KSL HOLDINGS BERHAD

(511433-P)

# ANNUAL REPORT 2015


Hilton
KSL

# 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

Leong Siew Foong (MAICSA 7007572)
c/o Symphony Corporatehouse Sdn. Bhd.
Suite 6-1A, Level 6, Menara Pelangi,
Jalan Kuning, Taman Pelangi,
80400 Johor Bahru, Johor.
Tel: 07-332 3536 Fax: 07-332 4536

## 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: info_kslh@ksl.net.my
Website: http://www.ksl.my

## AUDITORS

ECOVIS AHL PLT (LLP0003185-LCA) & (AF: 001825)
Chartered Accountants
No. 147-B, Jalan Sutera Tanjung 8/2
Taman Sutera Utama
81300 Skudai
Johor Darul Ta'zim
Tel: 07-556 7777 / Fax: 07-557 7776

## 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
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

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 Sixteenth 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 Thursday, 26 May 2016 at 11.00 a.m. for the following purposes:-

**AGENDA**

1) To receive the Audited Financial Statements for the financial year ended 31 December 2015 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 of RM 90,000 for the financial year ended 31 December 2015. — 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. Ku Hwa Seng — Resolution 2

b) Mr. Tey Ping Cheng — Resolution 3

4) To consider, and if thought fit, to pass the following resolution:-

**"THAT** pursuant to Section 129(6) of the Companies Act, 1965, Mr. Goh Tyau Soon be and is hereby re-appointed as Director of the Company to hold office until the conclusion of the next Annual General Meeting." — Resolution 4

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

**SPECIAL BUSINESS**

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

6) **ORDINARY RESOLUTION 1** — Resolution 6
- **AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

**"THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to 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."

7) **ORDINARY RESOLUTION 2** — Resolution 7
- **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, the 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:-

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

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;

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 2015 of RM74,951,563 and RM168,989,853 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."

8) **ORDINARY RESOLUTION 3** Resolution 8
- **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."

9) **ORDINARY RESOLUTION 4** Resolution 9
- **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."

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

10) **ORDINARY RESOLUTION 5** Resolution 10
- **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."

11) **ORDINARY RESOLUTION 6** Resolution 11
- **PROPOSED RENEWAL OF AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE NEW ORDINARY SHARES OF RM0.50 EACH IN THE COMPANY (KSL SHARES) IN RELATION TO THE DIVIDEND REINVESTMENT PLAN THAT PROVIDES SHAREHOLDERS OF THE COMPANY WITH AN OPTION TO REINVEST THEIR CASH DIVIDEND IN NEW KSL SHARES (DIVIDEND REINVESTMENT PLAN)**

**"THAT** pursuant to the Dividend Reinvestment Plan (DRP) as approved by the Shareholders at the Extraordinary General Meeting held on 28 November 2014, approval be and is hereby given to the Directors to allot and issue such number of new KSL Shares, from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next Annual General Meeting, upon such terms and conditions and to such persons as the Directors may, in their sole and absolute discretion, deem fit and in the best interest of the Company **PROVIDED THAT** the issue price of the said new KSL Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5) day volume weighted average market price (VWAMP) of KSL Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price and not less than the par value of KSL Shares at the material time;

**AND THAT** the Directors and the Secretary of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and agreements and to execute, sign and deliver for and on behalf of the Company, all such documents and impose such terms and conditions or delegate all or any part of its powers as may be necessary or expedient in order to give full effect to the DRP, with full powers to assent to any conditions, modifications, variations and/or amendments (if any) including amendments, modifications, suspension and termination of the DRP as the Directors may, in their absolute discretion, deem fit and in the best interest of the Company and/or as may be imposed or agreed to by any relevant authorities."

12) 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**

**LEONG SIEW FOONG (MAICSA 7007572)**
Company Secretary
Johor Bahru

Date: 28 April 2016

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

*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 Proxy Form 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 Tuesday, 24 May 2016 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 6 under item 6 of the agenda above, if passed, will empower the Directors of the Company, from the date of the Sixteenth Annual General Meeting ("16th 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 shares is a renewal of the mandate that was approved by the shareholders at the Fifteenth Annual General Meeting held on 23 June 2015. 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 which the Directors deem necessary and feasible.

Up to date of this Notice, the Company has not issue any shares pursuant to the mandate granted to the Directors at the Fifteenth 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 7 under item 7 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 Statement of Share Buy-Back laid out in pages 124 to 131 of this Annual Report.

**III) AUTHORITY TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS OF THE COMPANY PURSUANT TO THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 (RESOLUTIONS 8, 9 AND 10)**

(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 16th 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 Nominating 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 33 of this Annual Report.

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

(b) Mr. Goh Tyau Soon

Mr. Goh Tyau Soon was appointed as an Independent Non-Executive Director of the Company on 1 April 2002 and has therefore served for more than nine (9) years as at the forthcoming 16th 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 Nominating 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 33 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 16th 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 Nominating 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 33 of this Annual Report.

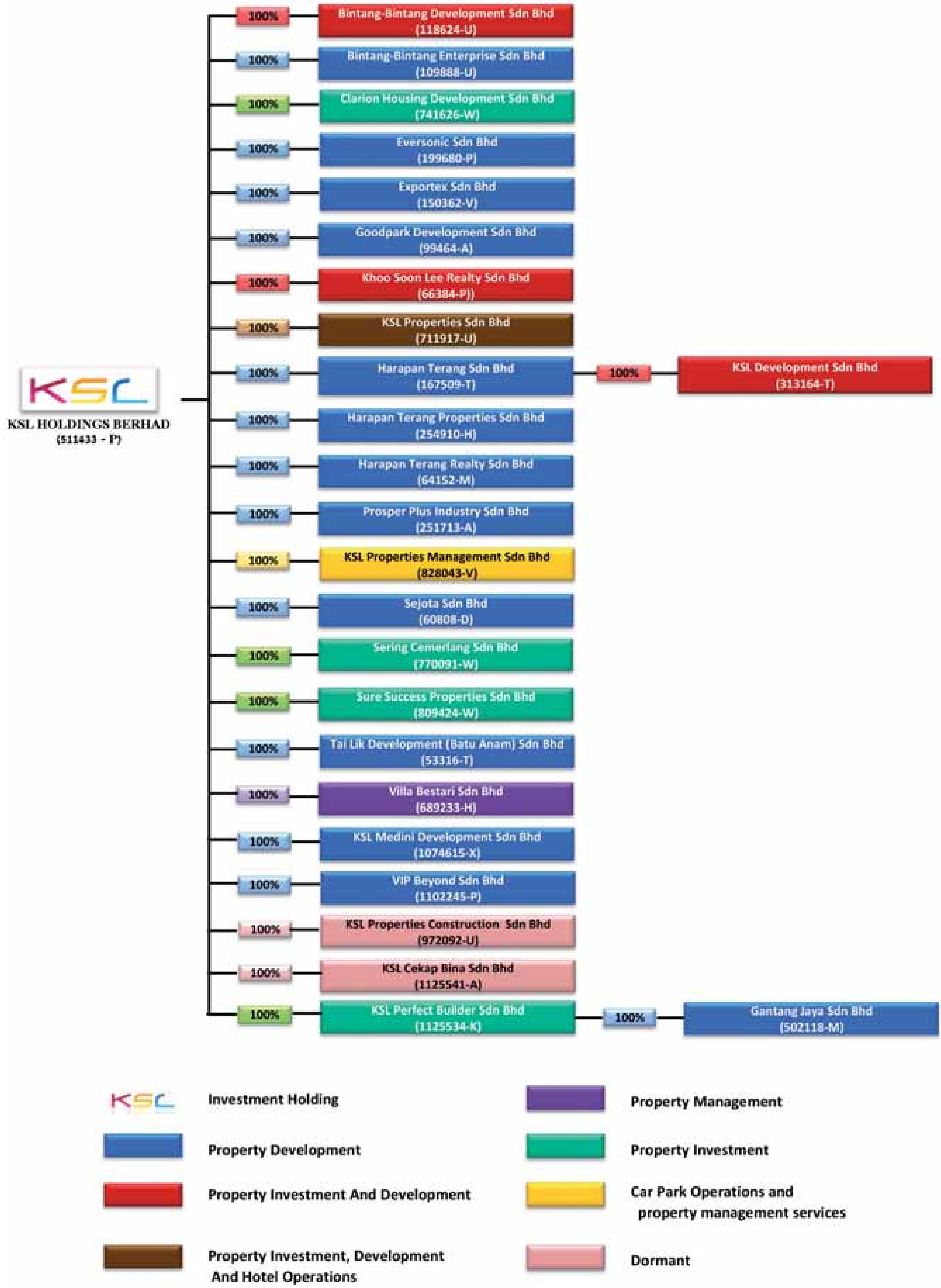
**IV) PROPOSED RENEWAL OF AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE NEW ORDINARY SHARES OF RM0.50 EACH IN THE COMPANY (KSL SHARES) IN RELATION TO THE DIVIDEND REINVESTMENT PLAN THAT PROVIDES SHAREHOLDERS OF THE COMPANY WITH AN OPTION TO REINVEST THEIR CASH DIVIDEND IN NEW KSL SHARES**

The proposed Resolution 11, if passed, will give the authority to the Directors to allot and issue new KSL Shares pursuant to the Dividend Reinvestment Plan in respect of the dividends declared from time to time until the next AGM.

**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 18 May 2016. Only a depositor whose name appears on the Record of Depositors as at 18 May 2016 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

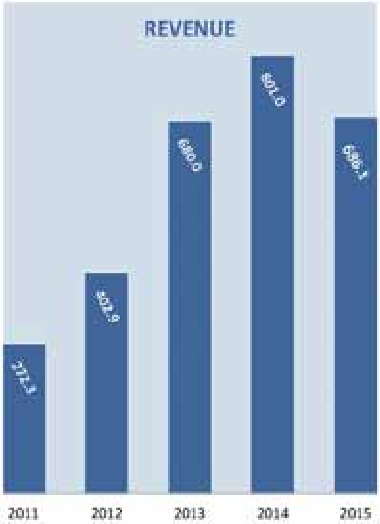
# GROUP CORPORATE STRUCTURE

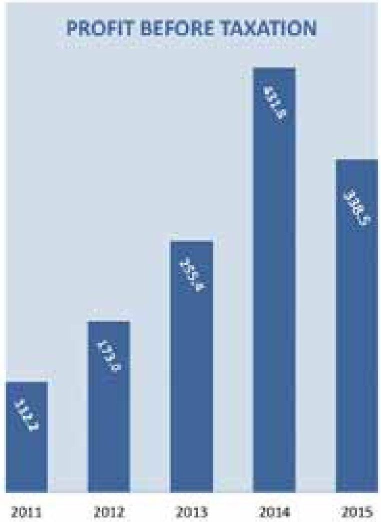


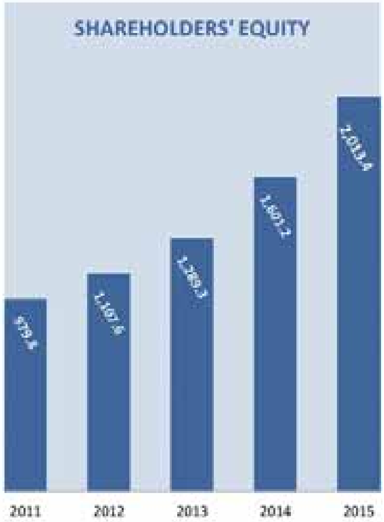
# 5 YEARS GROUP FINANCIAL HIGHLIGHTS

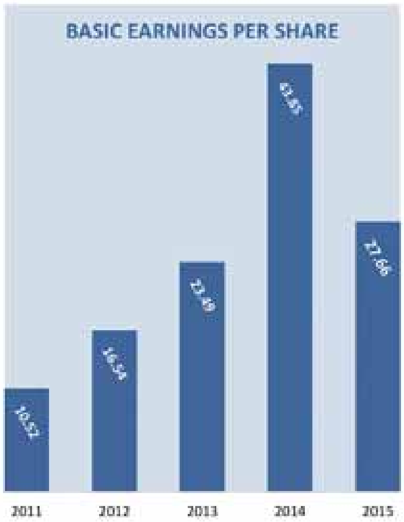
| | | Year Ended 31 December | | | | |
|---|---|---|---|---|---|---|
| | | 2011 | 2012 | 2013 | 2014 | 2015 |
| **INCOME STATEMENT** | | | | | | |
| Revenue | RM Million | 272.3 | 402.9 | 680.0 | 801.0 | 686.1 |
| Profit Before Taxation | RM Million | 112.2 | 173.0 | 255.4 | 431.8 | 338.5 |
| Profit Attributable to Shareholders | RM Million | 81.2 | 127.8 | 181.5 | 342.3 | 266.1 |
| **BALANCE SHEET** | | | | | | |
| Issued and Paid up Capital | Million Unit | 390.5 | 390.5 | 390.5 | 788.8 | 1,007.6 |
| Shareholders' Equity | RM Million | 979.8 | 1,107.6 | 1,289.3 | 1,601.2 | 2,013.4 |
| **SHARE INFORMATION** | | | | | | |
| Basic Earnings Per Share | Sen | 10.52 | 16.54 | 23.49 | 43.85 | 27.66 |
| Dividend Per Share - Gross | Sen | - | - | - | 10.00 | 2.00 |
| Net Assets Per Share | RM | 1.25 | 1.42 | 1.65 | 2.03 | 2.01 |
| Return on Shareholders' Equity | % | 8% | 12% | 14% | 21% | 13% |

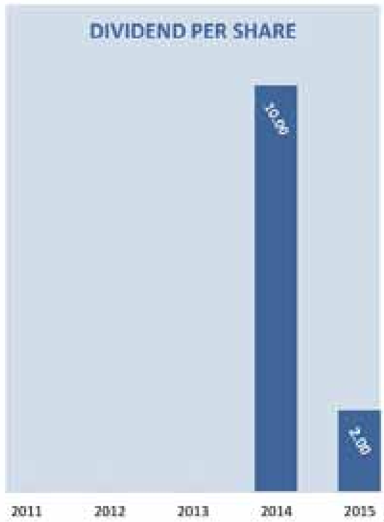
# 5 YEARS GROUP FINANCIAL HIGHLIGHTS

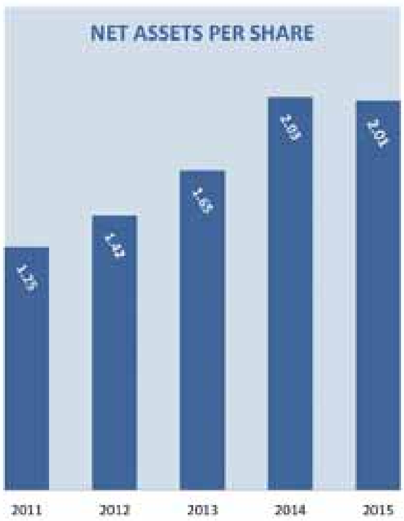


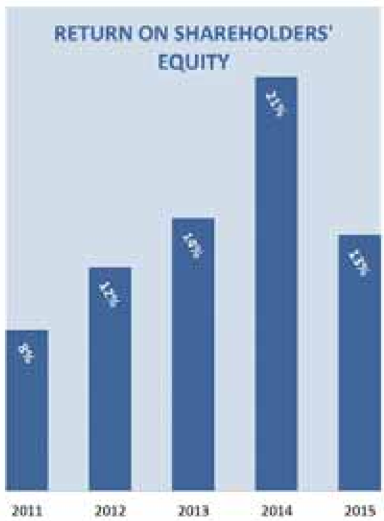



# CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Financial Statements of the Group and Company for the financial year ended 31 December 2015.

The year 2015 was a challenging year for KSL Holdings Berhad ("KSLH"). Despite the cautious sentiment in the property sector, we have delivered a set of healthy and resilient financial results for the year under review.

The Group's property development segment has a healthy and promising track record. Our main townships – Taman Nusa Bestari, Taman Bestari Indah, Taman Kempas Indah and Taman Daya in Johor, as well as Bandar Bestari in Klang are receiving positive market response.

Adding to our achievements, we also saw a steady performance from the investment properties segment of our business. KSL City Mall and KSL Resort continued to contribute healthily to the Group.

**Overview of the Malaysian Economy and Property Sector**

The Malaysian economy recorded a growth of 4.9% in the second quarter of 2015 (1Q 2015: 5.6%), driven mainly by private sector demand. On the supply side, growth was underpinned by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.1% (1Q 2015: 1.2%). *(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2015, Bank Negara Malaysia)*

The private sector remained the key driver of growth during the quarter. Private consumption expanded at a more moderate rate of 6.4% (1Q 2015: 8.8%) as households adjust to the implementation of the Goods & Services Tax (GST). Private investment grew more moderately by 3.9% (1Q 2015: 11.7%), due to a decline in spending on machinery and equipment, especially in the transportation segment, and slower investment in dwelling services. On the supply side, the major economic sectors registered more moderate growth during the quarter. The construction sector also recorded lower growth due to a moderation in real activity in the residential, non-residential and civil engineering sub-sector. *(Source: Economic and Financial Developments in Malaysia in the Second Quarter of 2015, Bank Negara Malaysia)*

The Malaysian economy is expected to remain steady in 2016, with real GDP growth between 4% - 5% led by domestic demand. Private sector expenditure will remain the main driver of growth with private consumption and investment expected to grow by 6.4% and 6.7%, respectively. Meanwhile, Government expenditure is forecast to expand, albeit at a moderate pace, in line with efforts to strengthen the fiscal position. On the supply side, growth is expected to be broad-based, with all the sectors registering positive growth. Malaysia's external position is forecast to remain positive supported by better prospects for global growth and trade.

Against this backdrop, the nominal GNI per capita is expected to increase by 5.6% from RM36,397 in 2015 to RM38,438 in 2016. With total investment surpassing savings, the savings-investment gap is expected to narrow between 0.5% - 1.5% of GNI.

The economy will continue to operate under conditions of full employment with unemployment rate remaining below 4%. Despite a weak ringgit, inflation is expected to remain benign attributed to low oil prices and the waning impact of GST. For 2016, inflation is expected to range between 2% - 3%. The Government remains committed to fiscal consolidation. The fiscal deficit is expected to further decline to 3.1% of GDP in 2016 (2015: 3.2%) while the Federal Government debt level will remain manageable within the prudent limit of 55% of GDP. *(Source: Economic Management and Prospects, Ministry of Finance)*

# CHAIRMAN'S STATEMENT *(Cont'd)*

**Financial Highlights**

On the back of challenging operating environments, albeit of positive market response, the Group revenue declined by 14.3% to RM686.1 million, compared to RM801 million in the previous year. This decrease was largely attributable to the decreased demand in property market, especially the commercial properties, due to introduction of Goods and Services Tax ("GST") and the cooling effect stemmed from measures implemented by government and relevant authorities in previous year.

On a segmental basis, the Group's property development segment emerged as the majority revenue contributor with 77% of total FY2015 group revenue, while property investment made up the balance 23%.

The Group's profitability fell slightly by 21.6%, with pre-tax profit recorded at RM338.5 million, compared to RM431.8 million previously, principally due to the decrease of RM32 million of fair value gain from our investment properties. Group net profit recorded at RM266.1 million, which is a decrease of RM76 million from previous year.

Despite less favorable financial performance for the year under review, the Group's financial position remains healthy and resilient as at end-December 2015. Shareholders' equity was further strengthened to historical high of RM2,013 million with increased assets of RM 380 million from RM2,107 million in FY 2014 to RM2,487 million in FY 2015.

The Group's net gearing ratio improved to 0.05 time from 0.06 time in FY2014, substantiating the Group's strong financial background with increased total assets and generous distributable retained earnings.

All said, we are confident with the Group's financial results in FY2015, and are optimistic of continual growth and development in the coming year.

**Dividends**

In respect of FY2014, the Group has declared an interim single tier dividend of 5.0 sen per share and a final single tier dividend of 5.0 sen per share, which were paid out on 25 February 2015 and 17 August 2015 respectively. In total, KSLH has declared dividends of 10.0 sen per share in respect of FY2014, with dividend payout amounting to RM93.1 million, which forms 36.3% of the Group's net profit after tax from operations, net of the fair value gains.

In respect of financial year ended 31 December 2015, the Group has also declared an interim single tier dividend of 2.0 sen per share and was paid out on 26 November 2015.

**Corporate Updates**

- **Issue of Shares and Warrants**

  The Group has increased its issued and paid-up share capital from RM394,423,606 to RM503,797,826 via conversion of warrants and dividend reinvestment plan.

- **Share Buy-Back**

  The Group has repurchased 5,234,400 (2014: 400,000) of its issued ordinary shares from the open market for a total consideration of RM7,900,643 (2014: RM1,623,006).

  A more detailed discussion of the Group's corporate updates is available under the "Directors' Report" in this Annual Report.

# CHAIRMAN'S STATEMENT *(Cont'd)*

**Future Outlook**

***Property Development***

The year under review was marred with many challenges, including the devaluation of currencies, anticipation of higher borrowing costs and softening of commodity prices such as crude oil. Cooling measures introduced earlier by the relevant authorities to curb speculative activity in the property market have also amplified the challenges faced by our Group. Measure such as raising the Real Property Gain Tax ("RPGT") from 15% to 30% on disposal of property within 3 years and increasing minimum price of property from RM500,000 to RM1 million for foreign purchase slowed both transaction volume and value in the property sector. Introduction of GST on commercial property and stringent loan approval from financial institution also subdued the demand for property.

Nevertheless, Budget 2016 introduces programmes which make home ownership easier. First House Deposit Financing Scheme established under Kementerian Kesejahteraan Bandar, Perumahan, Kerajaan Tempatan (KPKT) is allocated with RM200 million to assist first-time house buyers of affordable houses to pay the deposit. Under the People's Housing Programme, for houses priced at RM35,000, Bank Simpanan Nasional and Bank Rakyat will offer financing package at 4%, which will benefit 10,000 house owners. On top of these, KPKT is also allocated with RM40 million to revive abandoned low and medium-cost private housing projects. In addition, exemption on stamp duty is given on financing instruments to contractors who revive the project as well as the original purchaser of the abandoned house. *(Source: 2016 Budget, 2016 Budget Recalibration, Ministry of Finance)*

Despite a challenging environment surrounded by uncertainties, sales of property at prime locations remain resilient. Our Group's flagship projects, including the Taman Nusa Bestari, Taman Bestari Indah, Taman Kempas Indah, KSL Residences @ Daya, Canary Garden @ Klang and Commercial City @ Bandar Bestari, have successfully recorded encouraging sales albeit a cautious property market backdrop. Besides, our Group is renowned for reviving abandoned housing projects. We believe that we will be able to benefit from the revival package.

***Property Investment***

With the strong base in property development, our Group intensifies the Group's performance and position with significant property investment projects.

Our Group's maiden shopping mall, KSL City Mall @ Johor Bahru, has successfully established itself as the preferred shopping destination in Johor Bahru since its opening in 2010. The Mall will always strive to maintain its status quo and to outmaneuver other malls in the vicinity. KSL Resort @ Johor Bahru marks another milestone of our Group. High rating earned in major travel sites and high occupancy rate substantiate the success of the resort.

Our Group aims to increase its investment property portfolio following the success of KSL City Mall and KSL Resort in Johor Bahru. Our Group has unveiled the long-awaiting KSL City Mall @ Klang in last quarter of 2015. It is poised to be the largest shopping mall in Klang, which is approximately 3 times bigger than its predecessor in Johor Bahru. Overwhelming enquiries and proposals augment the confidence in the success of the Mall.

With experience from the debut resort, our Group has embarked on development of hotel and resort at several distinguish locations. The KSL Resort @ Klang and KSL Hot Spring Resort at Johor Bahru are two of the highlighted projects for the coming years.

We will also continue to promote our KSL City Mall and Hotel through marketing campaigns and social media. With a myriad of notable retail brands in the mall as well as numerous activities and packages, we believe that we can attract even more shoppers and visitors and will continue to ensure that we provide the best services to all of our customers.

We expect our property investments to continue contributing positively to the Group this year.

# CHAIRMAN'S STATEMENT *(Cont'd)*

**Appreciation**

On behalf of the Group, I would like to extend our gratitude to all our valued shareholders, customers, business associates and the regulatory authorities for your continued trust and support to our Group. We will strive to devote more effort to increasing shareholder value, and rise to greater heights.

I would also like to convey the Group's heartfelt gratitude to the management and staff for their commitment and dedication towards the advancement of the Group. Last but not least, my sincere thanks to the members of the Board for their visionary ideas and insights. Without all of you, the Group would not be where it is today.

Thank you.

**Ku Hwa Seng**
*Executive Chairman*

# REVIEW OF OPERATIONS

Despite the prevailing headwinds in the property sector, KSLH performed commendably in the year under review, bolstered by encouraging take-up rates in our property development arm and the recurring income from our property investment segment. At the same time, the Group put in place strategic initiatives to further strengthen our earnings base for the future.

- **Property Development**

  Property development continued to be the main top line contributor for the Group in the year under review. Revenue from this segment was recorded at RM531.1 million for FY2015.

**ONGOING PROJECTS**

For the year under review, KSLH has the following highlighted projects under various construction stages in Johor and Klang.

**JOHOR**

1. **Taman Nusa Bestari**

   Located just 14 km from the Johor Bahru City Centre, the 227-acre Taman Nusa Bestari is counted amongst the well-established and fast growing townships in the matured city, served by excellent highway networks, including the main North South Highway and the Iskandar Coastal Highway which link directly to our township.

   With a large catchment population within the township as well as the neighbouring locale, Taman Nusa Bestari is a vibrant residential and commercial hub.

   As at 31 December 2015, D'Inspire Residence, which entails two blocks of service apartments comprising 597 residential units of between 460 and 1,300 sq ft was completed.

2. **Taman Bestari Indah**

   Taman Bestari Indah is a 715-acre mixed development township of over 15,000 units of residential and commercial buildings. Situated just 20km from the Johor Bahru City Centre, Taman Bestari Indah boasts of easy accessibility to the Tebrau Highway, Pasir Gudang Highway, North-South Highway and Senai-Desaru Highway.

   Residents in the township also enjoy a wide variety of features and amenities in the vicinity, including shopping complexes such as AEON and Tesco, recreational clubs such as Johor Jaya Sports Complex, Austin Hill Country Club, Ponderosa Golf & Country Club, medical centres such as Hospital Sultan Ismail as well as educational institutions such as Sunway College and Institut KTC.

   As at 31 December 2015, Puteri Park, launched in May 2014, features 194 units of double storey terrace houses with an estimated Gross Development Value (GDV) of RM142 million was under active construction and is targeted for completion in 2016.

3. **Taman Kempas Indah**

   Taman Kempas Indah is a 237-acre development township featuring bungalows, cluster houses and service apartments. Taman Kempas Indah is 14 kilometres north of the Johor Bahru City Centre. The township is also accessible through the North-South Highway, Pasir Gudang Highway and Tebrau Highway via the North-South Highway. Besides this, it is also located near the upcoming Kempas Sentral, which features the Rapid Transit System (RTS) railway link and proposed High Speed Rail (HSR) that connects to Singapore and Kuala Lumpur.

# REVIEW OF OPERATIONS *(Cont'd)*

As at 31 December 2015, D'Secret Garden @ Kempas Indah, a 6.2-acre residential development featuring three blocks of service apartments with total of 1,302 units with sizes ranging from 510 to 1,400 sq ft was under active construction. The project has an estimated GDV of RM813 million and is targeted for completion in 2016.

**4. KSL Residences @ Daya**

The KSL Residences @ Daya is a 5.39-acre integrated development consisting of a hotel and three blocks of service apartments. Located 8 kilometres north of the Johor Bahru city centre, the project features excellent connectivity via the Johor Bahru Eastern Dispersal Link Expressway and existing road networks to various shopping and recreational centres, Senai Airport and the Johor Bahru Customs, Immigration and Quarantine Complex (CIQ).

As at 31 December 2015, KSL Residences @ Daya was under active construction. With a total of 1,064 units of residences with sizes ranging from 456 sq ft to 2,753 sq ft, the project has a GDV of RM531 million and is targeted for completion in 2018.

**5. Other Developments in Johor**

Apart from the four main developments above, the Group has several other projects in Johor, namely Kluang and Segamat.

The Group is developing Taman Mengkibol in Kluang, which is located about five minutes away from Kluang town and is easily accessible via the North-South Highway. As at 31 December 2015, two residential developments were under active construction. A total of 213 units of double-storey terrace house, double-storey shop office and three-storey shop office with an estimated combined GDV of RM96.2 million are targeted for completion in 2016 and 2017.

Meanwhile, several projects in Segamat are also under active construction, namely, the Phase 1 and Phase 2 of the Taman Tasik Sejati, Taman Permai Indah, Phase 3 of Taman Makmur 2, Phase 4 of Taman Bukit Indah, Taman Melati and Phase 1 of Prima Height. These projects consist of approximately 669 units of single-storey terrace houses, double-storey terrace houses and double-storey shop offices and others at an estimated GDV of RM152 million. They are located at prime locations with readily accessible road and transport network and matured neighborhoods. The projects are under various construction stages and are targeted for completion in 2016 to 2018.





# REVIEW OF OPERATIONS *(Cont'd)*

**JOHOR *(Cont'd)***


**KLANG, SELANGOR**

**1. Bandar Bestari Commercial City**

The Bandar Bestari Commercial City is a 448-acre self-integrated township located in Klang with an exclusive blend of premium landed residential homes, strata properties and a 90-acre commercial business centre.

Situated merely 15 minutes from the bustling town centre of Klang, this township is easily accessed via the Federal Highway, New Klang Valley Expressway and South Klang Valley Expressway.

**i. Canary Garden @ Bandar Bestari**

The Canary Garden Homes depict residences for the luxurious lifestyle. Designed to showcase the delicate balance between serenity and convenience, some of the primary features include a 52-acre French-inspired Garden for nature-focused recreation.

Besides that, the 90-acre retail and commercial hub boasts of various facilities to foster community living, including a private community clubhouse, a commercial zone, schools, and a medical centre.

The Group is currently developing 54 units of double-storey semi-detached landed properties. The project has an estimated GDV of RM92 million. It was launched in last quarter of year 2014 and it is expected to be completed by second quarter of year 2016.

To add to the portfolio, the Group is also developing 67 units of triple-storey shop offices within the township with an estimated GDV of RM145.1 million. The development is expected to be completed by last quarter of year 2016.

# REVIEW OF OPERATIONS *(Cont'd)*

**KLANG, SELANGOR *(Cont'd)***

**ii. Maple Residences @ Bandar Bestari**

Maple Residences is a high-rise residential development located adjacent to Canary Garden @ Bandar Bestari. It comprises 3 towers with 597 well-designed units completed with facilities such as gynasium, swimming pool, jacuzzi, children playgound, bonsai and rock garden, meeting pod, stepping rail and others.

The development projects an estimated GDV of RM396 million. Tower A and Tower B were formally launched in third quarter of year 2015. Premium Tower C was launched in last quarter of 2015. Positive feedback and encouraging sales were recorded as at year end 2015.

As at year end 2015, the earthwork has begun. The project is anticipated to be completed by year 2019.

# REVIEW OF OPERATIONS *(Cont'd)*

**Property Investment**

Property investment continues to be an important driver for the Group, contributing RM155 million in revenue which makes up for 23% of the Group's total revenues in FY2015. Despite the property investment shows a slight decline of 2.1% in revenue against the backdrop of uncertain global economy, the registered revenue is nevertheless one of the best recorded results since the opening of KSL City Mall and KSL Resort in year 2010. The promising contribution from the property investment arm of the Group is attributed to a high number of visitors and traffic in the KSL City Mall & Hotel as well as higher yields from KSL City Mall. Besides that, several other investment properties such as the Giant Nusa Bestari and Giant Muar also continue to contribute positively.

1. **KSL City**

KSL City is an iconic integrated resort in Johor Bahru comprising a shopping mall and a Hotel & Resort. Strategically placed in the heart of Johor Bahru, KSL City is just 5 minutes drive from Johor Bahru's CIQ Complex.

i. **KSL City Mall**

Officially opened in December 2010, KSL City Mall has a gross floor space of 1 million sq ft, making it one of the largest malls in Johor. The KSL City Mall maintained an occupancy rate of approximately 95% as at December 2015, which speaks volumes of its positioning in the retail space in the city.

Featuring 500 upmarket lifestyle outlets which consist of 442 retail shops, 50 F&B outlets and 8 cineplexes, it is little wonder that the KSL City Mall has attracted steadily-increasing patronage from both local residents as well as foreign tourists from Singapore and other countries.

ii. **KSL Hotel & Resort**

The 868-room KSL Hotel & Resort Johor Bahru is aptly located to meet the requirements of leisure and business travellers alike.

Not only does the hotel feature a full suite of facilities - such as an international-cuisine restaurant, gymnasium, rooftop pool, dinosaur-themed water park and golf simulation area - it is also seamlessly integrated to a wide array of retail outlets in KSL City Mall for an enhanced 'shop-and-stay' experience. It is also closely situated to various theme parks such as Legoland Malaysia and Puteri Harbour theme park.

KSL Hotel & Resort achieved an average occupancy rate of 65% in FY2015, on account on improved patronage from local and foreign tourists.

# REVIEW OF OPERATIONS *(Cont'd)*

**Property Investment *(Cont'd)***

## GROWTH STRATEGIES

The Group strives to ensure that its property development and investment segments continue to remain profitable besides finding more opportunities to sustain our growth in the long term.

- **Property Development**

  Notwithstanding the anticipated cautious sentiment in the property sector in 2016, the Group expects a moderate demand for properties strategically located in city centres and rapidly developing satellite towns for own dwelling. In this respect, the Group's ongoing projects stand in good stead to enjoy positive adoption from the target market.

  Furthermore, the Group's stance of undertaking a good mix of affordable and high-end projects mitigates segment-related risk and allows us to cater to a wider audience.

- **Property Investment**

  The Group continues to improve on quality and services for our investment properties to reward our tenants and guests.

  In addition to the maintenance and upkeep of existing infrastructure, facilities and buildings, we strive to upgrade those in existence and to increase state-of-the-art facilities and equipment in near future.

  Besides, we also intensify our promotional and marketing campaigns, events and roadshows to further increase the patronage to our KSL City Mall & Hotel. Successful collaboration with international theme parks enables us to offer attractive packages to our hotel guests, making us one of the favourite hotels in Johor Bahru.

  We will also continue to collaborate with various parties to boost tourism to Johor Bahru and encourage tourist stays at KSL Hotel & Resort. On the back of this successful partnership, we would seek to engage with more partners, both local and international, in the future.

# REVIEW OF OPERATIONS *(Cont'd)*

**GROWTH STRATEGIES *(Cont'd)***

- **Land Banking**

  As at 31 December 2015, KSLH has approximately of 2,400 acres of land bank throughout Johor and Klang. 80% of our land bank is located in Johor at different prime locations while 20% balance of land bank is situated strategically at Kuala Lumpur and Klang, Selangor.

  Supported by our strong balance sheet, the Group intends to acquire lands at strategic locations in the future, in order to safeguard our property development arm and to generate a continuous pipeline of projects.

**Conclusion**

We believe that our current business model will enable us to move forward and achieve greater heights. Despite the prevailing mixed sentiments in the property sector, we believe that our business model of having both development revenue and recurring income are resilient in facing any economic challenges.

We will continue to work hard to enhance shareholders' value.

# DIRECTORS' PROFILE

**KU HWA SENG**

*Executive Chairman*

Ku Hwa Seng, aged 60, 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 64, 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 *(Cont'd)*

**KU TIEN SEK**

*Executive Director*

Ku Tien Sek, aged 58, 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 Chye Tee, aged 52, 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 62, 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 *(Cont'd)*

**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 71, 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 47, 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. Amongst hundred thousands of dollars of donation to various not-for-profit and benevolent organizations, our donation to the Tunku Laksamana Johor Cancer Foundation is one worth the hightlight for it does not only to help the need, it also honors the memory for our prince of Johor.

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

**HIGHLIGHTS OF EVENT**

**1st May 2015**

**Charity event with Orphanage from Rumah Siraman Kasih**

During the year, a total of 50 orphans age from 8 to 12-year old were treated a sumptuous lunch at KSL Resort Hotel restaurant. They played games at Dinosaur Alive Water Theme Park. The principal of the Home Puan Rashidah Haji Abdul Rahim was thankful to KSL Resort Hotel and Management for the kind contributions towards their Home.

# STATEMENTS OF CORPORATE GOVERNANCE

## PRINCIPLE 1: ESTABLISH CLEAR GOALS & RESPONSIBILTIES

The Board of Directors ("the Board") of KSL Holdings Berhad recognizes the importance of corporate governance in ensuring that the interest of the Company and shareholders are protected. The Board is committed in ensuring that the Group carries out its business operations within the required standards of corporate governance as set out in the Malaysia Code on Corporate Governance 2012 ("MCCG 2012").

The Board also provides the following statement which outlines the main corporate governance practices that were in place throughout the financial year unless otherwise stated.

### 1.1 CLEAR FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for the oversight and overall management of the Company. The Board fully understands their responsibilities in the Group to optimum balance of a sound and sustainable operation with an optimal corporate governance framework in order to safeguard shareholders' value.

The Board Charter is set out by the Board to provide guidance and clarity for all Board members with regard to the role of the Board and its committee. The Board has reserved a formal schedule of matters for its decision making to ensure that the direction and control of the Group is firmly in its hands. This includes the approval of Group strategic plans, corporate exercises, material acquisition and disposal of assets, investment or divestments, capital expenditure, risk management policies, nomination of auditors and review of the financial statement, financial and borrowing activities, ensuring regulatory compliance and reviewing the adequacy and integrity of internal controls.

In addition, the Board has delegate certain responsibilities to other Board Committees, which operate within clearly defined Term of Reference ("TOR"). The Board Committees include Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee.

The TOR of Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee were last reviewed and updated on 27 November 2015. It is made available for viewing at the Group's corporate website at http://www.ksl.my

Besides, the roles of the Chairman and Group Managing Director are separated to ensure a balance of power and authority. Thus, the roles of the Chairman and Group Managing Director are shows as below:-

| Chairman | Group Managing Director |
|---|---|
| ✓ Manage the proceeding the meetings of the Company are conducted fairly. | ✓ Oversees the day-to-day operations & businesses of the Group. |
| ✓ Providing leadership to the Board and oversee the management of the Group together with the Board. | ✓ Establish a close & effective relationship with the Board and Chairman. |
| ✓ Ensuring adequate lead time for effective study & discussion of business under consideration. | ✓ Provide strategic advice and guidance to the Chairman & the Board. |
| ✓ Identifying guidelines for the conduct of all Directors as well as their contribution to the Company. | ✓ Review Company's financial results. |

# STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

## 1.2 CLEAR ROLES AND RESPONSIBILITIES

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 shareholders. To ensure the effective discharge of its function and duties, the primary responsibilities of the Board include the following:-

- Setting the objectives, goals and strategic plan for the Company
- Deliberating, approving 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
- Retaining an effective Board that consists of competent individuals with appropriate specialized skills and knowledge to lead and control the Company
- Identifying principal and potential risks and ensuring 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
- Maintaining an effective system of internal control to safeguard shareholder's investment and Company's assets
- Approving the quarterly results and annual audited financial statements
- Reviewing 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
- Developing and implementing an investor relations programme or shareholder communications policy for the Company

These are encapsulated in the Board Charter and the Board has been discharging its duties within the business environment and market condition accordingly.

## 1.3 STRATEGIES TO PROMOTE 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.

## 1.4 ACCESS TO INFORMATION AND ADVICE

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. status of sales performance;
4. management proposals that required Board's approval;
5. list of Directors' circular resolutions passed during the period covered;
6. list of Directors' dealings in securities during the period covered;
7. list of announcements submitted to Bursa Malaysia Securities Berhad (BMSB) during the period covered; and
8. major operational and financial issues.

# STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

**1.4 ACCESS TO INFORMATION AND ADVICE *(Cont'd)***

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 the public in which the Group conducts its business.

**1.5 QUALIFIED AND COMPETENT COMPANY SECRETARIES**

The Company Secretary is a qualified, experienced and knowledgeable person under Section 139A of the Company Act 1965. The Company Secretary is responsible to provide full support to the Board in fulfilling its fiduciary duties and leadership role.

The Company Secretary plays an advisory role to the Board in relation to the Board policies and procedures, and its compliance with the relevant regulatory requirements, codes, guidance and legislations. The Company Secretary also responsible to update the Board of the updates of Companies Act, 1965 and Listing Requirements of Bursa Securities regularly.

In addition, the Company Secretary attends and ensures that all Board meetings are properly convened, such as, proper recordings of proceeding of the meetings, subsequently communicated to the relevant Management for appropriate actions, and resolutions passed are taken and maintained in the statutory registers of the Company. Thus, the Board is regularly updated by the Company Secretaries on the follow-up of its decision and recommendation by the Management.

**1.6 BOARD CHARTER**

The Board Charter was formalized and adopted by the Board to achieve the objectives of accountability, transparency and effective performance for the Group. It also able to enhance the standards of corporate governance, roles and responsibilities of the Board. The Board will review the Board Charter annually to ensure that it remains consistent with the Board's objectives. The Board Charter was approved by the Board on 27 November 2015 and was last reviewed and updated on 31 March 2016.

A full copy of the Board Charter is available for viewing at the Group's corporate website at http://www.ksl.my

**PRINCIPLE 2: STRENGTHEN COMPOSITION**

During the financial year ended 31 December 2015, the Board has (7) members, comprising one (1) Executive Chairman, one (1) Group Managing Director, two (2) Executive Directors and three (3) Independent Non-Executive Directors. Thus, the requirement as set out in Main Market Listing Requirement of the Bursa Securities ("Listing Requirements"), which required that at least 2 directors of 1/3 of the Board of Director of a listed issuer, whichever is the higher, are independent directors, is fulfilled. The profile of each Director is presented on pages 23 to 25 of the Annual Report. The Directors, with their diverse backgrounds and a varied spectrum of expertise to bring into effectiveness of the Board and successfully direct the Group. The Board has identified Mr. Goh Tyau Soon as Senior Independent Director of the Company, to whom concern may be conveyed.

# STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

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

The following Board Committees have been established to assist the Board in discharging its duties:

**2.1 NOMINATING COMMITTEE**

The Nominating Committee was set up on 11 April 2002 to provide formal and transparent procedures for the appointment of new Directors to the Board. Currently, the members of the Nominating Committee comprises exclusively three (3) Independent Non-Executive Directors as follows:-

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

During the financial year under review, one (1) meeting was held and attended by all members.

**2.2 DEVELOP, MAINTAIN AND REVIEW CRITERIA FOR RECRUITMENT AND ANNUAL ASSESSMENT OF DIRECTORS**

***Appointment Process***

The Nominating Committee is empowered to identify and recommend new appointments of Executive and Non-Executive Directors to the Board. In evaluating the suitability of candidates for the Board, the Nominating Committee shall ensure that the candidates possess the following criteria:-

- qualifications;
- skills and competence;
- functional knowledge;
- experience;
- background and character;
- integrity and professionalism; and
- time commitment.

In the evaluation procedures, the members of Nominating Committee will conduct an informal interview with the potential candidates. Upon review, the Nominating Committee shall make its recommendation to the Board of Directors for consideration. Once the Board approves the recommendation, the Nominating 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.

***Board Effectiveness Assessment***

The Board, through the Nominating Committee, assesses the effectiveness of the Board as a whole, the committees of the Board and the contributions of each Director is an ongoing basis. The Board also annually reviews the required mix of skills, expertise, experiences and other qualities including core competencies, which Non-Independent Directors should bring to the Board. In conducting the assessment, the main criteria were implemented as the following:-

# STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

## 2.2 DEVELOP, MAINTAIN AND REVIEW CRITERIA FOR RECRUITMENT AND ANNUAL ASSESSMENT OF DIRECTORS *(Cont'd)*

- establish clear roles and responsibilities;
- strengthen composition;
- reinforce independence;
- foster commitment;
- uphold integrity in financial reporting;
- recognize timely and high quality disclosure; and
- strengthen relationship between company and shareholders.

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 Nominating Committee had assessed the Board effectiveness, its size and structure.

Although there is no formal policy on board diversity and there is no female Director in the Board of Directors of the Company at the moment, the Board of Directors welcomes any suitable, competent and capable candidate, as and when the need arises; upon recommendation of Nominating Committee after undergoing the nomination and election processes of the Company.

## 2.3 REMUNERATION COMMITTEE

**Board Remuneration Policies and Procedure**

The Board believes that the remuneration policy reflects the Director's responsibilities and fiduciary duties in steering the Group to achieve its long term goals and enhance shareholders' value. Thus, the Board offers a remuneration package to attract, develop, and retain the Directors needed to run the Company successfully and with commitment.

The Remuneration Committee of the Company is responsible for recommend to the Board a remuneration policy for Executive Directors that is related to their individual performances in the Group. The Remuneration Committee also recommends to the Board a remuneration policy for Non-Executive Directors that is related to their experience and level of responsibilities in the Group. 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.

Besides, individual Directors do not participate in the decisions regarding their individual remuneration.

The Remuneration Committee comprises the following Directors:-

1. Tey Ping Cheng (Chairman, Independent Non-Executive Director)
2. Gow Kow (Member, Independent Non-Executive Director)
3. Goh Tyau Soon (Member, Independent Non-Executive Director)
4. Khoo Cheng Hai @ Ku Cheng Hai (Member, Group Managing Director)

During the financial year under review, one (1) meeting was held and attended by all members.

# STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

## 2.3 REMUNERATION COMMITTEE *(Cont'd)*

A summary of remuneration packages of the Directors of the Company who served during the FYE 31 December 2015 was as follows:-

| Remuneration | Executive Directors RM '000 | Non-Executive Directors RM '000 |
|---|---|---|
| Directors' Fees | - | 90 |
| Salaries | 16,645 | - |
| Allowances | 180 | 18 |
| Bonuses | 13,624 | - |
| Total | 30,449 | 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 300,001 to RM 350,000 | 1 | - |
| RM 9,500,001 to RM 10,000,000 | 2 | - |
| RM 10,000,001 to RM 10,200,000 | 1 | - |
| Total | 4 | 3 |

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

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.

The Directors Code of Professional Ethic and Conduct was formalized and approved by the Board on 31 March 2016. It is made available on the Company's website @ http://www.ksl.my

## PRINCIPLE 3: REINFORCE INDEPENDENCE

## 3.1 ANNUAL ASSESSMENT OF INDEPENDENCE OF DIRECTORS

The Board is committed in undertaking an assessment for each of the Independent Directors based on the criteria set out in the MMLR of Bursa Securities. Thus, the Board has conducted assessment on its Independent Directors annually. It is to ensure that he/she has the ability to exercise independent judgment at all times and contribute to the effective functioning of the Board.

The Board also recognized the importance of Independent Directors to perform in utmost good faith, confidentiality and high level of professionalism and impeccable integrity in his/her conducts at all times. For example, the current Independent Directors of the Company namely, Mr. Gow Kow provides a macro independent and balanced assessment of proposals from the Executive Directors.

# STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

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

**3.1 ANNUAL ASSESSMENT OF INDEPENDENCE OF DIRECTORS *(Cont'd)***

Overall of the annual assessment, the Board was satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company as well as the performance of the rest of Directors throughout the year.

**3.2 TENURE OF INDEPENDENT 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 re-designation as a Non-Executive Director. In exceptional cases, the Board wishes to retain such director as an Independent Director and the Board will justify and seek shareholders' approval.

**3.3 SHAREHOLDERS' APPROVAL FOR RE-APPOINTMENT AS INDEPENDENT NON-EXECUTIVE DIRECTORS AFTER A TENURE OF NINE-YEARS**

In exceptional cases and subject to assessment by the Nominating Committee, the Board recommended for an Independent Director that who has served a consecutive or cumulative term of nine (9) years to remain as an Independent Director subject to shareholders' approval.

Notwithstanding that Mr. Gow Kow, Mr. Goh Tyau Soon and Mr. Tey Ping Cheng have served on the Board for more than ten (10) years since the Company was listed on 6 February 2002 by 31 December 2015, 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 arbitrary 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 MMLR of BMSB and thus, they would be able to function as a check and balance, and bring an element of objectivity to the Board.

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.

f. They participated actively in all deliberations of all issues; and always bring independent and objective judgment to Board deliberations.

**3.4 SEPARATION OF POSITION OF THE CHAIRMAN AND GROUP MANAGING DIRECTOR**

The Board recognizes the importance of having clearly accepted division of power and responsibility between the Chairman and Group Managing Director to ensure balance of power and authority, such that no one individual has unfettered decision-making powers. The roles of Chairman are to provide leadership for the Board; conduct and lead the Board in its oversight of management, whereas the Group Managing Director has overall chief executive responsibility for the Group's business development and day-to-day management generally.

Thus, the roles of Chairman as well as the role of the Group Managing Director have been clearly outlined in 1.1.

# STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

**3.5 THE BOARD MUST COMPRISE A MAJORITY OF INDEPENDENT DIRECTORS WHERE THE CHAIRMAN OF THE BOARD IS NOT AN INDEPENDENT DIRECTOR**

Although the Chairman of KSL Holdings Berhad, Mr. Ku Hwa Seng is not an Independent Director, he has proven his chairmanship by providing his strong but fair leadership whilst prioritizing the Board's objective when he is discharging his duties. He encourages greater participation of Directors in all deliberations of all issues in the meetings by giving them ample time to deliberate. He abstains for all deliberations issues which have conflict of interest as well as its decision making thereafter.

**PRINCIPLE 4: FOSTER COMMITMENT**

**4.1 TIME COMMITMENTS**

The Board meets at least four (4) times a year, with additional meetings convened as necessary. During the year under review, six (6) Board meetings were held with due notice of issues to be discussed and conclusions in discharging its duties and responsibilities properly recorded.

Besides, the Board required its members to devote sufficient time, to the affairs of the Company, and to use their best endeavor to attend meetings. Board papers with sufficient notice are distributed to Directors before Board meetings to enable the Directors to peruse and have the opportunity to seek additional information, and obtain further explanation and clarification on the matters to be deliberated.

Overall, the Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. 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 | 4/5 |
| Lee Chye Tee | 5/5 |
| Gow Kow | 5/5 |
| Goh Tyau Soon | 5/5 |
| Tey Ping Cheng | 5/5 |

**Protocol for the Appointment of Directors**

According to the MCCG 2012, the Board will set out its expectations on time commitment for its members and protocols for accepting new directorships. Thus, the Board required each director to notify the Chairman of the Board and the Secretary in writing before accepting any new directorship of the Company.

**4.2 DIRECTORS' TRAINING**

In order for the enlarged KSL Holdings Bhd to remain competitive, the Board ensures that the Directors continuously enhance their business acumen and professionalism in discharging their duties to the Group. Thus, the Board required all the Directors should participate the 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.

# STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

## 4.2 DIRECTORS' TRAINING *(Cont'd)*

Thus, the Directors of the Company had attended briefing given by the Company Secretary pertaining to the amendments to the MMLR of BMSB during the financial year under review. In addition, the following Directors had attended the conferences, seminars and training programmes as mentioned below:-

1. **Lee Chye Tee**

| | |
|---|---|
| • 2016 Budget Seminar | 2 Nov 2015 |
| • GST for Property Developers & Construction Industry | 2 Mar 2015 |
| • Training on IFCA GST | 20 Mar 2015 |

2. **Gow Kow**

| | |
|---|---|
| • Seminar Percukaian Kebangsaan 2015 | 4 Nov 2015 |
| • Tax Deductible Expenses – Principles and Latest Developments | 23 Oct 2015 |
| • New Public Rulings for 2014 & 2015 | 13 Apr 2015 |
| • LHDNM – CTIM Tax Forum 2015 | 18 Mar 2015 |
| • Training on IFCA GST | 20 Mar 2015 |

3. **Tey Ping Cheng**

| | |
|---|---|
| • An Overview of the Proposed New Companies Act, 2015 | 5 Dec 2015 |
| • Seminar Percukaian Kebangsaan 2015 | 5 Nov 2015 |
| • Maximising on Capital Expenditure | 29 July 2015 |
| • The New Companies Bill & Company Secretaries | 18 Apr 2015 |
| • Analysis of Recent Tax Cases 2014 & Understanding Tax Appeal Processes | 19 Mar 2015 |
| • Training on IFCA GST | 20 Mar 2015 |

4. **Goh Tyau Soon**

| | |
|---|---|
| • Training on IFCA GST | 20 Mar 2015 |

5. **Khoo Cheng Hai @ Ku Cheng Hai**

| | |
|---|---|
| • Training on IFCA GST | 20 Mar 2015 |

6. **Ku Hwa Seng**

| | |
|---|---|
| • Training on IFCA GST | 20 Mar 2015 |

7. **Ku Tien Sek**

| | |
|---|---|
| • Training on IFCA GST | 20 Mar 2015 |

Besides, the Directors may also request to attend various professional programmes necessary in the future. It is to ensure that they are kept abreast on various issues on the changing business environment within which the Company operates. Therefore, the Board will continually evaluate and determine the training needs of its members to assist them in discharging their duties as Directors.

## PRINCIPLE 5: UPHOLD INTEGRITY OF FINANCIAL REPORTING

## 5.1 COMPLIANCE WITH APPLICABLE FINANCIAL REPORTING STANDARDS

The Board aims to provide a clear, 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.

The Board also responsible for ensuring the annual financial statements are prepared in accordance with the provisions of the Companies Act 1965 and the applicable financial reporting standards in Malaysia. Besides, the Audit Committee assists the Board in ensuring the information disclosed is accurate, adequate and complies with all applicable Financial Reporting Standards.

# STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

**5.2 DIRECTORS' RESPONSIBILITIES STATEMENT**

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

**5.3 ASSESSMENT OF SUITABILITY AND INDEPENDENCE OF EXTERNAL AUDITORS**

The Board and Audit Committee of KSL Holdings Bhd are committed to ensuring the suitability and independence of External Auditors in substance as well as in form. 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.

Besides, some of the matters for consideration regarding appointment, reappointment and removal of External Auditors by the Board include:-

***1. Fees***

A candidate must provide a fixed fee quotation for its audit services. However, price will not be the sole determining factor in the selection of a preferred External Auditors.

# STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

## 5.3 ASSESSMENT OF SUITABILITY AND INDEPENDENCE OF EXTERNAL AUDITORS *(Cont'd)*

### *2. Independence*

The External Auditors must satisfy the Audit Committee that it is independent from the Company. The Audit Committee will follow the following procedures for selection and appointment a preferred auditors for recommendation to the Board:-

a. To identify the audit firms based on the independence criteria was set out by the Malaysia Institute of Accountants;

b. To assess and select the suitable audit firms;

c. To recommend the suitable audit firm to the Board for appointment as External Auditors; and

d. Upon obtaining the endorsement from the Board, the recommendation will send to shareholders to get approval for the appointment of the new External Auditor and/or removal of the existing External Auditors at the general meeting.

### *3. Annual Performance Assessment*

Audit Committee shall accomplish an annual assessment on the performance of the External Auditors as following areas:-

a. Service quality;

b. Sufficiency of resources;

c. Communication with management; and

d. Independence and professionalism.

A summary of Audit Committee activities during the year was set out in the Audit Committee Report on pages 44 to 46 of this Annual Report.

## PRINCIPLE 6: RECOGNISE AND MANAGE RISK

## 6.1 SOUND FRAMEWORK TO MANAGE RISK

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 (RMC) was formed on 26 February 2014 to assist the Board in identifying, mitigating and monitoring critical risk highlighted by businesses units. The RMC comprises the following members:

| NAME OF DIRECTORS | EXECUTIVE POSITION |
|---|---|
| Khoo Cheng Hai @ Ku Cheng Hai | Group Managing Director |
| Gow Kow | Independent Non-Executive Director |
| Goh Tyau Soon | Independent Non-Executive Director |
| Tey Ping Cheng | Independent Non-Executive Director |

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

# STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

## 6.1 SOUND FRAMEWORK TO MANAGE RISK *(Cont'd)*

Besides, the Board distinguishes three main types of risk that faced during the financial year ended 2015:-

a. Credit risk – It is a risk of financial loss when a customer or counterparty fails to meet their financial obligation. It will affect our business facing impairment loss in the trade receivable.

b. Liquidity risk – It is a risk of not meeting our payment obligation, which could arise as a result mismatched cash flows generated by our business. It will affect our business facing unbalance cash flow due to the various payables, loans and borrowings.

c. Market risk – It is a risk that charges in market prices, such as interest rates that will affect the value of a financial instrument, a portfolio or the Group as a whole.

For the perspective of specific types of risk, the RMC role includes:-

a. Credit risk – monitor the risk profile, performance and management of our credit portfolio and development and review of credit risk policies.

b. Liquidity risk – monitor the market risk profile, forecast the cash flow and continuously review information on the Group's liquidity development and report to the Board on the regular basis.

c. Market risk – monitor market risk, setting limits to risk capital allocation and guidelines and formulating and implementing plans relating to market risk management.

The key features of the Risk Management Framework was set out in the Statement on Risk Management and Internal Control on page 41 to 43 of this Annual Report.

***Assurance from Management***

The Board receives and views regular report about the Company's overall risk management and internal control system is operating adequately and effectively. The Managing Director and the Finance Director annually provide formal statements to the Board that in all material respects:

- the financial records of the company for the financial year have been properly maintained;
- correctly record and explain its transactions and financial position and performance;
- the financial statements and notes required by the accounting standards for the financial year comply with the accounting standards;
- the financial statements and notes for the financial year give a true and fair view of KSLH's and its consolidated entities' financial position and of their performance; and
- any other matters that are prescribed by the Companies Act 1965 as they relate to the financial statements and notes for the financial year are satisfied.

## 6.2 INTERNAL AUDIT FUNCTION

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

The cost incurred for the Internal Audit Services in the financial year ended 31 December 2015 was RM25,000.

Details of the Company's internal control system and framework as set out in the Statement on Risk Management and Internal Control together with Audit Committee of this Annual Report.

# STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

**PRINCIPLE 7: ENSURE TIMELY & 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 MMLR, guided by Bursa's Corporate Disclosure Guide.

**PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS**

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 hands, except for related party transaction, if any, wherein a 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.

**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.

**(4) PROFIT GUARANTEE**

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

# STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

**OTHERS *(Cont'd)***

**(5) OPTIONS OR CONVERTIBLE SECURITIES**

During the financial year, the Company has issued 152,065,898 new ordinary shares of RM0.50 each at an exercise price of RM0.80 per ordinary share pursuant to the exercise of Warrants 2011/2016.

As at 28 March 2016, 27,699,806 Warrants remained unexercised.

**(6) RECURRENT RELATED PARTY TRANSACTIONS**

The recurrent related party transactions entered into by the Group during the financial year under review are disclosed in Note 29 to the Financial Statements on page 114 to 115 of this Annual Report.

**(7) SHARE BUY-BACK**

During the financial year under review, the Company repurchased 5,234,400 of its issued shares for a total cash consideration of RM7,900,643 in the open market at an average price of RM1.51 per share including transaction cost. The repurchased transactions were financed by internally generated funds.

The shares repurchased are being held as Treasury Shares and treated in accordance with the requirements of Section 67A of the Companies Act, 1965. Details of the shares buyback for the current financial year under review are as follows:

| | Number of shares | Purchase Price | | | RM |
|---|---|---|---|---|---|
| | | Highest price RM | Lowest price RM | Average Cost RM | |
| As at 1 January 2015 | 2,541,400 | 4.10 | 1.00 | 1.32 | 3,361,331 |
| March 2015 | 604,600 | 2.12 | 2.23 | 2.18 | 1,301,265 |
| April 2015 | 150,000 | 1.94 | 1.92 | 1.93 | 290,189 |
| August 2015 | 4,479,800 | 1.47 | 1.33 | 1.40 | 6,309,188 |
| As at 31 December 2015 | 7,775,800 | 4.10 | 1.00 | 1.45 | 11,261,974 |

**(8) VARIATION OF RESULTS**

There was no material variance between the results for the financial year ended 31 December 2015 and the unaudited results previously announced by the Company.

**(9) UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS**

There were no proceeds raised from corporate proposals during the financial year ended 31 December 2015.

**(10) NON-AUDIT FEES**

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year under review was by the External Auditors was RM4,200.

**(11) PROFIT ESTIMATE, FORECAST OR PROJECTION**

There were no profit estimates, forecasts or projections or unaudited results released which differ by 10 per cent or more from the audited results.

**(12) CONTRACT RELATING TO LOAN**

There were no contracts relating to loan by the Company and its subsidiaries during the financial year.

# 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 2015, 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 acknowledges that it is their ultimate responsibility for the Group's system of internal control to safeguard shareholders' investments and the Group's assets as well as reviewing the adequacy and integrity of the system of internal control.

Due to the inherent limitations in any system of internal controls, such system put in place by Management can only reduce rather than eliminate all risks of failure to achieve the Group's corporate objectives. The Board has also received assurance from the Managing Director and Finance Director that the Group's risk management and internal control system are operating adequately and effectively in all material aspects.

## RISK MANAGEMENT FRAMEWORK

Risk Management is regarded by the Board to be an integral part of the Group's business operations. The Board acknowledges that the risk management and internal control system are designed to manage, rather than eliminate risks that hinder the Group from achieving its goals and objectives. On a day-to-day basis, the respective Heads of Department are responsible for managing the risks of their department and periodic management meetings are held to ensure that significant issues and risks faced by the Group are closely monitored and appropriately addressed. The above mentioned risk management practices serve as the on-going process used to identify, evaluate and manage significant risks.

## INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent consulting firm, to assist the Board and the Audit Committee in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. The scope of review of the outsourced internal audit function is determined by the Audit Committee with feedback from Executive Management.

During the period under review, audits were carried out in accordance with the internal audit plan approved by the Audit Committee and also other areas of significance that were recommended by the Management to the Audit Committee. The results of the internal audit reviews and the recommendations for improvement were presented to the Audit Committee at their quarterly meetings.

For each internal audit visit, the internal audit team will perform the following:

a) Understand the process, key performance indicators, risks involved and controls in place through interviews with various personnel, observations and review of documents such as procedures and guidelines before summarizing key process risks and control design.

b) Develop control testing programmes.

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

**INTERNAL AUDIT FUNCTION *(Cont')***

c) Conduct testing programs, analyze root causes of findings and identify improvement opportunities.

d) Discuss issues and improvement opportunities with process owners.

e) Summarize issues and recommend action plans.

f) Report on shortcomings, together with recommendations as appropriate are submitted to the Audit Committee.

g) Observe regular management meetings are held to discuss the Group's performances, business operations and management issues as well as formulate appropriate measures to address them.

h) Adequate insurance of the major assets and resources of the Group are in place to ensure that these are sufficiently covered against any mishap that may result in material losses to the Group.

**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.

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.

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

**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 2015 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 2015 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

## 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 2015, 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<br>Chairman<br>(Independent Non-Executive Director) | 5/5 |
| Goh Tyau Soon<br>(Independent Non-Executive Director) | 5/5 |
| Tey Ping Cheng<br>(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. Reviewed the internal audit plan to ensure adequate scope and comprehensive coverage over the activities of KSL Holdings Berhad and KSL Group;

2. Reviewed the internal audit reports which were tabled during the period under review, the audit recommendations made and management's response to these recommendations. Where appropriate, the Committee has directed Management to rectify and improve control procedure and workflow processes based on the Internal Auditors' recommendations and suggestion for improvement;

3. Reviewed the internal audit reports which highlighted the audit issues on the auditable areas of project management, procurement, project tender cycle, vendor selection process and operation risk management in the construction, hotel and mall divisions, billings and cash collection, insurance coverage, thus ensuring that all high and critical risk areas are audited; and

4. Reviewed and appraised the adequacy and effectiveness of Management response in resolving the audit issues reported.

## INTERNAL AUDIT FUNCTIONS

The Group has outsourced its internal audit function to an independent internal audit services provider. The Internal Audit function is to assist the Board and the Audit Committee in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. The scope of review of the outsourced internal audit function is determined by the Audit Committee with feedback from Executive Management.

The internal audit function has prepared a risk-based internal audit plan and incorporated a holistic schedule of assignments to provide independent assurance on the system of risk-management and safeguarding of the Group's assets. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee.

# AUDIT COMMITTEE REPORT *(Cont'd)*

**INTERNAL AUDIT FUNCTIONS *(Cont'd)***

During the period under review, internal audit reviews were carried out and the findings of the reviews, including the recommended management action plans were presented directly to the Audit Committee. The internal audits conducted on the Group did not reveal any weaknesses in the internal control system that would result in any material losses, contingencies or uncertainties which are necessary to be disclosed in this Annual Report.

**AUDIT SCOPE**

The scope of this audit included all procurement and contracting activities.

**AUDIT APPROACH**

The approach and methodology used for the audit followed Internal Auditing Standards.

Based on risks identified in the planning phase of the audit, a risk-based program was developed to detail how the audit objective, criteria and risks would be addressed. The audit program included the following procedures:

a) Interviews respective Head of Department to obtain a further understanding on specific aspects of the procurement and contracting process;

b) Held discussions with the Procurement Policy team to determine controls, procedures and processes are appropriate;

c) Observed:-

   i. Segregation of Duties to ensure tasks and process flows have a check and balance;
   ii. Supporting Documentations;
   iii. Assets are properly safeguarded;

d) Reviewed the Compliance and Controls Matrix through consultation with the Group Finance Managers;

e) Through discussion, observation and review of evidence we will document and review the processes and controls;

f) Review a sample of project/contract files. Files were selected randomly and based on risk and project descriptions; and

g) Should there be any control weaknesses or where it appears as though controls are poorly designed or implemented, we conducted reasonable enquiries to gain insight into the exposure arising and we documented the potential risk arising from the control weaknesses and provide practical recommendations to improve processes and controls.

**STRENGTHS NOTED**

Procurement and contract management responsibilities are well managed. Files are maintained appropriately and roles with regards to procurement and contract management are well understood.

# AUDIT COMMITTEE REPORT *(Cont'd)*

## COMPETENCY

The Internal Auditors usually consider information obtained from previous experience within the internal audit function and from discussion with management personnel.

## RESOURCES

The Internal Auditors reiterate that the internal audit function may consist of one or more individuals who perform internal auditing activities within the entity.

## CONCLUSION AND RECOMMENDATION

Within the limitations of the samples and the audit procedures performed, construction contracting policies is adequate in that most areas of practice or process for construction contracts are in compliance. Five key components of the procurement management control framework that were examined included the control environment, control activities, risk assessment, information and on-going monitoring. Sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the conclusions reached.

# REPORTS AND FINANCIAL STATEMENTS

# 31 DECEMBER 2015

# CORPORATE INFORMATION

## Registered Office

Wisma KSL, No. 148
Batu 1 ½, Jalan Buloh Kasap
85000 Segamat
Johor Darul Ta'zim

## Principal Place of Business

Wisma KSL, No. 148
Batu 1 ½, Jalan Buloh Kasap
85000 Segamat
Johor Darul Ta'zim

## Company Secretary

Leong Siew Foong (MAICSA 7007572)

## Auditors

ECOVIS AHL PLT
(LLP0003185-LCA) & (AF 001825)
No. 147-B, Jalan Sutera Tanjung 8/2
Taman Sutera Utama
81300 Skudai
Johor Darul Ta'zim

## Principal Bankers

AmBank (M) Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad

# 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 2015.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of management services to the subsidiaries. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

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

## FINANCIAL RESULTS

| | Group RM | Company RM |
|---|---|---|
| Profit for the year attributable to owners of the Company | 266,058,864 | 27,712,929 |

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2014 (as disclosed in Note 24 to the financial statements) were as follows:

| | RM |
|---|---|
| **In respect of the financial year ended 31 December 2014**: | |
| Interim dividend of 5 sen single tier dividend on 914,016,394 ordinary shares, declared on 28 November 2014, and paid on 25 February 2015 | 45,700,820 |
| Final dividend of 5 sen single tier dividend on 955,939,043 ordinary shares, declared on 27 February 2015, and paid on 17 August 2015 | 47,796,952 |
| **In respect of the financial year ended 31 December 2015**: | |
| Interim dividend of 2 sen single tier dividend on 986,430,015 ordinary shares, declared on 28 August 2015, and paid on 26 November 2015 | 19,728,600 |
| | **113,226,372** |

## RESERVES AND PROVISIONS

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

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company has increased its issued and paid-up share capital from RM394,423,606 to RM503,797,826 as follows:

i) 152,065,898 new ordinary shares of RM0.50 each at an exercise price of RM0.80 per ordinary share via the conversion of warrants for a total consideration of RM121,652,718;

# DIRECTORS' REPORT *(Cont'd)*

**ISSUE OF SHARES AND DEBENTURES *(Cont'd)***

ii) 27,037,633 new ordinary shares of RM0.50 each at RM1.57 per ordinary share arising from the Dividend Reinvestment Plan ("DRP") relating to electable portion of interim single tier dividend of 5 sen in respect of the financial year ended 31 December 2014;

iii) 27,138,772 new ordinary shares of RM0.50 each at RM1.4783 per ordinary share arising from the DRP relating to electable portion of final single tier dividend of 5 sen in respect of the financial year ended 31 December 2014;

iv) 12,506,136 new ordinary shares of RM0.50 each at RM1.39 per ordinary share arising from the DRP relating to electable portion of interim single tier dividend of 2 sen in respect of the financial year ended 31 December 2015;

as disclosed in Note 13 and Note 24 to the financial statements.

All the new ordinary shares that were issued rank pari passu in all respects with the existing shares of the Company.

There was no issue of debentures by the Company during the financial year.

**ISSUE OF WARRANTS**

The Warrants are constituted by the Deed Poll dated 14 July 2011.

During previous financial year, the exercise price of Warrants have adjusted from RM1.60 to RM0.80 as provided for in the Deed Poll in the event of the issuance of new ordinary shares by the Company credited as fully paid-up by way of capitalisation of retained earnings or reserves to shareholders.

The Warrants exercised during the financial year were 152,065,898 at RM0.80 each.

As at the year end, 30,843,506 Warrants remained unexercised. Further information is disclosed in Note 14 to the financial statements.

**SHARE BUY-BACK**

During the financial year, the Company has repurchased 5,234,400 (2014: 400,000) of its issued ordinary shares from the open market for a total consideration of RM7,900,643 (2014: RM1,623,006). The average price paid for the shares repurchased was RM1.51 (2014: RM4.05, before bonus issue) per share; and

The repurchase transactions were funded by internally generated funds. The shares repurchased are held as treasury shares.

As at 31 December 2015, the Company held 7,775,800 issued ordinary shares as treasury shares out of its total issued and paid-up share capital of 1,007,595,651 shares. Such treasury shares are held at a carrying amount of RM11,261,974. Further information is disclosed in Note 14 to the financial statements.

**OPTIONS**

No option has been granted during the financial year covered by the Statements of Profit or Loss and Other Comprehensive Income to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

# DIRECTORS' REPORT *(Cont'd)*

## DIRECTORS

The directors who served since the date of the last report are: -

Khoo Cheng Hai @ Ku Cheng Hai
Ku Hwa Seng
Ku Tien Sek
Lee Chye Tee
Gow Kow
Goh Tyau Soon
Tey Ping Cheng

## 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 previous financial year, no director of the Company has received or become entitled to receive any benefit, other than those disclosed as directors' remuneration in the financial statements or those entered in the normal course of business, by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest required to be disclosed by Section 169(8) of the Companies Act, 1965.

## DIRECTORS' INTERESTS

Details of holdings in the share capital of the Company and its related corporation by the directors in office at the end of the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965, were as follows: -

| | <------------- Number of ordinary shares of RM0.50 each -----------> | | | | | |
|---|---|---|---|---|---|---|
| | **As at 1.1.2015** | **Acquired** | **Issued pursuant to DRP (*)** | **Warrant conversion** | **Disposed** | **As at 31.12.2015** |
| **Company** | | | | | | |
| *Direct interest* | | | | | | |
| Khoo Cheng Hai @ Ku Cheng Hai | 37,410,134 | - | 6,401,663 | 40,567,854 | - | 84,379,651 |
| Ku Hwa Seng | 36,971,504 | - | 6,136,875 | 37,781,142 | - | 80,889,521 |
| Ku Tien Sek | 24,373,852 | - | 4,020,853 | 24,603,752 | - | 52,998,457 |
| *Indirect interest (+)* | | | | | | |
| Khoo Cheng Hai @ Ku Cheng Hai | 2,933,332 | - | 301,016 | 733,332 | - | 3,967,680 |
| *Deemed interest (#)* | | | | | | |
| Khoo Cheng Hai @ Ku Cheng Hai | 289,600,000 | - | 24,546,642 | 9,400,000 | - | 323,546,642 |
| Ku Hwa Seng | 289,600,000 | - | 24,546,642 | 9,400,000 | - | 323,546,642 |
| Ku Tien Sek | 289,600,000 | - | 24,546,642 | 9,400,000 | - | 323,546,642 |

+ By virtue of his child's direct shareholding
* Shares issuance pursuant to Dividend Reinvestment Plan
# Held through Premiere Sector Sdn. Bhd.

# DIRECTORS' REPORT *(Cont'd)*

## DIRECTORS' INTERESTS *(Cont'd)*

By virtue of their interests in the shares of the Company, Khoo Cheng Hai @ Ku Cheng Hai, Ku Hwa Seng and Ku Tien Sek are also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other directors in office at the end of the financial year hold any shares in the Company or its related corporations during the financial year.

| | <-------------------- Number of warrants | | | --------------------> | |
|---|---|---|---|---|---|
| | **As at 1.1.2015** | **Acquired** | **Disposed** | **Warrant Conversion** | **As at 31.12.2015** |
| **Company** | | | | | |
| *Direct interest* | | | | | |
| Khoo Cheng Hai @ Ku Cheng Hai | 15,567,854 | 25,000,000 | - | (40,567,854) | - |
| Ku Hwa Seng | 12,781,142 | 25,000,000 | - | (37,781,142) | - |
| Ku Tien Sek | 11,603,752 | 13,000,000 | - | (24,603,752) | - |
| *Indirect interest (*)* | | | | | |
| Khoo Cheng Hai @ Ku Cheng Hai | 733,332 | - | - | (733,332) | - |
| *Deemed interest (**)* | | | | | |
| Khoo Cheng Hai @ Ku Cheng Hai | 72,400,000 | - | (63,000,000) | (9,400,000) | - |
| Ku Hwa Seng | 72,400,000 | - | (63,000,000) | (9,400,000) | - |
| Ku Tien Sek | 72,400,000 | - | (63,000,000) | (9,400,000) | - |

* By virtue of his child's direct shareholding
** Held through Premiere Sector Sdn. Bhd.

## OTHER STATUTORY INFORMATION

(a) The directors, before the Statements of Profit or Loss and Other Comprehensive Income and Statements of Financial Position of the Group and of the Company were made out, 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 allowance for doubtful debts and have satisfied themselves that there were no known bad debts and that no allowance 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) The directors are not aware of any circumstances, at the date of this report, which would render: -

(i) it necessary to write off any bad debts or to providing of allowance 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.

# DIRECTORS' REPORT *(Cont'd)*

**OTHER STATUTORY INFORMATION *(Cont'd)***

(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 or 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 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 liability 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 substantially affect the ability of the Group and of the Company to meet their obligations as and 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 and of the Company for the financial year in which this report is made.

**AUDITORS**

The auditors, ECOVIS AHL PLT, have expressed their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors,

KHOO CHENG HAI @ KU CHENG HAI

LEE CHYE TEE

JOHOR BAHRU
Date: 31 March 2016

# 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 financial statements set out on pages 57 to 116 are 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 of 31 December 2015 and of their financial performance and cash flows for the year then ended.

In the opinion of the directors, the information set out in Note 31 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors,

KHOO CHENG HAI @ KU CHENG HAI

LEE CHYE TEE

JOHOR BAHRU
Date: 31 March 2016

# 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 financial statements set out on pages 57 to 116, are to the best of my knowledge and belief, 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 31 March 2016 )

LEE CHYE TEE

Before me,
Commissioner of Oath
Kung Yu Ku (No: J209)

# 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 as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 57 to 116.

*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 Companies Act, 1965 in Malaysia, and 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 judgment, including the assessment of risks of material misstatement of the financial statements, whether due to the 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 of 31 December 2015 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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group 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 audit report on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**Other Reporting Responsibilities**

The supplementary information set out in Note 31 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information 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 ("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.

**Other Matters**

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.

ECOVIS AHL PLT
AF 001825
Chartered Accountants

KHOR KENG LIEH
2733/07/17 (J)
Chartered Accountant

**JOHOR BAHRU**

Date: 31 March 2016

# STATEMENTS OF FINANCIAL POSITION
## *AS AT 31 DECEMBER 2015*

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 3 | 140,332,650 | 146,895,849 | 2 | 2 |
| Land held for property development | 4 | 731,663,810 | 642,312,414 | - | - |
| Investment properties | 5 | 641,223,786 | 584,227,602 | - | - |
| Investment in subsidiaries | 6 | - | - | 92,948,965 | 84,448,960 |
| Deferred tax assets | 7 | - | 2,484,291 | - | - |
| | | 1,513,220,246 | 1,375,920,156 | 92,948,967 | 84,448,962 |
| **CURRENT ASSETS** | | | | | |
| Property development costs | 8 | 414,602,623 | 303,319,360 | - | - |
| Inventories | 9 | 172,637,750 | 137,226,490 | - | - |
| Trade and other receivables | 10 | 327,745,107 | 222,684,983 | - | - |
| Amount due by subsidiaries | 11 | - | - | 683,332,440 | 532,978,122 |
| Current tax assets | | 1,138,704 | 646,883 | - | - |
| Cash and bank balances | 12 | 53,702,562 | 67,026,089 | 176,116 | 205,855 |
| | | 969,826,746 | 730,903,805 | 683,508,556 | 533,183,977 |
| **TOTAL ASSETS** | | 2,483,046,992 | 2,106,823,961 | 776,457,523 | 617,632,939 |
| **EQUITY AND LIABILITIES** | | | | | |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | | | | |
| Share capital | 13 | 503,797,826 | 394,423,606 | 503,797,826 | 394,423,606 |
| Reserves | 14 | 1,509,643,975 | 1,206,801,245 | 235,201,088 | 170,704,293 |
| **TOTAL EQUITY** | | 2,013,441,801 | 1,601,224,851 | 738,998,914 | 565,127,899 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Other payables | 15 | 126,721,424 | 103,068,666 | - | - |
| Loans and borrowings | 16 | 94,779,049 | 116,863,021 | - | - |
| Deferred tax liabilities | 7 | 34,784,238 | 34,553,637 | - | - |
| | | 256,284,711 | 254,485,324 | - | - |

*The accompanying notes form an integral part of the financial statements.*

# STATEMENTS OF FINANCIAL POSITION *(Cont'd)*
## *AS AT 31 DECEMBER 2015*

| | Note | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|---|
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 15 | 132,637,897 | 189,318,374 | 402,415 | 46,262,712 |
| Amount due to subsidiaries | 11 | - | - | 35,286,074 | 5,162,124 |
| Loans and borrowings | 16 | 65,166,348 | 39,695,164 | - | - |
| Current tax liabilities | | 15,516,235 | 22,100,248 | 1,770,120 | 1,080,204 |
| | | 213,320,480 | 251,113,786 | 37,458,609 | 52,505,040 |
| **TOTAL LIABILITIES** | | 469,605,191 | 505,599,110 | 37,458,609 | 52,505,040 |
| **TOTAL EQUITY AND LIABILITIES** | | 2,483,046,992 | 2,106,823,961 | 776,457,523 | 617,632,939 |

*The accompanying notes form an integral part of the financial statements.*

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## *FOR THE YEAR ENDED 31 DECEMBER 2015*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| REVENUE | 17 | 686,108,208 | 801,026,284 | 16,265,000 | 156,464,000 |
| COST OF SALES | 18 | (270,480,464) | (345,751,270) | - | - |
| GROSS PROFIT | | 415,627,744 | 455,275,014 | 16,265,000 | 156,464,000 |
| ADD: OTHER INCOME | 19 | 68,476,891 | 98,975,903 | 20,339,655 | 11,578,185 |
| LESS: DISTRIBUTION EXPENSES | | (32,438,907) | (19,358,236) | (7,555) | (12,236) |
| LESS: ADMINISTRATIVE EXPENSES | | (104,395,229) | (93,976,191) | (3,673,586) | (6,382,381) |
| LESS: OTHER EXPENSES | | (1,544,044) | (451,560) | - | - |
| LESS: FINANCE COSTS | 20 | (7,177,584) | (8,664,800) | (108,966) | (65,297) |
| PROFIT BEFORE TAX | 21 | 338,548,871 | 431,800,130 | 32,814,548 | 161,582,271 |
| INCOME TAX EXPENSE | 22 | (72,490,007) | (89,483,422) | (5,101,619) | (2,960,128) |
| PROFIT FOR THE YEAR | | 266,058,864 | 342,316,708 | 27,712,929 | 158,622,143 |
| OTHER COMPREHENSIVE INCOME | | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 266,058,864 | 342,316,708 | 27,712,929 | 158,622,143 |
| EARNINGS PER ORDINARY SHARE (SEN): - | | | | | |
| Basic | 23 | 27.66 | 43.85 | | |
| Diluted | 23 | 27.18 | 39.44 | | |

*The accompanying notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY
## *FOR THE YEAR ENDED 31 DECEMBER 2015*

| | <---------- Attributable to owners of the Company | | | | | ----------> | |
|---|---|---|---|---|---|---|---|
| | <---------------- Non-Distributable | | | | ----------------> | Distributable | |
| **Group** | **Share capital (Note 13) RM** | **Share premium (Note 14) RM** | **Warrants reserve (Note 14) RM** | **Treasury shares (Note 14) RM** | **Revaluation reserve (Note 14) RM** | **Retained earnings (Note 14) RM** | **Total equity RM** |
| At 1 January 2014 | 195,273,744 | 28,868,900 | 18,764,150 | (4,383,725) | 17,420,142 | 1,033,362,912 | 1,289,306,123 |
| Revaluation surplus realised | - | - | - | - | (22,928) | 22,928 | - |
| Own shares: | | | | | | | |
| - acquired | - | - | - | (1,623,006) | - | - | (1,623,006) |
| - disposed | - | 6,224,720 | - | 2,645,400 | - | - | 8,870,120 |
| Reversal of deferred tax arising from change in tax rate | - | - | - | - | 4,149 | - | 4,149 |
| Issue of ordinary shares: - | | | | | | | |
| - exercise of warrants | 2,607,909 | 6,656,365 | (1,029,364) | - | - | - | 8,234,910 |
| - bonus issue | 196,541,953 | - | - | - | - | (196,541,953) | - |
| Share issuance expenses | - | (176,783) | (6,550) | - | - | - | (183,333) |
| Dividends to owners of the company | - | - | - | - | - | (45,700,820) | (45,700,820) |
| Profit/Total comprehensive income for the year | - | - | - | - | - | 342,316,708 | 342,316,708 |
| At 31 December 2014 | 394,423,606 | 41,573,202 | 17,728,236 | (3,361,331) | 17,401,363 | 1,133,459,775 | 1,601,224,851 |

*The accompanying notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY *(Cont'd)*
## *FOR THE YEAR ENDED 31 DECEMBER 2015*

| | <---------- Attributable to owners of the Company | | | | | ----------> | |
|---|---|---|---|---|---|---|---|
| | <---------------- Non-Distributable | | | | ----------------> | Distributable | |
| **Group** | **Share capital (Note 13) RM** | **Share premium (Note 14) RM** | **Warrants reserve (Note 14) RM** | **Treasury shares (Note 14) RM** | **Revaluation reserve (Note 14) RM** | **Retained earnings (Note 14) RM** | **Total equity RM** |
| At 1 January 2015 | 394,423,606 | 41,573,202 | 17,728,236 | (3,361,331) | 17,401,363 | 1,133,459,775 | 1,601,224,851 |
| Revaluation surplus realised | - | - | - | - | (21,335) | 21,335 | - |
| Own shares: - | | | | | | | |
| - acquired | - | - | - | (7,900,643) | - | - | (7,900,643) |
| Issue of ordinary shares: - | | | | | | | |
| - exercise of warrants | 76,032,949 | 60,826,359 | (15,206,590) | - | - | - | 121,652,718 |
| - dividend reinvestment plan | 33,341,271 | 66,610,589 | - | - | - | - | 99,951,860 |
| Share issuance expenses | - | (20,297) | - | - | - | - | (20,297) |
| Dividends to owners of the Company | - | - | - | - | - | (67,525,552) | (67,525,552) |
| Profit/Total comprehensive income for the year | - | - | - | - | - | 266,058,864 | 266,058,864 |
| At 31 December 2015 | 503,797,826 | 168,989,853 | 2,521,646 | (11,261,974) | 17,380,028 | 1,332,014,422 | 2,013,441,801 |

*The accompanying notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY *(Cont'd)*
## *FOR THE YEAR ENDED 31 DECEMBER 2015*

| | <------------- Non-Distributable | | | ------------> | Distributable | |
|---|---|---|---|---|---|---|
| **Company** | **Share capital (Note 13) RM** | **Share premium (Note 14) RM** | **Warrants reserve (Note 14) RM** | **Treasury shares (Note 14) RM** | **Retained earnings (Note 14) RM** | **Total equity RM** |
| At 1 January 2014 | 195,273,744 | 28,868,900 | 18,764,150 | (4,383,725) | 198,384,816 | 436,907,885 |
| Own shares: - | | | | | | |
| - acquired | - | - | - | (1,623,006) | - | (1,623,006) |
| - disposed | - | 6,224,720 | - | 2,645,400 | - | 8,870,120 |
| Issue of ordinary shares: - | | | | | | |
| - exercise of warrants | 2,607,909 | 6,656,365 | (1,029,364) | - | - | 8,234,910 |
| - bonus issue | 196,541,953 | - | - | - | (196,541,953) | - |
| Share issuance expenses | - | (176,783) | (6,550) | - | - | (183,333) |
| Dividends to owners of the company | - | - | - | - | (45,700,820) | (45,700,820) |
| Profit/Total comprehensive income for the year | - | - | - | - | 158,622,143 | 158,622,143 |
| At 31 December 2014 | 394,423,606 | 41,573,202 | 17,728,236 | (3,361,331) | 114,764,186 | 565,127,899 |

*The accompanying notes form an integral part of the financial statements.*

# STATEMENTS OF CHANGES IN EQUITY *(Cont'd)*
## *FOR THE YEAR ENDED 31 DECEMBER 2015*

| Company | <---------- Non-Distributable | | | ----------> | Distributable | |
|---|---|---|---|---|---|---|
| | Share capital (Note 13) RM | Share premium (Note 14) RM | Warrants reserve (Note 14) RM | Treasury shares (Note 14) RM | Retained earnings (Note 14) RM | Total equity RM |
| At 1 January 2015 | 394,423,606 | 41,573,202 | 17,728,236 | (3,361,331) | 114,764,186 | 565,127,899 |
| Own shares: - | | | | | | |
| - acquired | - | - | - | (7,900,643) | - | (7,900,643) |
| Issue of ordinary shares: - | | | | | | |
| - exercise of warrants | 76,032,949 | 60,826,359 | (15,206,590) | - | - | 121,652,718 |
| - dividend reinvestment plan | 33,341,271 | 66,610,589 | - | - | - | 99,951,860 |
| Share issuance expenses | - | (20,297) | - | - | - | (20,297) |
| Dividends to owners of the company | - | - | - | - | (67,525,552) | (67,525,552) |
| Profit/Total comprehensive income for the year | - | - | - | - | 27,712,929 | 27,712,929 |
| At 31 December 2015 | 503,797,826 | 168,989,853 | 2,521,646 | (11,261,974) | 74,951,563 | 738,998,914 |

*The accompanying notes form an integral part of the financial statements.*

# STATEMENTS OF CASH FLOWS
## *FOR THE YEAR ENDED 31 DECEMBER 2015*

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit before tax | 338,548,871 | 431,800,130 | 32,814,548 | 161,582,271 |
| Adjustments for: - | | | | |
| Depreciation of property, plant and equipment | 11,119,505 | 10,531,328 | - | - |
| Goodwill written off | 1,541,227 | - | - | - |
| Loss on disposal of property, plant and equipment | 134,608 | 52,000 | - | - |
| Interest expenses | 5,889,031 | 7,609,051 | 105,182 | 62,849 |
| Property, plant and equipment written off | 157,960 | 255,521 | - | - |
| Provision for foreseeable loss realised | 3,088,363 | - | - | - |
| Fair value adjustment of investment properties | (56,143,014) | (88,200,835) | - | - |
| Compensation sum from compulsory acquisition of land | (292,759) | 1,934 | - | - |
| Interest income | (3,583,275) | (4,098,706) | (20,339,655) | (11,578,185) |
| Operating profit before working capital changes | 300,460,517 | 357,950,423 | 12,580,075 | 150,066,935 |
| Decrease/(Increase) in working capital | | | | |
| Property development costs | (126,901,000) | (75,164,385) | - | - |
| Inventories | 23,931,368 | 20,039,426 | - | - |
| Trade and other receivables | (105,059,124) | (62,571,351) | - | 1,061 |
| Trade and other payables | (11,816,425) | (34,835,113) | (159,477) | 65,067 |
| Amount due by/(to) subsidiaries | - | - | (120,230,368) | (173,898,573) |
| Cash generated from/(used in) operations | 80,615,336 | 205,419,000 | (107,809,770) | (23,765,510) |
| Interest paid | (5,889,031) | (7,609,051) | (105,182) | (62,849) |
| Tax paid | (78,256,949) | (76,157,933) | (4,411,703) | (2,295,574) |
| Net cash (used in)/from operating activities | (3,530,644) | 121,652,016 | (112,326,655) | (26,123,933) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Acquisition of subsidiary, net | (6,151,617) | - | (8) | (5) |
| Increase in investment in subsidiaries | - | - | (8,499,997) | (800,000) |
| Addition of land held for property development | (92,095,274) | (65,065,077) | - | - |
| Addition of investment properties | (12,250,377) | (74,200,341) | - | - |
| Purchase of property, plant and equipment | (7,172,913) | (6,644,666) | - | - |
| Proceeds from disposal of property, plant and equipment | 105,899 | 33,000 | - | - |
| Interest received | 3,583,275 | 4,098,706 | 20,339,655 | 11,578,185 |
| Proceeds from compulsory acquisition | 343,646 | 12,144 | - | - |
| Net cash (used in)/from investing activities | (113,637,361) | (141,766,234) | 11,839,650 | 10,778,180 |

*The accompanying notes form an integral part of the financial statements.*

# STATEMENTS OF CASH FLOWS *(Cont'd)*
## *FOR THE YEAR ENDED 31 DECEMBER 2015*

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Repurchase of treasury shares | (7,900,643) | (1,623,006) | (7,900,643) | (1,623,006) |
| Proceeds from disposal of treasury shares | - | 8,870,120 | - | 8,870,120 |
| Proceeds from issuance of shares through exercise of warrants | 121,652,718 | 8,234,910 | 121,652,718 | 8,234,910 |
| Payment of share issuance expenses | (20,297) | (183,333) | (20,297) | (183,333) |
| Dividend paid | (13,274,512) | - | (13,274,512) | - |
| Repayment of term loans | (22,083,972) | (14,702,616) | - | - |
| Drawdown/(Repayment) of revolving credit | 30,000,000 | (12,924,000) | - | - |
| Repayment of bankers acceptances | (43,400,000) | (26,000,000) | - | - |
| Drawdown of term loans | - | 18,000,000 | - | - |
| Drawdown of bankers acceptances | 43,800,000 | 10,700,000 | - | - |
| Net cash from/(used in) financing activities | 108,773,294 | (9,627,925) | 100,457,266 | 15,298,691 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (8,394,711) | (29,742,143) | (29,739) | (47,062) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 62,097,273 | 91,839,416 | 205,855 | 252,917 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 53,702,562 | 62,097,273 | 176,116 | 205,855 |
| Cash and cash equivalents comprise the following: - | | | | |
| Cash and bank balances | 53,702,562 | 67,026,089 | 176,116 | 205,855 |
| Bank overdraft (Note 16) | - | (4,928,816) | - | - |
| | 53,702,562 | 62,097,273 | 176,116 | 205,855 |

*The accompanying notes form an integral part of the financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The principal activities of the Company are those of investment holding and provision of management services to the subsidiaries. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

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 registered office and principal place of business of the Company is located at Wisma KSL, No. 148, Batu 1 ½, Jalan Buloh Kasap, 85000 Segamat, Johor Darul Ta'zim.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 March 2016.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group and the Company, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and comply with Financial Reporting Standards (FRSs) and the Companies Act, 1965 in Malaysia.

The financial statements are reported in Ringgit Malaysia, which is the Company's functional currency.

(b) Statement of compliance

The followings are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

**FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016**

Amendments to FRS 5, Non-Current Assets Held for Sale and Discontinued operation (Annual Improvements 2012-2014 Cycle)
Amendments to FRS 7, Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
Amendments to FRS 10, Consolidated Financial Statements, FRS 12, Disclosure of Interests in Other Entities and FRS 128, Investments in Associates and Joint Venture – Investment Entities: Applying the Consolidation Exception
Amendments to FRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
FRS 14, Regulatory Deferral Accounts
Amendments to FRS 101, Presentation of Financial Statement - Disclosures Initiative
Amendments to FRS 116, Property, Plant and Equipment and FRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 119, Employee Benefits (Annual Improvements 2012-2014 Cycle)
Amendments to FRS 127, Separate Financial Statements - Equity Method in Separate Financial Statements
Amendments to FRS 134, Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)

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

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

(b) Statement of compliance *(Cont'd)*

**FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

FRS 9, Financial Instruments (2014)

**FRSs, Interpretations and amendments effective for a date yet to be confirmed**

Amendments to FRS 10, Consolidated Financial Statements, and FRS 128, Investments in Associates and Joint Venture – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group plans to apply the abovementioned standards, amendments and interpretations in the respective financial years when the above standards, amendments and interpretations become effective.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior period financial statements of the Group upon their first adoption.

The Group has not applied the following standards and amendments (which are applicable upon adoption of MFRS framework) that have been issued by the MASB but are not yet effective.

**Malaysian Financial Reporting Standard ("MFRS Framework")**

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework"), a fully-IFRS compliant framework. Entities other than private entities shall apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities.

Transitioning Entities ("TEs"), being entities within the scope of MFRS 141 Agriculture and/or IC Interpretation 15: Agreements for the construction of Real Estate, including its parents, significant investors and ventures were given an option to continue with the Financial Reporting Standards ("FRS") Framework. However, early application is permitted.

On 8 September 2015, the MASB confirmed that the effective date of MFRS 15 Revenue from Contracts with Customers will be deferred to annual periods beginning on or after 1 January 2018. The notice superceded previous notice issued on 2 September 2014 with the original effective date of 1 January 2017.

As a result, the effective date for TEs to apply the MFRS Framework will also be deferred to annual periods beginning on or after 1 January 2018.

The Group falls within the scope definition of Transitioning Entities and has availed itself of this transitional arrangement and will continue to apply FRSs in the preparation of its financial statements. Accordingly, the Group will be required to apply MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* in its financial statements for the financial year ending 31 December 2018, being the first set of financial statements prepared in accordance with the new MFRS framework.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(b) Statement of compliance *(Cont'd)*

The Group is currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. At the date of authorisation for issue of these financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Group's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is complete.

(c) Basis of consolidation

**(i) Subsidiaries**

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from the involvement with the investee; and
- has the ability to affect those returns through its power over investee.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control listed above.

When the Group has less than a majority of the voting rights but has rights that are sufficient to give it the practical ability to direct the relevant activities unilaterally, the Group considers all facts and circumstances in assessing whether or not the voting rights give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group 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.

Subsidiary companies are consolidated from the date on which the Group controls, and ceases from the date that control ceases. The financial results of the subsidiary companies are included in the consolidated financial statements from the date that control is obtained until the date that the Group loses control.

**(ii) Business combination**

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

(c) Basis of consolidation *(Cont'd)*

**(ii) Business combination *(Cont'd)***

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

**(iii) Acquisitions of non-controlling interests**

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

**(iv) Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**(v) Associates**

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investment in an associate is accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(c) Basis of consolidation *(Cont'd)*

### (v) Associates *(Cont'd)*

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investment in an associate is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

### (vi) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. The parties are bound by a contractual arrangement which gives two or more parties joint control of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture.

- Joint operation

  A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. These parties are known as joint operators.

  The Group and the Company recognise in relation to its interest in a joint operation:
  (a) its assets, including its share of any assets held jointly;
  (b) its liabilities, including its share of any liabilities incurred jointly;
  (c) its revenue from the sale of its share of the output arising from the joint operation;
  (d) its share of the revenue from the sale of the output by the joint operation; and
  (e) its expenses, including its share of any expenses incurred jointly.

  When the Group transacts with a joint operation (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, as such the gains and losses resulting from the transactions are recognised only to the extent of interests of other parties in the joint operation.

  When the Group transacts with a joint operation (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

- Joint venture

  A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parties are known as joint venturers.

  In the separate financial statements of the Company, an investment in a joint venture is stated at cost.

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

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

(c) Basis of consolidation *(Cont'd)*

**(vi) Joint arrangements *(Cont'd)***

Any premium paid for an investment in a joint venture above the fair value of the share of the identifiable assets, liabilities and contingent liabilities acquired of the Group is capitalised and included in the carrying amount of the investment in joint venture. Where there is an objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in accordance with FRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount with its carrying amount.

The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with FRS 128 *Investments in Associates and Joint Ventures.*

The Group determines the type of joint arrangement in which it is involved, based on the rights and obligations of the parties to the arrangement. In assessing the classification of interests in joint arrangements, the Group considers:

(a) The structure of the joint arrangement;
(b) the legal form of joint arrangements structured through a separate vehicle;
(c) the contractual terms of the joint arrangement agreement; and
(d) any other facts and circumstances.

When there are changes in the facts and circumstances, the Group reassesses whether the type of joint arrangement in which it is involved has changed.

**(vii) Non-controlling interests**

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

**(viii) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associate and joint venture are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Foreign currencies

**Foreign currency transaction and balances**

Transactions in foreign currencies are initially translated to the functional currency of the Group entities at exchange rates at the dates of the transactions.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(d) Foreign currencies *(Cont'd)*

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(e) Financial instruments

**i) Initial recognition and measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

**(ii) Financial instrument categories and subsequent measurement**

Financial instruments are classified in the following categories – financial instruments at fair value through profit or loss, loans and receivables, financial investments held-to-maturity and financial investments available-for-sale. Management determines the classification of financial instruments at initial recognition. The Group and the Company categorise financial instruments as follows:

**Financial assets**

***(a) Financial assets at fair value through profit or loss***

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(e) Financial instruments *(Cont'd)*

### (ii) Financial instrument categories and subsequent measurement *(Cont'd)*

**Financial assets *(Cont'd)***

***(b) Held-to-maturity investments***
Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

***(c) Loans and receivables***
Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

***(d) Available-for-sale financial assets***
Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

**Financial liabilities**

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(e) Financial instruments *(Cont'd)*

**(iii) 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 in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

**(iv) Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(f) Property, plant and equipment

**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount or which a property could be exchanged between knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(f) Property, plant and equipment (Cont'd)

**(i) Recognition and measurement *(Cont'd)***

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within 'other income' and 'other expenses' respectively in profit or loss.

**(ii) Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction is not depreciated until the assets are ready for their intended use.

The annual depreciation rates used for the current and comparative periods are as follows: -

| | % |
|---|---|
| Buildings | 2 |
| Plant and machinery | 10 - 20 |
| Motor vehicles | 20 |
| Other assets | |
| - Office equipment | 10 - 25 |
| - Tele-communication equipment | 10 - 20 |
| - Renovation | 10 |
| - Sales office | 10 |
| - Site office | 10 |
| - Signboards | 10 |
| - Furniture and fittings | 5 - 10 |
| - Hotel equipment | 20 |
| - Food and beverage equipment | 20 |

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(g) Leased asset

**(i) Finance lease**

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

**(ii) Operating lease**

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(h) Goodwill

Goodwill which arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investees.

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

(i) Investment property

**(i) Investment property carried at fair value**

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(i) Investment property *(Cont'd)*

**(i) Investment property carried at fair value *(Cont'd)***
Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

**(ii) Reclassification to/from investment property**
When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

(j) Property development activities

**(i) 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.

**(ii) Property development cost**
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 profit or loss 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 year in which they are incurred.

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(j) Property development activities *(Cont'd)*

**(ii) Property development cost *(Cont'd)***
Property development costs not recognised as an expense are recognised as an asset, which are measured at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within current assets and the excess of billings to purchasers over revenue recognised in the profit or loss is classified as progress billings within current liabilities.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is determined using the first-in-first-out basis method. Cost comprises the original cost of purchase plus the cost of bringing the inventories to their intended location and condition.

Inventories of completed development properties are stated at the lower of cost and net realisable value. Cost is measured based on specific identification basis, and includes costs of land and construction and appropriate development overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value.

(m) Impairment

**Financial assets**
All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates and joint venture) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(m) Impairment *(Cont'd)*

**Financial assets *(Cont'd)***

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

**Other assets**

The carrying amounts of the other assets (except for inventories, amount due from contract customers, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purposes of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating unit) on a *pro rata* basis.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(m) Impairment *(Cont'd)*

**Other assets *(Cont'd)***
An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(n) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

**(i) Issue expenses**
Cost directly attributable to the issue of instruments classified as equity is recognised as a deduction from equity.

**(ii) Ordinary shares**
Ordinary shares are classified as equity.

**(iii) Repurchase, disposal and reissue of share capital (treasury shares)**
When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount to the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(o) Employee benefits

**(i) Short-term employee benefits**
Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(ii) State plans**
The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(p) Provision

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(q) Revenue and other income

**(i) Revenue from development property**
Revenue from sales of development properties is recognised in the profit or loss by using the stage of completion method as described in Note 2(j).

**(ii) Sales of land**
Revenue relating to sale of land 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 land.

**(iii) Dividend income**
Dividend income is recognised in profit or loss on the date the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

**(iv) Services**
Revenue from car park management is recognised in profit or loss as and when the services are rendered.

**(v) Rental income**
Rental income from investment is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

**(vi) Interest income**
Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

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

**(viii) Car park income**
Car park income is accounted for on receipt and receivable basis.

**(ix) Management fees**
Management fees are recognised as when services are rendered.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(r) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing eligible for capitalisation.

(s) Goods and services tax ("GST")

Revenue, expenses and assets are recognised net of GST, unless the GST is not recoverable from the tax authority. The amount of GST not recoverable from the tax authority is recognised as an expense or as part of cost of acquisition of an asset. Receivables and payables relate to such revenue, expenses or acquisitions of assets are presented in the statement of financial position inclusive of GST recoverable or GST payable.

GST recoverable from or payable to tax authority may be presented on net basis should such amounts are related to GST levied by the same tax authority and the taxable entity has a legally enforceable right to set off such amounts.

(t) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

(t) Income tax *(Cont'd)*

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Any unutilised portion of a tax incentive that is not a tax base of an asset is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(u) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(w) Contingencies

**(i) Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(ii) Contingent assets**

Where it is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statement of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

(x) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or a liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Company recognises transfer between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(y) Use of estimates and judgments

The preparation of the financial statements in conformity with FRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(y) Use of estimates and judgments *(Cont'd)*

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

(i) Valuation of investment properties

The fair value of investment property is arrived at by reference to market evidence of transaction prices for similar property or by considering the aggregate of the present value of the estimated cash flows expected to be received from renting out the property and is performed by registered independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

(ii) Revenue recognition on property development

The Group recognises property development revenue and expenses in the statement of profit or loss 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.

(iii) Impairment of loan 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 receivables and default or significant delay in payments.

Where 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.

(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 can be utilised. Significant management judgment 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.

(v) Classification between investment property 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.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(y) Use of estimates and judgments *(Cont'd)*

(v) Classification between investment property and property, plant and equipment *(Cont'd)*

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.

(vi) Provision for foreseeable loss

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 purchaser 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 or foreseeable loss or 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.

## 3. PROPERTY, PLANT AND EQUIPMENT

| Group<br>2015 | As at<br>1.1.2015<br>RM | Additions<br>RM | Disposals/<br>Written off<br>RM | As at<br>31.12.2015<br>RM |
|---|---|---|---|---|
| **Cost** | | | | |
| Freehold land and building | 136,350,028 | - | (2,218,140) | 134,131,888 |
| Freehold land and buildings-in-progress | 2,965,839 | 5,587,336 | - | 8,553,175 |
| Plant and machinery | 3,321,519 | 217,619 | (99,000) | 3,440,138 |
| Motor vehicles | 9,587,854 | 770,463 | (526,460) | 9,831,857 |
| Other assets | 26,020,428 | 597,495 | (404,147) | 26,213,776 |
| | 178,245,668 | 7,172,913 | (3,247,747) | 182,170,834 |

| Group<br>2015 | As at<br>1.1.2015<br>RM | Charge for<br>the year<br>RM | Disposals/<br>Written off<br>RM | As at<br>31.12.2015<br>RM |
|---|---|---|---|---|
| **Accumulated depreciation** | | | | |
| Buildings | 13,818,588 | 5,746,282 | - | 19,564,870 |
| Plant and machinery | 1,198,529 | 352,832 | (81,425) | 1,469,936 |
| Motor vehicles | 5,349,224 | 1,379,779 | (306,460) | 6,422,543 |
| Other assets | 10,983,478 | 3,640,612 | (243,255) | 14,380,835 |
| | 31,349,819 | 11,119,505 | (631,140) | 41,838,184 |

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

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

| Group<br>2014 | As at<br>1.1.2014<br>RM | Additions<br>RM | Disposals/<br>Written off<br>RM | As at<br>31.12.2014<br>RM |
|---|---|---|---|---|
| **Cost** | | | | |
| Freehold land and building | 136,350,028 | - | - | 136,350,028 |
| Freehold land and buildings-in-progress | 1,857,013 | 1,108,826 | - | 2,965,839 |
| Plant and machinery | 3,750,120 | 205,479 | (634,080) | 3,321,519 |
| Motor vehicles | 8,988,677 | 749,177 | (150,000) | 9,587,854 |
| Other assets | 23,238,365 | 4,581,184 | (1,799,121) | 26,020,428 |
| | 174,184,203 | 6,644,666 | (2,583,201) | 178,245,668 |

| Group<br>2014 | As at<br>1.1.2014<br>RM | Charge for<br>the year<br>RM | Disposals/<br>Written off<br>RM | As at<br>31.12.2014<br>RM |
|---|---|---|---|---|
| **Accumulated depreciation** | | | | |
| Buildings | 7,872,675 | 5,945,913 | - | 13,818,588 |
| Plant and machinery | 1,483,924 | 345,907 | (631,302) | 1,198,529 |
| Motor vehicles | 4,569,547 | 844,677 | (65,000) | 5,349,224 |
| Other assets | 9,135,025 | 3,394,831 | (1,546,378) | 10,983,478 |
| | 23,061,171 | 10,531,328 | (2,242,680) | 31,349,819 |

| | 2015<br>RM | 2014<br>RM |
|---|---|---|
| **Net carrying amount** | | |
| Buildings | 114,567,018 | 122,531,440 |
| Freehold land and buildings-in-progress | 8,553,175 | 2,965,839 |
| Plant and machinery | 1,970,202 | 2,122,990 |
| Motor vehicles | 3,409,314 | 4,238,630 |
| Other assets | 11,832,941 | 15,036,950 |
| | 140,332,650 | 146,895,849 |

| Company<br>2015 | As at<br>1.1.2015<br>RM | Additions<br>RM | As at<br>31.12.2015<br>RM |
|---|---|---|---|
| **Cost** | | | |
| Signboard | 27,853 | - | 27,853 |

| Company<br>2015 | As at<br>1.1.2015<br>RM | Charge for<br>the year<br>RM | As at<br>31.12.2015<br>RM |
|---|---|---|---|
| **Accumulated depreciation** | | | |
| Signboard | 27,851 | - | 27,851 |

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

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

| **Company** **2014** | **As at 1.1.2014 RM** | **Additions RM** | **As at 31.12.2014 RM** |
|---|---|---|---|
| **Cost** | | | |
| Signboard | 27,853 | - | 27,853 |

| **Company** **2014** | **As at 1.1.2014 RM** | **Charge for the year RM** | **As at 31.12.2014 RM** |
|---|---|---|---|
| **Accumulated depreciation** | | | |
| Signboard | 27,851 | - | 27,851 |

| | **2015 RM** | **2014 RM** |
|---|---|---|
| Net carrying amount | | |
| Signboard | 2 | 2 |

Property, plant and equipment of the Group at cost of RM4,201,116 (2014: RM2,997,261) are fully depreciated and still in use.

## 4. LAND HELD FOR PROPERTY DEVELOPMENT

| | **Group** | |
|---|---|---|
| | **2015 RM** | **2014 RM** |
| **Cost** | | |
| At 1 January | 642,312,414 | 625,432,311 |
| Additions | 92,095,274 | 65,065,077 |
| Provision for foreseeable loss for affordable housing | 9,765,330 | - |
| Transfer from property development costs (Note 8) | - | 1,662,961 |
| Transfer to property development costs: | | |
| - Land and development costs (Note 8) | (12,458,321) | (49,598,081) |
| - Provision for foreseeable loss (Note 8) | - | (235,776) |
| Compulsory acquisition | (50,887) | (14,078) |
| Carrying amount | 731,663,810 | 642,312,414 |
| Carrying amount at 31 December consisting of: | | |
| At cost | 641,991,763 | 552,475,832 |
| Provision for foreseeable loss for affordable housing | 53,923,592 | 44,158,262 |
| At surrogate cost | 35,748,455 | 45,678,320 |
| | 731,663,810 | 642,312,414 |

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

Freehold land of the Group amounting to RM175,466,670 (2014: RM170,365,295) have been charged as security for loans and borrowings as referred to in Note 16.

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

## 5. INVESTMENT PROPERTIES

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| **At fair value** | | |
| At 1 January | 584,227,602 | 421,826,426 |
| Additions | 12,250,377 | 74,200,341 |
| Transfer to property development costs (Note 8) | (11,397,207) | - |
| Fair value adjustments | 56,143,014 | 88,200,835 |
| | 56,996,184 | 162,401,176 |
| At 31 December | 641,223,786 | 584,227,602 |

Investment properties with an aggregate carrying amount of RM137,343,002 (2014: RM141,758,818) are pledged as securities for loans and borrowings as referred to in Note 16.

Investment properties comprise a number of freehold shop houses and commercial properties leased to third parties.

The following are recognised in profit or loss in respect of investment properties:

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| Rental income | 80,953,051 | 82,535,002 |
| Direct operating expenses - income generating investment property | (12,026,935) | (14,073,497) |
| - non-income generating investment property | (1,104,032) | (230,278) |

The fair values of the investment properties were based on indicative valuation by registered valuers having appropriate recognised professional qualification as follows:

(a) RM165,733,002 (2014: RM151,637,602) arrived at by reference to transaction prices for similar properties.

(b) RM475,490,784 (2014: RM432,590,000) determined by considering the aggregate of the present value of the estimated cash flows expected to be received from renting out the property using yield rates range from 5% to 8.5% (2014: 6.5% to 8.5%) and weighted average rate at 8% (2014: 7%).

Fair value of investment properties are categorised as described in Note 2(x) to the financial statements.

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

## 6. INVESTMENT IN SUBSIDIARIES

| | Company 2015 RM | Company 2014 RM |
|---|---|---|
| At cost | | |
| Unqouted shares | 92,948,965 | 84,448,960 |

Details of the subsidiaries are as follows: -

| Name of subsidiaries | Country of incorporation | Principal activities | Effective ownership interest 2015 | Effective ownership interest 2014 |
|---|---|---|---|---|
| Bintang-Bintang Development Sdn Bhd | Malaysia | Property development and investment | 100% | 100% |
| Bintang-Bintang Enterprise Sdn Bhd | Malaysia | Property development | 100% | 100% |
| Clarion Housing Development Sdn Bhd | Malaysia | Property investment | 100% | 100% |
| Eversonic Sdn Bhd | Malaysia | Property development | 100% | 100% |
| Exportex Sdn Bhd | Malaysia | Property development | 100% | 100% |
| Goodpark Development Sdn Bhd | Malaysia | Property development | 100% | 100% |
| Harapan Terang Sdn Bhd | Malaysia | Property development | 100% | 100% |
| Harapan Terang Properties Sdn Bhd | Malaysia | Property development | 100% | 100% |
| Harapan Terang Realty Sdn Bhd | Malaysia | Property development | 100% | 100% |
| Khoo Soon Lee Realty Sdn Bhd | Malaysia | Property development and investment | 100% | 100% |
| KSL Medini Development Sdn Bhd | Malaysia | Property development | 100% | 100% |
| KSL Cekap Bina Sdn Bhd | Malaysia | Dormant | 100% | - |
| KSL Perfect Builder Sdn Bhd | Malaysia | Property investment | 100% | - |
| KSL Properties Construction Sdn Bhd *(formerly known as Mission Golf Sdn Bhd)* | Malaysia | Dormant | 100% | - |
| KSL Properties Sdn Bhd | Malaysia | Property investment, development and hotel operations | 100% | 100% |
| KSL Properties Management Sdn Bhd | Malaysia | Car park operations and property management services | 100% | 100% |
| Prosper Plus Industry Sdn Bhd | Malaysia | Property development | 100% | 100% |

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

## 6. INVESTMENT IN SUBSIDIARIES *(Cont'd)*

| Name of subsidiaries | Country of incorporation | Principal activities | Effective ownership interest 2015 | Effective ownership interest 2014 |
|---|---|---|---|---|
| Sejota Sdn Bhd | Malaysia | Property development | 100% | 100% |
| Sering Cemerlang Sdn Bhd | Malaysia | Property investment | 100% | 100% |
| Sure Success Properties Sdn Bhd | Malaysia | Property investment | 100% | 100% |
| Tai Lik Development (Batu Anam) Sdn Bhd | Malaysia | Property development | 100% | 100% |
| Villa Bestari Sdn Bhd | Malaysia | Property management | 100% | 100% |
| VIP Beyond Sdn Bhd | Malaysia | Property development | 100% | 100% |
| **Held through subsidiary:** | | | | |
| KSL Development * Sdn Bhd | Malaysia | Property development and investment | 100% | 100% |
| Gantang Jaya Sdn Bhd ** | Malaysia | Property development | 100% | - |

* Subsidiary of Harapan Terang Sdn. Bhd.
** Subsidiary of KSL Perfect Builder Sdn. Bhd.

## 7. DEFERRED TAX ASSETS/(LIABILITIES)

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| **Non-current** | | |
| Deferred tax assets | - | 2,484,291 |
| Deferred tax liabilities | (34,784,238) | (34,553,637) |
| | (34,784,238) | (32,069,346) |
| **Movement in temporary differences during the year** | | |
| At 1 January | (32,069,346) | (25,163,990) |
| Recognised in equity | - | 4,149 |
| Recognised in statements of profit or loss | (1,308,892) | (6,909,505) |
| Arising from business combination (Note 30) | (1,406,000) | - |
| At 31 December | (34,784,238) | (32,069,346) |
| Represented by: | | |
| Deferred tax assets | 7,958,090 | 7,175,790 |
| Deferred tax liabilities | (42,742,328) | (39,245,136) |
| | (34,784,238) | (32,069,346) |

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

## 7. DEFERRED TAX ASSETS/(LIABILITIES) *(Cont'd)*

The components of deferred tax assets and liabilities as at the end of the financial year, prior to offsetting are as follows: -

| | Group Deferred tax assets 2015 RM | 2014 RM |
|---|---|---|
| Tax effect of provision for foreseeable loss | | |
| At 1 January | 7,175,790 | 6,752,390 |
| Recognised in profit or loss | 782,300 | 423,400 |
| At 31 December | 7,958,090 | 7,175,790 |

| | Fair value adjustment RM | Unrealised revaluation surplus RM | Others RM | Total RM |
|---|---|---|---|---|
| Deferred tax liabilities | | | | |
| 2015 | | | | |
| At 1 January | (27,443,377) | (5,176,431) | (6,625,328) | (39,245,136) |
| Recognised in profit or loss | (3,139,000) | (874,127) | 1,921,935 | (2,091,192) |
| Arising from business combination | (1,406,000) | - | - | (1,406,000) |
| At 31 December | (31,988,377) | (6,050,558) | (4,703,393) | (42,742,328) |
| 2014 | | | | |
| At 1 January | (21,980,377) | (5,184,511) | (4,751,492) | (31,916,380) |
| Recognised in equity | - | 4,149 | - | 4,149 |
| Recognised in profit or loss | (5,463,000) | 3,931 | (1,873,836) | (7,332,905) |
| At 31 December | (27,443,377) | (5,176,431) | (6,625,328) | (39,245,136) |

## 8. PROPERTY DEVELOPMENT COSTS

| | Group 2015 RM | 2014 RM |
|---|---|---|
| **At 1 January: -** | | |
| - Freehold land | 101,779,819 | 98,425,493 |
| - Development expenditure | 352,513,726 | 288,617,542 |
| | 454,293,545 | 387,043,035 |
| Add: | | |
| Cost incurred during the financial year | | |
| - Development expenditure | 332,607,931 | 355,860,089 |
| | 332,607,931 | 355,860,089 |
| Less: | | |
| Cumulative costs charged to statements of profit or loss: | | |
| As at 1 January | (154,366,720) | (156,149,846) |
| - Recognised during the financial year | (205,706,931) | (277,164,998) |
| | (360,073,651) | (433,314,844) |

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

## 8. PROPERTY DEVELOPMENT COSTS *(Cont'd)*

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| Transfer from investment properties (Note 5) | 11,397,207 | 2,910,962 |
| Transfer from land held for property development (Note 4) | 12,458,321 | 49,598,081 |
| Transfer to inventories | (59,342,628) | (60,507,537) |
| Transfer to land held for property development | - | (1,662,961) |
| Arising from business combination (Note 30) | 8,129,697 | - |
| | (27,357,403) | (9,661,455) |
| Provision for foresseable loss of affordable housing | | |
| As at 1 January | 3,392,535 | 5,367,139 |
| - Addition during the financial year | 14,828,029 | 1,851,140 |
| - Transfer from land held for property development (Note 4) | - | 235,776 |
| - Transfer to inventories | - | (530,814) |
| - Reversal during the year | (3,088,363) | (3,530,706) |
| | 15,132,201 | 3,392,535 |
| **At 31 December** | 414,602,623 | 303,319,360 |

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

| | 2015 RM | 2014 RM |
|---|---|---|
| Interest expenses | 96,433 | 511,739 |
| Rental of machinery | 5,919,398 | 6,542,505 |

## 9. INVENTORIES

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| Food and beverages | 295,908 | 256,267 |
| General and operating supplies | 316,454 | 214,700 |
| Properties held for sale | 172,025,388 | 136,755,523 |
| | 172,637,750 | 137,226,490 |

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

## 10. TRADE AND OTHER RECEIVABLES

| | Group 2015 RM | Group 2014 RM |
|---|---|---|
| Trade receivables | 91,302,784 | 125,570,749 |
| Other receivables: - | | |
| Accrued billings in respect of property development costs | 129,190,023 | 80,643,659 |
| Acquisition of land | 91,264,520 | - |
| Sundry receivables | 5,668,424 | 5,641,127 |
| Sundry deposits | 9,131,657 | 10,448,338 |
| Prepayments | 1,187,699 | 381,110 |
| | 236,442,323 | 97,114,234 |
| | 327,745,107 | 222,684,983 |

Acquisition of land represents the amount fully paid for acquisition of few pieces of land which the land title yet transferred to the respective subsidiaries.

Further information for trade receivables is disclosed in Note 26(c) to the financial statements.

## 11. AMOUNT DUE BY/(TO) SUBSIDIARIES

The amounts due by/(to) subsidiaries are unsecured advances, bear interest at average of 3.16% (2014: 3.25%) per annum and are repayable on demand.

## 12. CASH AND BANK BALANCES

| | Group 2015 RM | Group 2014 RM | Company 2015 RM | Company 2014 RM |
|---|---|---|---|---|
| Deposits placed with licensed banks | 6,400,000 | - | - | - |
| Cash and bank balances | 47,302,562 | 67,026,089 | 176,116 | 205,855 |
| | 53,702,562 | 67,026,089 | 176,116 | 205,855 |

Included in cash at bank of the Company is amount of RM12,656,614 (2014: RM8,820,704) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and are restricted from use in other operations.

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

## 13. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Number | RM | Number | RM |
| Ordinary shares of RM1 each: - | | | | |
| Authorised: - | | | | |
| At 1 January | 2,000,000,000 | 1,000,000,000 | 1,000,000,000 | 500,000,000 |
| Created during the year | - | - | 1,000,000,000 | 500,000,000 |
| At 31 December | 2,000,000,000 | 1,000,000,000 | 2,000,000,000 | 1,000,000,000 |
| Issued and fully paid: - | | | | |
| At 1 January | 788,847,212 | 394,423,606 | 390,547,487 | 195,273,744 |
| - Issued for cash via convertion warrants | 152,065,898 | 76,032,949 | 5,215,819 | 2,607,909 |
| - Bonus issued | 66,682,541 | 33,341,271 | 393,083,906 | 196,541,953 |
| At 31 December | 1,007,595,651 | 503,797,826 | 788,847,212 | 394,423,606 |

During the financial year, the Company has increased its issued and paid-up share capital from RM394,423,606 to RM503,797,826 as follows:

i) 152,065,898 new ordinary shares of RM0.50 each at an exercise price of RM0.80 per ordinary share via the conversion of warrants for a total consideration of RM121,652,718;

ii) 27,037,633 new ordinary shares of RM0.50 each at RM1.57 per ordinary share arising from the Dividend Reinvestment Plan ("DRP") relating to electable portion of interim single tier dividend of 5 sen in respect of the financial year ended 31 December 2014;

iii) 27,138,772 new ordinary shares of RM0.50 each at RM1.4783 per ordinary arising from the DRP relating to electable portion of final single tier dividend of 5 sen in respect of the financial year ended 31 December 2014;

iv) 12,506,136 new ordinary shares of RM0.50 each at RM1.39 per ordinary arising from the DRP relating to electable portion of interim single tier dividend of 2 sen in respect of the financial year ended 31 December 2015;

All the new ordinary shares that were issued rank pari passu in all respects with the existing shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Company as referred to in Note 14, all rights are suspended until those shares are reissued.

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

## 14. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 RM** | **2014 RM** | **2015 RM** | **2014 RM** |
| **Distributable** | | | | |
| Retained earnings | 1,332,014,422 | 1,133,459,775 | 74,951,563 | 114,764,186 |
| **Non-distributable** | | | | |
| Share premium | 168,989,853 | 41,573,202 | 168,989,853 | 41,573,202 |
| Warrants reserve | 2,521,646 | 17,728,236 | 2,521,646 | 17,728,236 |
| Treasury shares | (11,261,974) | (3,361,331) | (11,261,974) | (3,361,331) |
| Revaluation reserve | 17,380,028 | 17,401,363 | - | - |
| | 177,629,553 | 73,341,470 | 160,249,525 | 55,940,107 |
| | 1,509,643,975 | 1,206,801,245 | 235,201,088 | 170,704,293 |

### (a) Revaluation reserve

| **Group** | **2015 RM** | **2014 RM** |
|---|---|---|
| At 1 January | 17,401,363 | 17,420,142 |
| Realised revaluation surplus | (21,335) | (22,928) |
| Reversal of deferred tax arising from change in tax rate (Note 7) | - | 4,149 |
| At 31 December | 17,380,028 | 17,401,363 |

The revaluation reserve is used to record increased in 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.

### (b) Warrants reserve

**Warrants 2011/2016**

The main features of the Warrants are as follows:

(i) Each warrant entitles the registered holder to subscribe for one new ordinary share of RM0.20 each in the Company at the exercise price of RM1.60 during exercise period, subject to the adjustments in accordance with the Deed Poll constituting the Warrants;

(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 years. The Warrants not exercised during the exercise period shall thereafter lapse and become void;

(iii) The new shares to be issued upon the exercise of the Warrants shall, upon allotment and issue, rank pari passu in all respects with the then existing shares of the Company except that they will not be entitled to any dividends, rights, allotments and/or distributions declared, made or paid by the Company prior to the relevant date of allotment and issue of the new shares to be issued pursuant to the exercise of the Warrants;

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

**14. RESERVES *(Cont'd)***

**(b) Warrants reserve *(Cont'd)***

(iv) For purpose of trading on Bursa Securities, a board lot for the Warrants shall comprise one hundred (100) Warrants carrying right to subscribe for 100 new shares at any time during the exercise period or such denomination as determined by Bursa Securities; and

(v) The Deed Poll and accordingly the Warrants are governed by and shall be construed in accordance with the laws of Malaysia.

The Warrants are constituted by the Deed Poll dated 14 July 2011.

During previous financial year, the exercise price of Warrants have adjusted from RM1.60 to RM0.80 as provided for in the Deed Poll in the event of the issuance of new ordinary shares by the Company credited as fully paid-up by way of capitalisation of retained earnings or reserves to shareholders.

The Warrants exercised during the financial year were 152,065,898 at RM0.80 each.

As at the year end, 30,843,506 Warrants remained unexercised.

**(c) Treasury shares**

The shareholders of the Company, by an ordinary resolution passed in the Annual General Meeting held on 23 June 2015, renewed their approval for the Company's plan to repurchase its own shares. The directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company has repurchased 5,234,400 (2014: 400,000) of its issued ordinary shares from the open market for a total consideration of RM7,900,643 (2014: RM1,623,006). The average price paid for the shares repurchased was RM1.51 (2014: RM4.05, before bonus issue) per share including transaction costs, and the repurchase transactions were funded by internally generated funds. The shares repurchased are held as treasury shares.

Treasury shares have no rights in voting, dividends and participation in any other distribution. Treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including substantial shareholding, take-overs, notices, the requisition of meeting, the quorum for a meeting and the result of a vote on a resolution at a meeting.

At 31 December 2015, the Group held 7,775,800 of the Company's shares. The number of outstanding ordinary share in issue after deducting treasury shares is therefore 999,819,851 (2014: 786,305,812) ordinary shares of RM0.50 each.

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

## 15. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| **Non-current** | | | | |
| Retention sums | 51,457 | - | - | - |
| Deposits payable | 24,162,253 | 23,303,172 | - | - |
| Provision for foreseeable loss of affordable housing | 102,507,714 | 79,765,494 | - | - |
| | 126,721,424 | 103,068,666 | - | - |
| **Current** | | | | |
| Trade payables | 75,362,994 | 92,084,473 | - | - |
| Other payables: - | | | | |
| Progress billings in respect of property development costs | 13,631,434 | 14,554,066 | - | - |
| Sundry payables | 27,152,422 | 15,134,687 | 282,915 | 120,010 |
| Dividend payables | - | 45,700,820 | - | 45,700,820 |
| Deposits payable | 3,701,475 | 2,685,591 | - | - |
| Accruals | 12,789,572 | 19,158,737 | 119,500 | 441,882 |
| | 57,274,903 | 97,233,901 | 402,415 | 46,262,712 |
| | 132,637,897 | 189,318,374 | 402,415 | 46,262,712 |
| | 259,359,321 | 292,387,040 | 402,415 | 46,262,712 |

Further information for trade payables is disclosed in Note 26(d) to the financial statements.

## 16. LOANS AND BORROWINGS

| | Group | |
|---|---|---|
| | 2015 RM | 2014 RM |
| **Non-current** | | |
| **Secured** | | |
| - Term loans | 94,779,049 | 116,863,021 |
| | 94,779,049 | 116,863,021 |
| **Current** | | |
| **Secured** | | |
| - Bank overdraft | - | 4,928,816 |
| - Bankers acceptance | 11,100,000 | 10,700,000 |
| - Revolving credit | 30,000,000 | - |
| - Term loan | 24,066,348 | 24,066,348 |
| | 65,166,348 | 39,695,164 |
| | 159,945,397 | 156,558,185 |

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

## 16. LOANS AND BORROWINGS *(Cont'd)*

The loans and borrowings are secured by mean of: -

(a) fixed charge over the land held for property development of the Company as referred to in Note 4;
(b) fixed charge over the investment properties of the Company as referred to in Note 5;
(c) corporate guarantee by the Company.

## 17. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Sale of development properties | 531,100,171 | 643,058,246 | - | - |
| Compensation sum from compulsory acquisition | 343,646 | 12,144 | - | - |
| Rental income from investment properties | 80,773,051 | 82,415,002 | - | - |
| Hotel, food and beverage revenue | 68,352,505 | 72,084,350 | - | - |
| Car park income | 5,538,835 | 3,456,542 | - | - |
| Dividend income from subsidiaries | - | - | 13,000,000 | 150,000,000 |
| Management fees from subsidiaries | - | - | 3,265,000 | 6,464,000 |
| | 686,108,208 | 801,026,284 | 16,265,000 | 156,464,000 |

## 18. COST OF SALES

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Property development costs | 205,706,931 | 277,164,998 | - | - |
| Cost of inventories sold | 26,865,039 | 19,880,584 | - | - |
| Cost of compulsory acquisition of land | 55,127 | 14,078 | - | - |
| Post construction cost | 1,018,922 | 11,387,343 | - | - |
| Provision for foreseeable loss realised | 3,088,363 | - | - | - |
| Cost of running hotel and food and beverage | 22,199,883 | 23,523,591 | - | - |
| Cost of running investment properties | 11,546,199 | 13,780,676 | - | - |
| | 270,480,464 | 345,751,270 | - | - |

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

## 19. OTHER INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Interest income | 3,583,275 | 4,098,706 | 20,339,655 | 11,578,185 |
| Rental income | 4,783,766 | 4,126,554 | - | - |
| Sundry income | 2,320,920 | 2,549,808 | - | - |
| Forfeiture income | 1,645,916 | - | - | - |
| Fair value adjustment of investment property | 56,143,014 | 88,200,835 | - | - |
| | 68,476,891 | 98,975,903 | 20,339,655 | 11,578,185 |

## 20. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Interest expense of financial liabilities that are not at fair value through profit or loss: | | | | |
| Bank charges | 1,288,553 | 1,055,749 | 3,784 | 2,448 |
| Bank interest | 32,248 | 211,211 | - | - |
| Bankers acceptance interest | 394,051 | 528,619 | - | - |
| Revolving credit interest | 17,490 | - | - | - |
| Term loans | 5,445,242 | 6,869,221 | - | - |
| Inter-companies loan | - | - | 105,182 | 62,849 |
| | 7,177,584 | 8,664,800 | 108,966 | 65,297 |

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

## 21. PROFIT BEFORE TAX

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Profit before tax are stated after charging/(crediting): - | | | | |
| Auditors' remuneration | | | | |
| - current year | 208,700 | 207,500 | 22,700 | 20,000 |
| - over-provision in prior years | (22,758) | - | - | - |
| - other services | 4,200 | - | - | - |
| Depreciation of property, plant and equipment | 11,119,505 | 10,531,328 | - | - |
| Executive directors' remuneration: | | | | |
| Other emoluments | | | | |
| - directors of the Company | 30,449,431 | 28,429,357 | 2,983,041 | 6,020,467 |
| - directors of subsidiaries | 13,658,954 | 12,584,274 | - | - |
| Non-executive directors' remuneration: | | | | |
| - fees | 90,000 | 90,000 | 90,000 | 90,000 |
| - other emoluments | 18,000 | 17,000 | 18,000 | 17,000 |
| Loss on disposal of property, plant and equipment | 134,608 | 52,000 | - | - |
| Goodwill written off | 1,541,227 | - | - | - |
| Property, plant and equipment written off | 157,960 | 255,521 | - | - |
| Rental of premises | 986,699 | 834,295 | - | - |
| Staff costs (excludes directors' remuneration): | | | | |
| - wages, salaries and others | 26,497,880 | 26,563,676 | - | - |
| - contribution to state plans | 2,462,850 | 2,368,461 | - | - |
| - other personnel costs | 2,876,415 | 3,644,571 | - | - |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RM | 2014 RM | 2015 RM | 2014 RM |
| Executive: | | | | |
| - salary and bonus | 25,604,950 | 23,905,350 | 2,523,950 | 5,074,350 |
| - contribution to state plans | 4,841,648 | 4,521,174 | 456,258 | 943,284 |
| - other personnel costs | 2,833 | 2,833 | 2,833 | 2,833 |
| | 30,449,431 | 28,429,357 | 2,983,041 | 6,020,467 |

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

## 22. INCOME TAX EXPENSE

| | 2015 RM | 2014 RM |
|---|---|---|
| **Group** | | |
| **Recognised in profit or loss: -** | | |
| Current tax expense: - | | |
| Malaysian | | |
| - current year | 72,327,522 | 83,702,700 |
| - under provision in prior years | (1,146,407) | (1,128,783) |
| | 71,181,115 | 82,573,917 |
| Deferred tax expense: - | | |
| Relating to origination and reversal of temporary differences | 1,308,892 | 7,454,505 |
| Deferred tax recognised at different tax rate | - | (545,000) |
| | 1,308,892 | 6,909,505 |
| Total income tax expense | 72,490,007 | 89,483,422 |
| **Reconciliation of tax expense: -** | | |
| Profit before tax | 338,548,871 | 431,800,130 |
| Income tax calculated using Malaysian tax rate of 25% (2014: 25%) | 84,637,218 | 107,950,033 |
| Income not subject to tax | (13,032,021) | - |
| Non-deductible expenses | 5,009,137 | 4,001,180 |
| Deferred tax recognised at different tax rate | - | (20,001,000) |
| Deferred tax asset not recognised during the year | 136,757 | 650,073 |
| Tax savings arising from Investment Tax Allowance | (3,015,000) | (1,988,081) |
| Utilisation of previously unrecognised tax losses | (99,677) | - |
| Under provision of income tax expense in prior years | (1,146,407) | (1,128,783) |
| Tax expense for the year | 72,490,007 | 89,483,422 |
| **Company** | | |
| **Recognised in profit or loss: -** | | |
| Current tax expense: - | | |
| Malaysian | | |
| - current year | 5,094,000 | 2,962,000 |
| - under provision in prior years | 7,619 | (1,872) |
| | 5,101,619 | 2,960,128 |
| **Reconciliation of tax expense: -** | | |
| Profit before tax | 32,814,548 | 161,582,271 |
| Income tax calculated using Malaysian tax rate of 25% (2014: 25%) | 8,203,637 | 40,395,568 |
| Income not subject to tax | (3,250,000) | (37,500,000) |
| Non-deductible expenses | 140,363 | 66,432 |
| Under provision of income tax expense in prior years | 7,619 | (1,872) |
| Tax expense for the year | 5,101,619 | 2,960,128 |

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

## 22. INCOME TAX EXPENSE *(Cont'd)*

* The Malaysian Budget 2014 announced the reduction of corporate tax rate to 24% with effect from Year of Assessment 2016. Consequently, deferred tax assets and liabilities which are expected to reverse in year 2016 and beyond are measured using the tax rate of 24%.

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

| | Group | |
|---|---|---|
| | **2015 RM** | **2014 RM** |
| Unabsorbed capital allowance | 4,000 | 4,000 |
| Unutilised tax losses | 3,339,300 | 3,694,900 |

## 23. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at the end of reporting period was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding excluding treasury shares held by the Company, calculated as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| Profit attributable to ordinary shareholders (RM) | 266,058,864 | 342,316,708 |
| Weighted average number of ordinary shares at 31 December | 962,004,783 | 780,568,129 |
| Basic earnings per ordinary share (sen) | 27.66 | 43.85 |

Diluted earnings per ordinary share

The calculation of diluted earnings per share at the end of reporting period was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all diluted potential ordinary shares, calculated as follow:

| | Group | |
|---|---|---|
| | **2015 RM** | **2014 RM** |
| Profit attributable to ordinary shareholders | 266,058,864 | 342,316,708 |
| | **Number of shares** | **Number of shares** |
| Weighted average number of ordinary shares (basic) | 962,004,783 | 780,568,129 |
| Effects of dilution: | | |
| - Unexercised warrants | 16,790,461 | 87,348,573 |
| Weighted average number of ordinary shares (diluted) at 31 December | 978,795,244 | 867,916,702 |
| Diluted earnings per ordinary share (sen) | 27.18 | 39.44 |

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

## 24. DIVIDENDS

Dividends declared by the Company and accounted for in the statement of changes in equity as an appropriation of retained earnings in the year ended 31 December are:

| | **2015** Sen per share | **2014** Sen per share | **2015** Total amount **RM** | **2014** Total amount **RM** |
|---|---|---|---|---|
| Interim single tier dividend in respect of the financial year ended 31 December 2014 (Note 24 (a)) - 1st DRP | - | 5.00 | - | 45,700,820 |
| Final single tier dividend in respect of the financial year ended 31 December 2014 (Note 24 (b)) - 2nd DRP | 5.00 | - | 47,796,952 | - |
| Interim single tier dividend in respect of the financial year ended 31 December 2015 (Note 24 (c)) - 3rd DRP | 2.00 | - | 19,728,600 | - |
| | | | 67,525,552 | 45,700,820 |

**Dividend Reinvestment Plan ("DRP")**

The shareholders of the Company be given an option to elect to reinvest in whole or in part the electable portion (the portion of dividend to which the option to reinvest applies, as determined by the Board) at the issue price for the Dividend Reinvestment shares.

| | **RM** |
|---|---|
| (a) 1st DRP which had been declared on 28 November 2014 and paid on 25 February 2015 | |
| - By issuance of new ordinary shares (27,037,633 new ordinary shares of RM0.50 each at RM1.57 per share) | 42,449,084 |
| - By cash | 3,251,736 |
| (b) 2nd DRP which had been declared on 27 February 2015 and paid on 17 August 2015 | |
| - By issuance of new ordinary shares (27,138,772 new ordinary shares of RM0.50 each at RM1.4783 per share) | 40,119,247 |
| - By cash | 7,677,705 |
| (c) 3rd DRP which had been declared on 28 August 2015 and paid on 26 November 2015 | |
| - By issuance of new ordinary shares (12,506,136 new ordinary shares of RM0.50 each at RM1.39 per share) | 17,383,529 |
| - By cash | 2,345,071 |
| | 113,226,372 |

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

## 25. OPERATING SEGMENTS

The Group has five reportable segments, as described below, which are offer different services. For each of the business segments, the Group Managing Director reviews the internal management reports on monthly basis. The following summary describes the operations in each of the Group's reportable segments:

(i) Property development - The development of residential and commercial properties;
(ii) Property management - Management of apartments;
(iii) Property investment - Investment of real properties and hotel;
(iv) Investment holding - Provision of management services to the subsidiaries; and
(v) Car park operation - Car park management services

Performance is measured based on revenue and operating profit as the management believes that such information is the most relevant in evaluating the results of the operation.

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.

**Segment assets**
The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group Managing Director. Segment total asset is used to measure the return of assets of each segment.

**Segment liabilities**
Segment liabilities information is also included in the internal management reports provided to the Group Managing Director.

**Segment capital expenditure**
Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and investment properties.

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

## 25. OPERATING SEGMENTS *(Cont'd)*

| Group | Property development RM | Property management RM | Property investment RM | Carpark operation RM | Investment holding RM | Elimination RM | Total RM |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| **Revenue** | | | | | | | |
| External sales | | | | | | | |
| - Sales of properties | 531,443,817 | - | - | - | - | - | 531,443,817 |
| - Rental income | - | - | 80,773,051 | - | - | - | 80,773,051 |
| - Hotel, food and beverage | - | - | 68,352,505 | - | - | - | 68,352,505 |
| - Carpark income | - | - | - | 5,538,835 | - | - | 5,538,835 |
| Inter-segment | - | - | 8,837,000 | - | 16,265,000 | (25,102,000) | - |
| | 531,443,817 | - | 157,962,556 | 5,538,835 | 16,265,000 | (25,102,000) | 686,108,208 |
| **Other income** | | | | | | | |
| - Fair value adjustment | - | - | 56,143,014 | - | - | - | 56,143,014 |
| - Rental income | 4,622,516 | - | 221,250 | - | - | (60,000) | 4,783,766 |
| - Others | 6,867,198 | 9,747 | 676,344 | 67,493 | - | (70,671) | 7,550,111 |
| Inter-segment | 3,284,627 | - | 45,148 | 36,514 | 20,339,655 | (23,705,944) | - |
| | 14,774,341 | 9,747 | 57,085,756 | 104,007 | 20,339,655 | (23,836,615) | 68,476,891 |
| **Results** | | | | | | | |
| Segment results | 212,561,891 | 2,337 | 134,185,489 | 4,893,869 | 32,923,514 | (38,840,645) | 345,726,455 |
| Finance cost | | | | | | | (7,177,584) |
| Income tax | | | | | | | (72,490,007) |
| Net profit for the year | | | | | | | 266,058,864 |
| **Other information** | | | | | | | |
| Segment assets | 1,853,315,714 | 14,466 | 662,738,059 | 4,540,453 | 776,457,523 | (810,372,436) | 2,486,693,779 |
| Consolidated total assets | | | | | | | 2,486,693,779 |
| Segment liabilities | 1,067,672,506 | 51,227 | 85,082,222 | 1,579,928 | 37,458,609 | (718,592,514) | 473,251,978 |
| Consolidated total liabilities | | | | | | | 473,251,978 |
| Capital expenditure | 2,503,652 | - | 8,499,608 | 69,653 | - | (3,900,000) | 7,172,913 |
| Depreciation of property, plant and equipment | 2,326,176 | - | 8,783,528 | 9,801 | - | - | 11,119,505 |

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

## 25. OPERATING SEGMENTS *(Cont'd)*

| Group | Property development RM | Property management RM | Property investment RM | Carpark operation RM | Investment holding RM | Elimination RM | Total RM |
|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | |
| **Revenue** | | | | | | | |
| External sales | | | | | | | |
| - Sales of properties | 643,070,390 | - | - | - | - | - | 643,070,390 |
| - Rental income | - | - | 82,415,002 | - | - | - | 82,415,002 |
| - Hotel, food and beverage | - | - | 72,084,350 | - | - | - | 72,084,350 |
| - Carpark income | - | - | - | 3,456,542 | - | - | 3,456,542 |
| Inter-segment | - | - | 120,000 | - | 156,464,000 | (156,584,000) | - |
| | 643,070,390 | - | 154,619,352 | 3,456,542 | 156,464,000 | (156,584,000) | 801,026,284 |
| **Other income** | | | | | | | |
| - Fair value adjustment | - | - | 88,200,835 | - | - | - | 88,200,835 |
| - Rental income | 4,126,554 | - | 180,000 | - | - | (180,000) | 4,126,554 |
| - Others | 6,168,090 | 233,812 | 241,695 | 4,568 | 349 | - | 6,648,514 |
| Inter-segment | 3,822,642 | - | - | 48,648 | 11,577,836 | (15,449,126) | - |
| | 14,117,286 | 233,812 | 88,622,530 | 53,216 | 11,578,185 | (15,629,126) | 98,975,903 |
| **Results** | | | | | | | |
| Segment results | 272,844,583 | 225,176 | 167,775,107 | 2,921,622 | 161,647,568 | (164,949,126) | 440,464,930 |
| Finance cost | | | | | | | (8,664,800) |
| Income tax | | | | | | | (89,483,422) |
| Net profit for the year | | | | | | | 342,316,708 |
| **Other information** | | | | | | | |
| Segment assets | 1,630,091,913 | 4,726 | 591,911,192 | 3,115,734 | 617,632,939 | (735,932,543) | 2,106,823,961 |
| Consolidated total assets | | | | | | | 2,106,823,961 |
| Segment liabilities | 974,116,571 | 40,409 | 16,230,173 | 821,163 | 52,505,040 | (538,114,246) | 505,599,110 |
| Consolidated total liabilities | | | | | | | 505,599,110 |
| Capital expenditure | 4,613,568 | - | 2,031,098 | - | - | - | 6,644,666 |
| Depreciation of property, plant and equipment | 1,601,122 | - | 8,930,206 | - | - | - | 10,531,328 |

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

## 26. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables ('L&R')
(ii) Financial liabilities measured at amortised cost ('FL')

| | Group | | Company | |
|---|---|---|---|---|
| | Carrying amount RM | L&R/(FL) RM | Carrying amount RM | L&R/(FL) RM |
| **31 December 2015** | | | | |
| **Financial assets** | | | | |
| Trade and other receivables, exclude accrued billings and prepayments | 197,367,385 | 197,367,385 | - | - |
| Amount due by subsidiaries | - | - | 683,332,400 | 6 83,332,400 |
| Cash and bank balances | 53,702,562 | 53,702,562 | 176,116 | 176,116 |
| | 251,069,947 | 251,069,947 | 683,508,516 | 683,508,516 |
| **Financial liabilities** | | | | |
| Trade and other payables, exclude provision for foreseeable loss and progress billings | (143,220,173) | (143,220,173) | (402,415) | (402,415) |
| Amount due to subsidiaries | - | - | (35,286,074) | (35,286,074) |
| Loans and borrowings | (159,945,397) | (159,945,397) | - | - |
| | (303,165,570) | (303,165,570) | (35,688,489) | (35,688,489) |
| **31 December 2014** | | | | |
| **Financial assets** | | | | |
| Trade and other receivables, exclude accrued billings and prepayments | 141,660,214 | 141,660,214 | - | - |
| Amount due by subsidiaries | - | - | 532,978,122 | 532,978,122 |
| Cash and bank balances | 67,026,089 | 67,026,089 | 205,855 | 205,855 |
| | 208,686,303 | 208,686,303 | 533,183,977 | 533,183,977 |
| **Financial liabilities** | | | | |
| Trade and other payables, exclude provision for foreseeable loss and progress billings | (198,067,480) | (198,067,480) | (46,262,712) | (46,262,712) |
| Amount due to subsidiaries | - | - | (5,162,124) | (5,162,124) |
| Loans and borrowings | (156,558,185) | (156,558,185) | - | - |
| | (354,625,665) | (354,625,665) | (51,424,836) | (51,424,836) |

### (b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

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

**26. FINANCIAL INSTRUMENTS *(Cont'd)***

**(c) Credit risk**

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

**(i) Receivables**

***Risk management objectives, policies and processes for managing the risk***

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

***Exposure to credit risk, credit quality and collateral***

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. The Group uses ageing analysis to monitor the credit quality of the receivables.

The balance of trade receivables are not secured by any collateral or supported by any other credit enhancements.

***Impairment losses***

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

| | Gross RM | Individual impairment RM | Collectively impairment RM | Net RM |
|---|---|---|---|---|
| **2015** | | | | |
| Not past due | 18,641,092 | - | - | 18,641,092 |
| Past due 1 to 30 days | 10,564,089 | - | - | 10,564,089 |
| Past due 31 to 60 days | 17,111,496 | - | - | 17,111,496 |
| Past due 61 to 90 days | 24,671,413 | - | - | 24,671,413 |
| Past due 91 to 120 days | 3,272,320 | - | - | 3,272,320 |
| Past due more than 121 days | 17,042,374 | - | - | 17,042,374 |
| | 91,302,784 | - | - | 91,302,784 |
| **2014** | | | | |
| Not past due | 58,310,409 | - | - | 58,310,409 |
| Past due 1 to 30 days | 9,525,675 | - | - | 9,525,675 |
| Past due 31 to 60 days | 11,833,383 | - | - | 11,833,383 |
| Past due 61 to 90 days | 13,091,085 | - | - | 13,091,085 |
| Past due 91 to 120 days | 12,198,663 | - | - | 12,198,663 |
| Past due more than 121 days | 20,611,534 | - | - | 20,611,534 |
| | 125,570,749 | - | - | 125,570,749 |

***Trade receivables that are past due but not impaired***

The Company has trade receivables amounting to RM72,661,692 (2014: RM67,260,340) that are past due at the reporting date but not impaired.

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

**26. FINANCIAL INSTRUMENTS *(Cont'd)***

**(c) Credit risk *(Cont'd)***

**(ii) Financial guarantees**

***Risk management objectives, policies and processes for managing the risk***

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayment made by the subsidiaries.

***Exposure to credit risk, credit quality and collateral***

The maximum exposure to credit risk amounts to RM159,945,397 (2014: RM156,558,185) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

**(iii) Inter-company loans and advances**

***Risk management objectives, policies and processes for managing the risk***

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

***Exposure to credit risk, credit quality and collateral***

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

***Impairment losses***

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries.

**(d) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

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.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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

## 26. FINANCIAL INSTRUMENTS *(Cont'd)*

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

***Maturity analysis***

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

| Group 2015 | Carrying amount RM | Contractual interest rate | Contractual cash flows RM | Under 1 year RM | 1-5 years RM | Over 5 years RM |
|---|---|---|---|---|---|---|
| *Non-derivative financial liabilities* | | | | | | |
| Trade and other payables | 143,220,173 | - | 143,220,173 | 119,057,920 | 24,162,253 | - |
| Bankers acceptance | 11,100,000 | 3.81% | 11,100,000 | 11,100,000 | - | - |
| Revolving credit | 30,000,000 | 5.29% | 30,000,000 | 30,000,000 | - | - |
| Term loans | 118,845,397 | 4.83% | 140,064,480 | 27,630,691 | 95,050,399 | 17,383,390 |
| | 303,165,570 | | 324,384,653 | 187,788,611 | 119,212,652 | 17,383,390 |

| Group 2014 | Carrying amount RM | Contractual interest rate | Contractual cash flows RM | Under 1 year RM | 1-5 years RM | Over 5 years RM |
|---|---|---|---|---|---|---|
| *Non-derivative financial liabilities* | | | | | | |
| Trade and other payables | 198,067,480 | - | 198,067,480 | 174,764,308 | 23,303,172 | - |
| Bank overdraft | 4,928,816 | 4.60% | 4,928,816 | 4,928,816 | - | - |
| Bankers acceptance | 10,700,000 | 4.00% | 10,700,000 | 10,700,000 | - | |
| Term loans | 140,929,369 | 4.89% | 166,101,333 | 28,376,803 | 116,128,689 | 21,595,841 |
| | 354,625,665 | | 379,797,629 | 218,769,927 | 139,431,861 | 21,595,841 |

| Company 2015 | Carrying amount RM | Contractual interest rate | Contractual cash flows RM | Under 1 year RM | 1-5 years RM | Over 5 years RM |
|---|---|---|---|---|---|---|
| *Non-derivative financial liabilities* | | | | | | |
| Other payables | 402,415 | - | 402,415 | 402,415 | - | - |
| Amount due to subsidiaries | 35,286,074 | 3.16% | 35,286,074 | 35,286,074 | - | - |
| | 35,688,489 | | 35,688,489 | 35,688,489 | - | |

| Company 2014 | Carrying amount RM | Contractual interest rate | Contractual cash flows RM | Under 1 year RM | 1-5 years RM | Over 5 years RM |
|---|---|---|---|---|---|---|
| *Non-derivative financial liabilities* | | | | | | |
| Other payables | 46,262,712 | - | 46,262,712 | 46,262,712 | - | - |
| Amount due to subsidiaries | 5,126,124 | 3.25% | 5,126,124 | 5,126,124 | - | - |
| | 51,388,836 | | 51,388,836 | 51,388,836 | - | |

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

## 26. FINANCIAL INSTRUMENTS *(Cont'd)*

### (e) Market risk

Market risk is the risk that changes in market prices, such as interest rates that will affect the Company's financial position or cash flows.

**(i) Interest rate risk**

The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

***Risk management objectives, policies and processes for managing the risk***

The Company managed interest rate risk through effective use of its floating and fixed rate debts.

***Exposure to interest rate risk***

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 RM** | **2014 RM** | **2015 RM** | **2014 RM** |
| **Fixed rate instruments** | | | | |
| Financial assets | 6,400,000 | - | - | - |
| **Floating rate instruments** | | | | |
| Financial liabilities | 159,945,397 | 156,558,185 | 35,286,074 | 5,164,124 |

***Interest rate risk sensitivity analysis***

- *Cash flow sensitivity analysis for variable rate instruments*
  A change of 100 basis points ("bp") in interest rates during the reporting period would have increased/(decreased) Group and Company's pre-tax profit or loss by RM1,599,500 and RM353,000 (2014: RM1,565,600 and RM52,000) respectively.

### (f) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables, amount due by/(to) subsidiaries and short-term borrowings approximate fair values due to the relatively short term nature of these financial instruments. The carrying amount of long term deposits payable is a reasonable approximation to its fair value.

There has been no transfer within levels of fair value during the current financial year.

## 27. 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 payment to shareholder, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2015.

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

## 27. CAPITAL MANAGEMENT *(Cont'd)*

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

The gearing ratios were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 RM** | **2014 RM** | **2015 RM** | **2014 RM** |
| Trade and other payables, exclude provision for foreseeable loss and progress billings | 143,220,173 | 198,067,480 | 402,415 | 46,262,712 |
| Amount due to subsidiaries | - | - | 35,286,074 | 5,162,124 |
| Total loans and borrowings | 159,945,397 | 156,558,185 | - | - |
| Less: Cash and cash equivalents | (53,702,562) | (67,026,089) | (176,116) | (205,855) |
| Net debt | 249,463,008 | 287,599,576 | 35,512,373 | 51,218,981 |
| Equity | 2,013,441,801 | 1,601,224,851 | 738,998,914 | 565,127,899 |
| Total capital | 2,013,441,801 | 1,601,224,851 | 738,998,914 | 565,127,899 |
| **Capital and net debt** | 2,262,904,809 | 1,888,824,427 | 774,511,287 | 616,346,880 |
| **Gearing ratio** | 11.02% | 15.23% | 4.59% | 8.31% |

The Group disregarded provision for foreseeable loss of affordable housing and progress billings in respect of property development costs as debt.

There was no change in the Group's approach to capital management during the financial year.

The Group is not subject to any externally imposed capital requirements.

## 28. COMMITMENTS

### (i) Capital commitments

This represents the balance of the contracted purchase price of land.

| | Group | |
|---|---|---|
| | **2015 RM** | **2014 RM** |
| Capital expenditure: | | |
| Contracted but not provided for: | | |
| Freehold land | 15,724,153 | 65,676,381 |

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

## 28. COMMITMENTS *(Cont'd)*

### (ii) Operating lease arrangements (as lessor)

The Group has entered into non-cancellable operating leases agreements on its investment property. 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 | |
|---|---|---|
| | **2015** | **2014** |
| | **RM** | **RM** |
| Not later than 1 year | 45,331,048 | 47,573,540 |
| Later than 1 year but not later than 5 years | 35,809,544 | 43,671,740 |
| | 81,140,592 | 91,245,280 |

## 29. RELATED PARTIES

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries, significant investors, directors and key management personnel.

**Significant related party transactions**

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below:

| | Note | **2015** | **2014** |
|---|---|---|---|
| | | **RM** | RM |
| **A. Subsidiary companies** | | | |
| Management fees receivable from subsidiaries | | 3,265,000 | 6,464,000 |
| Loan interest receivable from subsidiaries | | 20,339,655 | 11,578,185 |
| Loan interest payable to subsidiaries | | 105,182 | 62,849 |
| Dividend receivable from subsidiaries | | 13,000,000 | 150,000,000 |

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

## 29. RELATED PARTIES *(Cont'd)*

| | Note | 2015 RM | 2014 RM |
|---|---|---|---|
| **B. Companies in which certain directors have interest** | | | |
| Rental receivable from: | | | |
| - Harapan Terang Motor Sdn. Bhd. | (a) | 20,400 | 20,400 |
| - Bestari Bestmart Sdn. Bhd. | (b) | 1,728,000 | 1,728,000 |
| Rental payable to: | | | |
| - Bintang-Bintang Sdn. Bhd. | (c) | 200,400 | 195,000 |
| Purchases from: | | | |
| - Harapan Terang Motor Sdn. Bhd. | (a) | - | 139,681 |
| - Wawasan Batu-Bata Sdn. Bhd. | (d) | 10,871,167 | 8,611,670 |
| **C. Key management personnel** | | | |
| Directors | | | |
| - Remuneration | | 37,569,950 | 34,890,350 |
| - Social security contributions | | 6,817 | 6,817 |
| - Contribution to state plans | | 6,531,618 | 6,116,464 |
| | | 44,108,385 | 41,013,631 |

Note:

(a) In which Ku Tien Sek has interest.
(b) In which Ku Hwa Seng 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 directors of certain subsidiary companies, Ku Wa Chong, Ku Keng Leong, Khoo Keng Ghiap, Ku Ek Mei, Khoo Lee Feng, Ku Keng Yaw have interest.

## 30. ACQUISITION OF SUBSIDIARIES

On 6 March 2015, the Company has acquired 2 ordinary shares of RM1.00 each in KSL Properties Construction Sdn. Bhd. *(Formerly known as Mission Golf Sdn. Bhd.)*, representing 100% of the issued and paid-up share capital of the subsidiary, for a total cash consideration of RM2.00.

Further on 24 March 2015, the Company has incorporated two subsidiaries namely KSL Cekap Bina Sdn. Bhd. and KSL Perfect Builder Sdn. Bhd. The transfer of the three subscribers' shares of RM1.00 each to the Company, representing 100% of the issued and paid-up share capital of the subsidiaries, for a total consideration of RM3.00 for each subsidiary.

| | Group 2015 RM |
|---|---|
| **Net cash outflow arising from acquisition of subsidiaries** | |
| Purchase consideration settled in cash and cash equivalents | (8) |
| Cash and cash equivalents acquired | 8 |
| | - |

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

## 30. ACQUISITION OF SUBSIDIARIES *(Cont'd)*

A wholly-owned subsidiary of the Company, KSL Perfect Builder Sdn Bhd has on 30 June 2015 acquired 250,002 ordinary shares of RM1.00 each in Gantang Jaya Sdn Bhd ("GJSB"), representing 100% of the issued and paid-up share capital of the subsidiary, for a total cash consideration of RM6,366,417. The principal activity of GJSB is property development.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

| | | **Group 2015 RM** |
|---|---|---|
| **Fair value of identifiable assets acquired and liabilities assumed** | Note | |
| Property development costs | 8 | 8,129,697 |
| Deposits | | 1,000 |
| Cash and cash equivalents | | 214,800 |
| Trade and other payables | | (2,114,307) |
| Deferred tax liabilities | 7 | (1,406,000) |
| | | 4,825,190 |
| Goodwill on consolidation | | 1,541,227 |
| Purchase consideration | | 6,366,417 |
| **Net cash outflow arising from acquisition of subsidiaries** | | |
| Purchase consideration settled in cash and cash equivalents | | 6,366,417 |
| Cash and cash equivalents acquired | | (214,800) |
| Acquisition of subsidiary, net of cash acquired | | 6,151,617 |

## 31. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2015 RM** | **2014 RM** | **2015 RM** | **2014 RM** |
| **Total retained profits of the Company and its subsidiaries** | | | | |
| - Realised | 1,117,336,927 | 973,241,533 | 74,951,563 | 114,764,186 |
| - Unrealised | 276,940,122 | 222,480,869 | - | - |
| **Total retained earnings** | 1,394,277,049 | 1,195,722,402 | 74,951,563 | 114,764,186 |
| Less: Consolidation adjustments | (62,262,627) | (62,262,627) | - | - |
| Retained profits as per financial statements | 1,332,014,422 | 1,133,459,775 | 74,951,563 | 114,764,186 |

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

# LIST OF MAJOR PROPERTIES HELD BY THE GROUP
## *AS AT 31 DECEMBER 2015*

| No. | Lot No. | Description | Land Area (sq. ft.) | Existing Use | Tenure | Approximate Age (Year) | Net Book Value as at 31.12.2015 (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 | 5 | 351,000,000 | 31.12.2015 |
| 02. | Lot 6412 & Lot 6415 Mukim of Klang District of Klang Selangor Darul Ehsan | Subdivided land under development | 13,141,834 | Bandar Bestari | Freehold | – | 166,041,297 | 01.11.2007 |
| 03. | PTD 84133 Mukim of Tebrau District of Johor Bahru Johor Darul Takzim | Subdivided land under development | 3,503,975 | Taman Kempas Indah | Freehold | – | 136,905,674 | 16.08.2002 |
| 04. | Lot 2437 Mukim of Tebrau District of Johor Bahru Johor Darul Takzim | Subdivided land under development | 9,982,427 | Taman Bestari Indah | Freehold | – | 132,641,878 | 27.02.2002 |
| 05. | PTB 22817 Mukim of Johor Bahru District of Johor Bahru Johor Darul Takzim | Resort | 295,515 | KSL Resort | Freehold | 3 | 112,196,884 | 21.03.2006 |
| 06. | Lot 3047 Mukim of Kluang District of Kluang Johor Darul Takzim | Subdivided land under development | 5,003,607 | Taman Mengkibol | Freehold | – | 94,198,691 | 12.11.2010 |
| 07. | Lot 6412 & Lot 6415 Mukim of Klang District of Klang Selangor Darul Ehsan | Investment land approved for commercial lot | 3,440,369 | Bandar Bestari | Freehold | – | 93,000,000 | 06.12.2015 |
| 08. | Lot 2285–Lot 2295 (Partially) Mukim of Tebrau District of Johor Bahru Johor Darul Takzim | Subdivided land under development | 1,080,218 | Puteri Park | Freehold | – | 66,656,734 | 11.03.2011 |
| 09. | PTD 136166 (Partially) Mukim of Pulai District of Johor Bahru Johor Darul Takzim | Commercial complex | 186,872 | Giant Nusa Bestari | Freehold | 7 | 61,956,450 | 31.12.2015 |
| 10. | Lot 6530 Mukim of Kesang District of Muar Johor Darul Takzim | Commercial complex | 175,677 | Giant Muar | Leasehold expired on 12.09.2098 | 9 | 55,850,000 | 31.12.2015 |

# STATEMENT OF SHAREHOLDINGS
## *AS AT 28 MARCH 2016*

| | | |
|---|---|---|
| Authorised capital | : | RM1,000,000,000.00 divided into 2,000,000,000 ordinary shares of RM0.50 each |
| Issued and fully paid-up capital | : | RM505,384,675.50 divided into 1,010,769,351 ordinary shares of RM0.50 each |
| Class of shares | : | Ordinary shares of RM0.50 each |
| Voting rights | : | One vote per share |

## ANALYSIS OF SHAREHOLDINGS

| **Holdings** | **Number of Holders** | **Number of Shares** | **% of Shares** |
|---|---|---|---|
| Less than 100 | 373 | 17,265 | 0.00 |
| 100 - 1,000 | 543 | 322,413 | 0.03 |
| 1,001 - 10,000 | 3,098 | 15,526,438 | 1.56 |
| 10,001- 100,000 | 1,710 | 51,693,806 | 5.15 |
| 100,001 to less than 5% of issued shares | 339 | 561,305,174 | 55.96 |
| 5% and above of issued shares | 2 | 374,128,455 | 37.30 |
| **Total** | **6,065** | **1,002,993,551 *** | **100.00** |

* *excluding a total of 7,775,800 ordinary shares bought back and retained as treasury shares.*

## THIRTY LARGEST SHAREHOLDERS

| **No.** | **Shareholders** | **Number of Shares** | **% of Shares** |
|---|---|---|---|
| 1. | PREMIERE SECTOR SDN BHD | 323,546,642 | 32.26 |
| 2. | KHOO CHENG HAI @ KU CHENG HAI | 50,581,813 | 5.04 |
| 3. | HSBC NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. | 49,338,898 | 4.92 |
| 4. | KU HWA SENG | 47,815,338 | 4.77 |
| 5. | KU TIEN SEK | 42,727,415 | 4.26 |
| 6. | KHOO CHENG HAI @ KU CHENG HAI | 33,812,238 | 3.37 |
| 7. | KU HWA SENG | 33,074,183 | 3.30 |
| 8. | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC SMALLCAP FUND | 27,455,286 | 2.74 |
| 9. | LEMBAGA TABUNG HAJI | 26,095,100 | 2.60 |
| 10. | CITIGROUP NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR CITIBANK NEW YORK | 16,069,235 | 1.60 |
| 11. | KU TIEN SEK | 11,071,042 | 1.10 |
| 12. | DAMAI MOTOR KREDIT SDN BHD | 10,126,087 | 1.01 |
| 13. | STRATA CENTURY SDN BHD | 10,117,573 | 1.01 |
| 14. | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC ISLAMIC OPPORTUNITIES FUND | 9,053,973 | 0.90 |

# STATEMENT OF SHAREHOLDINGS *(Cont'd)*
## *AS AT 28 MARCH 2016*

### THIRTY LARGEST SHAREHOLDERS *(Cont'd)*

| No. | Shareholders | Number of Shares | % of Shares |
|---|---|---|---|
| 15. | KU WA CHONG | 9,035,260 | 0.90 |
| 16. | MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD | 8,995,345 | 0.90 |
| 17. | UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD | 8,638,995 | 0.86 |
| 18. | CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND | 8,625,824 | 0.86 |
| 19. | AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND | 7,382,015 | 0.74 |
| 20. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD | 7,184,460 | 0.72 |
| 21. | MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA INSURANCE BERHAD | 6,165,000 | 0.61 |
| 22. | HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE BANK OF NEW YORK MELLON | 6,029,450 | 0.60 |
| 23. | CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC | 5,971,602 | 0.60 |
| 24. | TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER | 5,015,602 | 0.50 |
| 25. | LTK (MELAKA) SDN BHD | 4,911,315 | 0.49 |
| 26. | RHB NOMINEES (ASING) SDN. BHD. MAYBANK KIM ENG SECURITIES PTE. LTD. FOR EXQUISITE HOLDINGS LIMITED | 4,873,398 | 0.49 |
| 27. | CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES | 4,782,479 | 0.48 |
| 28. | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS SMALL-CAP FUND | 4,731,601 | 0.47 |
| 29. | CARTABAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD | 4,703,925 | 0.47 |
| 30. | KHOO KENG GHIAP | 3,967,680 | 0.40 |

## SUBSTANTIAL SHAREHOLDERS

According to the Register required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:-

| No. | Substantial Shareholders | Direct Interest Number of Shares | Direct Interest % of Shares | Deemed Interest Number of Shares | Deemed Interest % of Shares |
|---|---|---|---|---|---|
| 1. | PREMIERE SECTOR SDN BHD | 323,546,642 | 32.26 | 0 | 0 |
| 2. | KHOO CHENG HAI @ KU CHENG HAI | 84,394,051 | 8.41 | 327,514,322 (2) | 32.65 |
| 3. | KU HWA SENG | 80,889,521 | 8.06 | 323,546,642 (1) | 32.26 |
| 4. | KU TIEN SEK | 53,798,457 | 5.36 | 323,546,642 (1) | 32.26 |
| 5. | KU WA CHONG | 12,164,456 | 1.21 | 323,546,642 (1) | 32.26 |

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

## LIST OF DIRECTORS' SHAREHOLDINGS

| No. | Directors | Direct Interest Number of Shares | Direct Interest % of Shares | Deemed Interest Number of Shares | Deemed Interest % of Shares |
|---|---|---|---|---|---|
| 1. | KHOO CHENG HAI @ KU CHENG HAI | 84,394,051 | 8.41 | 327,514,322 (2) | 32.65 |
| 2. | KU HWA SENG | 80,889,521 | 8.06 | 323,546,642 (1) | 32.26 |
| 3. | KU TIEN SEK | 53,798,457 | 5.36 | 323,546,642 (1) | 32.26 |
| 4. | LEE CHYE TEE | – | – | – | – |
| 5. | GOW KOW | – | – | – | – |
| 6. | GOH TYAU SOON | – | – | – | – |
| 7. | TEY PING CHENG | – | – | – | – |

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

# STATEMENT OF WARRANT HOLDINGS
## *AS AT 28 MARCH 2016*

| | | |
|---|---|---|
| Warrant Issued | : | 27,669,806 |
| No. of Warrant Holders | : | 805 |
| Exercise Price of Warrants | : | RM0.80 per share |
| Voting rights | : | One vote per warrant in the meeting of warrant holders |

## ANALYSIS OF WARRANT HOLDINGS

| Holdings | Number of Holders | Number of Warrants | % of Warrants |
|---|---|---|---|
| Less than 100 | 7 | 136 | 0.00 |
| 100 - 1,000 | 79 | 53,144 | 0.19 |
| 1,001 - 10,000 | 423 | 2,182,516 | 7.89 |
| 10,001- 100,000 | 242 | 8,243,766 | 29.79 |
| 100,001 to less than 5% of issued warrants | 52 | 13,397,144 | 48.42 |
| 5% and above of issued warrants | 2 | 3,793,100 | 13.71 |
| | 805 | 27,669,806 | 100.00 |

## THIRTY LARGEST WARRANT HOLDERS

| No. | Warrant Holders | Number of Warrants | % of Warrants |
|---|---|---|---|
| 1. | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>ETIQA INSURANCE BERHAD | 2,000,000 | 7.23 |
| 2. | AMANAHRAYA TRUSTEES BERHAD<br>PUBLIC ISLAMIC OPPORTUNITIES FUND | 1,793,100 | 6.48 |
| 3. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR WONG YEE HUI | 1,126,900 | 4.07 |
| 4. | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>ETIQA INSURANCE BERHAD | 1,017,000 | 3.68 |
| 5. | H'NG BAK TEE | 861,600 | 3.11 |
| 6. | GOH CHEAH HONG | 821,400 | 2.97 |
| 7. | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>FRANCIS KONG @ KONG FEN SHIN | 640,000 | 2.31 |
| 8. | I-WEN MORSINGH | 470,000 | 1.70 |
| 9. | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR<br>CHIEW CHIENG SIEW | 470,000 | 1.70 |
| 10. | INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR YAP KON HING | 406,800 | 1.47 |

## THIRTY LARGEST WARRANT HOLDERS *(Cont'd)*

| No. | Warrant Holders | Number of Warrants | % of Warrants |
|---|---|---|---|
| 11. | LIM HUI KIAM | 400,000 | 1.45 |
| 12. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TING SIEW PIN | 341,500 | 1.23 |
| 13. | MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DEVAN A/L DINASAN | 276,500 | 1.00 |
| 14. | TEY YON KOI | 263,500 | 0.95 |
| 15. | LEE KOK SEE | 252,550 | 0.91 |
| 16. | THAM WOOI LOON | 251,400 | 0.91 |
| 17. | LOH CHEE SENG | 250,000 | 0.90 |
| 18. | CHEONG CHOY KWAN | 234,000 | 0.85 |
| 19. | LAI KONG HOO | 220,000 | 0.80 |
| 20. | LOOH KEO @ LOOH LIM TENG | 208,000 | 0.75 |
| 21. | MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RUSTOM FRAMROZE CHOTHIA | 203,200 | 0.73 |
| 22. | CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR YEO ANN SECK | 200,000 | 0.72 |
| 23. | RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE HIN CHIA | 196,600 | 0.71 |
| 24. | OOI CHAI HONG | 192,600 | 0.70 |
| 25. | TAN SIN SU | 192,000 | 0.69 |
| 26. | CHAI KOON KHOW | 187,800 | 0.68 |
| 27. | GOH CHEAH HONG | 183,300 | 0.66 |
| 28. | EDMUND CHOW TAI SENG | 170,400 | 0.62 |
| 29. | LOH KIM POH | 160,500 | 0.58 |
| 30. | MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG YOKE CHEE | 160,000 | 0.58 |

## LIST OF DIRECTORS' WARRANT HOLDINGS

| No. | Directors | Direct Interest Number of Warrants | Direct Interest % of Warrants | Deemed Interest Number of Warrants | Deemed Interest % of Warrants |
|---|---|---|---|---|---|
| 1. | KU HWA SENG | – | – | – | – |
| 2. | KHOO CHENG HAI @ KU CHENG HAI | – | – | – | – |
| 3. | KU TIEN SEK | – | – | – | – |
| 4. | LEE CHYE TEE | – | – | – | – |
| 5. | GOW KOW | – | – | – | – |
| 6. | GOH TYAU SOON | – | – | – | – |
| 7. | TEY PING CHENG | – | – | – | – |

## SUBSTANTIAL WARRANT HOLDERS

| No. | Name of Substantial Warrant Holders | Number of Warrants | % of Warrants |
|---|---|---|---|
| 1 | Etiqa Insurance Berhad (Balance Fund)<br>Maybank Nominees (Tempatan) Sdn Bhd | 2,000,000 | 7.23 |
| 2 | Public Islamic Opportunities Fund<br>Amanahraya Trustees Berhad | 1,793,000 | 6.48 |

# 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, collectively |
| "KSL Shares" or the "Shares" | : | Ordinary shares of RM0.50 each in KSL |
| "Listing Requirements" | : | The Main Market Listing Requirements of Bursa Securities, including any amendment thereto that may be made from time to time |
| "NA" | : | Net Assets |
| "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 |
| "Subsidiary" | : | A subsidiary company of KSL as defined in Section 5 of the Act |
| "Warrants" | : | 27,699,806 Warrants in KSL, each warrant carrying a right to subscribe for one (1) share at RM0.80 in accordance with the terms and conditions as set out in the deed poll dated 14 July 2011 |

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

## 1. INTRODUCTION

On 31 March 2016, the Company announced that the approval granted by the shareholders at the Fifteenth AGM of KSL held on 23 June 2015 for the Company to purchase its own shares shall expire at the conclusion of the forthcoming Sixteenth AGM and that the Company proposed to seek a renewal of the approval from the shareholders at the forthcoming Sixteenth AGM to be held on 26 May 2016, 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.

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 Sixteenth AGM to be held on 26 May 2016 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.

## 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.

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

## 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).

Based on the audited financial statements of the Company as at 31 December 2015, the retained profits and share premium account of the Company amounted to RM74,951,563 and RM168,989,853 espectively. For information purposes, the latest unaudited retained profits and share premium account of the Company as at 28 March 2016 amounted to RM74,594,706 and RM170,259,333 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.

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.

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

### 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:-

| | Minimum Scenario (1) | | Maximum Scenario (2) | |
|---|---|---|---|---|
| | No. of Shares | RM | No. of Shares | RM |
| Authorised Share Capital | 2,000,000,000 | 1,000,000,000 | 2,000,000,000 | 1,000,000,000 |
| Issued and paid-up share capital | 1,010,769,351 | 505,384,676 | 1,010,769,351 | 505,384,676 |
| Add:- Assuming full exercise of the Proposed Rights Issue of Warrants | - | - | 27,669,806 | 13,834,903 |
| | 1,010,769,351 | 505,384,676 | 1,038,439,157 | 519,219,579 |
| Less:- Shares purchased amounting to 10% of the issued and paid-up share capital pursuant to the Proposed Share Buy-Back | *(101,076,935) | *(50,538,468) | *(103,843,916) | (51,921,958) |
| Upon completion of the Proposed Share Buy-Back | 909,692,416 | 454,846,208 | 934,595,241 | 467,297,621 |

*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 7,775,800 KSL Shares that have been purchased and held as treasury shares as at 28 March 2016.*

#### 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.

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

### 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.

### 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 Company purchase its own Shares, the Proposed 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 28 March 2016, being the most practicable date prior to the printing of this Statement has been shown based on the following minimum scenario and maximum scenario:-

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

### Minimum Scenario

### Assuming none of the Warrants are exercised prior to the Proposed Share Buy-Back

| Name | As at 28 March 2016[(i)] | | | | After Proposed Share Buy-Back[(ii)] | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct Shareholdings | | Indirect Shareholdings | | Direct Shareholdings | | Indirect Shareholdings | |
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| **Directors** | | | | | | | | |
| Khoo Cheng Hai @ Ku Cheng Hai | 84,394,051 | 8.41 | 327,514,322 (a) | 32.65 | 84,394,051 | 9.28 | 327,514,322 (a) | 36.00 |
| Ku Tien Sek | 53,798,457 | 5.36 | 323,546,642 (b) | 32.26 | 53,798,457 | 5.91 | 323,546,642 (b) | 35.57 |
| Ku Hwa Seng | 80,889,521 | 8.06 | 323,546,642 (b) | 32.26 | 80,889,521 | 8.89 | 323,546,642 (b) | 35.57 |
| Lee Chye Tee | - | - | - | - | - | - | - | - |
| Gow Kow | - | - | - | - | - | - | - | - |
| Goh Tyau Soon | - | - | - | - | - | - | - | - |
| Tey Ping Cheng | - | - | - | - | - | - | - | - |
| **Substantial Shareholders** | | | | | | | | |
| PSSB | 323,546,642 | 32.26 | - | - | 323,546,642 | 35.57 | - | - |
| Khoo Cheng Hai @ Ku Cheng Hai | 84,394,051 | 8.41 | 327,514,322 (a) | 32.65 | 84,394,051 | 9.28 | 327,514,322 (a) | 36.00 |
| Ku Tien Sek | 53,798,457 | 5.36 | 323,546,642 (b) | 32.26 | 53,798,457 | 5.91 | 323,546,642 (b) | 35.57 |
| Ku Hwa Seng | 80,889,521 | 8.06 | 323,546,642 (b) | 32.26 | 80,889,521 | 8.89 | 323,546,642 (b) | 35.57 |
| Ku Wa Chong | 12,164,456 | 1.21 | 323,546,642 (b) | 32.26 | 12,164,456 | 1.34 | 323,546,642 (b) | 35.57 |

*(i) After taking into account the 7,775,800 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 his respective interest in PSSB pursuant to Section 6A of the Act.*

### Maximum Scenario

### Assuming all the Warrants are fully exercised into new KSL Shares and 10% of KSL Shares are fully purchased.

| Name | As at 28 March 2016[(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 | 84,394,051 | 8.41 | 327,514,322 (a) | 32.65 | 84,394,051 | 9.03 | 327,514,322 (a) | 35.04 |
| Ku Tien Sek | 53,798,457 | 5.36 | 323,546,642 (b) | 32.26 | 53,798,457 | 5.76 | 323,546,642 (b) | 34.62 |
| Ku Hwa Seng | 80,889,521 | 8.06 | 323,546,642 (b) | 32.26 | 80,889,521 | 8.66 | 323,546,642 (b) | 34.62 |
| Lee Chye Tee | - | - | - | - | - | - | - | - |
| Gow Kow | - | - | - | - | - | - | - | - |
| Goh Tyau Soon | - | - | - | - | - | - | - | - |
| Tey Ping Cheng | - | - | - | - | - | - | - | - |
| **Substantial Shareholders** | | | | | | | | |
| PSSB | 323,546,642 | 32.26 | - | - | 323,546,642 | 34.62 | - | - |
| Khoo Cheng Hai @ Ku Cheng Hai | 84,394,051 | 8.41 | 327,514,322 (a) | 32.65 | 84,394,051 | 9.03 | 327,514,322 (a) | 35.04 |
| Ku Tien Sek | 53,798,457 | 5.36 | 323,546,642 (b) | 32.26 | 53,798,457 | 5.76 | 323,546,642 (b) | 34.62 |
| Ku Hwa Seng | 80,889,521 | 8.06 | 323,546,642 (b) | 32.26 | 80,889,521 | 8.66 | 323,546,642 (b) | 34.62 |
| Ku Wa Chong | 12,164,456 | 1.21 | 323,546,642 (b) | 32.26 | 12,164,456 | 1.30 | 323,546,642 (b) | 34.62 |

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

*(i) After taking into account the 7,775,800 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 his respective interest in PSSB pursuant to Section 6A of the Act.*

### 7. PURCHASE OF SHARES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

During the financial year, the Company has repurchased 5,234,400 of its issued ordinary shares from the open market for a total consideration of RM7,900,643. The average price paid for the shares repurchased was RM1.51 per share

The repurchase transactions were funded by internally generated funds. The shares repurchased are held as treasury shares.

As at 31 December 2015, the Company held 7,775,800 issued ordinary shares as treasury shares out of its total issued and paid-up share capital of 1,007,595,651 shares.

### 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 28 March 2016, the public shareholding spread of KSL is 44.30%.

### 9. IMPLICATION RELATING TO THE CODE

The substantial shareholders of KSL, namely PSSB, Mr. Khoo Cheng Hai @ Ku Cheng Hai, Mr. Ku Tien Sek, Mr. Ku Hwa Seng and Mr. Ku Wa Chong, who are deemed to be persons acting in concert ("PAC") are holding 55.30% of the total issued and paid-up share capital of the Company, collectively. 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 the PAC in KSL would increase to 60.99% of the total issued and paid-up share capital of the Company, if the number of KSL Shares held by the PAC 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 percentage of the shareholdings of the PAC in KSL would increase to 59.37% 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.

## 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 *(Cont'd)*

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.

### 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 Sixteenth 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 Sixteenth 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 Thursday, 26 May 2016 at 11.00 a.m. and at any adjournment thereof for/against * the resolution(s) to be proposed thereat.

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

| No. | Resolutions | For | Against |
|---|---|---|---|
| 1. | Resolution 1 | | |
| 2. | Resolution 2 | | |
| 3. | Resolution 3 | | |
| 4. | Resolution 4 | | |
| 5. | Resolution 5 | | |
| 6. | Resolution 6 | | |
| 7. | Resolution 7 | | |
| 8. | Resolution 8 | | |
| 9. | Resolution 9 | | |
| 10. | Resolution 10 | | |
| 11. | Resolution 11 | | |

[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 ……………………..…… 2016

| | |
|---|---|
| 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.*

(vii) *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 Tuesday, 24 May 2016 at 11.00 a.m. or any adjournment thereof.*

*Fold this flap for sealing*

*Then fold here*

STAMP

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

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