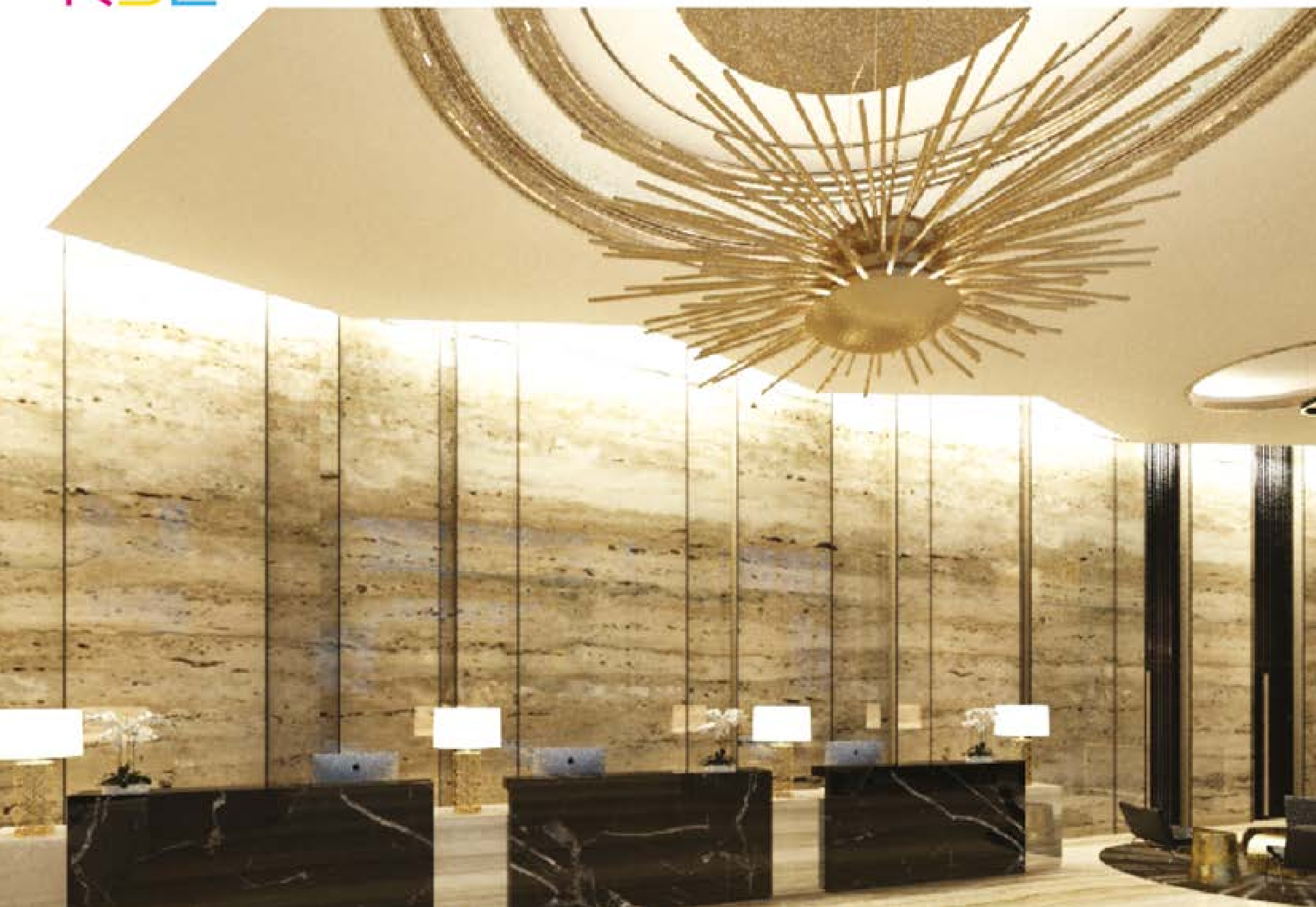
ANNUAL REPORT 2016

KSL HOLDINGS BERHAD
(511433-P)

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.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
L1-86A, KSL City, No. 33, Jalan Seladang,
Taman Abad, 80250 Johor Bahru.
Tel: 07-3319939 / Fax: 07-2890039

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 Seventeenth Annual General Meeting of the Company will be held at KSL Resorts, Level G, Infusion Private Room, 33, Jalan Seladang, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim on Tuesday, 30 May 2017 at 11.00 a.m. for the following purposes:-

AGENDA

1) To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon. — *Please refer to Note B on this Agenda*

2) To approve the payment of the Non-Executive Directors' Fees of RM90,000 and Benefits of RM15,000 for the financial year ended 31 December 2016. — 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. Gow Kow — Resolution 2

   b) Mr. Lee Chye Tee — Resolution 3

4) 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 4

SPECIAL BUSINESS

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

5) **ORDINARY RESOLUTION 1**
RE-APPOINTMENT OF DIRECTOR — Resolution 5 *Please refer to Explanatory Note I*

"**THAT** Mr. Goh Tyau Soon be and is hereby re-appointed as Director of the Company."

6) **ORDINARY RESOLUTION 2** — Resolution 6 *Please refer to Explanatory Note II*
- **AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 76 OF THE COMPANIES ACT, 2016**

"**THAT** pursuant to Section 76 of the Companies Act, 2016, 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 total number of issued shares of the Company (excluding treasury shares) for the time being, subject always to the approvals of the relevant regulatory authorities."

7) **ORDINARY RESOLUTION 3** — Resolution 7 *Please refer to Explanatory Note III*
- **PROPOSED RENEWAL OF AUTHORITY FOR THE PURCHASE OF ITS OWN SHARES BY THE COMPANY**

"**THAT** subject to the Companies Act, 2016, 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 number of issued shares of 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 number of issued shares 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 of the Company as at 31 December 2016 of RM122,610,757 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 4

- **AUTHORITY FOR MR. GOW KOW TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

Resolution 8
Please refer to Explanatory Note IV

"**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 5

- **AUTHORITY FOR MR. GOH TYAU SOON TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

Resolution 9
Please refer to Explanatory Note IV

"**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 6

- **AUTHORITY FOR MR. TEY PING CHENG TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR**

Resolution 10
Please refer to Explanatory Note IV

"**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 7

- **PROPOSED RENEWAL OF AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE NEW ORDINARY SHARES OF 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)**

Resolution 11
Please refer to Explanatory Note V

"**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, 2016.

By Order of the Board
KSL HOLDINGS BERHAD

LEONG SIEW FOONG (MAICSA 7007572)
Company Secretary
Johor Bahru

Date: 28 April 2017

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.

(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 Sunday, 28 May 2017 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 340(1) of the Companies Act, 2016 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) RE-APPOINTMENT OF DIRECTOR

With the implementation of the Companies Act, 2016, the age limit of directors pursuant to Section 129 of the Companies Act, 1965 no longer in effect.

At the Sixteenth Annual General Meeting of the Company held on 26 May 2016, Mr. Goh Tyau Soon who is above the age of 70, was re-appointed pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting.

The proposed Ordinary Resolution 1 if passed, will enable Mr. Goh Tyau Soon to continue to act as Director of the Company and he shall subject to retirement by rotation at a later date.

The Nominating Committee ("NC") of the Company has assessed the overall performance of Mr. Goh Tyau Soon and recommended to the Board for his re-appointment. The Board noted and approved the NC's recommendation that Mr. Goh Tyau Soon be re-appointed as Director of the Company.

II) AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 76 OF THE COMPANIES ACT, 2016

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 Seventeenth Annual General Meeting ("17th AGM"), with the authority to allot and issue shares in the Company up to an amount not exceeding in total 10% of the total number of issued shares 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 Sixteenth Annual General Meeting held on 26 May 2016. 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 Sixteenth Annual General Meeting as there was no need for any fund raising activity for the purpose of investment, acquisition or working capital.

III) 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 total number of issued shares of the Company on Bursa Malaysia Securities Berhad.

The Directors shall satisfy the Solvency Test in such manner as prescribed in Sections 112 and 113 of the Companies Act, 2016 to exercise the purchase of its own shares.

Members are requested to refer to the Statement of Share Buy-Back laid out in pages 122 to 128 of this Annual Report.

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

IV) 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 17th 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.

(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 17th 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 17th 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.

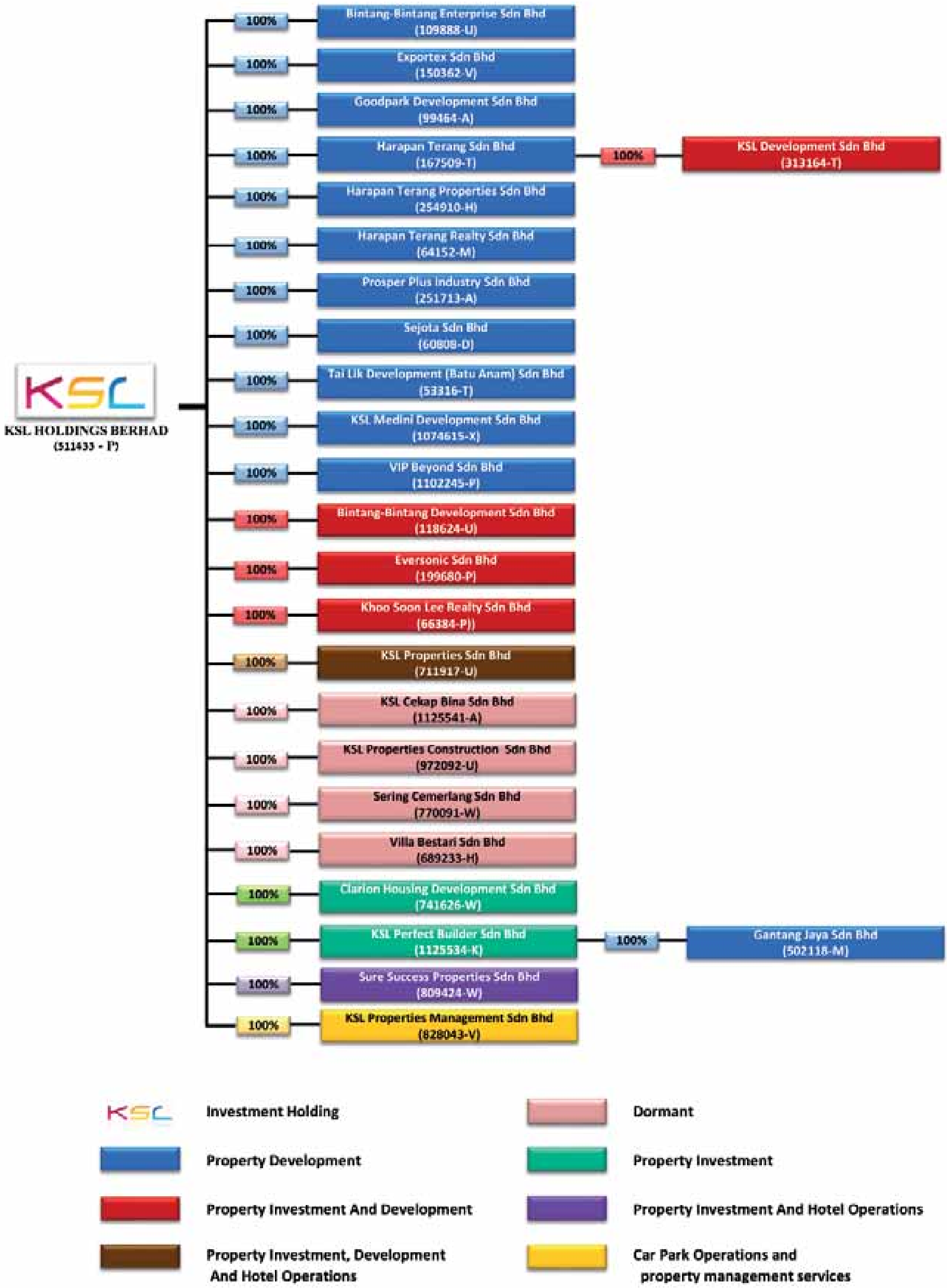
V) PROPOSED RENEWAL OF AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE NEW ORDINARY SHARES OF THE COMPANY (KSL SHARES) IN RELATION TO THE DIVIDEND REINVESTMENT PLAN THAT PROVIDES SHAREHOLDERS OF THE COMPANY WITH AN OPTION TO REINVEST THEIR CASH DIVIDEND IN NEW KSL SHARES

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 2017. Only a depositor whose name appears on the Record of Depositors as at 18 May 2017 shall be entitled to attend this meeting or appoint proxy/proxies to attend and/or vote in his stead.

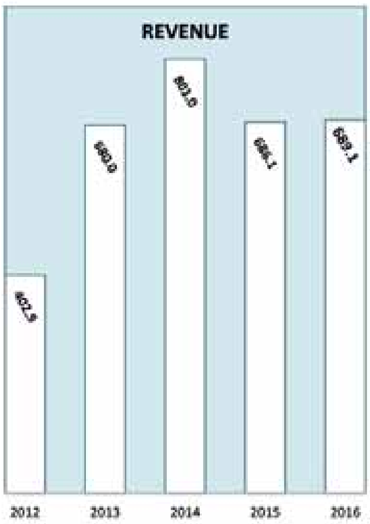
GROUP CORPORATE STRUCTURE

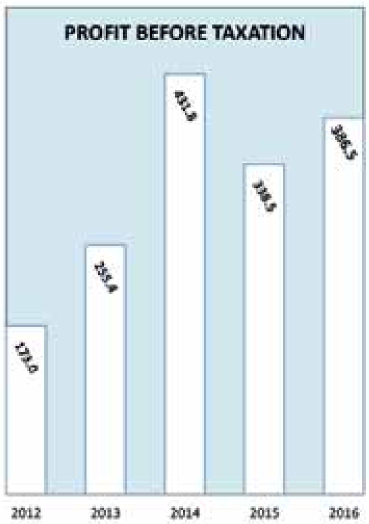


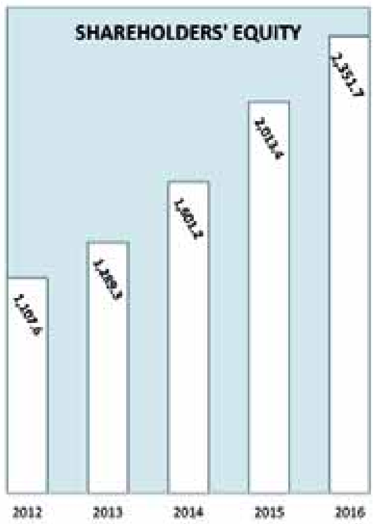
5 YEARS GROUP FINANCIAL HIGHLIGHTS

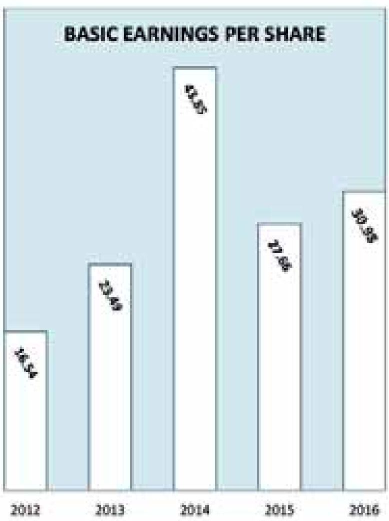
		Year Ended 31 December				
		2012	2013	2014	2015	2016
INCOME STATEMENT						
Revenue	*RM Million*	402.9	680.0	801.0	686.1	689.1
Profit Before Taxation	*RM Million*	173.0	255.4	431.8	338.5	386.5
Profit Attributable to Shareholders	*RM Million*	127.8	181.5	342.3	266.1	314.5
BALANCE SHEET						
Issued and Paid up Capital	*Million Unit*	390.5	390.5	788.8	1,007.6	1,037.5
Shareholders' Equity	*RM Million*	1,107.6	1,289.3	1,601.2	2,013.4	2,351.7
SHARE INFORMATION						
Basic Earnings Per Share	*Sen*	16.54	23.49	43.85	27.66	30.98
Dividend Per Share - Gross	*Sen*	-	-	10.00	2.00	-
Net Assets Per Share	*RM*	1.42	1.65	2.03	2.01	2.28
Return on Shareholders' Equity	*%*	12%	14%	21%	13%	13%

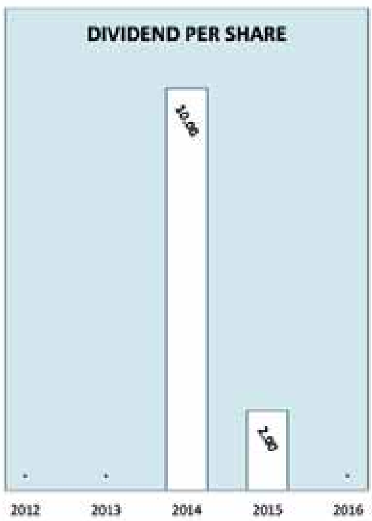
5 YEARS GROUP FINANCIAL HIGHLIGHTS

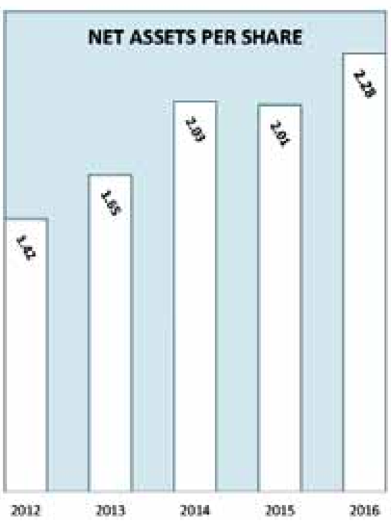


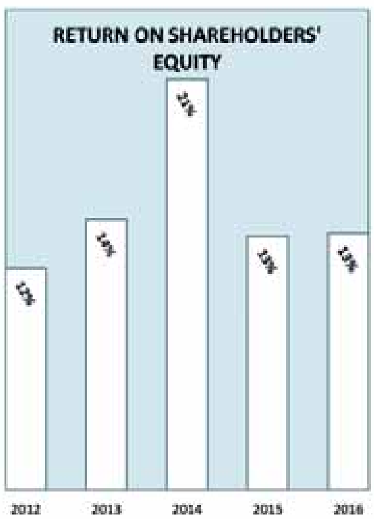












CHAIRMAN'S STATEMENT

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 2016.

The year 2016 was a challenging year for KSL Holdings Berhad ("KSLH"). Despite the cautious sentiment in the property sector, we have achieved numerous milestones and delivered a set of 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 Residences @ 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 4.2% in 2016 (2015: 5.0%) despite considerable external and domestic headwinds, driven mainly by the unexpected political developments in the advanced economies, such as the UK and the US, and the macroeconomic policies adopted by these economies. Domestically, the economy continued to face headwinds from the higher cost of living amidst soft employment conditions. Against these external and domestic challenges, all sectors of the economy recorded a modest expansion during the year. .

The private sector remained the key driver of growth. Private consumption growth was sustained at 6.1% (2015: 6.0%), supported by continued employment and wage growth following the increase in minimum wage and civil servant salaries. Government measures to boost disposable income such as the temporary reduction in employees' contribution to the Employees Provident Fund (EPF), higher Bantuan Rakyat 1 Malaysia (BRIM) payouts and tax relief to lower-income tax payers also supported household spending.

Global economic activity is projected to improve in 2017, underpinned by an expansion in domestic demand in advanced and emerging market economies, boosted in part by expansionary fiscal policies in selected major economies. The outlook would also be supported by a recovery in commodity prices amid the move to reduce oversupply conditions. Nonetheless, the global economy will continue to be subjected to several downside risks. With the gradual improvement in global growth, recovery in global commodity prices and the continued growth of domestic demand are expected to collectively support Malaysia's growth performance. The Malaysian economy is projected to register a sustained growth of 4.3% to 4.8% in 2017 (2016:4.2%).

The housing market in Malaysia has not been able to provide an adequate supply of affordable housing for the masses. This undersupply of affordable homes is likely to worsen going forward given current trends in income and demographic factors.

Going forward, a carefully-designed strategy of policy interventions is required for the housing market to ensure that is able to accommodate households of all income groups. Meeting the demand of affordable housing units going forward will require the commitment of both the government and private sector. Reducing costs associated with the development of affordable housing through the implementation of cost-saving and productivity-enhancing technologies would increase the speed and scale of delivery of affordable housing projects.

On the demand side, the development of the rental market to bridge the affordability gap could relieve some of the pressure on the government to build all of the affordable housing needed. This should be complemented by more innovative schemes to fund the delivery of affordable houses.

CHAIRMAN'S STATEMENT *(Cont'd)*

Bank financing for the purchase of residential properties for qualified borrowers continued to be available. Growth in loans outstanding for home purchase averaged at 13.2% during 2012 to 2014 (2008 – 2009:9.8%). While this moderated to 9.2 % in 2016 due to the softer housing market. As at the end of 2016, about 56% of loans outstanding were houses priced below RM250,000, while loans for houses priced between RM250,000 to RM500,000 accounted for another 25%. Rejection rates for housing loan applications also fell further to 23.6% in 2016 (2013-2015:26.1%) these trends are evidence that financing remains ample for eligible home buyers.
(Source: Bank Negara Malaysia Annual Report 2016 and Its Box Article)

Financial Highlights

Group's revenue grew by 0.43% to RM689 million, compared to RM686 million in the previous year. This increase was largely due to the improving margin of our products and favourable sales mix and increase of percentage of completion of the existing main on-going projects of the Group, especially in Johor Bahru and Klang as well as higher patronage to KSL City Mall & Hotel.

The Group's profitability improved, with pre-tax profit growing 14.20% to RM386.5 million, in the year under review from RM338.5 million previously, attributable to improving margin of our products and favourable sales mix, as well as the RM112.7 million fair value gain from our investment properties. Group's net profit recorded RM314.5 million, increasing 18 % from RM266 million in the previous year.

On a segmental basis, the Group's property development segment emerged as the majority revenue contributor with 76% of total FY2016 group revenue, while property investment made up the balance 24%.

The Group's financial position as at end-December 2016 was further strengthened with our retained profit and increased profitability, with shareholders' equity growing to RM2,352 million from RM2,013 million in the previous year end.

Cash and cash equivalents totaled RM42.9 million at end-2016 versus RM53.7 million a year ago. The Group's net gearing ratio as at 31 December 2016 was 0.05 time (2015:0.05) which would render the Group sufficiently flexible to finance its pipeline projects and acquire more lands.

Corporate Updates

- **Issue of Shares**

  The Group has increased its total number of issued shares from 1,007,595,651 to 1,037,508,399 via conversion of warrants.

- Share Buy-Back

  The Group has repurchased 141,700 (2015: 5,234,400) of its issued ordinary shares from the open market for a total consideration of RM158,324 (2015: RM7,900,643).

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

Future Outlook

Property Development

The Malaysian property market is widely anticipated to face more challenges in 2017, even though Bank Negara in their report 2016 projected global economic activity to improve in 2017, underpinned by an expansion in domestic demand in the advanced and emerging market economies.

CHAIRMAN'S STATEMENT *(Cont'd)*

With the implementation of the additional 6% Goods and Services Tax (GST) on real estate transactions for both commercial and industrial properties would certainly result in overall price increase, thereby impacting buyers. The GST, on top of existing cooling measures, is expected to weigh on the overall property sector.

Despite the more challenging environment, we believe that the sector has its bright spots. The Government continues to encourage the development of affordable houses. Some of our projects are in this category and we believe that we will be able to benefit from this. Moreover, Malaysia also has a growing young population that will encourage new household formation, larger middle-income group and stable employment.

Moving forward, the Group will continue to do what we always do to build affordable houses because we see the potential of this market sector, in our flagship projects, including the Taman Nusa Bestari, Taman Bestari Indah, Taman Kempas Indah, KSL Residences @ Daya, Canary Garden @ Klang and Commercial City @ Bandar Bestari which have successfully recorded encouraging sales albeit a cautious property market backdrop.

With efficient planning and tight cost control, assuming property market is improving and bank financing for the purchase of properties continued to be abundant and easily available for the properties purchasers with lower rejection rate, we are confident of another year of good performance and hence, looks forward to a profitable year ahead.

Property Investment

The prospects of this segment hinge on the increasing tourist arrivals to Iskandar Malaysia as well as the continued positioning of the KSL City Mall as the preferred shopping destination in Johor Bahru.

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 embarked on development of a new hotel, KSL Hotspring Resort @ Daya in Johor Bahru. The hotel is under active construction and expected to be completed and fully in operation in 2018.

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.

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 RM525 million for FY2016. (2015: 531 million), encourage by strong revenue recognition from ongoing projects.

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

JOHOR

1. **Taman Bestari Indah**

   Taman Bestari Indah is a 715-acre mixed development township of over 15,000 units of residential and commercial buildings. The Project is 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 Institute KTC.

   Taman Bestari Indah Zone D consists of 135 units of double-storey-terrace houses was under active construction and targeted for completion in 2017.

2. **Taman Putri Park**

   The subject property is located at within Taman Putri Wangsa (Putri Park) and lies about 20 kilometres due north-east of the Johor Bahru city centre. It is approachable from Johor Bahru-Kota Tinggi main trunk road via Jalan Putri leading to the subject property. Taman Putri Wangsa comprises single and double storey terrace houses, low-cost houses, double and three storey shophouses. Fast food outlets, petrol stations, hawker centre, wet market, schools, etc. are other public amenities and facilities within the locality. Nearest commercial complex are Mydin Hypermarket in Taman Pelangi Indah, AEON and TESCO hypermarkets in Taman Desa Tebrau and Today's Mall in Ulu Tiram town are located within 5 - 8 km away.

   Existing housing projects in the vicinity include Taman Johor Jaya, Taman Desa Cemerlang, Taman Daya, Taman Bukit Jaya, Taman Bukit Tiram whilst others new housing project are Taman Dato' Chellam, Taman Pelangi Indah, Taman Desa Tebrau, etc.

   The project was launched in May 2014, featuring 194 units of double storey terrace houses with a Gross Development Value (GDV) of approximately RM 142 million was completed during the year.

REVIEW OF OPERATIONS *(Cont'd)*

- **Property Development *(Cont'd)***

JOHOR *(Cont'd)*

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.

The D'Secret Garden @ Kempas Indah, a 6.2-acre residential development featuring three blocks of service apartments. The apartments have a total of 1,302 units with sizes ranging from 510 to 1,400 sq ft. The Project was completed during the year.

4. KSL Residences @ Daya

The KSL Residences @ Daya is a 5.39-acre integrated development consisting of a hotel (Proposed Hot Spring Resort) and three blocks of service apartments.

KSL Residences @ Daya is generally located in Taman Daya within the locality known as Kangkar Tebrau, Johor Bahru, off Pasir Gudang highway and lies about 13 kilometres due north of the Johor Bahru city centre.

Linked with several main road and easily accessibility from Johor Bahru, Pasir Gudang and PLUS highway. Access to the subject property from Johor Bahru city centre is via Jalan Tebrau then onto Jalan Kangkar Tebrau leading to the subject property. It is also can be accessible from Pasir Gudang Highway via Taman Daya interchange, Jalan Daya and Jalan Kangkar Tebrau.

Taman Daya is an established mixed housing scheme comprises single and double storey terrace houses, low-cost houses, flats, apartment, commercial complex, double and three storey shophouses. Fast food outlets, petrol stations, hawker centre, wet market, schools, etc are other public amenities and facilities within the locality. Nearest commercial complex is Econsave Hypermarket located within 2 km away.

Existing housing projects in the vicinity include Taman Delima, Taman Mount Austin, Taman Setia Indah, Taman Istimewa and Bandar Dato Onn are the housing schemes nearby.

KSL Residences @ Daya was under active construction during the year under review. Showcasing 1,064 units of residences with sizes ranging from 500 sqft to 1,500 sqft, the project has an estimated Gross Development Value of approximately RM800 million and is targeted for completion in 2018.

5. Avery Park @ Rinting

The subject property is located along Jalan Rinitng within Taman Rinting, Masai, Johor which lies about 25 kilometres due east of Johor Bahru city centre. Access to the subject property from Pasir Gudang Highway or East Coastal Highway is via Jalan Rinting leading to the subject property. Taman Rinting is one of the established housing schemes in Masai consists of double storey shophouses, flats, single and double storey terrace houses, detached and semi-detached house and low-cost houses as well as Mydin Hypermarkets, petrol stations and public amenities and facilities. Other housing schemes in the vicinity include Taman Sierra Perdana, Taman Megah Ria, Bandar Baru Kota Putri, Bandar Baru Permas Jaya due west and Bandar Baru Sri Alam, Taman Masai due north of the subject property.

Masai town is the commercial development centre in the locality. It mainly comprises two to four storey shophouses which accommodate various types of trade activities. It is located about 3 kilometres due north-east of the subject property. TESCO Hyper Market and Today wet market are also located nearby the locality. Pasir Gudang Industrial Estate, one of the biggest industrial estates in Johor is located due south-east of the subject property. Johor Bahru city centre which lies about 25 kilometres due west of the subject property is the main administrative and commercial centre for the district. The subject property enjoys good road access provided by the Pasir Gudang Highway and East Coastal Highway.

REVIEW OF OPERATIONS *(Cont'd)*

- **Property Development *(Cont'd)***

JOHOR *(Cont'd)*

5. Avery Park @ Rinting *(Cont'd)*

Avery Park is a 35-storey service suites development offers hip urban living and amenities. It consists of 302 boutique residences and 5 specially designed retail units and café' at level 8, featuring household convenience stores and entertainment as well as a multitude of food and beverages outlets.

Avery Park @ Rinting was under active construction during the year under review. The project has an estimated Gross development Value of approximately RM 160 million and is targeted for completion in 2018 or early 2019.

6. Other Developments in Johor

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

The Group is developing other new residential projects in Johor Bahru area, which are Taman Bukit Jaya and Taman Mutiara Bestari. These projects consist of double-storey terrace house, double-storey cluster house, double-storey semi-detached and triple- storey semi-detached landed properties. The projects are under active construction and are targeted to complete in 2018.

Besides, the Group also developing Taman Mengkibol in Kluang, which is located about five minutes away from Kluang town and is easily accessible via the North-South Highway. The new type of residential house, rumah mampu milik is under active construction and targeted for completion in 2017 and 2018.

Meanwhile, several projects in Segamat are also under active construction, namely, Taman Tasik Sejati Phase 2, Taman Bukit Indah Phase 4, Taman Bukit Mutiara and Taman Melati. These projects consist of single-storey terrace houses, double-storey terrace houses and double-storey shop offices and others. Total Estimated Gross Development Value for these projects is approximately RM105 million. They are located at prime locations with readily accessible road and transport network and matured neighborhoods. These projects are under various construction stages and are targeted for completion in 2017.

KLANG, SELANGOR

1. Bandar Bestari Commercial City

The subject project is located within the integrated development of Bandar Bestari, Klang which is approximately 44 km due south-west of Kuala Lumpur City Centre and approximately 8 km from Klang town centre.

It is accessible from Kuala Lumpur City centre by way of KESAS Highway into Jalan Langat and finally onto Jalan Klang Banting for approximately 3 km where the project is located on the right side by Jalan Klang-Banting.

Nearby residential development include Bayuemas, Bandar Bukit Tinggi 3, Bandar Parklands, Taman Perindustrian Air Hitam Phase 1 & 2, Taman Sijangkang Jaya, Taman Perwira and Taman Seri Medan. Landmarks within the locality include Indah Water Konsortium, Pangsapuri Arista, Orchids Apartment and Stesen Jambatan Timbang (JPJ).

REVIEW OF OPERATIONS *(Cont'd)*

- **Property Development *(Cont'd)***

KLANG, SELANGOR *(Cont'd)*

1. Bandar Bestari Commercial City *(Cont'd)*

Shopping, marketing, educational, recreational amenities and public facilities are available in the neighbourhood.

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 commercial business centre.

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.

Phase 1 was completed during the year. The Group is currently developing Phase 2, which consists of double-storey cluster house and double-storey semi-detached landed properties. It is expected to be completed by year 2018.

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 were under active construction and targeted to be completed by year 2019.

- **Property Investment**

Property investment continues to be an important driver for the Group, contributing RM164 million in revenue which makes up for 24% of the Group's total revenues in FY2016. 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 a comprehensive mixed commercial development comprises shopping complex, two hotel towers and two service apartment blocks. It is located along Jalan Seladang, Taman Abad (Known as Century Garden) and lie about 4 kilometres north of Johor Bahry city centre. It is also bounded by other roads known as Jalan Kijang, Jalan Serigala and Jalan Beruang. KSL City is easily linked with many major roads, i.e. Jalan Dato Sulaiman and Tebrau Highway.

It is approachable from Johor Bahru city centre via Tebrau Highway and hence a left turn onto Jalan Dato Sulaiman and finally onto Jalan Dato Sulaiman.

Prominent commercial landmarks in the vicinity include Mutiara Hotel, Holiday Villa, Holiday Plaza, Grand Paragon Hotel and Crystal Crown Hotel. Other commercial landmarks within radius three kilometres include Wisma Daiman, Plaza Pelangi, Menara Pelangi, Hotel New York, Embass Suites, etc.

REVIEW OF OPERATIONS *(Cont'd)*

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

1. KSL City *(Cont'd)*

i. KSL City Mall

Officially opened in December 2010, KSL City Mall has a gross floor space of 1 million sqft, making it one of the largest malls in Johor. The KSL City Mall maintained its high average occupancy rate in 2016, 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 local residents as well as foreign tourists from Singapore and other countries.

The following are the highlights of activities held in KSL City Mall in 2016:

ii. KSL Hotel & Resort

The 906-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 Putri Habour theme park.

REVIEW OF OPERATIONS *(Cont'd)*

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

  2. Proposed KSL Hot Spring Resort @ Daya - A new Four-Star Hotel Under Active Constructions

  To grasp the golden opportunity of the emerging tourism and hospitality industry, KSL Group has taken another bold step in diversifying its current businesses. KSL Hot Spring Resort @ Daya is another new hotel project of the Group in the pipeline. This one-block hotel comprises 294 rooms.

  The new proposed Resort is scheduled to be completed and in full operation in 2018 or early 2019.

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 2017, the Group opines that demand would still be intact 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.

  The Group is targeting to launch new projects in Johor Bahru and the Klang Valley over the next 5 years.

- Property Investment

  The Group continues to intensify our promotional and marketing campaigns, events and roadshows to further increase the patronage to our KSL City Mall & Hotel.

  We will also continue to collaborate with various parties to boost tourism to Johor Bahru and encourage tourist stays at KSL Hotel and Resort. For instance, we currently offer a Legoland package where hotel guests enjoy favourable tickets rates and privileges for visits to Legoland during their stay.

  On the back of this successful partnership, we would seek to engage with more partners in the futures. Besides that, the Group is also exploring more opportunities to add more investment properties to our portfolio to further strengthen our recurring income stream.

- Land Banking

  As at 31 December 2016, KSLH has approximately of 2,150 acres of land bank throughout Johor and Klang. The land bank is strategically located at different prime locations of Segamat, Batu Pahat, Muar, Mersing, Johor Bahru, Kuala Lumpur and Klang.

  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.

AWARDS & RECOGNITIONS OF EXCELLENCE

KSLH's strong commitment to excellence in its business operations has been, and continues to be attested by numerous awards and recognition over the past few years.

The Group has received a few prestigious awards for the past years for best in construction and property sector in recognition of its exemplary performance. The wards recognize the efficiency and effectiveness of the usage of our capital.

This year, the Group has received the following awards:-

Award from the Edge Billion Ringgit Club in recognition of our best performance in the capital management, strong earnings growth and returns to shareholders.

The Edge Top Property Developers Awards 2016 which ranks the best property players from the consumer's prospective based on their qualitative and quantitative attributes.

These awards will motivate the Group to continue its commitment to excellence in everything it does.

THE EDGE MALAYSIA Top Property Developers Awards 2016

DIRECTORS' PROFILE

KU HWA SENG

Executive Chairman

Ku Hwa Seng, aged 61, Male, 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 over 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 a 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 five (5) 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 66, Male, 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 over years. With his vast experience, he is responsible for the KSLH Group's business development and dayto-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 a 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 five (5) years other than traffic offences, if any.

DIRECTORS' PROFILE *(Cont'd)*

KU TIEN SEK

Executive Director

Ku Tien Sek, aged 59, Male, 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 a 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 five (5) years other than traffic offences, if any.

LEE CHYE TEE

Executive Director

Lee Chye Tee, aged 53, Male, 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 of 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 five (5) 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 63, Male, Malaysian, was appointed to the Board on 19 November 2001 as an Independent Non-Executive Director. He is a 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 five (5) 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 72, Male, 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 five (5) 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 48, Male, 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 five (5) years other than traffic offences, if any.

KEY SENIOR MANANEMENT

Tang Ching Tong, aged 51, Malaysian, and was appointed as Group General Manager since 1 July 2009. He holds an Honours Degree in Bachelor of Science with Education from University Kebangsaan Malaysia.

He has more than twenty (20) years of experiences in the property development industry. Currently he is involved the daily business operations include planning and managerial roles in business development of the Group especially in southern regions.

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 highlight 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

1. Hospital Sultanah Aminah was tragically burnt in their West wing and the fire was due to technical wiring fault, therefore the ward was badly burnt and cause shortage of food and water supplies.

   Menteri Besar Johor seeks help from Corporate companies and public to help in donating food, water, blankets and mattress due to the shortage of these items for the Hospital.

   KSL Group responded to these and donated 16 boxes of mineral water to the Hospital for their usage. Our team of 10 persons was also volunteers to help out in this tragic incident on coordination of the food and water supplies from other Corporation.

2. Hari Raya Open House 2016 with Datuk Chef Wan

3. Contribution in kind and money to the Association of REACH (Resources and Education for Autistic Children) Segamat Johor

4. KSL Venue Sponsor Spartan Race (Super) 2016

5. Charity Walk and Run 2016, etc.

CORPORATE SOCIAL RESPONSIBILITY (CSR) *(Cont'd)*

HIGHLIGHTS OF EVENT *(Cont'd)*

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 Malaysian 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 delegated 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 @ 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)*

PRINCIPLE 1: ESTABLISH CLEAR GOALS & RESPONSIBILTIES *(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 CODE OF ETHICS AND CONDUCT

The Board is committed to promote ethical practices and compliance with the applicable laws and regulations which governs the standards of ethics and good conduct expected from the Directors and employees of the Group.

The Directors Code of Professional Ethics and Conduct was formalized and approved by the Board on 31 March 2016. It is made available at the Group's Corporate Website @ http://www.ksl.my

1.4 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.

1.5 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;

STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

PRINCIPLE 1: ESTABLISH CLEAR GOALS & RESPONSIBILTIES *(Cont'd)*

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

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.

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.

1.6 QUALIFIED AND COMPETENT COMPANY SECRETARIES

The Company Secretary is a qualified, experienced and knowledgeable person under Section 235 of the Company Act, 2016. 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, 2016 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 Secretary on the follow-up of its decision and recommendation by the Management.

1.7 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 @ http://www.ksl.my

STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

PRINCIPLE 2: STRENGTHEN COMPOSITION

During the financial year ended 31 December 2016, 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 22 to 24 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.

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.

STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

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

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

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:-

- 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 with the main criteria on:-

- fit and proper;
- contribution and performance; and
- caliber and personality.

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 Packages and Procedure

Although there is no Directors' remuneration policy in place, the Board is of the view that their remuneration packages are within reasonable level based on the performance of the Group.

The Board believes that the remuneration packages reflect the Directors' 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.

STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

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

2.3 REMUNERATION COMMITTEE *(Cont'd)*

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.

A summary of remuneration packages of the Directors of the Company who served during the FYE 31 December 2016 was as follows:-

Remuneration	Executive Directors RM '000	Non-Executive Directors RM '000
Directors' Fees	-	90
Salaries	16,729	-
Allowances	180	15
Bonuses	13,241	-
Total	30,150	105

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.

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.

STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

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

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

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.

When assessing the independence of the Independent Directors, the Board has taken into account of their background, economic and family relationships. 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.

STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

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

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 role of Chairman is 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 role of Chairman as well as the role of the Group Managing Director has been clearly outlined in 1.1.

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, five (5) 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	4/5
Ku Hwa Seng	5/5
Ku Tien Sek	5/5
Lee Chye Tee	5/5
Gow Kow	5/5
Goh Tyau Soon	5/5
Tey Ping Cheng	5/5

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.

STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

PRINCIPLE 4: FOSTER COMMITMENT *(Cont'd)*

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.

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

• LHDNM - MEF Seminar 2016	2 March 2016
• GST for Land & Property Development	20 June 2016
• Tax Implication & Practical Application of Intercompany Loan Transaction	3 August 2016
• Companies Bill 2015: A Snapshot of Change	5 August 2016
• Corporate Tax Issues for 2016 & 2017	12 August 2016
• Critical Issues in Applying Malaysian Private Entities Reporting Standards (MPERS)	12 & 13 Aug 2016
• Property Sector Updates & Preparation for Capital Good Adjustment	24 Oct 2016
• 2017 Budget Seminar : Comprehensive Updates for Corporate Accountant	10 Nov 2016

2. Gow Kow

• Tax Issues for Land Trders, Investors and Property Developers	14 January 2016
• LHDNM - CTIM Tax Forum 2016	16 March 2016
• Withholding Tax and Cross Border Transactions	28 March 2016
• Seminar Percukaian Kebangsaan 2016	3 November 2016
• Half-Day Talk: Updates on GST	15 November 2016
• New Companies Act 2016 - A Snapshot of Changes	6 December 2016

3. Tey Ping Cheng

• Program Kerjasama Strategik SSM Melaka Bersama Setiausaha Syarikat Negeri Melaka BIL. 1/2016	17 March 2016
• Transfer Pricing Documentation	2 September 2016
• Malaysian Company Secretaries Conference 2016	27 & 28 July 2016
• Tax Planning & Issues For Property Developers & Property Investor	10 October 2016
• Seminar Percukaian Kebangsaan 2016	8 November 2016
• The Companies Act 2016 - Transitioning the Memorandum & Articles to a Constitution In Compliance With The New Act	10 December 2016

4. Khoo Cheng Hai @ Ku Cheng Hai

• 2017 Budget and Tax Conference	1 November 2016

5. Ku Hwa Seng

• 2017 Budget and Tax Conference	1 November 2016

6. Ku Tien Sek

• 2017 Budget and Tax Conference	1 November 2016

7. Goh Tyau Soon

• 2017 Budget and Tax Conference	1 November 2016

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.

STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

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, 2016 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.

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, 2016 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, 2016 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 as 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 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.

STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

PRINCIPLE 5: UPHOLD INTEGRITY OF FINANCIAL REPORTING *(Cont'd)*

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

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.

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.

The External Auditors provide certain non-audit services to the Company, such as review of HDA, SIC, etc. The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year under review by the External Auditors was RM10,500.

3. Annual Performance Assessment

Audit Committee shall conduct 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 page 44 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.

STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

PRINCIPLE 6: RECOGNISE AND MANAGE RISK *(Cont'd)*

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

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 RMC meet annually and report to the Board directly concerning risk management of the Group. The Board has reviewed the current system to ensure its effectiveness and to work towards complying with the guidelines issued by the relevant authorities.

Besides, the Board distinguishes three main types of risk that faced during the financial year ended 2016:-

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

STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

PRINCIPLE 6: RECOGNISE AND MANAGE RISK *(Cont'd)*

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

- any other matters that are prescribed by the Companies Act, 2016 as they relate to the financial statements and notes for the financial year are satisfied.

The Board reviews the updated Risk Management Framework and risk registers of the Group regularly upon recommendation of RMC.

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 2016 was RM30,000.

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.

PRINCIPLE 7: ENSURE TIMELY & HIGH QUALITY DISCLOSURE

7.1 CORPORATE DISCLOSURE POLICIES AND PROCEDURES

The Board acknowledges the importance of the appropriate corporate disclosure policies and procedures which are practical 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 and best practices.

7.2 INFORMATION TECHNOLOGY FOR EFFECTIVE DISCLOSURE

The Board encourages the Company to leverage on information technology for effective disclosure of information as recommended by the Code.

The Company updates relevant information such as Annual Report, Board Charter and Terms of Reference on the Corporate Website @ http://www.ksl.my

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.

When conducting the Annual General Meeting, the Chairman will demand for the resolutions to be carried out by poll in accordance with the Articles of Association of the Company and the MMLR.

STATEMENTS OF CORPORATE GOVERNANCE *(Cont'd)*

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS *(Cont'd)*

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) RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions entered into by the Group during the financial year under review are disclosed in Note 31 to the Financial Statements on pages 116 to 117 of this Annual Report.

(3) UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year ended 31 December 2016.

(4) 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 2016, 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 task to:

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 for further action.

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

h) Check and ensure that all the major assets and resources of the Group are adequately insured and 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 are 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 2016 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 adequate and is able to detect any material losses, contingencies or uncertainties that would require disclosure in the Group's 2016 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 2016, the Audit Committee held five (5) meetings. Other Executive Directors attended the meetings upon invitation by the Chairman of the Audit Committee, when necessary. The Group's External Auditors attended all the meetings. Details on the attendance record of the Audit Committee members at the Audit Committee Meetings are set out as follow:-

NUMBER OF MEETINGS AND DETAILS OF ATTENDANCE

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

SUMMARY OF ACTIVITIES

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

1. 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;

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

5. Reviewing and recommending the Group's unaudited quarterly financial results for the Board's approval;

6. Reviewing the audited report and assistance given by the Company's employees to the External Auditors; and

7. Reviewing with the External Auditors their scope of work, audit strategy and plan. Prior to the audit, representative from External Auditors present their audit strategy and plan for Audit Committee's approval.

AUDIT COMMITTEE REPORT *(Cont'd)*

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.

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

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

c) to observe:-

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

d) to review 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) to review samples 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.

AUDIT COMMITTEE REPORT *(Cont'd)*

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.

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 2016

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 2016.

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	314,516,773	47,659,194

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

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

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 issued 29,912,748 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 RM23,925,199 as disclosed in Note 12 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.

The Warrants exercised during the financial year were 29,912,748 at RM0.80 each, 930,758 Warrants which remained unexercised expired on 19 August 2016. These expired Warrants were removed from the Official List of Bursa Malaysia Securities Berhad with effect from 22 August 2016.

DIRECTORS' REPORT *(Cont'd)*

SHARE BUY-BACK

During the financial year, the Company has repurchased 141,700 (2015: 5,234,400) of its issued ordinary shares from the open market for a total consideration of RM158,324 (2015: RM7,900,643). The average price paid for the shares repurchased was RM1.12 (2015: 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 2016, the Company held 7,917,500 issued ordinary shares as treasury shares out of its total issued and paid-up share capital of 1,037,508,399 shares. Such treasury shares are held at a carrying amount of RM11,420,298. Further information is disclosed in Note 13 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

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' REPORT *(Cont'd)*

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 1.1.2016	**Acquired**	**Warrant conversion**	**As at 31.12.2016**
Company				
Direct interest				
Khoo Cheng Hai @ Ku Cheng Hai	84,379,651	14,400	-	84,394,051
Ku Hwa Seng	80,889,521	-	-	80,889,521
Ku Tien Sek	52,998,457	800,000	20,000	53,818,457
Indirect interest (+)				
Khoo Cheng Hai @ Ku Cheng Hai	3,967,680	-	-	3,967,680
Deemed interest (#)				
Khoo Cheng Hai @ Ku Cheng Hai	323,546,642	-	-	323,546,642
Ku Hwa Seng	323,546,642	-	-	323,546,642
Ku Tien Sek	323,546,642	-	-	323,546,642

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

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.

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 provision for doubtful debts and have satisfied themselves that all known bad debts had been written off 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) the amount written off for bad debts or to providing of allowance for doubtful debts in respect of the financial statements of the Group and of the Company; and

DIRECTORS' REPORT *(Cont'd)*

OTHER STATUTORY INFORMATION *(Cont'd)*

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

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

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

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

(i) any charge on the assets of the Group 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: 28 March 2017

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

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 60 to 117 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 2016 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 32 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: 28 March 2017

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

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 60 to 117, 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 28 March 2017)

LEE CHYE TEE

Before me,
Commissioner of Oath
Mohd Zulfakar Bin Sabri (J274)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KSL HOLDINGS BERHAD

(Incorporated in Malaysia)

Report on the Financial Statements

Opinion

We have audited the financial statements of KSL HOLDINGS BERHAD, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matter	How our audit addressed the key audit matter
Accounting for property development activities Related disclosures in the financial statements are included in the following notes: - Note 7, Property development costs, - Note 9, Accrued billings - Note 14, Progress billings - Note 18, Sales of development properties - Note 19, Property development costs The Group's result is significantly influenced by the results of property development activities. The amount of revenue and profit recognised on the sale of property development is dependent, inter alia, on the assessment of the percentage of completion by comparison to its gross development value (GDV) and budgeted costs. The recognition of property development revenue and property development costs are considered a key audit matter due to the determination of GDV and budgeted costs involve significant judgement by directors. The estimation of GDV and budgeted costs subject to vast experiences of project team and market behavior towards the development project.	Our audit procedures on the property development activities including an assessment on the project control, site visits and substantive testing of management positions against underlying documentation. We also analysed the differences with prior project estimates and assessed the consistency with the developments during the year. We verified that the claims and variation orders on these projects meet the recognition criteria and are valued accurately based on the architect's opinion or other supporting documentation. We challenged management's assumptions at the project in order to evaluate the reasonableness and consistency of the valuation in variation orders and claims with these projects and the final forecast project result. We also test the appropriateness in allocation of development costs to respective project, as well as the computation of attributable profit for each project. We considered the presentation and disclosure in respective notes are appropriate.

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

(Incorporated in Malaysia)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties Related disclosures in the financial statements are included in Note 5, fair value adjustment of investment property. Significant judgement is required by the directors in determining the fair value of the properties and for the purpose of our audit; we identified the valuation for investment properties as representing a key audit matter due to the significance of the estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuation assumptions, when aggregated, could result in material misstatement. The valuations were carried out annually by third party independent valuers engaged by the Group, and the models used to determine the fair values depends on the nature of the properties. The valuers take into account property specific current information such as the current tenancy agreements and rental income earned by the asset. They then apply assumptions in relation to capitalization rates and current market rent and growth, based on available market data and transactions, to arrive at a range of valuation outcomes, from which they derive a point estimate.	***External valuations*** It was evident from our discussions with management and the valuers and our review of the valuation reports, we noted that the valuers have considered factors related to each property's individual characteristics and its overall quality, geographical location and desirability as a whole in arriving at the fair value. There was no evidence of management bias or influence on the valuers. We assessed the competence, capabilities and objectivity of the independent valuers, and verified their professional qualifications. In addition, we discussed the scope of their work with management and reviewed their terms of engagement to determine that there were no matters that affected their independence and objectivity or imposed scope limitations upon them. We also considered other engagements which might exist between the Group and the valuers. We found no evidence to suggest that the objectivity of any valuers in their performance of the valuations was compromised. ***Assumptions*** For certain properties revalued by using the comparison method, the land was valued by reference to transactions of similar lands in the surrounding area with adjustments made for differences in location, size, facilities available, market conditions and other relevant characteristics in order to arrive at a common basis for comparison. We compare the fair values of few samples of land with the average values of several similar land in and around the area. We found the comparisons to be within a reasonable range. For certain properties revalued by using the investment method, we tested a selection of data inputs underpinning the investment property valuation including rental income, tenancy schedules and square metre details, against appropriate supporting documentation. We found that the models used for the various properties were appropriate and the discount rates were comparable to the market.

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

(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report and other information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

(b) Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

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

Report on Other Legal and Regulatory Requirements *(Cont'd)*

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.

c) Our 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 32 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 266 of the Companies Act 2016 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: 28 March 2017

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	3	141,258,134	140,332,650	2	2
Land held for property development	4	700,551,512	731,663,810	-	-
Investment properties	5	740,940,784	641,223,786	-	-
Investment in subsidiaries	6	-	-	175,521,958	92,948,965
		1,582,750,430	1,513,220,246	175,521,960	92,948,967
CURRENT ASSETS					
Property development costs	7	357,268,260	414,602,623	-	-
Inventories	8	359,837,464	172,637,750	-	-
Trade and other receivables	9	501,669,914	327,745,107	385	-
Amount due by subsidiaries	10	-	-	665,045,356	683,332,440
Current tax assets		-	1,138,704	-	-
Cash and bank balances	11	42,944,084	53,702,562	15,547	176,116
		1,261,719,722	969,826,746	665,061,288	683,508,556
TOTAL ASSETS		2,844,470,152	2,483,046,992	840,583,248	776,457,523
EQUITY AND LIABILITIES					
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	12	518,754,200	503,797,826	518,754,200	503,797,826
Reserves	13	1,832,991,486	1,509,643,975	291,670,783	235,201,088
TOTAL EQUITY		2,351,745,686	2,013,441,801	810,424,983	738,998,914
NON-CURRENT LIABILITIES					
Other payables	14	128,090,689	126,721,424	-	-
Loans and borrowings	15	68,975,741	94,779,049	-	-
Hire purchase payables	16	70,979	-	-	-
Deferred tax liabilities	17	36,962,039	34,784,238	-	-
		234,099,448	256,284,711	-	-

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

STATEMENTS OF FINANCIAL POSITION *(Cont'd)*
AS AT 31 DECEMBER 2016

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
CURRENT LIABILITIES					
Trade and other payables	14	152,671,869	132,637,897	230,257	402,415
Amount due to subsidiaries	10	-	-	28,407,387	35,286,074
Loans and borrowings	15	90,093,634	65,166,348	-	-
Hire purchase payables	16	71,773	-	-	-
Current tax liabilities		15,787,742	15,516,235	1,520,621	1,770,120
		258,625,018	213,320,480	30,158,265	37,458,609
TOTAL LIABILITIES		492,724,466	469,605,191	30,158,265	37,458,609
TOTAL EQUITY AND LIABILITIES		2,844,470,152	2,483,046,992	840,583,248	776,457,523

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 2016

		Group		Company	
	Note	**2016 RM**	**2015 RM**	**2016 RM**	**2015 RM**
REVENUE	18	689,061,503	686,108,208	34,530,000	16,265,000
COST OF SALES	19	(285,446,431)	(270,480,464)	-	-
GROSS PROFIT		403,615,072	415,627,744	34,530,000	16,265,000
ADD: OTHER INCOME	20	123,236,555	68,476,891	19,845,454	20,339,655
LESS: DISTRIBUTION EXPENSES		(25,253,970)	(32,438,907)	(8,052)	(7,555)
LESS: ADMINISTRATIVE EXPENSES		(105,599,730)	(104,395,229)	(1,127,391)	(3,673,586)
LESS: OTHER EXPENSES		(21,406)	(1,544,044)	-	-
LESS: FINANCE COSTS	21	(9,509,845)	(7,177,584)	(1,052,894)	(108,966)
PROFIT BEFORE TAX	22	386,466,676	338,548,871	52,187,117	32,814,548
INCOME TAX EXPENSE	23	(71,949,903)	(72,490,007)	(4,527,923)	(5,101,619)
PROFIT FOR THE YEAR		314,516,773	266,058,864	47,659,194	27,712,929
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		314,516,773	266,058,864	47,659,194	27,712,929
EARNINGS PER ORDINARY SHARE (SEN): -					
Basic	24	30.98	27.66		
Diluted	24	30.98	27.18		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	<---------- Attributable to owners of the Company ---------->						
	<---------------- Non-Distributable ---------------->					Distributable	
	Share capital (Note 12)	Share premium (Note 13)	Warrants reserve (Note 13)	Treasury shares (Note 13)	Revaluation reserve (Note 13)	Retained earnings (Note 13)	Total equity
Group	RM	RM	RM	RM	RM	RM	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 (Note 25)	-	-	-	-	-	(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 2016

	<------- Attributable to owners of the Company ------->						
	<------- Non-Distributable ------->					Distributable	
	Share capital (Note 12)	Share premium (Note 13)	Warrants reserve (Note 13)	Treasury shares (Note 13)	Revaluation reserve (Note 13)	Retained earnings (Note 13)	Total equity
Group	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 January 2016	503,797,826	168,989,853	2,521,646	(11,261,974)	17,380,028	1,332,014,422	2,013,441,801
Revaluation deficit realised	-	-	-	-	885	(885)	-
Reversal of deferred tax arising from change in tax rate	-	-	-	-	20,237	-	20,237
Own shares: -							
- acquired	-	-	-	(158,324)	-	-	(158,324)
Issue of ordinary shares: -							
- exercise of warrants	14,956,374	11,490,471	(2,521,646)	-	-	-	23,925,199
Profit/Total comprehensive income for the year	-	-	-	-	-	314,516,773	314,516,773
At 31 December 2016	518,754,200	180,480,324	-	(11,420,298)	17,401,150	1,646,530,310	2,351,745,686

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

STATEMENTS OF CHANGES IN EQUITY *(Cont'd)*
FOR THE YEAR ENDED 31 DECEMBER 2016

	<------------- Non-Distributable			-------------->	Distributable	
	Share capital (Note 12)	Share premium (Note 13)	Warrants reserve (Note 13)	Treasury shares (Note 13)	Retained earnings (Note 13)	Total equity
Company	**RM**	**RM**	**RM**	**RM**	**RM**	**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 CHANGES IN EQUITY *(Cont'd)*
FOR THE YEAR ENDED 31 DECEMBER 2016

	<------------- Non-Distributable			------------->	Distributable	
Company	**Share capital (Note 12) RM**	**Share premium (Note 13) RM**	**Warrants reserve (Note 13) RM**	**Treasury shares (Note 13) RM**	**Retained earnings (Note 13) RM**	**Total equity RM**
At 1 January 2016	503,797,826	168,989,853	2,521,646	(11,261,974)	74,951,563	738,998,914
Own shares: -						
- acquired	-	-	-	(158,324)	-	(158,324)
Issue of ordinary shares: -						
- exercise of warrants	14,956,374	11,490,471	(2,521,646)	-	-	23,925,199
Profit/Total comprehensive income for the year	-	-	-	-	47,659,194	47,659,194
At 31 December 2016	518,754,200	180,480,324	-	(11,420,298)	122,610,757	810,424,983

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	386,466,676	338,548,871	52,187,117	32,814,548
Adjustments for: -				
Bad debts written off	170,461	-	-	-
Depreciation of property, plant and equipment	10,581,038	11,119,505	-	-
Goodwill written off	-	1,541,227	-	-
Loss on disposal of property, plant and equipment	223,255	134,608	-	-
Interest expenses	7,543,445	5,889,031	1,050,382	105,182
Property, plant and equipment written off	-	157,960	-	-
Provision for foreseeable loss realised	9,415,113	3,088,363	-	-
Fair value adjustment of investment properties	(112,720,691)	(56,143,014)	-	-
Compensation sum from compulsory acquisition of land	-	(292,759)	-	-
Interest income	(3,644,716)	(3,583,275)	(19,845,454)	(20,339,655)
Operating profit before working capital changes	298,034,581	300,460,517	33,392,045	12,580,075
Decrease/(Increase) in working capital				
Property development costs	(87,017,475)	(126,901,000)	-	-
Inventories	18,718,835	23,931,368	-	-
Trade and other receivables	(174,095,268)	(105,059,124)	(385)	-
Trade and other payables	21,403,236	(11,816,425)	(172,159)	(159,477)
Amount due by/(to) subsidiaries	-	-	11,408,397	(120,230,368)
Cash generated from/(used in) operations	77,043,909	80,615,336	44,627,898	(107,809,770)
Interest paid	(7,543,445)	(5,889,031)	(1,050,382)	(105,182)
Tax paid	(68,341,652)	(78,256,949)	(4,777,420)	(4,411,703)
Net cash from/(used in) operating activities	1,158,812	(3,530,644)	38,800,096	(112,326,655)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiary, net	-	(6,151,617)	-	(8)
Increase in investment in subsidiaries	-	-	(82,572,993)	(8,499,997)
Addition of land held for property development	(25,241,122)	(92,095,274)	-	-
Addition of investment properties	(1,624,712)	(12,250,377)	-	-
Purchase of property, plant and equipment (Note 26)	(11,565,588)	(7,172,913)	-	-
Proceeds from disposal of property, plant and equipment	54,811	105,899	-	-
Interest received	3,644,716	3,583,275	19,845,454	20,339,655
Proceeds from compulsory acquisition	-	343,646	-	-
Net cash (used in)/from investing activities	(34,731,895)	(113,637,361)	(62,727,539)	11,839,650

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

STATEMENTS OF CASH FLOWS *(Cont'd)*
FOR THE YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Repurchase of treasury shares	(158,324)	(7,900,643)	(158,324)	(7,900,643)
Proceeds from issuance of shares through exercise of warrants	23,925,199	121,652,718	23,925,198	121,652,718
Payment of share issuance expenses	-	(20,297)	-	(20,297)
Dividend paid	-	(13,274,512)	-	(13,274,512)
Repayment of term loans	(24,303,308)	(22,083,972)	-	-
Drawdown of revolving credit	20,000,000	30,000,000	-	-
Drawdown of bankers acceptances	17,850,000	43,800,000	-	-
Repayment of bankers acceptances	(23,450,000)	(43,400,000)	-	-
Repayment of hire purchase payables	(76,248)	-	-	-
Net cash from financing activities	13,787,319	108,773,294	23,766,874	100,457,266
NET DECREASE IN CASH AND CASH EQUIVALENTS	(19,785,764)	(8,394,711)	(160,569)	(29,739)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	53,702,562	62,097,273	176,116	205,855
CASH AND CASH EQUIVALENTS AT END OF YEAR	33,916,798	53,702,562	15,547	176,116
Cash and cash equivalents comprise the following: -				
Cash and bank balances	42,944,084	53,702,562	15,547	176,116
Bank overdraft (Note 15)	(9,027,286)	-	-	-
	33,916,798	53,702,562	15,547	176,116

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 2016 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 28 March 2017.

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.

Companies Act 2016 effective beginning 31 January 2017

The Minister of Domestic Trade, Co-operatives and Consumerism has appointed 31 January 2017 as the date on which Companies Act 2016 ("the Act") comes into operation, except section 241 and Division 8 of Part III of the Act. The Act will be implemented on a staggered basis. With the enforcement of the first phase of the Act on 31 January 2017, the Companies Act 1965 is repealed. The Company shall prepare its financial statements for the year ending 31 December 2017 in accordance with the requirements of the Act.

The Act introduces the following changes to the current basis of preparation:

•All shares issued before or upon the commencement of the Act shall have no par or nominal value. Where a share is issued before the commencement of the Act, the amount paid on the share shall be the sum of all amounts paid to the company at any time for the share, but not including any premium.

•Upon commencement of the Act, any amount standing to the credit of the Company's share premium account shall become part of the Company's share capital. However, the Company may, within 24 months upon the commencement of the Act, use the amount standing to the credit of its share premium account for specific purposes set out in the transitional provisions of the Act. Thereafter, any unutilised credit balance in the share premium shall be transferred and credited to share capital of the Company.

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

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

(a) Basis of preparation *(Cont'd)*

The financial statements disclosure requirements under the Act are different from those requirements set out in Companies Act 1965. Consequently, the items to be disclosed in the financial statements of the Company for the year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

The Company is currently assessing the impact of the Act on financial statements for the year ending 31 December 2017.

(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 2017

Amendments to FRS 12, Disclosure of Interests in Other Entities (Annual Improvements 2014 – 2016 Cycle)
Amendments to FRS 107, Statement of Cash Flows – Disclosure Initiative
Amendments to FRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

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

Amendments to FRS 1, First-time Adoption of Financial Reporting Standards (Annual Improvements 2014 – 2016 Cycle)
Amendments to FRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions
Amendments to FRS 4, Insurance Contracts – Applying MFRS 9 Financial Instruments with FRS 4 Insurance Contracts
FRS 9, Financial Instruments (2014)
Amendments to FRS 128, Investments in Associates and Joint Ventures (Annual Improvements 2014 – 2016 Cycle)
Amendments to FRS 140, Investment Property – Transfers of Investment Property

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.

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

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

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

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.

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.

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

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

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

(i) Subsidiaries *(Cont'd)*

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.

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.

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

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

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

(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.

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.

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

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

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

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

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.

  An entity shall 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.

  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.

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

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

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

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

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.

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.

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

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

(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.

(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.

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

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

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

Financial assets *(Cont'd)*

(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.

(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.

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

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

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

(iv) Derecognition *(Cont'd)*

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.

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.

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

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

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

(iii) Depreciation *(Cont'd)*

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.

(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.

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

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

(g) Leased asset *(Cont'd)*

(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.

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.

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

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

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

(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.

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.

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

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

(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.

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.

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

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

(m) Impairment *(Cont'd)*

Financial assets *(Cont'd)*

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.

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.

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

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

(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.

(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.

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

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

(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.

(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.

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

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

(r) Borrowing costs *(Cont'd)*

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.

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.

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

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

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

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.

(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.

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

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

(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.

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.

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

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

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

(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.

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.

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

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

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

(vi) Provision for foreseeable loss *(Cont'd)*

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	**As at 1.1.2016**	**Additions**	**Disposals/ Written off**	**As at 31.12.2016**
2016	**RM**	**RM**	**RM**	**RM**
Cost				
Freehold land and building	134,131,888	-	-	134,131,888
Freehold land and buildings-in-progress	8,553,175	7,349,426	-	15,902,601
Plant and machinery	3,440,138	3,038,374	(44,000)	6,434,512
Motor vehicles	9,831,857	137,129	(1,149,576)	8,819,410
Other assets	26,213,776	1,259,659	-	27,473,435
	182,170,834	11,784,588	(1,193,576)	192,761,846

Group	**As at 1.1.2016**	**Charge for the year**	**Disposals/ Written off**	**As at 31.12.2016**
2016	**RM**	**RM**	**RM**	**RM**
Accumulated depreciation				
Buildings	19,564,870	5,879,371	-	25,444,241
Plant and machinery	1,469,936	404,969	(35,934)	1,838,971
Motor vehicles	6,422,543	653,396	(879,576)	6,196,363
Other assets	14,380,835	3,643,302	-	18,024,137
	41,838,184	10,581,038	(915,510)	51,503,712

Group	**As at 1.1.2015**	**Additions**	**Disposals/ Written off**	**As at 31.12.2015**
2015	**RM**	**RM**	**RM**	**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

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

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

Group 2015	As at 1.1.2015 RM	Charge for the year RM	Disposals/ Written off RM	As at 31.12.2015 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

	2016 RM	2015 RM
Net carrying amount		
Buildings	108,687,647	114,567,018
Freehold land and buildings-in-progress	15,902,601	8,553,175
Plant and machinery	4,595,541	1,970,202
Motor vehicles	2,623,047	3,409,314
Other assets	9,449,298	11,832,941
	141,258,134	140,332,650

Company 2016	As at 1.1.2016 RM	Additions RM	As at 31.12.2016 RM
Cost			
Signboard	27,853	-	27,853

2016	As at 1.1.2016 RM	Charge for the year RM	As at 31.12.2016 RM
Accumulated depreciation			
Signboard	27,851	-	27,851

2015	As at 1.1.2015 RM	Additions RM	As at 31.12.2015 RM
Cost			
Signboard	27,853	-	27,853

2015	As at 1.1.2015 RM	Charge for the year RM	As at 31.12.2015 RM
Accumulated depreciation			
Signboard	27,851	-	27,851

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

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

	2016 RM	2015 RM
Net carrying amount		
Signboard	2	2

Property, plant and equipment of the Group at cost of RM13,441,560 (2015: RM4,201,116) are fully depreciated and still in use.

4. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	2016 RM	2015 RM
Cost		
At 1 January	731,663,810	642,312,414
Additions	25,241,122	92,095,274
Provision for foreseeable loss for affordable housing	-	9,765,330
Transfer from property development costs (Note 7)	8,316,314	-
Transfer to investment property (Note 5)	(49,371,595)	-
Transfer to property development costs (Note 7)	(15,298,139)	(12,458,321)
Compulsory acquisition	-	(50,887)
Carrying amount	700,551,512	731,663,810

Freehold land of the Group amounting to RM184,003,829 (2015: RM175,466,670) have been charged as security for loans and borrowings as referred to in Note 15.

5. INVESTMENT PROPERTIES

	Group	
	2016 RM	2015 RM
At fair value		
At 1 January	641,223,786	584,227,602
Additions	1,624,712	12,250,377
Transfer from land held for property development (Note 4)	49,371,595	-
Transfer to property development costs (Note 7)	(64,000,000)	(11,397,207)
Fair value adjustments	112,720,691	56,143,014
	99,716,998	56,996,184
At 31 December	740,940,784	641,223,786

Investment properties with an aggregate carrying amount of RM81,070,000 (2015: RM137,343,002) are pledged as securities for loans and borrowings as referred to in Note 15.

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

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

5. INVESTMENT PROPERTIES *(Cont'd)*

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

	Group 2016 RM	Group 2015 RM
Rental income	84,780,160	80,953,051
Direct operating expenses - income generating investment property	(12,961,186)	(12,026,935)
- non-income generating investment property	(3,151)	(1,104,032)

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

(a) RM256,450,000 (2015: RM165,733,002) arrived at by reference to transaction prices for similar properties.

(b) RM484,490,784 (2015: RM475,490,784) 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 7% to 9% (2015: 5% to 8.5%) and weighted average rate at 8% (2015: 8%).

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

6. INVESTMENT IN SUBSIDIARIES

	Company 2016 RM	Company 2015 RM
At cost		
Unqouted shares	175,521,958	92,948,965

Details of the subsidiaries are as follows: -

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2016	Effective ownership interest 2015
Bintang-Bintang Development Sdn Bhd	Malaysia	Property investment and development	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 investment and development	100%	100%
Exportex Sdn Bhd	Malaysia	Property development	100%	100%
Goodpark Development 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 2016	Effective ownership interest 2015
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 investment and development	100%	100%
KSL Medini Development Sdn Bhd	Malaysia	Property development	100%	100%
KSL Cekap Bina Sdn Bhd	Malaysia	Dormant	100%	100%
KSL Perfect Builder Sdn Bhd	Malaysia	Property investment	100%	100%
KSL Properties Construction Sdn Bhd	Malaysia	Dormant	100%	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%
Sejota Sdn Bhd	Malaysia	Property development	100%	100%
Sering Cemerlang Sdn Bhd	Malaysia	Dormant	100%	100%
Sure Success Properties Sdn Bhd	Malaysia	Property investment and hotel operations	100%	100%
Tai Lik Development (Batu Anam) Sdn Bhd	Malaysia	Property development	100%	100%
Villa Bestari Sdn Bhd	Malaysia	Dormant	100%	100%
VIP Beyond Sdn Bhd	Malaysia	Property development	100%	100%
Held through Subsidiary				
KSL Development * Sdn Bhd	Malaysia	Property investment and development	100%	100%
Gantang Jaya Sdn Bhd **	Malaysia	Property development	100%	100%

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

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

7. PROPERTY DEVELOPMENT COSTS

	Group	
	2016 RM	2015 RM
At 1 January: -		
- Freehold land	77,937,081	101,779,819
- Development expenditure	454,085,782	352,513,726
	532,022,863	454,293,545
Add:		
Cost incurred during the financial year		
- Development expenditure	304,505,106	332,607,931
Less:		
Cumulative costs charged to statements of profit or loss:		
As at 1 January	(132,552,442)	(154,366,720)
- Recognised during the financial year (Note 19)	(217,487,631)	(205,706,931)
	(350,040,073)	(360,073,651)
Transfer from investment properties (Note 5)	64,000,000	11,397,207
Transfer from land held for property development (Note 4)	15,298,139	12,458,321
Transfer to inventories	(202,696,149)	(59,342,628)
Transfer to land held for property development (Note 4)	(8,316,314)	-
Arising from business combination	-	8,129,697
	(131,714,324)	(27,357,403)
Provision for foresseable loss of affordable housing		
As at 1 January	15,132,201	3,392,535
- Addition during the financial year	-	14,828,029
- Recognised during the financial year (Note 19)	(9,415,113)	-
- Transfer to inventories	(3,222,400)	-
- Reversal during the year	-	(3,088,363)
	2,494,688	15,132,201
At 31 December	357,268,260	414,602,623

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

	2016 RM	2015 RM
Interest expenses	4,329,338	96,433
Rental of machinery	204,690	5,919,398

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

8. INVENTORIES

	Group 2016 RM	Group 2015 RM
Food and beverages	281,249	295,908
General and operating supplies	376,180	316,454
Properties held for sale	359,180,035	172,025,388
	359,837,464	172,637,750

9. TRADE AND OTHER RECEIVABLES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Trade receivables	345,672,763	91,302,784	-	-
Other receivables: -				
Accrued billings in respect of property development costs	52,360,140	129,190,023	-	-
Acquisition of land	94,193,796	91,264,520	-	-
Sundry receivables	4,343,804	5,668,424	-	-
Sundry deposits	4,837,682	9,131,657	-	-
Prepayments	261,729	1,187,699	385	-
	155,997,151	236,442,323	385	-
	501,669,914	327,745,107	385	-

Acquisition of land represents the amount fully paid by certain subsidiaries for acquisition of few pieces of land from a landowner. Although some of the land title has transferred to the respective subsidiaries but the completion of these transactions are conditional upon the land title of all properties have been transferred to the respective subsidiaries.

Further information for trade receivables is disclosed in Note 28(c) to the financial statements.

10. AMOUNT DUE BY/(TO) SUBSIDIARIES

The amounts due by/(to) subsidiaries are unsecured advances, bear interest at average of 3.12% (2015: 3.16%) per annum and are repayable on demand.

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

11. CASH AND BANK BALANCES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deposits placed with licensed banks	5,000,000	6,400,000	-	-
Cash and bank balances	37,944,084	47,302,562	15,547	176,116
	42,944,084	53,702,562	15,547	176,116

Included in cash at bank of the Company is amount of RM11,304,983 (2015: RM12,656,614) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and are restricted from use in other operations.

12. SHARE CAPITAL

	Group and Company			
	2016 Number	2016 RM	2015 Number	2015 RM
Ordinary shares of RM1 each: -				
Authorised: -				
At 1 January/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	1,007,595,651	503,797,826	788,847,212	394,423,606
- Issued for cash via convertion warrants	29,912,748	14,956,374	152,065,898	76,032,949
- Bonus issued	-	-	66,682,541	33,341,271
At 31 December	1,037,508,399	518,754,200	1,007,595,651	503,797,826

During the financial year, the Company issued 29,912,748 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 RM23,925,199 as disclosed in Note 13 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.

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 13, all rights are suspended until those shares are reissued.

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

13. RESERVES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Distributable				
Retained earnings	1,646,530,310	1,332,014,422	122,610,757	74,951,563
Non-distributable				
Share premium	180,480,324	168,989,853	180,480,324	168,989,853
Warrants reserve	-	2,521,646	-	2,521,646
Treasury shares	(11,420,298)	(11,261,974)	(11,420,298)	(11,261,974)
Revaluation reserve	17,401,150	17,380,028	-	-
	186,461,176	177,629,553	169,060,026	160,249,525
	1,832,991,486	1,509,643,975	291,670,783	235,201,088

(a) **Revaluation reserve**

Group	**2016** RM	**2015** RM
At 1 January	17,380,028	17,401,363
Realised revaluation deficit/(surplus)	885	(21,335)
Reversal of deferred tax arising from change in tax rate (Note 17)	20,237	-
At 31 December	17,401,150	17,380,028

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

The Warrants exercised during the financial year were 29,912,748 at RM0.80 each, 930,758 Warrants which remained unexercised expired on 19 August 2016. These expired Warrants were removed from the Official List of Bursa Malaysia Securities Berhad with effect from 22 August 2016.

(c) Treasury shares

The shareholders of the Company, by an ordinary resolution passed in the Annual General Meeting held on 26 May 2016, 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.

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

13. RESERVES *(Cont'd)*

(c) Treasury shares *(Cont'd)*

During the financial year, the Company has repurchased 141,700 (2015: 5,234,400) of its issued ordinary shares from the open market for a total consideration of RM158,324 (2015: RM7,900,643). The average price paid for the shares repurchased was RM1.12 (2015: RM1.51) 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 2016, the Group held 7,917,500 of the Company's share. The number of outstanding ordinary share in issue after deducting treasury shares is therefore 1,029,590,899 (2015: 999,819,851) ordinary shares of RM0.50 each.

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Non-current				
Retention sums	51,457	51,457	-	-
Deposits payable	25,531,518	24,162,253	-	-
Provision for foreseeable loss of affordable housing	102,507,714	102,507,714	-	-
	128,090,689	126,721,424	-	-
Current				
Trade payables	53,470,664	75,362,994	-	-
Other payables: -				
Progress billings in respect of property development costs	32,244,460	13,631,434	-	-
Sundry payables	16,447,720	27,152,422	71,911	282,915
Deposits payable	38,357,545	3,701,475	-	-
Accruals	12,151,480	12,789,572	158,346	119,500
Total other payables	99,201,205	57,274,903	230,257	402,415
	152,671,869	132,637,897	230,257	402,415
	280,762,558	259,359,321	230,257	402,415

Further information for trade payables is disclosed in Note 28(d) to the financial statements.

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

15. LOANS AND BORROWINGS

	Group	
	2016 RM	**2015 RM**
Non-current		
Secured		
- Term loans	68,975,741	94,779,049
Current		
Secured		
- Bank overdraft	9,027,286	-
- Bankers acceptance	5,500,000	11,100,000
- Revolving credit	50,000,000	30,000,000
- Term loan	25,566,348	24,066,348
	90,093,634	65,166,348
	159,069,375	159,945,397

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.

16. HIRE PURCHASE PAYABLES

	2016 RM	**2015 RM**
Non-current	70,979	-
Current	71,773	-
	142,752	-

	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
<u>2016</u>			
Less than one year	77,148	(5,375)	71,773
Between one and five years	72,719	(1,740)	70,979
	149,867	(7,115)	142,752
<u>2015</u>			
Less than one year	-	-	-
Between one and five years	-	-	-
	-	-	-

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

17. DEFERRED TAX LIABILITIES

	Group 2016 RM	Group 2015 RM
Movement in temporary differences during the year		
At 1 January	(34,784,238)	(32,069,346)
Recognised in statements of profit or loss (Note 23)	(2,198,038)	(1,308,892)
Recognised in equity (Note 13)	20,237	-
Arising from business combination	-	(1,406,000)
At 31 December	(36,962,039)	(34,784,238)
Represented by:		
Deferred tax assets	10,157,926	7,958,090
Deferred tax liabilities	(47,119,965)	(42,742,328)
	(36,962,039)	(34,784,238)

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 2016 RM	Group Deferred tax assets 2015 RM
Tax effect of provision for foreseeable loss		
At 1 January	7,958,090	7,175,790
Recognised in profit or loss	2,199,836	782,300
At 31 December	10,157,926	7,958,090

	Fair value adjustment RM	Unrealised revaluation surplus RM	Others RM	Total RM
Deferred tax liabilities				
2016				
At 1 January	(31,988,377)	(6,050,558)	(4,703,393)	(42,742,328)
Recognised in profit or loss	(709,300)	(2,680,874)	(1,007,700)	(4,397,874)
Recognised in equity	-	20,237	-	20,237
At 31 December	(32,697,677)	(8,711,195)	(5,711,093)	(47,119,965)
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)

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

18. REVENUE

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Sale of development properties	523,217,637	531,100,171	-	-
Compensation sum from compulsory acquisition	-	343,646	-	-
Rental income from investment properties	84,660,160	80,773,051	-	-
Hotel, food and beverage revenue	74,277,341	68,352,505	-	-
Car park income	4,937,092	5,538,835	-	-
Other trade sales	1,969,273	-	-	-
Dividend income from subsidiaries	-	-	33,600,000	13,000,000
Management fees from subsidiaries	-	-	930,000	3,265,000
	689,061,503	686,108,208	34,530,000	16,265,000

19. COST OF SALES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Property development costs	217,487,631	205,706,931	-	-
Cost of inventories sold	19,514,997	26,865,039	-	-
Cost of compulsory acquisition of land	-	55,127	-	-
Post construction cost	1,286,086	1,018,922	-	-
Provision for foreseeable loss	9,415,113	3,088,363	-	-
Cost of running hotel and food and beverage	23,003,489	22,199,883	-	-
Cost of running investment properties	12,443,721	11,546,199	-	-
Other trade cost	2,295,394	-	-	-
	285,446,431	270,480,464	-	-

20. OTHER INCOME

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest income	3,644,716	3,583,275	19,845,454	20,339,655
Rental income	4,858,486	4,783,766	-	-
Sundry income	1,277,836	2,320,920	-	-
Forfeiture income	734,826	1,645,916	-	-
Fair value adjustment of investment property	112,720,691	56,143,014	-	-
	123,236,555	68,476,891	19,845,454	20,339,655

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

21. FINANCE COSTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
Bank charges	1,966,400	1,288,553	2,512	3,784
Bank interest	33,152	32,248	-	-
Bankers acceptance interest	266,265	394,051	-	-
Revolving credit interest	2,237,269	17,490	-	-
Term loans	5,001,522	5,445,242	-	-
Hire purchase interest	5,237	-	-	-
Inter-companies loan	-	-	1,050,382	105,182
	9,509,845	7,177,584	1,052,894	108,966

22. PROFIT BEFORE TAX

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax are stated after charging/(crediting): -				
Auditors' remuneration				
- current year	213,000	208,700	23,000	22,700
- over provision in prior years	(2,000)	(22,758)	-	-
- other services	10,500	4,200	-	-
Bad debts written off	170,461	-	-	-
Depreciation of property, plant and equipment	10,581,038	11,119,505	-	-
Non-executive directors' remuneration:				
- fees	90,000	90,000	90,000	90,000
- other emoluments	15,000	18,000	15,000	18,000
Executive directors' remuneration:				
Other emoluments				
- directors of the Company	30,150,015	30,449,431	754,635	2,983,041
- directors of subsidiaries	14,518,118	13,658,954	-	-
Loss on disposal of property, plant and equipment	223,255	134,608	-	-
Goodwill written off	-	1,541,227	-	-
Property, plant and equipment written off	-	157,960	-	-
Rental of premises	111,600	986,699	-	-
Staff costs (excludes directors' remuneration):				
- wages, salaries and others	26,866,539	26,497,880	-	-
- contribution to state plans	2,298,252	2,462,850	-	-
- other personnel costs	2,990,049	2,876,415	-	-

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

22. PROFIT BEFORE TAX *(Cont'd)*

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Executive:				
- salary and bonus	25,354,250	25,604,950	652,250	2,523,950
- contribution to state plans	4,792,650	4,841,648	99,270	456,258
- other personnel costs	3,115	2,833	3,115	2,833
	30,150,015	30,449,431	754,635	2,983,041

23. INCOME TAX EXPENSE

	2016	2015
	RM	RM
<u>**Group**</u>		
Recognised in profit or loss: -		
Current tax expense: -		
Malaysian		
- current year	69,559,001	72,327,522
- under/(over) provision in prior years	192,864	(1,146,407)
	69,751,865	71,181,115
Deferred tax expense: -		
Relating to origination and reversal of temporary differences (Note 17)	2,198,038	1,308,892
Total income tax expense	71,949,903	72,490,007
Reconciliation of tax expense: -		
Profit before tax	386,466,676	338,548,871
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	92,752,002	84,637,218
Income not subject to tax	(28,330,149)	(13,032,021)
Non-deductible expenses	10,720,116	5,009,137
Deferred tax asset not recognised during the year	285,828	136,757
Tax savings arising from Investment Tax Allowance	(3,670,758)	(3,015,000)
Utilisation of previously unrecognised tax losses	-	(99,677)
Under/(Over) provision of income tax expense in prior years	192,864	(1,146,407)
Tax expense for the year	71,949,903	72,490,007

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

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

	2016 RM	2015 RM
Company		
Recognised in profit or loss: -		
Current tax expense: -		
Malaysian		
- current year	4,522,000	5,094,000
- under provision in prior years	5,923	7,619
	4,527,923	5,101,619
Reconciliation of tax expense: -		
Profit before tax	52,187,117	32,814,548
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	12,524,908	8,203,637
Income not subject to tax	(8,064,000)	(3,250,000)
Non-deductible expenses	61,092	140,363
Under provision of income tax expense in prior years	5,923	7,619
Tax expense for the year	4,527,923	5,101,619

Unrecognised deferred tax assets

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

	Group 2016 RM	Group 2015 RM
Unabsorbed capital allowance	4,000	4,000
Unutilised tax losses	2,706,600	3,339,300

24. 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 2016	Group 2015
Profit attributable to ordinary shareholders (RM)	314,516,773	266,058,864
Weighted average number of ordinary shares at 31 December	1,015,104,729	962,004,783
Basic earnings per ordinary share (sen)	30.98	27.66

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

24. EARNINGS PER ORDINARY SHARE *(Cont'd)*

Diluted earnings per ordinary share

The calculation of diluted earnings per 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 after adjustment for the effects of all diluted potential ordinary shares, calculated as follow:

	Group	
	2016 RM	**2015 RM**
Profit attributable to ordinary shareholders	314,516,773	266,058,864
	Number of shares	Number of shares
Weighted average number of ordinary shares (basic)	1,015,104,729	962,004,783
Effects of dilution:		
- Unexercised warrants	-	16,790,461
Weighted average number of ordinary shares (diluted) at 31 December	1,015,104,729	978,795,244
Diluted earnings per ordinary share (sen)	30.98	27.18

25. 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:

	2016 Sen per share	**2015** Sen per share	**2016** Total amount **RM**	**2015** Total amount **RM**
Final single tier dividend in respect of the financial year ended 31 December 2014	-	5.00	-	47,796,952
Interim single tier dividend in respect of the financial year ended 31 December 2015	-	2.00	-	19,728,600
			-	**67,525,552**

26. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	2016 RM	**2015 RM**
Additions during the year (Note 3)	11,784,588	7,172,913
Financed by hire purchase agreement	(219,000)	-
	11,565,588	7,172,913

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

27. OPERATING SEGMENTS

The Group has four 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 investment* - Investment of real properties and hotel;
(iii) *Investment holding* - Provision of management services to the subsidiaries; and
(iv) *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)*

27. OPERATING SEGMENTS *(Cont'd)*

Group	Property development RM	Property investment RM	Carpark operation RM	Investment holding RM	Others RM	Elimination RM	Total RM
2016							
Revenue							
External sales							
- Sales of properties	525,186,910	-	-	-	-	-	525,186,910
- Rental income	-	84,780,160	-	-	-	(120,000)	84,660,160
- Hotel, food and beverage	-	74,277,341	-	-	-	-	74,277,341
- Carpark income	-	-	4,937,092	-	-	-	4,937,092
Inter-segment	-	-	-	34,530,000	-	(34,530,000)	-
	525,186,910	159,057,501	4,937,092	34,530,000	-	(34,650,000)	689,061,503
Other income							
- Fair value adjustment	-	112,720,691	-	-	-	-	112,720,691
- Rental income	4,828,411	30,075	-	-	-	-	4,858,486
- Others	4,804,485	802,029	50,864	-	-	-	5,657,378
Inter-segment	910,322	68,979	87,328	19,845,454	-	(20,912,083)	-
	10,543,218	113,621,774	138,192	19,845,454	-	(20,912,083)	123,236,555
Results							
Segment results	193,531,591	199,173,724	4,560,360	53,240,011	(17,082)	(54,512,083)	395,976,521
Finance cost							(9,509,845)
Income tax							(71,949,903)
Net profit for the year							314,516,773
Other information							
Segment assets	2,150,082,609	725,411,464	6,136,340	840,583,248	15,658	(877,759,167)	2,844,470,152
Consolidated total assets							2,844,470,152
Segment liabilities	1,137,155,490	19,754,917	2,302,891	30,158,265	89,399	(696,736,496)	492,724,466
Consolidated total liabilities							492,724,466
Capital expenditure	646,602	8,886,851	2,251,135	-	-	-	11,784,588
Depreciation of property, plant and equipment	1,595,904	8,974,939	10,195	-	-	-	10,581,038

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

27. OPERATING SEGMENTS *(Cont'd)*

Group	Property development RM	Property investment RM	Carpark operation RM	Investment holding RM	Others 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	676,344	67,493	-	9,747	(70,671)	7,550,111
Inter-segment	3,284,627	45,148	36,514	20,339,655	-	(23,705,944)	-
	14,774,341	57,085,756	104,007	20,339,655	9,747	(23,836,615)	68,476,891
Results							
Segment results	212,561,891	134,185,489	4,893,869	32,923,514	2,337	(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	662,738,059	4,540,453	776,457,523	14,466	(810,372,436)	2,486,693,779
Consolidated total assets							2,486,693,779
Segment liabilities	1,067,672,506	85,082,222	1,579,928	37,458,609	51,227	(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)*

28. 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 2016				
Financial assets				
Trade and other receivables, exclude accrued billings and prepayments	449,048,045	449,048,045	-	-
Amount due by subsidiaries	-	-	665,045,356	665,045,356
Cash and bank balances	42,944,084	42,944,084	15,547	15,547
	491,992,129	491,992,129	665,060,903	665,060,903
Financial liabilities				
Trade and other payables, exclude provision for foreseeable loss and progress billings	(146,010,384)	(146,010,384)	(230,257)	(230,257)
Amount due to subsidiaries	-	-	(28,407,387)	(28,407,387)
Loans and borrowings	(159,212,127)	(159,212,127)	-	-
	(305,222,511)	(305,222,511)	(28,637,644)	(28,637,644)
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	683,332,400
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)

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

28. FINANCIAL INSTRUMENTS *(Cont'd)*

(b) Financial risk management

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

(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
2016				
Not past due	23,905,270	-	-	23,905,270
Past due 1 to 30 days	296,705,394	-	-	296,705,394
Past due 31 to 60 days	5,356,654	-	-	5,356,654
Past due 61 to 90 days	3,159,755	-	-	3,159,755
Past due 91 to 120 days	5,378,816	-	-	5,378,816
Past due more than 121 days	11,166,874	-	-	11,166,874
	345,672,763	-	-	345,672,763
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

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

28. FINANCIAL INSTRUMENTS *(Cont'd)*

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

(i) Receivables *(Cont'd)*

Trade receivables that are past due but not impaired

The Company has trade receivables amounting to RM321,767,493 (2015: RM72,661,692) that are past due at the reporting date but not impaired.

(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 RM159,069,375 (2015: RM159,945,397) 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)*

28. 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 2016	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	146,010,384	-	146,010,384	120,427,409	25,582,975	-
Bankers acceptance	5,500,000	-	5,500,000	5,500,000	-	-
Revolving credit	50,000,000	3.81%	50,000,000	50,000,000	-	-
Bank overdraft	9,027,286	5.29%	9,027,286	9,027,286	-	-
Term loans	94,542,089	4.83%	140,064,480	27,630,691	95,050,399	17,383,390
Hire purchase payables	142,752	3.60%	149,867	77,148	72,719	-
	305,222,511		350,602,150	212,585,386	120,633,374	17,383,390
2015						
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
Company						
2016						
Non-derivative financial liabilities						
Other payables	230,257	-	230,257	230,257	-	-
Amount due to subsidiaries	28,407,387	3.12%	28,407,387	28,407,387	-	-
	28,637,644		28,637,644	28,637,644	-	
2015						
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	-	

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

28. 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.

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Fixed rate instruments				
Financial assets	5,000,000	6,400,000	-	-
Financial liabilities	(142,752)	-	-	-
	4,857,248	6,400,000	-	-
Floating rate instruments				
Financial liabilities	(159,069,375)	(159,945,397)	(28,407,387)	(35,286,074)

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 RM1,590,700 and RM284,000 (2015: RM1,599,500 and RM353,000) 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.

29. 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 2016.

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

29. 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	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Trade and other payables, exclude provision for foreseeable loss and progress billings	146,010,384	143,220,173	230,257	402,415
Amount due to subsidiaries	-	-	28,407,387	35,286,074
Total loans and borrowings	159,212,127	159,945,397	-	-
Less: Cash and cash equivalents	(42,944,084)	(53,702,562)	(15,547)	(176,116)
Net debt	262,278,427	249,463,008	28,622,097	35,512,373
Equity	2,351,745,686	2,013,441,801	810,424,983	738,998,914
Total capital	2,351,745,686	2,013,441,801	810,424,983	738,998,914
Capital and net debt	2,614,024,113	2,262,904,809	839,047,080	774,511,287
Gearing ratio	10.03%	11.02%	3.41%	4.59%

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.

30. COMMITMENTS

(i) Capital commitments

This represents the balance of the contracted purchase price of land.

	Group	
	2016 RM	**2015 RM**
Capital expenditure:		
Contracted but not provided for:		
Freehold land	-	15,724,153

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

30. COMMITMENTS *(Cont'd)*

(i) 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	
	2016 RM	**2015 RM**
Not later than 1 year	28,977,108	45,331,048
Later than 1 year but not later than 5 years	31,580,708	35,809,544
	60,557,816	81,140,592

31. 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	**2016 RM**	**2015 RM**
A. Susidiary companies			
Management fees receivable from subsidiaries		930,000	3,265,000
Loan interest receivable from subsidiaries		19,845,454	20,339,655
Loan interest payable to subsidiaries		1,050,382	105,182
Dividend receivable from subsidiaries		33,600,000	13,000,000
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)	1,829,283	1,728,000
Rental payable to:			
- Bintang-Bintang Sdn. Bhd.	(c)	180,000	200,400
Purchases from:			
- Wawasan Batu-Bata Sdn. Bhd.	(d)	7,841,122	10,871,167

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

31. RELATED PARTIES IDENTITY OF RELATED PARTIES *(Cont'd)*

C. Key management personnel		
Directors		
- Remuneration	38,083,250	37,569,950
- Social security contributions	8,413	6,817
- Contribution to state plans	6,576,470	6,531,618
	44,668,133	44,108,385

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.

32. 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained profits of the Company and its subsidiaries				
- Realised	1,369,730,663	1,117,336,927	122,610,757	74,951,563
- Unrealised	339,062,274	276,940,122	-	-
Total retained earnings	1,708,792,937	1,394,277,049	122,610,757	74,951,563
Less: Consolidation adjustments	(62,262,627)	(62,262,627)	-	-
Retained profits as per financial statements	1,646,530,310	1,332,014,422	122,610,757	74,951,563

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 2016

No.	Lot No.	Description	Land Area (sq. ft.)	Existing Use	Tenure	Approximate Age (Year)	Net Book Value as at 31.12.2016 (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	6	368,000,000	31.12.2016
02.	Lot 6412 & Lot 6415 Mukim of Klang District of Klang Selangor Darul Ehsan	Subdivided land under development	6,496,612	Bandar Bestari	Freehold	–	265,573,737	01.11.2007
03.	Lot 2437 Mukim of Tebrau District of Johor Bahru Johor Darul Takzim	Subdivided land under development	9,982,427	Taman Bestari Indah	Freehold	–	141,016,963	27.02.2002
04.	PT 140985, PT 140986, PT 143339, PT 143341, PT 143344, PT 143639 & PT 143340 (Partially) Mukim of Klang District of Klang Selangor Darul Ehsan	Investment land approved for commercial lot	2,538,385	Bandar Bestari	Freehold	–	118,490,000	20.12.2016
05.	PTB 22817 Mukim of Johor Bahru District of Johor Bahru Johor Darul Takzim	Resort	295,515	KSL Resort	Freehold	4	110,308,406	21.03.2006
06.	PTD 136166 (Partially) Mukim of Pulai District of Johor Bahru Johor Darul Takzim	Commercial complex	186,872	Giant Nusa Bestari	Freehold	8	60,601,188	31.12.2016
07.	Lot 3047 Mukim of Kluang District of Kluang Johor Darul Takzim	Subdivided land under development	4,378,216	Taman Mengkibol	Freehold	–	52,433,533	12.11.2010
08.	Lot 348 Mukim of Tebrau District of Johor Bahru Johor Darul Takzim	Subdivided land under development	257,467	KSL Residences @ Daya	Freehold	–	51,647,102	23.10.2008
09.	Lot 6530 Mukim of Kesang District of Muar Johor Darul Takzim	Commercial complex	175,677	Giant Muar	Leasehold expired on 12.09.2098	10	50,500,000	31.12.2016
10.	PTD 84133 Mukim of Tebrau District of Johor Bahru Johor Darul Takzim	Subdivided land under development	3,233,905	Taman Kempas Indah	Freehold	–	50,112,623	16.08.2002

STATEMENT OF SHAREHOLDINGS
AS AT 24 MARCH 2017

Total number of issued shares	:	1,037,508,399
Class of shares	:	Ordinary Shares
Voting rights	:	One vote per share

ANALYSIS OF SHAREHOLDINGS

Holdings	Number of Holders	Number of Shares	% of Shares
Less than 100	451	19,023	0.00
100 - 1,000	638	374,988	0.04
1,001 - 10,000	3,377	17,848,487	1.70
10,001- 100,000	1,969	61,717,287	5.99
100,001 to less than 5% of issued shares	384	626,448,472	60.84
5% and above of issued shares	1	323,546,642	31.42
Total	**6,820**	**1,029,590,899***	**100.00**

**excluding a total of 7,917,500 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	31.42
2.	KHOO CHENG HAI @ KU CHENG HAI	50,581,813	4.91
3.	LEMBAGA TABUNG HAJI	50,203,600	4.88
4.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD.	49,518,898	4.81
5.	KU HWA SENG	47,815,338	4.64
6.	KU TIEN SEK	42,747,415	4.15
7.	KHOO CHENG HAI @ KU CHENG HAI	33,812,238	3.28
8.	KU HWA SENG	33,074,183	3.21
9.	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	27,455,286	2.67
10.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 12)	16,069,235	1.56
11.	AMANAH TRUSTEES BERHAD PUBLIC STRATEGIES SMALLCAP FUND	12,573,915	1.22
12.	AMANAH TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	11,147,073	1.08
13.	KU TIEN SEK	11,071,042	1.08
14.	DAMAI MOTOR KREDIT SDN BHD	10.126,087	0.98
15.	STRATA CENTURY SDN BHD	10,117,573	0.98

STATEMENT OF SHAREHOLDINGS *(Cont'd)*
AS AT 24 MARCH 2017

THIRTY LARGEST SHAREHOLDERS *(Cont'd)*

No.	Shareholders	Number of Shares	% of Shares
16.	KENANGA INVESTMENT BANK BERHAD IVT	9,687,900	0.94
17.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD	9,418,995	0.91
18.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	9,365,451	0.91
19.	KU WA CHONG	9,249,879	0.90
20.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	6,493,511	0.63
21.	AMANAHRAYA TRUSTEES BERHAD PB SMALLCAP GROWTH FUND	5,532,500	0.54
22.	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD AS BENEFICIAL OWNER (PF)	5,015,602	0.49
23.	LTK (MELAKA) SDN BHD	4,911,315	0.48
24.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	4,731,601	4.64
25.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	4,704,768	0.46
26.	AMANAH TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	4,316,485	0.42
27.	KHOO KENG GHIAP	3,967,680	0.39
28.	HSBC NOMINEES (ASING) SDN BHD BBH AND CO BOSTON GMO EMERGING MARKETS FUND	3,882,888	0.38
29.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR UBB AG SINGAPORE (FOREIGN)	3,640,300	0.35
30.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	3,543,416	0.34

SUBSTANTIAL SHAREHOLDERS

According to the Register required to be kept under Section 144 of the Companies Act, 2016, 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	31.42	-	-
2.	KHOO CHENG HAI @ KU CHENG HAI	84,394,051	8.20	327,514,322 (2)	31.81
3.	KU HWA SENG	80,889,521	7.86	323,546,642 (1)	31.42
4.	KU TIEN SEK	53,818,457	5.23	323,546,642 (1)	31.42
5.	KU WA CHONG	12,379,075	1.20	323,546,642 (1)	31.42

Notes:
(1) Deemed interested through his shareholdings in Premiere Sector Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.
(2) Deemed interested pursuant to Section 59(11)(c) and through his shareholdings in Premiere Sector Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.

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	8.20	327,514,322 (2)	31.81
2.	KU HWA SENG	80,889,521	7.86	323,546,642 (1)	31.42
3.	KU TIEN SEK	53,818,457	5.23	323,546,642 (1)	31.42
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 8 of the Companies Act, 2016.
(2) Deemed interested pursuant to Section 59(11)(c) and through his shareholdings in Premiere Sector Sdn Bhd by virtue of Section 8 of the Companies Act, 2016.

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, 2016
"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, 2016
"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 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 total number of issued shares 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 6 of the Act

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

1. INTRODUCTION

On 29 March 2017, the Company announced that the approval granted by the shareholders at the Sixteenth AGM of KSL held on 26 May 2016 for the Company to purchase its own shares shall expire at the conclusion of the forthcoming Seventeenth AGM and that the Company proposed to seek a renewal of the approval from the shareholders at the forthcoming Seventeenth AGM to be held on 30 May 2017, to purchase and/or hold as treasury shares, its own Shares representing up to 10% of the total number of issued shares 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 Seventeenth AGM to be held on 30 May 2017 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 number of issued shares 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 2016, the retained profits of the Company amounted to RM122,610,757. For information purposes, the latest unaudited retained profits of the Company as at 29 March 2017 amounted to RM122,346,389.

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, 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 number of issued shares of the Company as follows:-

	No. of Shares
Total Number of Issued Shares	1,037,508,399
Less:-	
Shares purchased amounting to 10% of the Share Capital and Number of Issued Shares pursuant to the Proposed Share Buy-Back*	103,750,839
Upon completion of the Proposed Share Buy-Back	933,757,560

Note:-

* *Includes a total of 7,917,500 KSL Shares that have been purchased and held as treasury shares as at 29 March 2017.*

5.2 NA

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

5.3 Working Capital

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

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

5.4 EPS

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

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

5.5 Dividends

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

On the other hand, if the percentage of dividend payable remains the same as before the 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 total number of issued shares 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 total number of issued shares of the Company.

The Proforma effect on the direct and indirect interests of the Directors and substantial shareholders of KSL as at 19 April 2017, being the most practicable date prior to the printing of this Statement has been shown based on the following scenario:-

[The remaining of this page is intentionally left blank]

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

Assuming 10% of KSL Shares are fully purchased.

Name	As at 19 April 2017[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	8.20	327,514,322 [a]	31.81	84,394,051	9.12	327,514,322 [a]	35.37
Ku Tien Sek	53,818,457	5.23	323,546,642 [b]	31.42	53,818,457	5.81	323,546,642 [b]	34.95
Ku Hwa Seng	80,889,521	7.86	323,546,642 [b]	31.42	80,889,521	8.74	323,546,642 [b]	34.95
Lee Chye Tee	-	-	-	-	-	-	-	-
Gow Kow	-	-	-	-	-	-	-	-
Goh Tyau Soon	-	-	-	-	-	-	-	-
Tey Ping Cheng	-	-	-	-	-	-	-	-
Substantial Shareholders								
PSSB	323,546,642	31.42	-	-	323,546,642	34.95	-	-
Khoo Cheng Hai @ Ku Cheng Hai	84,394,051	8.20	327,514,322 [a]	31.81	84,394,051	9.12	327,514,322 [a]	35.37
Ku Tien Sek	53,818,457	5.23	323,546,642 [b]	31.42	53,818,457	5.81	323,546,642 [b]	34.95
Ku Hwa Seng	80,889,521	7.86	323,546,642 [b]	31.42	80,889,521	8.74	323,546,642 [b]	34.95
Ku Wa Chong	12,379,075	1.20	323,546,642 [b]	31.42	12,379,075	1.34	323,546,642 [b]	34.95

(i) *After taking into account the total of 7,917,500 Shares that have been purchased and held as treasury shares.*
(ii) *Assuming 10% of KSL Shares are fully purchased.*

(a) *Deemed interested by virtue of his interest in PSSB pursuant to Section 8 and Sections 59(11)(c) of the Act.*
(b) *Deemed interested by virtue of his respective interest in PSSB pursuant to Section 8 of the Act.*

7. PURCHASE OF SHARES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

During the financial year, the Company has repurchased 141,700 of its issued ordinary shares from the open market for a total consideration of RM158,324. The average price paid for the shares repurchased was RM1.12 per share.

The shares repurchased are being held as Treasury Shares and treated in accordance with the requirements of Section 127 of the Companies Act, 2016. Details of the shares buyback for the current financial year under review are as follows:

	Number of shares	Purchase Price Highest price RM	Purchase Price Lowest price RM	Average Cost RM	RM
As at 1 January 2016	7,775,800	4.10	1.00	1.45	11,261,974
31 May 2016	90,400	1.15	1.11	1.14	103,302
1 December 2016	51,300	1.07	1.07	1.07	55,022
As at 31 December 2016	7,917,500	4.10	1.00	1.44	11,420,298

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

As at 31 December 2016, the Company held 7,917,500 shares as treasury shares out of its total number of issued shares capital of 1,037,508,399 shares.

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

8. PUBLIC SHAREHOLDING SPREAD

The public shareholding spread of 25% of the total number of issued shares of the Company was maintained at all times. Based on the Record of Depositors of the Company as at 19 April 2017, the public shareholding spread of KSL is 45.71%.

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 54.29% of the total number of issued shares of the Company, collectively. In the event that the Proposed Share Buy-Back of up to 10% is carried out in full, the shareholdings of the PAC in KSL would increase to 59.87% of the total number of issued shares of the Company, if the number of KSL Shares held by the PAC remains unchanged.

Pursuant to Part B 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 Notes to Paragraph 4.01 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 B 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.


KSC

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 Seventeenth Annual General Meeting of the Company to be held at KSL Resorts, Level G, Infusion Private Room, 33, Jalan Seladang, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim on Tuesday, 30 May 2017 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 ……………………..…… 2017

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.

(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 Sunday, 28 May 2017 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

1st fold here


KSL