Mei, Ku Keng Yaw have interest.
(d) In which Khoo Cheng Hai @ Ku Cheng Hai, Ku Hwa Seng, Ku Tien Sek and a director of certain subsidiary companies, Ku Wa Chong, Ku Keng Leong, Khoo Keng Ghiap, Ku Ek Mei, Khoo Lee Feng, Ku Keng Yaw have interest.
(e) In which the spouse of Ku Ek Mei has direct 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		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Short-term employee benefits	29,355,600	20,129,740	4,188,000	1,498,500
Post-employment benefits :				
Social security contributions	6,817	6,463	2,833	2,479
Defined contribution plan	5,075,048	2,415,636	778,164	179,820
	34,437,465	22,551,839	4,968,997	1,680,799

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

31. RELATED PARTY DISCLOSURES *(Cont'd)*

(b) Compensation of key management personnel *(Cont'd)*

Included in the total compensation of key management personnel are:

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Directors' remuneration	34,437,465	22,551,839	4,968,997	1,680,799

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

Interest risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's primary interest rate risk relates to interest-bearing debt. The Group monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or repurchase agreements which yield better returns than cash at bank. The Group does not use derivative financial instruments to hedge interest rate risk.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

<u>Sensitivity analysis for interest rate risk</u>
At the reporting date, if interest rates had been 30 basis points higher/lower, with all other variables held constant, the Group's profit before tax would have been RM466,000 (2012: RM581,000) 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 their 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 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.

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

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

(b) Liquidity risk *(Cont'd)*

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.

	2013			
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	114,634,194	19,550,121	77,914,354	212,098,669
Loans and borrowings	66,473,293	108,502,084	40,175,449	215,150,826
Total undiscounted financial liabilities	181,107,487	128,052,205	118,089,803	427,249,495

	2012			
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	116,086,656	21,018,174	77,914,354	215,019,184
Loans and borrowings	88,479,406	135,553,893	32,408,256	256,441,555
Total undiscounted financial liabilities	204,566,062	156,572,067	110,322,610	471,460,739

	2013			
Company	**On demand or within one year RM**	**One to five years RM**	**Over five years RM**	**Total RM**
Financial liabilities				
Trade and other payables, excluding financial guarantees, representing total undiscounted financial liabilities *	859,930	-	-	859,930

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

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

(b) Liquidity risk *(Cont'd)*

	<---------- 2012	----------	----------	---------->
Company	**On demand or within one year RM**	**One to five years RM**	**Over five years RM**	**Total RM**
Financial liabilities				
Trade and other payables, excluding financial guarantees, representing total undiscounted financial liabilities *	1,867,849	-	-	1,867,849

* 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.

(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.

<u>Exposure to credit risk</u>

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 statements of financial position.

- an amount of RM191,290,646 (2012 : RM248,400,276) relating to a corporate guarantee provided by the Company to banks for credit facilities granted to subsidiaries.

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

33. FAIR VALUE

(a) 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)	19
Trade and other payables (current)	23
Loans and borrowings (current)	22
Loans and borrowings (non-current)	22

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.

(b) Assets measured at fair value

The following table shows an analysis of the Group's and Company's assets measured at fair value at 31 December 2013:

	Group 2013 Fair value measurement at the end of the reporting year using			
	Quoted price in active markets for identical assets (Level 1)	Significant observable inputs other that quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Investment property (Note 16)				
- Commercial	-	75,926,426	345,900,00	421,826,426

Level 2 fair value measurements

The valuation of retail investment property is based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

Level 3 fair value measurements

i) Information about significant unobservable inputs used in Level 3 fair value measurements.

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

33. FAIR VALUE *(Cont'd)*

(b) Assets measured at fair value *(Cont'd)*

The following table shows the information about fair value measurements using significant unobservable inputs. (Level 3)

Description	Fair Value at 31 December 2013	Valuation techniques	Unobservable Inputs	Range (weighted average)
Recurring fair value measurements				
Investment properties : Commercial	345,900,000	Investment method	Yield adjustments	6% - 10% (8%)

For investment properties, the Group used the yield adjustments based on valuer's assumptions depending on nature, location or condition of the specific property.

Under the investment method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, maintenance cost and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by:

- A directionally similar change in rent growth per annum and discount rate (and exit yield)
- An opposite change in the long-term vacancy rate

This following table shows the impact on the Level 3 fair value measurement of assets and liabilities that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

	Group 2013 Effect of reasonably possible alternative assumptions	
	Carrying amount	Profit or loss
Recurring fair value measurements		
Investment property:		
Commercial	345,900,000	28,220,000

For investment properties, the Company used the yield adjustments based on valuer's assumptions by increasing and decreasing the adjustments by 1-3% depending on nature, location or condition of the specific property.

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

34. SEGMENT INFORMATION

For management purposes, the Group is organised into five 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 hotel;

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

(v) Car park operation - Car park management services

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.

2013	Property development RM	Property management RM	Property investment RM	Carpark operation RM	Investment holding RM	Eliminations RM	Consolidated RM
Revenue							
External sales							
- Sales of properties	542,946,396	-	-	-	-	-	542,946,396
- Rental income	-	-	71,812,578	-	-	-	71,812,578
- Hotel, food and beverage	-	-	62,796,096	-	-	-	62,796,096
- Carpark income	-	-	-	2,448,470	-	-	2,448,470
Inter-segment	-	-	120,000	-	10,355,000	(10,475,000)	-
	542,946,396	-	134,728,674	2,448,470	10,355,000	(10,475,000)	680,003,540
Other Income							
- Fair value adjustments	-	-	7,809,188	-	-	-	7,809,188
- Rental income	4,301,039	-	60,000	-	-	(420,000)	3,941,039
- Others	3,313,087	81,198	-	5,323	2,615	-	3,402,223
Inter-segment	1,490,196	-	-	15,671	5,202,290	(6,708,157)	-
	9,104,322	81,198	7,869,188	20,994	5,204,905	(7,128,157)	15,152,450
Results							
Segment results	157,727,775	76,082	107,121,814	1,976,561	10,290,544	(11,708,157)	265,484,619
Finance costs							(10,035,959)
							255,448,660
Income tax expense							(73,918,639)
Profit net of tax							181,530,021

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

34. SEGMENT INFORMATION *(Cont'd)*

2013	Property development RM	Property management RM	Property investment RM	Carpark operation RM	Investment holding RM	Eliminations RM	Consolidated RM
Assets							
Segment assets	1,478,711,650	10,353,503	427,933,580	777,942	438,183,465	(554,047,307)	1,801,912,833
Consolidated total assets							1,801,912,833
Liabilities							
Segment liabilities	958,737,286	10,388,655	11,917,395	673,466	1,275,580	(470,385,672)	512,606,710
Consolidated total liabilities							512,606,710
Other information							
Capital expenditure	4,770,325	-	10,034,660	1,480	-	-	14,806,465
Depreciation	1,771,478	-	8,852,930	37	155	-	10,624,600

2012	Property development RM	Property management RM	Property investment RM	Carpark operation RM	Investment holding RM	Eliminations RM	Consolidated RM
Revenue							
External sales							
- Sales of properties	315,168,755	-	-	-	-	-	315,168,755
- Rental income	-	-	56,595,886	-	-	-	56,595,886
- Hotel, food and beverage	-	-	28,767,148	-	-	-	28,767,148
- Carpark income	-	-	-	2,337,845	-	-	2,337,845
Inter-segment	-	-	989,806	-	87,202,300	(88,192,106)	-
	315,168,755	-	86,352,840	2,337,845	87,202,300	(88,192,106)	402,869,634
Other Income							
- Fair value adjustments	-	-	2,521,649	-	-	-	2,521,649
- Rental income	3,704,271	-	-	-	-	-	3,704,271
- Others	4,788,404	-	-	3,587	417	-	4,792,408
Inter-segment	1,297,626	-	300,000	-	6,501,523	(8,099,149)	-
	9,790,301	-	2,821,649	3,587	6,501,940	(8,099,149)	11,018,328
Results							
Segment results	121,786,842	(5,083)	62,208,043	1,911,590	91,736,834	(93,096,649)	184,541,577
Finance costs							(11,524,335)
							173,017,242
Income tax expense							(45,210,618)
Profit net of tax							127,806,624

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

34. SEGMENT INFORMATION *(Cont'd)*

2012	Property development RM	Property management RM	Property investment RM	Carpark operation RM	Investment holding RM	Eliminations RM	Consolidated RM
Assets							
Segment assets	1,070,509,687	4,795	555,489,382	819,563	430,328,167	(430,481,800)	1,626,669,794
Consolidated total assets							1,626,669,794
Liabilities							
Segment liabilities	836,657,889	37,561	26,708,408	195,296	2,304,368	(346,820,165)	519,083,357
Consolidated total liabilities							519,083,357
Other information							
Capital expenditure	2,786,675	-	52,689,998	-	-	-	55,476,673
Depreciation	1,178,436	-	2,614,391	-	1,335	-	3,794,162

35. 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 2013 and 31 December 2012.

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

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Loans and borrowings	22	190,548,186	229,980,139	-	-
Trade and other payables	23	212,098,669	215,019,184	859,930	1,867,849
Less:					
Cash and bank balances	21	(105,831,617)	(44,875,923)	(252,917)	(1,366,509)
Net debt		296,815,238	400,123,400	607,013	501,340
Equity		1,289,306,123	1,107,586,437	436,907,885	428,023,799
Total capital		1,289,306,123	1,107,586,437	436,907,885	428,023,799
Capital and net debt		1,586,121,361	1,507,709,837	437,514,898	428,525,139
Gearing ratio		18.71%	26.54%	0.14%	0.12%

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

36. SUBSEQUENT EVENT

On 7 January 2014, the Company has incorporated a subsidiary namely KSL Medini Development Sdn Bhd. The transfer of the three (3) subscribers' shares of RM1.00 each to the Company was completed.

37. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 24 April 2014.

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

38. 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 2013 and 2012 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		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Total retained profits of the Company and its subsidiaries:				
- Realised	953,875,335	760,351,419	198,384,816	189,500,730
- Unrealised	141,750,204	153,196,222	-	-
	1,095,625,539	913,547,641	198,384,816	189,500,730
Less: Consolidation adjustments	(62,262,627)	(62,262,627)	-	-
Retained profits as per financial statements	1,033,362,912	851,285,014	198,384,816	189,500,730

LIST OF MAJOR PROPERTIES HELD BY THE GROUP
As at 31 December 2013

No.	Lot No.	Description	Land Area (sq. ft.)	Existing Use	Tenure	Approximate Age (Year)	Net Book Value as at 31.12.2013 (RM)	Date of Last Revaluation or if none, Date of Acquisition
01.	PTB 22817 Mukim of Johor Bahru District of Johor Bahru Johor Darul Takzim	Commercial complex	295,515	KSL City Mall	Freehold	3	224,000,000	31.12.2013
02.	Lot 6412 & Lot 6415 Geran 24269 Mukim of Klang District of Klang Selangor Darul Ehsan	Development land approved for mixed development	16,001,984	Bandar Bestari	Freehold	-	177,902,556	01.11.2007
03.	Lot 2437 (CT 13581) Mukim of Tebrau District of Johor Bahru Johor Darul Takzim	Subdivided land under development	10,287,914	Taman Bestari Indah	Freehold	-	137,855,768	27.02.2002
04.	PTB 22817 Mukim of Johor Bahru District of Johor Bahru Johor Darul Takzim	Resort	295,515	KSL Resort	Freehold	1	126,059,225	21.03.2006
05.	Lot 3047 Grant 19318 Mukim of Kluang District of Kluang Johor Darul Takzim	Subdivided land under development	6,068,779	Taman Mengkibol	Freehold	-	72,387,218	12.11.2010
06.	Lot 6412 & Lot 6415 Geran 24269 Mukim of Klang District of Klang Selangor Darul Ehsan	Investment land approved for commercial lot	3,442,111	Bandar Bestari	Freehold	-	68,150,000	31.12.2013
07.	PTD 136166 (Partially) Mukim of Pulai District of Johor Bahru Johor Darul Takzim	Commercial complex	186,872	Giant Nusa Bestari	Freehold	5	65,500,000	30.12.2013
08.	PTD 84133 Mukim of Tebrau District of Johor Bahru Johor Darul Takzim	Subdivided land under development	3,503,975	Taman Kempas Indah	Freehold	-	57,036,535	16.08.2002
09.	Lot 6530 Mukim of Kesang District of Muar Johor Darul Takzim	Commercial complex	175,677	Giant Muar	Leasehold expired on 12.09.2098	7	56,400,000	30.12.2013
10.	HS(D) 258295 PTD 71065 HS(D) 257249 PTD 71047 Mukim of Pulai District of Johor Bahru Johor Darul Takzim	Subdivided land under development	802,637	Taman Nusa Bestari	Freehold	-	51,197,769	17.04.2003

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	:	RM195,277,118.50 (390,554,237 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 30 APRIL 2014

Size of Holdings	No. of Shareholders	No. of Shareholdings	Percentage of Shareholdings (%)
1 – 99	319	11,928	0.00
100 – 1,000	413	316,634	0.08
1,001 – 10,000	2,466	11,675,767	3.02
10,001 – 100,000	838	27,402,795	7.09
100,001 – 19,320,640 (*)	176	179,897,336	46.56
19,320,641 and above (**)	2	167,108,377	43.25
Total	**4,214**	**386,412,837 (***)**	**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 386,412,837 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 390,554,237 Ordinary Shares.*

DIRECTORS' SHAREHOLDINGS AS PER THE RECORD OF DEPOSITORS AS AT 30 APRIL 2014

No.	Directors	Direct Shareholdings No. of Shares	%	Indirect Shareholdings No. of Shares	%
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	-	-	-	-
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.*

ANALYSIS OF SHAREHOLDINGS *(Cont'd)*

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2014

No.	Substantial Shareholders	Direct Shareholdings No. of Shares	%	Indirect Shareholdings No. of Shares	%
1.	Premiere Sector Sdn. Bhd.	144,800,000	37.47	-	-
2.	Citigroup Nominees (Asing) Sdn Bhd	22,308,377	5.77	-	-
3.	Khoo Cheng Hai @ Ku Cheng Hai	18,184,667	4.71	146,266,666*	37.85
4.	Ku Hwa Seng	17,765,752	4.60	144,800,000**	37.47
5.	Ku Tien Sek	12,186,926	3.15	144,800,000**	37.47
6.	Ku Wa Chong	4,496,630	1.16	144,800,000**	37.47

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 30 APRIL 2014

No.	Name	No. of Shares	%
1.	Premiere Sector Sdn. Bhd.	144,800,000	37.47
2.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An For Citibank NA, Singapore (Julius Baer)	22,308,377	5.77
3.	Lembaga Tabung Haji	18,990,845	4.91
4.	Amanahraya Trustees Berhad Public Smallcap Fund	17,364,900	4.49
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.	Damai Motor Kredit Sdn. Bhd.	7,241,448	1.87
10.	Ku Hwa Seng	6,599,086	1.71
11.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (PHEIM)	4,742,600	1.23
12.	Strata Century Sdn. Bhd.	4,674,990	1.21
13.	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	3,897,100	1.01
14.	Ku Tien Sek	3,555,556	0.92
15.	Ku Wa Chong	3,339,912	0.86
16.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY For Dimensional Emerging Markets Value Fund	2,922,666	0.76
17.	Maybank Nominees (Tempatan) Sdn. Bhd. Etiqa Insurance Berhad (Life Non-Par FD)	2,723,000	0.70
18.	HSBC Nominees (Asing) Sdn. Bhd. BNY Brussels For Invesco Perpetual Global Smaller Companies Fund	2,527,900	0.65
19.	LTK (Melaka) Sdn. Bhd.	2,185,300	0.57

ANALYSIS OF SHAREHOLDINGS *(Cont'd)*

LIST OF TOP THIRTY (30) SHAREHOLDERS AS AT 30 APRIL 2014 *(Cont'd)*

No.	Name	No. of Shares	%
20.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For the Bank of New York Mellon	2,098,900	0.54
21.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY For DFA Emerging Markets Small Cap Series	2,006,466	0.52
22.	Maybank Nominees (Tempatan) Sdn. Bhd. Etiqa Insurance Berhad (Sharehldr's FD)	1,692,300	0.44
23.	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	1,518,700	0.39
24.	HSBC Nominees (Asing) Sdn. Bhd. BNYM SA/NV For Invesco Global Small Cap Equity Fund	1,478,700	0.38
25.	CIMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Khoo Keng Ghiap (Segamat – CL)	1,466,666	0.38
26.	Maybank Nominees (Tempatan) Sdn. Bhd. Etiqa Insurance Berhad (Life for Fund)	1,362,000	0.35
27.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt An For Royal Bank of Canada Singapore Branch – Clients A/C	1,329,600	0.34
28.	Citigroup Nominees (Asing) Sdn. Bhd. CIPLC For Pheim Sicav-Sif	1,290,000	0.33
29.	Ku Tien Sek	1,200,266	0.31
30.	Ku Wa Chong	1,156,718	0.30

ANALYSIS OF WARRANT HOLDINGS

No. of Warrants in issue	:	96,594,771
No. of Warrant Holders	:	1,086
Exercise Price of Warrants	:	RM1.60 per share
Voting Rights	:	One (1) Vote per warrant holder on show of hands One (1) Vote per warrant holder on a poll } in the meeting of warrant holders

ANALYSIS BY SIZE OF WARRANT HOLDINGS AS AT 30 APRIL 2014

Size of Warrant Holdings	No. of Warrant Holders	(%)	No. of Warrants	(%)
1 – 99	21	1.93	800	0.00
100 – 1,000	204	18.78	147,713	0.15
1,001 – 10,000	515	47.42	2,513,905	2.60
10,001 – 100,000	285	26.24	9,922,040	10.27
100,001 – 4,830,075 (*)	59	5.43	42,853,483	44.36
4,830,076 and above (**)	2	0.18	41,156,830	42.61
Total	**1,086**	**100.00**	**96,594,771**	**100.00**

Notes:
* *Less than 5% of Issued Holdings*
** *5% and above of Issued Holdings*

DIRECTORS' WARRANT HOLDINGS AS AT 30 APRIL 2014

		Direct Holdings		Indirect Holdings	
No.	**Directors**	**No. of Warrants**	**%**	**No. of Warrants**	**%**
1.	Khoo Cheng Hai @ Ku Cheng Hai	6,836,330	7.08	36,566,666*	37.85
2.	Ku Hwa Seng	6,390,571	6.62	36,200,000**	37.47
3.	Ku Tien Sek	5,801,876	6.00	36,200,000**	37.47
4.	Lee Chye Tee	-	-	-	-
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.*

ANALYSIS OF WARRANT HOLDINGS *(Cont'd)*

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS AS AT 30 APRIL 2014

No.	Name	No. of Warrants	% of Issued Warrants
1.	Premiere Sector Sdn. Bhd.	36,200,000	37.48
2.	Khoo Cheng Hai @ Ku Cheng Hai	4,956,830	5.13
3.	Ku Hwa Seng	4,615,800	4.78
4.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An For Citibank NA, Singapore (Julius Baer)	4,448,194	4.61
5.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt An For Royal Bank of Canada, Singapore Branch - Clients A/c	2,954,400	3.06
6.	Ku Tien Sek	2,384,100	2.47
7.	Amanahraya Trustees Berhad Public Far-East Property & Resorts Fund	2,254,750	2.33
8.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An For Credit Suisse (HK BR-TST-ASING)	2,100,500	2.17
9.	Khoo Cheng Hai @ Ku Cheng Hai	1,879,500	1.95
10	Ku Tien Sek	1,857,776	1.92
11.	Ku Hwa Seng	1,649,771	1.71
12.	Ku Tien Sek	1,560,000	1.61
13.	Maybank Securities Nominees (Asing) Sdn. Bhd. Maybank Kim Eng Securities Pte Ltd for CYL Investments Limited	1,345,300	1.39
14.	Strata Century Sdn. Bhd.	947,597	0.98
15.	RHB Nominees (Tempatan) Sdn. Bhd. Maybank Kim Eng Securities Pte. Ltd. for Sin Khuan Oi	900,000	0.93
16.	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	896,550	0.93
17.	CIMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chiew Chieng Siew (Kuching - CL)	878,600	0.91
18.	Ku Wa Chong	834,978	0.86
19.	Pang Kim Tong	712,900	0.74
20.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kong Kok Choy (8092812)	677,700	0.70
21.	Cartaban Nominees (Tempatan) Sdn. Bhd. Exempt An for Credit Industriel ET Commercial (AC Client MYR)	602,000	0.62
22.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yeoh Kok Keat	500,000	0.52
23.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teoh Ah Seng (CCTS)	487,000	0.50
24.	Lim Chian Peng	480,000	0.50
25.	Amanahraya Trustees Berhad Public Smallcap Fund	433,250	0.45
26.	Goh Cheah Hong	410,700	0.43
27.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Muhammad Muzhafar Bin Mohd Mukhtar	370,400	0.38
28.	CIMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Khoo Keng Ghiap (Segamat - CL)	366,666	0.38
29.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chiew Chieng Siew (E-PDG)	330,000	0.34
30.	HSBC Nominees (Asing) Sdn. Bhd. BNY Brussels for Invesco Perpetual Global Smaller Companies Fund	321,025	0.33

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
"Warrants"	:	96,594,771 Warrants in KSL, each warrant carrying a right to subscribe for one (1) share at RM1.60 in accordance with the terms and conditions as set out in the deed poll dated 14 July 2011
"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 21 May 2014, the Company announced that the approval granted by the shareholders at the Thirteenth AGM of KSL held on 28 June 2013 for the Company to purchase its own shares shall expire at the conclusion of the forthcoming Fourteenth AGM and that the Company proposed to seek a renewal of the approval from the shareholders at the forthcoming Fourteenth AGM to be held on 24 June 2014, 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 Fourteenth AGM to be held on 24 June 2014 and shall continue to be in force until:-

(i) the conclusion of the next AGM of the Company at which time it will 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 2013, the retained profits and share premium account of the Company amounted to RM198,384,816 and RM28,868,900 respectively. For information purposes, the latest unaudited retained profits and share premium account of the Company as at 31 March 2014 amounted to RM189,658,264 and RM28,877,675 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:-

5.1 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:-

[The remaining of this page is intentionally left blank]

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	390,554,237	195,277,119	390,554,237	195,277,119
Add:- Assuming full exercise of the Proposed Rights Issue of Warrants	-	-	96,594,771	48,297,385
	390,554,237	195,277,119	487,149,008	243,574,504
Less:- Shares purchased amounting to 10% of the issued and paid-up share capital pursuant to the Proposed Share Buy-Back	*(39,055,423)	*(19,527,711)	*(48,714,900)	*(24,357,450)
Upon completion of the Proposed Share Buy-Back	351,498,814	175,749,408	438,434,108	219,217,054

Note:-
1. *Assuming none of the Warrant is exercised prior to the Proposed Share Buy-Back.*
2. *Assuming all the Warrants are fully exercised into new KSL Shares 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 2 May 2014.*

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

The Proposed Share Buy-Back is not expected to adversely affect the payment of dividends to shareholders. If the amount of dividends to be paid remain in the same in Ringgit term as in the previous year and as there will be less Share qualifying for dividends, the remaining shareholders would potentially receive a higher dividend payment.

On the other hand, if the percentage of dividend payable remains the same as before the Share Buy-Back, the Proposed Shareholders' Mandate for Share Buy-Back will not affect the amount of dividend received by the shareholders. However, if the Shares so purchased are retained as Treasury Shares, they can be used for subsequent payment of dividends in the form of share dividends.

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 2 May 2014, 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 none of the Warrants are exercised prior to the Proposed Share Buy-Back

Name	As at 2 May 2014				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	-	-	-	-	-	-	-	-
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	20,078,245	5.20	-	-	20,078,245	5.71	-	-

(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 pursuant to Section 134(12)(c) of the Act.
(b) Deemed interested by virtue of their respective interest in PSSB pursuant to Section 6A 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 all the Warrants are fully exercised into new KSL Shares and 10% of KSL Shares are fully purchased.

Name	As at 2 May 2014[i]				Assuming Warrants are fully exercised into new KSL Shares and 10% of the KSL Shares are fully exercised [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	25,020,997	5.71	182,833,332 [a]	41.70
Ku Tien Sek	12,186,926	3.15	144,800,000 [b]	37.47	17,988,802	4.10	181,000,000 [b]	41.28
Ku Hwa Seng	17,765,752	4.60	144,800,000 [b]	37.47	24,156,323	5.51	181,000,000 [b]	41.28
Lee Chye Tee	-	-	-	-	-	-	-	-
Gow Kow	-	-	-	-	-	-	-	-
Goh Tyau Soon	-	-	-	-	-	-	-	-
Tey Ping Cheng	-	-	-	-	-	-	-	-
Substantial Shareholders								
PSSB	144,800,000	37.47	-	-	181,000,000	41.28	-	-
Khoo Cheng Hai @ Ku Cheng Hai	18,184,667	4.71	146,266,666 [a]	37.85	25,020,997	5.71	182,833,332 [a]	41.70
Ku Tien Sek	12,186,926	3.15	144,800,000 [b]	37.47	17,988,802	4.10	181,000,000 [b]	41.28
Ku Hwa Seng	17,765,752	4.60	144,800,000 [b]	37.47	24,156,323	5.51	181,000,000 [b]	41.28
Ku Wa Chong	4,496,630	1.16	144,800,000 [b]	37.47	5,331,608	1.22	181,000,000 [b]	41.28
Lembaga Tabung Haji	20,078,245	5.20	-	-	20,078,245	4.58	-	-

(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 pursuant to Section 134(12)(c) of the Act.
(b) Deemed interested by virtue of their respective interest in PSSB pursuant to Section 6A of the Act.

7. PURCHASE OF SHARES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

The Company did not purchase its own Shares from the open market during the financial year ended 31 December 2013.

8. PUBLIC SHAREHOLDING SPREAD

The public shareholding spread of 25% of the issued and paid-up share capital of the Company was maintained at all times. Based on the Record of Depositors of the Company as at 2 May 2014, the public shareholding spread of KSL is 48.53%.

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 2 May 2014, 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 41.28% 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 Fourteenth AGM to be convened.

[The remaining of this page is intentionally left blank]

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

FORM OF PROXY

I/We ______________________________ NRIC/Passport/Company No.______________________

of ____

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

______________________________ NRIC/Passport/Company No.______________________

of ____ or

failing whom______________________________ NRIC/Passport/Company No.______________________

of ____

as *my/our Proxy(ies) to vote for *me/us and on *my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at KSL Resorts, Level G, Infusion Private Room, 33, Jalan Seladang, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim on Tuesday, 24 June 2014 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 - To approve payment of Directors' Fees		
2.	Resolution 2 - To re-elect Mr Lee Chye Tee as Director		
3.	Resolution 3 - To re-elect Mr Gow Kow as Director		
4.	Resolution 4 - To re-appoint Messrs Ernst & Young as Auditors and to authorise the Board of Directors to fix their remuneration		
5.	Resolution 5 - To authorise the issuance and allotment of shares pursuant to Section 132D of the Company Act, 1965		
6.	Resolution 6 - To approve the renewal of authority for the purchase of its own shares by the Company		
7.	Resolution 7 - Authority for Mr Gow Kow to continue in office as Independent Non-Executive Director		
8.	Resolution 8 - Authority for Mr Goh Tyau Soon to continue in office as Independent Non-Executive Director		
9.	Resolution 9 - Authority for Mr Tey Ping Cheng to continue in office as Independent Non-Executive Director		

[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 above on the Proxy will vote or abstain at his(her) discretion.]

Dated this ………..… day of …………………….…… 2014

Number of shares held:	

____
(Signature/Common Seal of Member)

Notes:-
(i) 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.
(ii) 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.
(iii) 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.
(iv) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
(v) A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the members to speak at the meeting.
(i) 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 Sunday, 22 June 2014 at 11.00 a.m. or any adjournment thereof.

** Delete if inapplicable*

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

1st fold here


D' Secret Garden

KSC