ANNUAL 2017 REPORT

KSL HOLDINGS BERHAD (511433-P)

KSC

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 Darul Takzim.
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. 54, Jalan Kempas Utama 2/2, Taman Kempas Utama, 81200 Johor Bahru,
Johor Darul Takzim.
Tel: 07-562 9000 / Fax: 07-562 9090

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, Johor Darul Takzim.
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 Eighteenth 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 Monday, 28 May 2018 at 2.15 p.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' and Auditors' Reports thereon.

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 2017. **RESOLUTION 1**

3. To approve the payment of the Non-Executive Directors' Fees of RM90,000 and Benefits of RM15,000 for the financial year ending 31 December 2018. **RESOLUTION 2**

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

   (a) Mr. Khoo Cheng Hai @ Ku Cheng Hai **RESOLUTION 3**

   (b) Mr. Ku Tien Sek **RESOLUTION 4**

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

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions: -

6. **ORDINARY RESOLUTION 1**
AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 **RESOLUTION 6**

"**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to allot and issue shares in the Company from time to time 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 issued pursuant to this resolution does not exceed 10% of the total number of shares of the Company (excluding treasury shares) for the time being and that the Directors be and also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

7. **ORDINARY RESOLUTION 2**
PROPOSED RENEWAL OF AUTHORITY FOR THE PURCHASE OF ITS OWN SHARES BY THE COMPANY **RESOLUTION 7**

"**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)*

i. 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;

ii. 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 2017 of RM203,468,683 at the time of the purchase(s); and

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

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

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

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

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

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

8. **ORDINARY RESOLUTION 3**
AUTHORITY FOR MR. GOW KOW TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR **RESOLUTION 8**

"**THAT** Mr. Gow Kow who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) 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."

9. **ORDINARY RESOLUTION 4**
AUTHORITY FOR MR. GOH TYAU SOON TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR **RESOLUTION 9**

"**THAT** Mr. Goh Tyau Soon who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) 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."

10. **ORDINARY RESOLUTION 5**
AUTHORITY FOR MR. TEY PING CHENG TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR **RESOLUTION 10**

"**THAT** Mr. Tey Ping Cheng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) 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."

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

11. **ORDINARY RESOLUTION 6**
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**

"**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 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. **SPECIAL RESOLUTION** **RESOLUTION 12**
PROPOSED ALTERATION OR AMENDMENT OF CONSTITUTION OF THE COMPANY

"**THAT** approval be and is hereby given to alter or amend the existing Constitution of the Company by replacing it entirely with a new Constitution of the Company as set out in Appendix II with immediate effect **AND THAT** the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

13. To transact any other business appropriate to an Annual General Meeting, due notice of which shall have been previously given in accordance with the Companies Act 2016 and the Company's Articles of Association.

BY ORDER OF THE BOARD

LEONG SIEW FOONG
MAICSA NO. 7007572
Company Secretary

Johor Bahru
27 April 2018

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 behalf.

(ii) Where a member appoints two (2) or more Proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each Proxy.

(iii) The Proxy Form shall be signed by the appointor or his 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 Saturday, 26 May 2018 at 2.15 p.m. or any adjournment thereof.

B. Explanatory notes

Audited Financial Statements

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act ("CA") 2016 for discussion only under item 1 of the Agenda. They do not require shareholders' approval and hence, will not be put for voting.

Re-election of Directors who retire in accordance with Article 76 of the Company's Articles of Association ("AA")

Article 76 of the AA provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. With the current Board size of seven (7), two (2) Directors are to retire in accordance with Article 76 of the AA.

For the purpose of determining the eligibility of the Directors to stand for re-election at the 18th AGM, the Nominating Committee ("NC") has considered the following:

(1) The assessment of the individual Director's level of contribution to the Board through each of their skills, experience and strength in qualities; and

(2) The level of independence demonstrated by each of the Non-Executive Directors ("NEDs"), and their ability to act in the best interests of the Company in decision-making, to ensure that they are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement or the ability to act in the best interests of the Company.

In line with the Malaysian Code on Corporate Governance ("MCCG"), the Board has conducted an assessment of independence of the NEDs, and also other criteria i.e. character, integrity, competence, experience and time commitment in effectively discharging their respective roles as Directors of the Company. The individual Directors were assessed based on performance criteria set in the areas of Board dynamics and participation, competency and capability, independence and objectivity, probity and personal integrity, contribution and performance together with their ability to make analytical inquiries and offer advice and guidance. Each of the NEDs has also provided his/her annual declaration/ confirmation of independence bi-annually of 2017.

The Board accepted the NC's recommendation that the Directors who retire in accordance with Article 76 of the AA are eligible to stand for re-election. All these retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Board meeting.

Directors' remuneration

The Board recommended to shareholders for approval the following two (2) separate resolutions in accordance with Section 230 CA 2016:-

- Resolution 1 on payment of Non-Executive Directors' fees and benefits in respect of the preceding year 2017; and
- Resolution 2 on payment of Non-Executive Directors' fees and benefits in respect of the current year 2018 and until the next AGM ("Relevant Period").

Directors' fees

The Board decided that the Non-Executive Directors' fees for financial year ("FY") ended 31 December 2017 be maintained as the previous FY subject to the performance of the Company and the current global economy. The detailed Non-Executive Directors' fees are contained in page 51 of Corporate Governance Overview.

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

Directors' remuneration (excluding Directors' fees)

The Directors' remuneration (excluding Directors' fees) comprises the allowances and other emoluments payable to Non-Executive Directors. Benefits of RM15,000 are to reimburse Non-Executive Directors' travelling expenses to attend meetings of Company. Payment of benefits to the NEDs will be made by the Company as and when incurred, after they have discharged their responsibilities and rendered their services to the Company of the Relevant Period, based on the proposed benefits, if the proposed Resolutions 1 and 2 are passed at the forthcoming Annual General Meeting.

Appointment of Auditors

Pursuant to Section 273(b) of the Act, the term of office of the present Auditors, Messrs. Ecovis AHL PLT, shall lapse at the conclusion of this AGM unless they are re-appointed by the shareholders to continue in office. Messrs. Ecovis AHL PLT have indicated their willingness to continue their service until the conclusion of the 18th AGM. The re-appointment of Messrs. Ecovis AHL PLT as Auditors has been considered against the relevant criteria prescribed by Paragraph 15.21 of the MMLR. This proposed Resolution 5, if passed, will also give the Directors of the Company, the authority to determine the remuneration of the Auditors.

Authority to Directors to allot and issue shares pursuant to Sections 75 and 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 Eighteenth Annual General Meeting ("18th 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 Seventeenth Annual General Meeting held on 30 May 2017. 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 Seventeenth Annual General Meeting as there was no need for any fund raising activity for the purpose of investment, acquisition or working capital.

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.

Members are requested to refer to the Statement of Share Buy-Back laid out in pages 93 to 104 of this Annual Report.

Authority to continue in office as Independent Non-Executive Directors of the Company pursuant to the Malaysian Code on Corporate Governance (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 twelve (12) years as at the forthcoming 18th 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 Pages 49 to 50 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 twelve (12) years as at the forthcoming 18th 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 Pages 49 to 50 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 twelve (12) years as at the forthcoming 18th 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 Pages 49 to 50 of this Annual Report.

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

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 shareholder of the Company with an option to invest their cash dividend in new KSL SHARES (Dividend Reinvestment Plan)

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.

Proposed alteration or amendment of the Constitution of the Company

The Memorandum and Articles of Association of the Company shall have effect and enforceable under Companies Act 2016 pursuant to Section 619(3) of Companies Act 2016.

The Company is proposing a new Constitution to replace its existing Memorandum & Articles of Association (deemed as Constitution by Companies Act 2016) in order to bring the Constitution in line with Companies Act 2016 and Bursa Securities Malaysia Berhad Listing Requirement besides to enhance administrative efficiency. The proposed new Constitution is attached hereto and identified as Appendix II. The Appendix II on the Proposed alteration or amendment of the Constitution of the Company which is circulated together with the Notice 18th Annual General Meeting (AGM) dated 27 April 2018, shall take effect once the Proposed Special Resolution has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the said 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 2018. Only a depositor whose name appears on the Record of Depositors as at 18 May 2018 shall be entitled to attend this meeting or appoint proxy/proxies to attend, speak, participate and/or vote in his stead.

[This page is intentionally left blank]

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

FORM OF PROXY

I/We ____

of ____

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

____

of ____ or

failing whom ____

of ____

as my/our Proxy(ies) to vote for me/us and on my/our behalf at the Eighteenth 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 Monday, 28 May 2018 at 2.15 p.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		
12.	Resolution 12		

[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 …………………….…….… 2018

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 behalf.

(ii) Where a member appoints two (2) or more Proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each Proxy.

(iii) The Proxy Form shall be signed by the appointor or his 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 Saturday, 26 May 2018 at 2.15 pm. 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

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 2017.

The year 2017 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 KSL 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 robust growth of 5.9% in 2017 (2016:4.2%), supported by faster expansion in both private and public sector spending. This was due mainly to higher demand from major trading partners following the upswing in the global technology cycle, investment expansion in the advanced economies and the turnaround in commodity prices.

While real GDP Growth was boosted by the external sector, domestic demand continued to anchor growth. In particular, private consumption growth strengthened to 7.0%in 2017 (2016:6.0%), supported mainly by continued wage and employment growth, with additional impetus from Government measures. Public consumption grew by 5.4% (2016:0.9%) due to higher spending on supplies and services by the Federal Government amid sustained growth of emoluments.

Overall, the fundamentals of the Malaysian economy continued to strengthen. Structural policies carried out over the decades have resulted in a highly open and diversified economy with multiple sources of growth. Improving labour market conditions amid faster wage growth continued to support household spending. Healthy financial institutions and sufficient domestic liquidity also ensured orderly financial intermediation. Furthermore, Malaysia's external position remained strong and well-protected from a sharper depreciation, supported by sufficient international reserves and manageable levels of external debt.

Global economy is projected to expand at a faster pace in 2018, driven largely by private consumption and boosted by investment activity in the advanced economies. Financing conditions are likely to remain accommodative despite the on-going normalisation of global monetary policy.

Amid the stronger global economic conditions, the Malaysian economy is projected to grow by **5.5% - 6.0% in 2018**. Domestic demand will continue to be the anchor of growth, underpinned by private sector activity. Private consumption growth is expected to remain sustained, supported by continued growth in employment and income, lower inflation and improving sentiments. Income growth will be supported by a robust export performance and continued Government measures, such as the continuation of **Bantuan Rakyat 1Malaysia** cash transfers, individual income tax reduction, and the special payment to all civil servants and retirees. Private investment growth will also be sustained, underpinned by ongoing and new capital spending in both the manufacturing and services sectors, and strengthened by continued positive business sentiments. Public sector expenditure is projected to decline due to the contraction in public investment amid more moderate growth in public consumption.

CHAIRMAN'S STATEMENT *(Cont'd)*

Apart from domestic demand, GDP growth will also be supported by the favourable external demand conditions. Both gross exports and imports are forecasted to grow at above-average trends in 2018. Exports will be lifted by favourable demand from major trading partners, the continued expansion in the global technology upcycle, increase in domestic productive capacity and broadly sustained global commodity prices. Despite the projected higher goods surplus of the current account, deficits in the services and income accounts will continue to weigh on the current account balance. Overall, the current account balance is expected to record a surplus of between 2.0% - 3.0% of GNI in 2018.

In the property development sector, housing affordability is still a global concern plaguing key cities around the world in both developing and advanced economies. In Malaysia, the housing affordability issue is largely due to the supply – demand mismatch and slower income growth However, access to home financing remained intact for borrowers with the capacity to service their debt, supported by sustained approval rates for the purpose of residential property loan. Growth of residential loan which accounted for 52.0% of the total household debt was sustained at 8.5% during the year (2016:9.1%).

The needs to increase supply of affordable housing has been recognised in recent years, but efforts to truly improve the affordable housing market in the long run must confront the deep-rooted issues that prevent the adequate supply of reasonably priced homes. This emphasises the need to rehabilitate and improve the balance sheet of the households, alongside implementing measures to increase household income in the longer run. As the experiences of successful cities have shown, concerted efforts by Government, housing developers, banks, consumers, interest groups and regulators alike are needed to bridge the affordability gap.

In a stronger rental market, renting instead of buying would become a viable option for choice for households who are financially overburdened. In this regard, Malaysia has taken step in the right direction. In the Federal Budget 2018, the formulation of the Residential Tenancy Act was announced. The landmark initiative would provide legal safeguards for both landlord and tenant. Encouraging both demand and supply for rental housing in Malaysia. ***(Sources: Bank Negara Malaysia Annual Report 2017 and BNM Quarterly Bulletin)***

Financial Highlights

Group's revenue grew by 1.23% to RM698 million, compared to RM689 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 declined, with pre-tax profit decreasing 27.44% to RM280.4 million, in the year under review from RM386.5 million previously, the decrease was mainly due to the drop in fair value gain. The fair value gain from investment properties in year 2017 was approximately RM18.6 million compared to RM112.7 million in year 2016. Group's net profit recorded RM220.6 million, decreasing 29.87% from RM314.5 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 FY2017 group revenue, while property investment made up the balance 24%.

The Group's financial position as at end-December 2017 was further strengthened with our retained profit and increased profitability, with shareholders' equity growing to RM2,567 million from RM2,352 million in the previous year end.

Five-Year Group Financial Highlights

The Five-Year Group Financial Highlights are set out on pages 90 to 91 of this Annual Report.

CHAIRMAN'S STATEMENT *(Cont'd)*

Corporate Updates

- Share Buy Back
  The Group has repurchased 4,368,900 (2016: 141,700) of its issued ordinary shares from the open market for a total consideration of RM5,470,464 (2016: RM158,324).

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

Future Outlook

Property Development

The property market in Malaysia is anticipated to pick up slightly in the year 2018 given the various influences that might affect the economy in the coming year. Expert predicted that it will undergo correction despite stronger economic and industrial fundamental.

Although overall consumer sentiment has improved and asking prices have come down, key themes like price unaffordability, overhang of high-rise homes, rising living costs, tight financing and other factors will still have dampening effect on the overall momentum next year.

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 out maneuver 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 Hot Spring 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.

CHAIRMAN'S STATEMENT *(Cont'd)*

Appreciation

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

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

Thank you

Ku Hwa Seng
Executive Chairman

REVIEW OF OPERATIONS

Despite the prevailing headwinds in the property sector, KSLH performed commendably in the year under review. At the same time, the Group put in place strategic initiatives to further strengthen our earnings base for the future.

A. 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 RM532 million for FY2017. (2016: 525 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.

A.1 JOHOR BAHRU

A.1.1 Taman Bestari Indah

Taman Bestari Indah is mixed development township 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 completed during the year.

REVIEW OF OPERATIONS *(Cont'd)*

A. PROPERTY DEVELOPMENT *(Cont'd)*

A.1 JOHOR BAHRU *(Cont'd)*

A.1.2 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 is targeted for completion in 2018.

REVIEW OF OPERATIONS *(Cont'd)*

A. PROPERTY DEVELOPMENT *(Cont'd)*

A.1 JOHOR BAHRU *(Cont'd)*

A.1.3 Avery Park @ Rinting

The subject property is located along Jalan Rinting 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.

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 is targeted for completion in 2018.

REVIEW OF OPERATIONS *(Cont'd)*

A. PROPERTY DEVELOPMENT *(Cont'd)*

A.1 JOHOR BAHRU *(Cont'd)*

A.1.4 Taman Mutiara Bestari

Mutiara Bestari is located in Skudai, next to Iskandar Puteri, Johor. The entire Iskandar Development Region, stretching from the new State Administrative Capital at Nusajaya, the 2nd Link, the Senai International Airport, the Customs, Immigration Quarantine Complex (CIQ) of Johor Bahru can be conveniently accessed by expressways or highways.

This development spans approximately 100 acres and is to be developed progressively in 3 phases comprising of a total of 704 units of luxurious houses.

The first phase of Mutiara Bestari, which is underway, offers a total of 218 units of freehold 2 storey and three storey semi-detached houses with a land area ranging from 2,380 square feet to 3,900 square feet at a competitive price from RM388 per square foot.

Mutiara Bestari is targeted at urbanites who seek the convenience of city living within an upscale neighbourhood complete with heightened security of CCTV along with parameter fencing for peace of mind and comprehensive community amenities such as education, shopping and entertainment hubs which meet the residents' needs.

This project is under active construction and is targeted to complete in 2018.

REVIEW OF OPERATIONS *(Cont'd)*

A. PROPERTY DEVELOPMENT *(Cont'd)*

A.1 JOHOR BAHRU *(Cont'd)*

A.1.5 Taman Bukit Jaya

The subject property is located at within Taman Putri Wangsa 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 Bukit Jaya comprises double storey terrace houses, double storey Semi-D. Fast food outlets, petrol stations, hawker Centre, wet market, schools are other public amenities and facilities within the locality. Nearest commercial complex are Mydin Hypermarket in Taman Pelangi Indah, AEON, IKEA 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.

This project featuring 204 units of mix development is under active construction and is targeted for completion in 2019.

A.2 KLUANG

A.2.1 Taman Mengkibol

Taman Mengkibol is a 249-acre development township featuring double story terrace houses, rumah mampu milik, double and three storey shop offices. Taman Mengkibol is located 3 kilometres from Kluang Town. The township is also accessible through the North-South Highway and linked with several main road and easily accessibility. Access to the subject property from Ayer Hitam via Jalan Batu Pahat, Jalan Besar and Jalan Mengkibol. Furthermore, it is also accessible from Simpang Renggam via Jalan Simpang Renggam and Jalan Kluang Renggam. Nearest commercial complex are Kluang Mall, Econsave and Carrefour Hypermarket are located within 5-8km away.

During the year under review, the Group is constructing 191 units of Rumah Mampu Milik and is targeted to be completed in 2019.

REVIEW OF OPERATIONS *(Cont'd)*

A. PROPERTY DEVELOPMENT *(Cont'd)*

A.3 SEGAMAT

We continue to focus on providing affordable landed housing projects in small scale. They are several projects under active constructions during the year 2017, namely, Taman Tasik Sejati Phase 2, Taman Bukit Indah Phase 4, Taman Melati and Taman Bukit Mutiara Phase 1,2 & 3. Total Estimated Gross Development Value for all these projects are approximately RM130 million.

During the year 2017, we had successfully completed with Certificate of Completion and Compliance (CCC) and delivered to purchasers approximately 220 units of various houses and shop offices to purchasers.

All those projects are situated at prime location and easily accessible through main road and adjoined with existing matured housing estate.

A.3.1 Taman Melati @ Bukit Siput

Taman Melati is located merely 10 minutes away from Segamat main town. This freehold development comes with approximately total estimated gross development value is RM29 million. It is close to commercial, retail and education components (primary and secondary schools) as well as General Hospital which is a short distance away. The project consists of various type of development such as single storey cluster houses, single storey terrace houses & others.

This project was under active construction and is targeted for completion in 2018.

A.3.2 Taman Bukit Mutiara @ Buloh Kasap

Taman Bukit Mutiara is located about 10 km away from Segamat main town. It's definitely a liveable place with lots of good food and a good living environment as well as amenities for daily needs such as Billion and Nirwana Supermarket. It is accessible to the main highways to Kuantan, Kuala Lumpur and to Segamat town. This project provides safe & secure environment as it is adjoined with Police Station. An added plus point is that a secondary school just beside the police station.

It consists of 245 units of mixed development. Taman Bukit Mutiara is indeed a value for money to those who seek for comfortable and peaceful dwellings.

The projects is under active constructions and targeted for completion in 2018 and 2019.

A.3.3 Taman Tasik Sejati @ Yayasan

Spread over approximately 100 acres, Taman Tasik Sejati is an exciting township which is sprouting in the rapidly growing area of Taman Yayasan, Segamat. Located merely 10 minutes away from Segamat main town and accessible to Kuantan Highway, this project is very sought after due to its strategic location and is situated at established neighbourhood. The project comprises an enviable cluster of quality homes, consisting of Double Storey Cluster House as well as Double and Single Storey Terrace House that will appeal to discerning buyers.

The project is planned to develop in different phases. Phase 2 with a development units of 139 residences houses have been completed during the year under review.

REVIEW OF OPERATIONS *(Cont'd)*

A. PROPERTY DEVELOPMENT *(Cont'd)*

A.4 KLANG, SELANGOR

Bandar Bestari

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

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, and schools. 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 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 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).

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

A.4.1 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.

The Group is currently developing Phase 2, which consists of double-storey cluster house and double-storey semi-detached landed properties.

The development project was under active construction and targeted to be completed by year 2018.

A.4.2 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 playground, 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.

REVIEW OF OPERATIONS *(Cont'd)*

B. PROPERTY INVESTMENT

Property investment continues to be an important driver for the Group, contributing RM166 million in revenue which makes up for 24% of the Group's total revenues in FY2017. 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.

B.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.

B.1.1 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 2017, which speaks volumes of its positioning in the retail space in the city.

REVIEW OF OPERATIONS *(Cont'd)*

B. PROPERTY INVESTMENT *(Cont'd)*

B.1 KSL City *(Cont'd)*

B.1.1 KSL City Mall *(Cont'd)*

Featuring 500 upmarket lifestyle outlets which consist of 442 retail shops, 50 F&B outlets and 8-cineplex, 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.

B.1.2 KSL Hotel & Resort

KSL Hotel & Resort Johor Bahru is the largest integrated resort in Johor, located at the heart of the city centre and sits strategically within Iskandar Puteri Malaysia, Johor's second city. The 904 hotel rooms with choices of Superior, Deluxe, Premier Deluxe King, Grand Super King & Suites room meet the requirements for leisure and business travellers alike. The hotel also features a Grand Ballroom which seats up to 800 persons, two secondary ballrooms and 9 meeting rooms to cater every need and group size. Not only that, the hotel also features other facilities such as an international cuisine restaurant, lounge & bar, dinosaur themed park, rooftop pool, golf simulators, gymnasium and sauna. It is also seamlessly integrated to a wide array of retail outlets and cinema in KSL City Mall which is linked to the hotel for an enhanced 'shop & stay' experience.

Over the years KSL Hotel has become the 'talk of the town'. It has a very lively appearance and is liked very much by the local market-Malaysians & Singaporeans. Being in the city centre and a very easy access hotel by car or bus coach, it has become very popular by tourist and recommended very strongly by travel agents.

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.

REVIEW OF OPERATIONS *(Cont'd)*

B. PROPERTY INVESTMENT *(Cont'd)*

B.2 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 308 rooms.

The proposed Resort is scheduled to be completed and in full operation in 2018.

B.3 COMMERCIAL COMPLEX WITH HOTEL (PROPOSED NAME KSL Esplanade Mall)

It is a commercial podium which consists of retail shops, departmental store, cinemas, car parks, hotel and condominiums. The whole integrated complex is expected to be completed in year 2021. Piling works have been completed during the year 2017.

C. 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.

C.1 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.

C.2 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.

REVIEW OF OPERATIONS *(Cont'd)*

D. LAND BANKING

As at 31 December 2017, KSLH has approximately of 2,100 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.

E. CONCLUSION

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

DIRECTORS' PROFILE

KU HWA SENG

Executive Chairman

Ku Hwa Seng, aged 62, 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 (30) 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 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 conviction for any offence 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 67, 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 (30) over years. With his vast experience, he is responsible for the KSLH Group's business development and day-to-day operations of the KSLH Group. He is a director of most of the subsidiary companies within the KSLH Group and also a director of several other private limited companies.

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

Khoo Cheng Hai @ Ku Cheng Hai is brother to Ku Hwa Seng, Ku Tien Sek and Ku Wa Chong, who are the Directors and/or the substantial shareholders of the Company. He does not hold any directorships in other public companies. He has no conviction for any offence 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 60, 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 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 conviction for any offence within the past five (5) years other than traffic offences, if any.

LEE CHYE TEE

Executive Director

Lee Chye Tee, aged 54, 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 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 conviction for any offence 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 Nominating Committee and Remuneration Committee

Gow Kow, aged 64, 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 conviction for any offence 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 Nominating Committee
Members of Audit Committee, Remuneration Committee and Risk Management Committee

Goh Tyau Soon, aged 73, 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 conviction for any offence 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, Nominating Committee and Risk Management Committee

Tey Ping Cheng, aged 49, 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 conviction for any offence within the past five (5) years other than traffic offences, if any.

KEY SENIOR MANAGEMENT

TANG CHING TONG

Tang Ching Tong, aged 52, Malaysian, joined the KSL Group in year 2001 and was appointed as General Manager in year 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 in the daily business operations include planning and managerial roles in business development of the Group especially in Southern Regions.

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 had personal interest. He has no conviction for any offence within the past five (5) years other than traffic offences, if any. He does not hold any directorships in public companies.

KU KENG LEONG

Ku Keng Leong, aged 42, male, Malaysian, joined the KSL Group in year 2000. He was appointed as the Executive Director in most KSL subsidiaries on 1 January 2011. Currently, he is involved in planning, daily business operations, as well as designs, implementations, co-ordinations and overseeing all projects progress in South Johor.

Ku Keng Leong graduated from Curtin University of Technology, Perth Australia with a Bachelor of Business degree majoring in International Business in 1999. He obtained his MBA in IPE Business School, Paris in January 2018.

He is the son of Ku Wa Chong, nephew of Khoo Cheng Hai @ Ku Cheng Hai, Ku Hwa Seng and Ku Tien Sek, who are the substantial shareholder and/or Directors of the Company. He does not hold any directorships in public companies. He has no conviction for any offence within the past five (5) years other than traffice offences, if any.

AUDIT COMMITTEE REPORT

A. ESTABLISHMENT AND COMPOSITION

The Audit Committee comprises the following members:-

Chairman:

Mr. Gow Kow (Independent Non-Executive Director)

Members:

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

The composition of Audit Committee is in compliance with the paragraph 15.09 of Main Market Listing Requirement ("MMLR"), where the Audit Committee consist of three (3) Independent Non-Executive Director and one of the member of the Audit Committee, Mr. Tey Ping Cheng is a member of Malaysian Institute of Accountants which fulfills the requirement under paragraph 15.09(1)(c)(i) and paragraph 7.1 of Practice Note 13 of MMLR.

In compliance with Malaysian Code on Corporate Governance, the chairman of the Audit Committee is not the chairman of the Board of Directors during the financial year ended 31 December 2017 and up to the date of this Report.

The profile of the members can be found presented on pages 29 to 30 of this Annual Report.

B. TERMS OF REFERENCE

The terms of reference of the Committee is published on the Company's corporate website (www.ksl.my) under "News-Others".

C. MEETINGS

During the financial year ended 31 December 2017, the Audit Committee held five (5) meetings. Details of each member's meeting attendances are as follows:-

Name of Directors	No. of Meetings Attended
Mr. Gow Kow	5/5
Mr. Goh Tyau Soon	5/5
Mr. Tey Ping Cheng	5/5

The meetings were conducted with the quorum of two (2) of whom the majority of members present at the meeting were Independent Directors' as required by the Committee's Terms of Reference.

The meetings were appropriately structured through the use of agendas, which were distributed together with the minutes of the meeting and relevant papers and reports to the members at least five (5) business days before the meeting with sufficient time allowed for review by the members for the proper discharge of its duties and responsibilities diligently and effectively in compliance with the MMLR and its terms of reference. The secretary of the Company, the appointed secretary of the Committee, attended all the meetings during the financial year.

AUDIT COMMITTEE REPORT *(Cont'd)*

C. MEETINGS *(Cont'd)*

The External Auditors, Internal Auditors, Executive Directors, Group Financial Controller and Corporate Finance Manager, at the invitation of the Committee, attended the Committee meetings to present their reports/findings or required information and explanations for the proper deliberation of the matters at hand.

The Audit Committee reported to and updated the Board on significant issues and matters discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board. Minutes of the Committee's meetings were made available to all Board Members for review and to seek clarification and confirmation from the Audit Committee Chairman where necessary.

The Group's External Auditors attended all the Committee meetings held during the financial year under review.

D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Committee carried out its duties in accordance with its terms of reference during the financial year under review. The summary of works undertaken by the Audit Committee during the financial year included the following:-

1. Reviewed the Quarterly Financial Reports

   During the scheduled quarterly meetings, the Finance Director of the Group presented the draft unaudited quarterly financial results for Audit Committee's review, briefed the Committee on the contents of the draft financial statements (including the notes to the account) and answered all queries raised and clarifications sought by the Audit Committee. The review focused on key financial results and comparison to the corresponding quarter of preceding year as well as immediate preceding quarter, with the reasons for the variances provided by the Finance Director. In addition, the business prospects of the Group for the rest of the financial year was provided by the Management to the Audit Committee for discussion.

   Further, the Audit Committee assessed the reasonableness of the assumptions and estimates made in the draft financial quarterly financial statements based on the updates by the Management on the operations and proposed business strategy.

   The reviews of the draft financial quarterly financial statements by the Audit Committee during the financial year under review were conducted in the presence of the External Auditors with clarifications sought from them during the meeting.

   The unaudited financial reports reviewed by the Audit Committee were then recommended to the Board for approval prior to announcement to Bursa Malaysia Securities Berhad ("Bursa Securities").

2. Reviewed the Company's Compliance with Regulatory, Statutory and Accounting Standards

   During the quarterly Audit Committee meeting, with respect of the quarterly and annual financial statements, the Audit Committee reviewed the Company's compliance with the MMLR, accounting standards promulgated by Malaysian Accounting Standards Board and other legal and regulatory requirements.

3. Reviewed the latest changes of pronouncements issued by the accountancy, statutory and regulatory bodies.

   At such quarterly meetings, the Audit Committee sought clarification of the application and impact of new and revised accounting standards with the External Auditors as necessary. The Audit Committee members also underwent briefings by professionals on the updates and changes in MMLR and proposed changes in Malaysian Code on Corporate Governance during the financial year.

AUDIT COMMITTEE REPORT *(Cont'd)*

D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR *(Cont'd)*

4. Reviewed the External Auditors' Audit Plan, Scope of Work and Audit Fee

   During the financial year, the External Auditors presented their audit plan to the Audit Committee for review and comment prior to the commencement of the audit to ensure the audit scope is adequate and reasonable time was allowed to ensure the audit carried out effectively and not under undue time pressure. The audit plan presented includes the audit methodology, audit workflow and audit timetable, and significant risk area. The audit plan for the financial year was discussed and clarifications sought from the External Auditors prior to approval of the said plan by the Audit Committee. During the same meeting, the audit fees and non-audit fees was presented by the External Auditors for review by Audit Committee, which was then recommended to the Board for approval.

5. Reviewed of Audited Financial Statements and Audit Results with External Auditors

   Prior to announcement of final quarterly financial statements, the External Auditors presented their Audit Status Report and briefed the Audit Committee on the audit findings arising.

   During the meeting, the audit findings on the significant risk areas, deficiencies in internal control and status of the audit were presented to the Audit Committee for review. The results and findings were subsequently presented to the Board by the Chairman of the Audit Committee after the review.

   During the financial year, the Audit Committee recommended for the Board's approval and adoption of the audited statutory financial statements of the Company and the Group after it was satisfied that the audit had been adequately planned and were carried out in accordance with the approved auditing standards after the review with the External Auditors and the Management and it was satisfied that the presentation of the financial statements was in compliance with the statutory requirements and applicable accounting standards.

6. Private Sessions with External Auditors

   For the financial year ended 31 December 2017, the Audit Committee has met with the External Auditors a total of two (2) times without the presence of the Executive Directors and Management in order for the Audit Committee and the External Auditors to freely exchange observations and opinion between both parties as well as discuss any significant audit issues.

7. Reviewed the Independence and Objectivity of the External Auditors

   During the financial year, confirmation on the independence of the External Auditors was obtained by the Audit Committee in order for the Audit Committee to review the independence and objectivity of the External Auditors.

8. Review of Internal Audit Functions

   During the financial year, the Audit Committee received internal audit report presented by the outsourced Internal Auditors that contains the findings, recommendations and agreed management action plans for the internal audits conducted based on approved internal audit plan. Aside from reporting on the audit findings, the status of agreed management action plans for previous internal audit findings and the status of the approved internal audit plan was also presented to the Audit Committee. Additionally, the Audit Committee had assessed the adequacy and effectiveness of the internal audit functions through the review of the resources, experience and continuous professional development of the Internal Auditors for its adequacy.

   During the financial year, the internal audit plan was presented by the outsourced Internal Auditors for the review and approval by the Audit Committee.

   The oversights role of Audit Committee on Internal Audit functions is further elaborated in the Statement of Risk Management and Internal Control located on pages 58 to 64 of this Annual Report.

AUDIT COMMITTEE REPORT *(Cont'd)*

D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR *(Cont'd)*

9. Reviewed Related Party Transactions

During the scheduled quarterly meetings, the Finance Director reported to the Audit Committee the value of the transactions (from date of shareholders' mandate to end of the financial period) of individual recurrent related party transactions ("RRPT") as compared to the approved value of transactions per the shareholders' mandate obtained in the previous general meeting to identify RRPT exceeded or about to exceed the approved amount per the shareholders' mandate so that prompt action can be taken to resolve.

During the meeting, the Audit Committee sought confirmation from the Management that there was no new RRPT or conflict of interest situation that might arise within the Group including any transaction, procedures and course of conduct that might raise questions of management integrity.

10. Reviewed the Annual Report

During the financial year, the Audit Committee reviewed the Annual Report (which includes the Corporate Governance Statement, Audit Committee Report, Statement of Risk Management and Internal Control and Management Discussion and Analysis), and the Audited Financial Statement of the Group and recommended to the Board for approval.

E. INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to independent internal audit professional firms. The Internal Audit functions are 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 audit engagement of the outsourced internal audit functions is governed by the engagement letter with key terms include purpose and scope of works, accountability, independence, the outsourced internal audit function's responsibilities, the management's responsibilities, the authority accorded to the outsourced internal audit function, limitation of scope of works, confidentiality, proposed fees and engagement team. The scope of review of the outsourced internal audit functions is determined by the Audit Committee with feedback from Senior Management. In addition, the oversight of the internal audit functions by the Audit Committee is enhanced by the review by the Audit Committee of resources of the outsourced internal audit function in term of qualification and experience/ exposure and continuous professional development of the employees of the outsourced internal audit function tabled by the outsourced internal audit function during the financial year under review.

The outsourced internal audit function is reporting to the Audit Committee directly and the engagement director is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. The internal audits are carried out, in material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global.

The internal audit function 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 internal control as well as 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. In addition, the internal audit functions performed follow up reviews to ascertain the status of implementation of agreed management action plans. The results of the follow up reviews were reported to the Audit Committee for their review and deliberation.

The internal audits conducted on the Group did not reveal any weakness 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.

Please refer to the Statement on Risk Management and Internal Control from pages 58 to 64 of this Annual Report for the details of the activities of the internal audit function during the financial year under review.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL SATEMENTS FOR 2017

The Directors are required to prepare financial statements for each financial year which 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 and of the income statement and cash flows of the Company and the Group for the financial year.

The Directors are of the view that, in preparing the financial statements of the Company and the Group for the year ended 31 December 2017, the Company and the Group has adopted recommended accounting policies that are consistently applied and supported by reasonable, prudent judgments and estimates. The Directors have also considered that all applicable accounting standards have been followed during the preparation of audited financial statements.

The Directors are aware of its responsible in ensuring that the Group keeps adequate accounting records that disclose with reasonable accuracy the financial position of the Company and the Group as to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 2016 and the Malaysian Financial Reporting Standards.

The Directors have ensured timely release of quarterly and annual financial results of the Group for the year 2017 to Bursa Securities that enable the public and investors to be well informed of the Group's constant development.

The Directors are also fully aware of their general responsibilities in taking steps which are reasonably open to them to safeguard the assets and to detect and prevent fraud and other irregularities within the Group.

CORPORATE GOVERNANCE OVERVIEW

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS

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 ("MCCG").

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.

I BOARD RESPONSIBILITIES

1.1 Board leadership

The Board strives to collectively lead and is responsible for the success of the Group by providing entrepreneur leadership and direction as well as management oversight. The Board acknowledges that it is the ultimate decision-making body of the Group.

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.

Matters reserved for the Board include amongst others decision on 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 to the following matters:-

- approval of new ventures;
- approval of corporate plans and programmes;
- approval of annual financial and capital expenditure budgets;
- approval of annual and interim financial results of the Group and release therefrom;
- approval of interim dividend and the recommendation for final dividend;
- approval of adoption of accounting policies;
- review of the internal audit plans and major changes therefrom;
- review of external audit plans;
- acceptance of audit reports including management letters;
- approval of material acquisitions and disposals of undertakings and properties;
- approval of major investment in properties, plant and equipment;
- approval of acquisition of lands for development;
- approval of changes in the major activities of the Group;
- approval of major borrowing or giving of security over assets;
- approval of material agreements/contracts;
- approval of changes in the financial year end;
- approval of changes to the management and control structure within the Group, including key policies and procedures, limit of authority, etc;
- approval for major write-off and provision in excess of prescribed amount as may be determined from time to time;
- approval for granting of power of attorney and legal representative by the Company and its subsidiaries;
- approval for entering into of any indemnities or guarantees by the Company and its subsidiaries;
- review and recommend for the alteration of the Constitution of the Company;
- review and recommend for the proposed change of name;
- review and recommend for the proposed shares buy-back scheme and to implement shares buy-back scheme as approved by shareholders;
- to review and approve any other major/material business decision and to recommend the same to shareholders for approval, if applicable;

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

I BOARD RESPONSIBILITIES *(Cont'd)*

1.1 Board leadership *(Cont'd)*

- any matters requiring the convening of a general meeting of shareholders or any class of shareholders; and
- any matters as may be required by the applicable laws and regulations.

The Board of Directors takes full responsibility for the overall performance of the Company and its Group and its obligations to the Company's shareholders and other stakeholders. To ensure the effective discharge of its function and duties, the primary responsibilities of the Board include the following:-

- Setting the corporate values, objectives, goals and strategic plan as well as clear lines of responsibility and accountability for the Group
- 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 and manage principal and potential risks and to ensure proper risk management policy with appropriate governance structure and process as well as appropriate risk appetite, established based on internationally recognised risk management framework, are put in place to manage principal risks
- To determine Dividend Policy and the amount, nature and timing of dividends to be paid.
- Succession planning including appointing, training, fixing the compensation of and where appropriate, replacing any member of the Board, Board Committees and Senior Management
- Maintaining an effective system of internal control to safeguard shareholder's investment and Company's assets
- To ensure financial statements are prepared in accordance with applicable financial reporting standards and to approve the quarterly results, annual audited financial statements, annual report and material and significant statements/reports/circulars issued to shareholders
- 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
- To approve the appointment of directors and to review and recommend the removal of director on recommendation of the Nominating Committee
- To review and approve the appointment, promotion and removal of senior management on recommendation of the Nominating Committee
- To review and recommend directors' fee and benefits for shareholders' approval and to review and approve Executive Directors and senior management's remunerations in accordance with relevant laws and regulations on recommendation of the Remuneration Committee
- To review and approve any proposed employee's share option scheme and/or amendments to the scheme, subject to approvals that may be required by applicable laws and regulations
- To approve the appointment and removal of Company Secretaries
- To establish remuneration policy for directors and senior management, corporate disclosure policy, nomination and selection process for director and senior management, performance assessment for director and senior management
- To establish and maintain the ethical standards through code of conduct and whistle blowing policy which will be applicable throughout the Group and ensure the compliance of this code of conduct and whistle blowing policy
- To review and approve proposals for the allocation of capital and other resources within the Group
- To review and approve capital expenditure budget and annual budget (including major changes to such budgets)

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

I BOARD RESPONSIBILITIES *(Cont'd)*

1.1 Board leadership *(Cont'd)*

- To establish independent internal audit functions that reports directly to Audit Committee. To review internal audit plan and internal audit functions (independence, authority, resources, competency, knowledge and experience, continuous professional development and compliance with internationally recognised framework) for the proper functioning of internal audit functions on recommendation of the Audit Committee and to receive reports from such internal audit functions, subject to prior review and recommendation by the Audit Committee
- To review the appointment, re-appointment, resignation and termination of external auditor and to recommend the same to the shareholders for approval, subject to prior review and recommendation by the Audit Committee
- To review the independence of the external auditor, subject to prior review and recommendation by the Audit Committee
- To review the audit plan and to receive reports on the evaluation of the system of internal controls and audit report from external auditor, subject to prior review and recommendation by the Audit Committee
- To ensure procedure being put in place for the Board to receive reports from the Management on timely and reliable manner that that would provide the Board with a reasonable basis to make proper judgement on an on-going basis as to the financial position and business prospects
- To put in place procedures to assess any related party transactions or conflict of interest situation within the Group
- To establish relevant board committees in order to carry out specific board responsibilities effectively while the Board assumes the ultimate responsibility for such board responsibilities. Such board committees are governed by terms of reference approved by the Board and the conduct of such board committees are monitored by the Board by receiving minutes and/or reports from such board committees
- To review major/material litigation and to approve next course of action beneficial to the Group
- To ensure adequate trainings are provided to the members of the Board and senior management
- To review the results of Board, Board Committee individual director evaluation (including Chief Executive Officer and Chief Financial Officer who is not director) conducted by the Nominating
- To undertake an assessment of the independence and objectivity of its independent directors annually
- To promote good corporate governance culture throughout the Group and to review the corporate governance standing of the Company
- To develop and approve anti-bribery and corruption policy of the Group
- To establish sustainability policy and to review the management of material sustainability matters on frequent interval. To promote good sustainability practice throughout the Group.

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

In addition, the Board has delegated certain responsibilities to other Board Committees, which operate within clearly defined Term of Reference ("TOR") which are available for viewing at the Company's website at http://www.ksl.my. The Board Committees include Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee. These Board Committees will give their recommendation to the Board for consideration and ultimately, approval. Hence, the Board has collective oversight functions of the Company.

The Board has unrestricted access to independent advice or expert advice at Group's expense or to employees/External/Internal Auditors in furtherance of the Board's duties (whether as a Board or a director in his/her individual capacity).

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

I BOARD RESPONSIBILITIES *(Cont'd)*

1.2 Chairman and Managing Director

The Chairman of the Board shall be appointed by the Board (with the period he/she to hold office to be determined by the Board) and shall not be the Chairman of the Audit Committee, who is responsible for the governance, orderly conduct and effectiveness of the Board while Group Managing Director is responsible to ensure proper execution of strategic goals and effective operation within the Group. The positions of Chairman and Group Managing Director are held by different individuals. Both Chairman and Managing Director are very committed and dedicated to the Company as they contributed at least 90% of their time to the Company. Their roles and responsibilities are clearly defined in the Company's Board Charter and detailed herein.

The Chairman of KSL Holdings Berhad, Mr. Ku Hwa Seng has been 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 during the stipulated meeting time. He abstains for all deliberations issues which have conflict of interest as well as its decision making thereafter.

The roles and responsibilities of the Chairman are as follows:-

(a) To provide leadership to the Board;

(b) To provide governance in matters requiring corporate justice and integrity and to lead the Board in establishing and monitoring good corporate governance;

(c) To oversee the Board in the effective discharge of its responsibilities;

(d) To lead the Board in the oversight of the Management and ensure its effectiveness of all aspects of its role;

(e) To set board agenda and ensuring directors receive complete and accurate information timely;

(f) To ensure the efficient organisation and conduct of the Board's meetings;

(g) To ensure that quality information to facilitate decision-making is delivered to Board members on a timely basis;

(h) To facilitate the effective contribution of all Directors at Board meetings and encouraging active participation and allowing dissenting views freely expressed;

(i) To promote constructive and respectful relations within the Board, and between the Board and Management;

(j) To promote effective communication among the Board members and with shareholders and relevant stakeholders with their views are communicated to the Board;

(k) To chair general meetings of shareholders; and

(l) To maintain effective professional relationship with external parties, investing public, regulatory bodies and trade associations.

Group Managing Director is accountable to the Board for the achievement of the corporate objectives and for the observance of management authorities. Group Managing Director shall be head of the Management of the Group and answerable to the Board in that manner.

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

I BOARD RESPONSIBILITIES *(Cont'd)*

1.2 Chairman and Managing Director *(Cont'd)*

Overall, the Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. The detailed attendance record of each Director during the financial year under review is as follows:-

NAME OF DIRECTORS	ATTENDANCE
Khoo Cheng Hai @ Ku Cheng Hai	5/5
Ku Hwa Seng	5/5
Ku Tien Sek	5/5
Lee Chye Tee	5/5
Gow Kow	5/5
Goh Tyau Soon	5/5
Tey Ping Cheng	5/5

The responsibilities of Group Managing Director are as follows:-

(a) To develop corporate strategies for the Group for the Board's approval and to implement such corporate strategies for the Group so approved;

(b) To implement other Board's decision effectively and efficiently;

(c) To provide leadership in order to achieve the vision, management philosophy and business strategies;

(d) To ensure the efficiency and effectiveness of the day-to-day operations of the Group in accordance with authorities and delegations authorised by the Board;

(e) To safeguard the assets of the Group;

(f) To ensure effective internal and external reporting of the Group;

(g) To ensure compliance with applicable laws and regulations;

(h) To assess business opportunities which are of potential benefit to the Group and to recommend major business opportunities for the Board's consideration;

(i) To communicate material and relevant matters to the attention of the Board timely and accurately for decision making;

(j) To execute and implement risk management policy and process approved by the Board throughout the Group;

(k) To ensure adequacy and effectiveness of the internal control system of the Group;

(l) To execute and implement sustainability management policy and process approved by the Board throughout the Group;

(m) To execute and implement anti-bribery and corruption policy and process approved by the Board throughout the Group; and

(n) To discharge the responsibilities delegated by the Board and to execute authorities delegated by the Board, effectively and efficiently.

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

I BOARD RESPONSIBILITIES *(Cont'd)*

1.3 Company Secretary

The appointment or removal of Company Secretary of the Board shall be the prerogative of the Board. The Company Secretary has an important role in advisory and assisting the Board and Committees in achieving good corporate governance and ensuring compliance of statutory laws, rules and regulations of the Companies Act, 2016, Main Market Listing Requirements ("MMLR") of Bursa Securities, the Securities Commission guidelines and other relevant legislation and regulatory authorities.

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

The Company Secretary of the Group is suitably qualified and competent Company Secretary with relevant professional qualification and membership responsible to provide sound governance advice, ensure adherence to rules and procedures, advocate adoption of corporate governance best practices. The Company Secretary shall be the focal point for stakeholders' communication and engagement for corporate governance.

The Board will prepare a manual on the secretarial workflow within the next 5 years.

In particular, the Company Secretary is to:-

- Manage all board and committee meeting and facilitate board communications;
- Advise the board on its roles and responsibilities;
- Facilitate directors' orientation, coordinate directors' training and development;
- Advise the board on corporate disclosures and compliance with company, securities and listing laws;
- Manage processes of shareholder meeting;
- Keep abreast with corporate governance development and to assist the Board to apply; and
- Serve as a focal point for stakeholders' communication.

The Company Secretary should be equipped with knowledge in company and securities law, finance, governance, company secretaryship and listing requirements and to have continuous professional development/education. The Board as a whole is responsible for appointment and removal of Company Secretary.

The Company Secretary attended the following continuous professional development in 2017:-

- Malaysian Code on Corporate Governance: New Dimension (Roadshow)
- Changing Company Secretarial practices under the Companies Act 2016
- MA - what is the change?

1.4 Information and support for Directors

The Board shall meet at least four (4) times a year and has a formal schedule of matters reserved for the Board to decide. However, Special Meeting(s) may be convened as required. Notice of meetings and business to be conducted shall be given to members of the Board at least five (5) business days before the date of meeting.

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

I BOARD RESPONSIBILITIES *(Cont'd)*

1.4 Information and support for Directors *(Cont'd)*

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

- the quarterly report highlighting unaudited Group financial results and factors affecting the Group results;
- minutes of meetings of the Board and all committees of the Board;
- status of sales performance;
- management proposals that required Board's approval;
- list of Directors' circular resolutions passed during the period covered;
- list of Directors' dealings in securities during the period covered;
- list of announcements submitted to BMSB during the period covered; and
- major operational and financial issues.

Board papers, with sufficient details of the information and reports, are circulated via email to the Directors at least 5 business days before the date of meeting to review prior to the Board meeting. All matters arising from the previous meetings forms part of the agenda of the succeeding meeting and are reported in the next meeting in both of the Board meeting and its board committees accordingly. Board committees' minutes are presented to the Board members in the subsequent meeting.

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

Chairman of the Board meeting shall be the Chairman to the Board and in the absence of the Chairman and/or an appointed deputy in any meeting, the remaining members present shall elect one of themselves to chair the meeting in accordance with the provisions set out in the Constitution.

The quorum for meetings shall be two (2) members in accordance to Constitution. A duly convened meeting of a Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion vested in or exercisable by the Board.

The Board may invite external parties such as the Management, auditors, solicitors or consultants to brief and clear the Directors' doubt or concern as and when the need arises. External parties invited may attend part or all of the Board Meeting at the discretion of the Board.

The Company Secretary shall take minutes of the meetings which shall be with sufficient details of the deliberations and decisions made in the meeting and circulated to all members of the Board no less than one (1) month before the date of next meeting for review.

All Directors have full access to the information within the Company and are entitled to obtain full disclosure of facts from the management and advice or services from the Company Secretary or independent professional adviser at the Company's expenses in carrying out their duties. This ensures that all the matters that are put forward to the Board for decision making will be discussed and examined in an impartial manner, taking into account the long term interests of shareholders, employees, suppliers and other public in which the Group conducts its business. Administrative matters such as change of bank signatories are carried out vide written circular resolutions to save time and enhance efficiency. In fact, salient information is encapsulated in the said written circular resolution. Relevant supporting document/information pertaining to the matter will be attached to the written circular resolution to enable the Directors to make an informed decision. Summary of written circular resolutions passed since the last board meeting is brought to the attention of the Board in the next board meeting for notation and minuted.

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

I BOARD RESPONSIBILITIES *(Cont'd)*

1.4 Information and support for Directors *(Cont'd)*

The Company Secretary always prepared in advance an annual tentative calendar year to be approved in a Board of Directors' meeting held in the fourth quarter of each calendar year to enable the Directors to make themselves available for the meetings accordingly.

2.0 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 recently reviewed and approved by the Board on 28 February 2017.

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

The Board has identified Mr. Goh Tyau Soon as Senior Independent Director of the Company, to whom concern may be conveyed. Senior Independent Director is appointed by the Board from among the Independent Directors to lead the non-executive directors. The Senior Independent Director shall be reputable in the industry and corporate scene and possesses sufficient skills, knowledge and experience in the corporate directorship and industry.

In particular, the Senior Independent Director is:-

i. sounding board for Chairman (e.g. offer counsel to the chairman on matters such as board dynamics and concerns of stakeholders);

ii. leads the annual review of the Chairman and board effectiveness, ensuring that the performance of each individual director is assessed objectively and holistically;

iii. leads the succession planning and appointment of Board members, including the future Chairman and Chief Executive Officer;

iv. provides leadership support and advice to the Board in the event that the board is undergoing a period of stress;

v. serves as an intermediary for other directors when necessary;

vi. to handle for complaints relating to directors and other senior management;

vii. a conduit for other independent directors to voice their concerns;

viii. acts as point of contact for shareholders and other stakeholders particularly on concerns which cannot be resolved through the normal channels of the chairman and/or chief executive officer;

ix. acts as in independent channel for whistle blowers to direct reports/complaints, as identified in the Company's Whistleblowing Policy; and

x. ensuring the effective implementation of the Company's Whistleblowing Policy.

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

I BOARD RESPONSIBILITIES *(Cont'd)*

3.0 Code of Conducts and Ethics

The Board noted the importance of the Code of Ethics and Conduct and Whistleblowing Policy of the Company that emphasized the Company's commitment to ethical practices and compliance with the applicable laws and regulations which also governs the standards of ethics and good conduct expected from the Directors and employees of the Group. Audit Committee is entrusted with the task to look into ethical practices and compliance of the Group in 2018. During the financial year, Audit Committee did not receive any complaint or any whistleblowing case. This indicate the strong leadership management spearheaded by the Group Managing Director. Audit Committee will always look into the effectiveness on Whistleblowing Policy regularly.

The Directors' Code of Professional Ethic and Conduct and Whistleblowing Policy were formalized and approved by the Board on 31 March 2016. They are recently reviewed and approved by the Board on 28 February 2018. They are available on the Company's website @ http://www.ksl.my.

The Board is committed to formalize the Corporate Disclosure Policy within the next 5 years. The Board and its Management have been discharging its duties within the Bursa Malaysia Securities Berhad Listing Requirements all these while in the absence of the formal Corporate Disclosure Policy.

II. BOARD COMPOSITION

4.1 Independent Directors

During the financial year ended 31 December 2017, 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 the 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 28 to 30 of the Annual Report. However, this did not fulfill the Code's practice which requires at least half of the current board composition must be independent directors. The Directors, with their diverse backgrounds and a varied spectrum of expertise to bring into effectiveness of the Board and successfully direct of the Group.

The tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, the Independent Director may either retire or continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. Otherwise, the Board must satisfy itself with strong justification through rigorous review that the independency and objectivity of such Independent Director is not compromised by the passage of time and familiarity with the Executive Directors and senior management and to seek shareholders' approval, with sufficient information provided to the shareholders on the results of the review, in the event such director is to be retained as Independent Director.

If the Board is to continue to retain the Independent Director for a tenure of more than twelve (12) years, the Board should seek annual shareholders' approval through a two-tier voting process, whereby the decision for the resolution is determined based on a simple majority of Tier 1 and a simple majority of Tier 2. Such process is included in the Company's Constitution which is part of the forthcoming Annual General Meeting's agenda requires shareholders' approval.

The Board endeavours to increase the number of independent directors in the Company to at least half of the current board composition as well as the female director provided the Board can find a suitable, competent and capable candidate with due regard for diversity in skills, experience, age, cultural background and gender.

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

II. BOARD COMPOSITION *(Cont'd)*

4.1 Independent Directors *(Cont'd)*

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.

The Independent Directors are always encouraged to speak during Board's discussion and the Board is mindful of maintaining its independence at all times when discharging their duties. The Independent Directors are free from management of the Company's business and did not sit on the subsidiaries' board.

4.2 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.

The Board is responsible to determine its optimised size in order to carry out is responsibility and authority effectively and efficiently. The appointment of a new director is for consideration and decision by the full Board, upon the recommendation from the Nominating Committee. The evaluation of the potential candidate for new directorship and director nominated for re-election are delegated to Nominating Committee with recommendation being made to the Board for decision. Potential candidate for independent directorship is subjected to independence assessment based on MMLR of Bursa Securities. In evaluating the suitability of potential candidate 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

The Board endeavors not to solely rely on recommendations from existing board members, management or major shareholders for the nomination of new director and to expand the source to include recommendation by other professionals and open search within the next 5 years.

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.

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

II. BOARD COMPOSITION *(Cont'd)*

4.2 Nominating Committee *(Cont'd)*

On the appointment of the new director, such new director is required to commit sufficient time to the Board in order to discharge his/her duty and responsibility with reasonable due care, skills and diligence. Members of the Board are expected to devote sufficient time and effort to discharge their individual responsibilities with reasonable due care, skills and diligence.

It is the Board's policy that the former key audit partner for the external audit engagement of the Group are not appointed as a member of the Audit Committee for at least two years after he/she left the audit firm concerned.

In accordance with the Constitution of the Company, all the Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election. At least one third in number of the Board and who have been longest in office are subject to retirement by rotation during the annual general meeting. A newly appointed director shall retire at the next coming annual general meeting. A retiring Director is eligible for re-appointment.

The Board will look into developing a policy of rotating independent directors across its board committees within the next 5 years.

4.3 Diversity

The Company practices diversity at senior management level as it has 2 female senior managers of a total 14 senior management although the Company do not have any policy on diversity.

4.4 Chairman of Nominating Committee

Upon completion of annual assessment of the Board as a whole, Board committee and individual Directors, Nominating Committee Chairman will looks into the skillset required for the role as of each committee chairman and selects the most ideal Independent Director who is capable to meet the required expectations within the next 5 years.

The Board recognises the importance of continuous education of its members in order for its members to discharge their responsibilities and duties effectively. In addition to the mandatory programmes required by the Bursa Securities, the Directors shall continue to update their knowledge and enhance their skills through appropriate education programmes.

The Board shall, through Nominating Committee, to assess and determine the training needs of its individual members annually and ensure that the members of the board received relevant updates and training to update individual directors' knowledge and enhance their skills to effectively discharge their duties and responsibilities and to participate actively in the Board deliberations. Specifically, the Audit Committee members should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

In 2017, the Directors have attended the conferences, seminars and training programmes as mentioned below:-

1. Ku Hwa Seng

   a) 2018 Budget and Tax Conference
   b) Pengurusan Penyelenggaran Bangunan
   c) Seminar Perlaksanaan GST Dalam Industri Pembinaan

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

II. BOARD COMPOSITION *(Cont'd)*

4.4 Chairman of Nominating Committee *(Cont'd)*

2. Khoo Cheng Hai @ Ku Cheng Hai

   a) 2018 Budget and Tax Conference

3. Ku Tien Sek

   a) 2018 Budget and Tax Conference

4. Lee Chye Tee

   a) Withholding Tax in Malaysia – Principles and Latest Developments
   b) Practical Guide to the New Withholding Tax Regime
   c) Income Tax & GST Implication and Application Leveraging the New Companies Act 2016
   d) Business Sustainability and Reporting Key to Business Success Today
   e) Real Property Gains Tax (RPGT) – Implications and Exemptions
   f) Mastering GST Accounting, Reporting and GST Audits
   g) Technical brief on MFRS 15/IFRS 15 – Revenue from Contracts with Customers
   h) Persidangan Perlindungan Data Peribadi
   i) 2018 Budget Seminar – Updates and Insights for Corporate Accountants

5. Gow Kow

   a) Seminar Percukaian Kebangsaan 2017
   b) Malaysian Private Entities Reporting Standards (MPERS) – A Comprehensive and Practical Approach
   c) Transfer Pricing in Malaysia
   d) Recent Tax Cases 2017
   e) Income Tax & GST Implication and Application Leveraging the New Companies Act 2016

6. Tey Ping Cheng

   a) GST Common Errors and Mitigating Risks
   b) 2-day Workshop on Companies Act 2016 organised by MACS
   c) Understanding the legal and practical aspects on deductibility of expenses based on Public Rulings
   d) Malaysian Company Secretaries Conference 2017
   e) 2018 Budget Seminar

7. Goh Tyau Soon

   a) 2018 Budget and Tax Conference

5.1 Evaluation of Board and individual Directors

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

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

II. BOARD COMPOSITION *(Cont'd)*

5.1 Evaluation of Board and individual Directors *(Cont'd)*

The Board delegated the annual assessment of effectiveness of the Board as a whole, individual members (including Chief Executive Officer and Chief Financial Officer who is not director) and its Board Committees to Nominating Committee. Nominating Committee is required to carry out the assessments, at least once per financial year, based on the following main criteria, inter alia:-

- 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.

and to report assessment of the full Board, Board Committees and individual board members (including Chief Executive Officer and Chief Financial Officer who is not director) to the Board for review and discussion for further improvement annually.

Independent Directors are subjected to independence assessment annually based on the criteria set out in the MMLR of Bursa Securities.

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. Mr Tey always shared his insight on the latest compliance on various regulations such as tax, audit and others whilst Mr Goh provides legal inputs to the Executive Directors whenever their advice and thoughts are required.

Currently, the Board do not have a policy on the tenure of its Independent Directors as the Board believes that the Independent Directors continued contribution especially their knowledge of the Group's operations and their insights of the industry gained throughout their tenure will benefits the Group in the long run. In addition, the Board undertakes their independence, suitability and competency are reviewed annually. During the financial year under review, the Nominating Committee had assessed the Board effectiveness, its size and structure using self-evaluation methodology. Overall of the annual assessment, the Board was satisfied with the level of independence, due diligence and integrity 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.

Notwithstanding that Mr. Gow Kow, Mr. Goh Tyau Soon and Mr. Tey Ping Cheng have served on the Board for more than twelfth (12) years since the Company was listed on 6 February 2002 by 31 December 2017, 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.

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

II. BOARD COMPOSITION *(Cont'd)*

5.1 Evaluation of Board and individual Directors *(Cont'd)*

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

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

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.

g. They are not afraid to ask uncomfortable questions on all matters particularly sensitive matters during board deliberations and express their criticism or disagreement to management or professional advisers if necessary.

h. They actively pursue unresolved matters till obtained favourable responses or it is resolved.

The Board is committed in undertaking an assessment for the board committees, external auditors, internal auditors and company secretary in the next financial year.

III. REMUNERATION

6.1 Remuneration Policy and Procedures

In consideration of the recommendation from Remuneration Committee, the Board is responsible to determine the level of remuneration of the Directors and senior management of the Group in such a manner to promote and support long term vision and strategies of the Group.

The remuneration structure of senior management shall attract and retain key personnel of requisite quality for long term value creation as well as motivating and incentivising senior management to perform their best for the Group.

Non-Executive Directors will be paid based on fixed fees commensurate with their responsibilities in the Board and Board Committees and their attendance at the meetings, subject to approval from shareholders. The determination of the remuneration package of Non-Executive Directors should be a matter for the full Board, with individual director concerned should abstain from discussion of their own remuneration. Remuneration package of Non-Executive Directors shall not include an element of commission or percentage of turnover or profits.

Director shall not discuss and decide on his/her own remunerations, fees and benefit-in-kind during relevant committee and board meeting and director and his/her person connected with shall be abstained from vote on his/her remunerations, fees and benefit-in-kind during general meeting.

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

III. REMUNERATION *(Cont'd)*

6.1 Remuneration Policy and Procedures *(Cont'd)*

In the absence of a formal Directors' remuneration framework, the Remuneration Committee of the Company is responsible for recommending to the Board a remuneration package for Executive Directors that is related to their individual performances in the Group. The Remuneration Committee also recommends to the Board a remuneration package 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 with full understanding of the complexities of the Company's remuneration scheme. The Board is committed to formalize the Directors' Remuneration Framework in the next 5 year to be in line with the risk strategy and corporate values of the Company in consultation with those in charge of internal control and risk management functions to attract and retain suitable candidates in the Company. Thereafter, it will be review periodically to ensure retention of key personnel.

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

6.2 Remuneration Committee

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 2017 was as follows:-

Remuneration	Executive Directors RM '000	Non-Executive Directors RM '000
Directors' Fees	-	90
Salaries	16,744	-
Allowances	180	15
Bonuses	13,258	-
Total	30,182	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 400,001 tp RM 450,000	1	-
RM 9,500,001 to RM 10,000,000	2	-
RM 10,000,001 t0 RM 10,200,000	1	-
Total	4	3

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

III. REMUNERATION *(Cont'd)*

6.1 Remuneration Policy and Procedures *(Cont'd)*

A summary of remuneration packages of the top senior management team of the Company during the FYE 31 December 2017 was as follows:-

Range of Remuneration	# of Top Senior Management
RM 250,001 to RM 300,000	1
RM 1,000,001 to RM 1,500,000	1
	2

The Board will look into developing a policy of rotating the remuneration committee members whilst by taking into account the need to weigh the member's experience and knowledge against the risk of complacency within the next 5 years.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

8.1 Audit Committee

The Audit Committee is chaired by Gow Kow who is an Independent Director is not the Chairman of the Board. All the Audit Committee members are Independent Directors and financially literate. The Audit Committee recently reviewed its terms of reference to include the observation of cooling period of 2 years by former key audit partner after he/she has left the audit firm concerned. All Audit Committee members undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. Details of their training are listed in Pages 47 and 48 of this report.

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

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

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

The Board will develop structured communication channels between the Board and Audit Committee in next 5 years. In its absence, Audit Committee Chairman always report the proceedings of its meeting to the Board in its meeting which is held on the same day. In fact, the Board always consult the Audit Committee over any unresolved and uncertain issues whenever possible.

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 although there is a lack of formal policy and procedure in relation thereto. 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.

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *(Cont'd)*

I. AUDIT COMMITTEE *(Cont'd)*

8.1 Audit Committee *(Cont'd)*

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

During the financial year under review, the Group's External Auditors were invited and attended all the Audit Committee meetings and most of the Board meetings. Private session between External Auditors and Audit Committees have been established to discuss on all audit issues. External Auditors highlighted areas of emphasis to the Audit Committee and relevant actions have been taken by Management accordingly. As there is no major issue discovered by External Auditors, the Audit Committee is of the opinion that the financial statements for the financial year ended 31 December 2017 provides a true and fair view of the Company's financial position and performance.

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 Auditors, and/or removal of the existing External Auditors at the general meeting.

3. Annual Performance Assessment

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

   a. Service quality;
   b. Competency;
   c. Nature and extent of non-audit services;
   d. Sufficiency of resources;
   e. Communication with management; and
   f. Independence and professionalism

A summary of Audit Committee activities during the year was set out in the Audit Committee Report on pages 33 to 35 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *(Cont'd)*

8.2 Independence of the Audit Committee

The proceedings of the Audit Committee are minuted including but not limited to comments and enquiries raised by Independent Directors. In fact, all concerns of the Audit Committee are raised in the Board meeting as well.

The Board will put in place mechanisms for Independent Directors to disclose changes in relationships or circumstances which may impact their independence as well as developing channels for Audit Committee members to enlist the services of third party experts in the next 5 years.

8.3 Financial literacy

The Board will induct Directors with sector-specific financial literacy into the Audit Committee in next 5 years. In addition, the Board will put in place a comprehensive induction programme for new audit committee members, covering the business and financial dynamics of the Company and establish structured professional development programmes for members of the Audit Committee on an ongoing and timely basis in the next 5 years.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board acknowledges its overall responsibility to maintain a sound risk management framework and effective internal control system to safeguard the Group's assets and consequently the shareholders' investment in the Company. However, it should be noted that, by its nature and its design, the system of internal controls is to manage rather than to eliminate risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against fraud, misstatement or loss. The Risk Management Committee was formed on 26 February 2014 to assist the Board in identifying, mitigating and monitoring critical risk highlighted by businesses units. The Risk Management Committee comprises the following members:

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

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

The Board will establish platforms for periodic engagement sessions between the Risk Management Committee and senior management within the next 5 years. The key senior management usually attends all Board and board committees' meetings of the Company.

The details of key risk areas and key features of the Risk Management Framework are set out in its term of reference which is available for viewing at the Company's website at http://www.ksl.my.

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *(Cont'd)*

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK *(Cont'd)*

2.0 Internal Audit Function

The Group's Internal Audit Function has been outsourced to an external consultant, Messrs Needsbridge Advisory Sdn. Bhd., spearheaded by Mr Pang Nam Ming who reports directly to the Audit Committee. Mr Pang is a Certified Internal Auditor ("CIA") accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. Hence the internal audit personnel are free from any relationship or conflict of interest which could impair their objectivity and independence. A total of nine (9) staff is managing the Company's internal audit within the scope of work identified by the Audit Committee in consultation with Executive Directors. Internal Auditors confirmed that they carried out their work within the international recognized framework.

The Board did not have formal qualification and competency of the internal audit function at the moment as it has been outsourced to an external consultation which should be deemed qualified within the recognized framework of its esteemed governing bodies. The Board will look into this in the next 5 years.

The Board will establish platforms for external auditors and internal auditors to communicate and coordinate their work within the next 5 years.

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 C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLERS

I. COMMUNICATION WITH STAKEHOLDERS

11.1 Communication with its stakeholders

The Board shall ensure timely release of financial results and announcements to provide shareholders with an overview of the Company's performance, corporate exercises and strategies and any other matters affecting the shareholders' interests. The Board to ensure material, non-public information shall be disclosed and disseminated in a manner which ensures fair and equitable access and by all stakeholders without selective disclosure as stipulated in Bursa Malaysia Securities Berhad Listing Requirements.

The Board shall ensure effective communication of the information on operations, activities and performance of the Group to the Shareholders and other stakeholders via the following channel:

a. The Annual Report

- Contains the financial and operational review of the Group's business, corporate and financial information and the information on the Board and Committees.

b. General Meeting of the Company:

- Adequate time during general meetings for the Board to answer questions raised and clarification required by the shareholders.
- Notice of General Meetings to be of sufficient details and information on agenda and issued at least 28 days prior to the meeting.
- All directors to present to the General Meeting so that effective two-way communication is preserved.
- Chairman of all the committees and External Auditors to present to answer questions pertaining to the duties per respective terms of reference and engagement terms.

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLERS *(Cont'd)*

I. COMMUNICATION WITH STAKEHOLDERS *(Cont'd)*

11.1 Communication with its stakeholders *(Cont'd)*

c. Announcement made to Bursa Malaysia

- The announcement to be made based on the relevant Bursa Malaysia Securities Berhad Listing Requirements and rules. All material information is to be communicated through announcement via Bursa Securities Malaysia Berhad's BursaLink.

d. Press Conference and Briefing

- The Board to ensure such conference and briefing is to elaborate or further clarify material information already disclosed publicly as per Bursa Malaysia Securities Berhad Listing Requirements. The Board welcome the participation of the shareholders during press conference and briefing.

e. Company website and Social Media

- Contains information of the company such as products, services and activities.

The Board acknowledges the importance of ensuring that it has in place, appropriate corporate disclosure policies and procedures which leverages on information technology as recommended by the Code. The Company's investor relations function is oversee by Mr Lee Chye Tee in view of its organization size. Members can keep themselves abreast with the developments of the Company through electronic means such as announcement made to Bursa Malaysia Securities Berhad ('BMSB'), the Company's website and social media. The Board will develop the Company's stakeholder communication policy within the next 5 years.

II. CONDUCT OF GENERAL MEETINGS

12.1 Notice of general meeting

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 as well as the Chairman of the board committees attend the Annual General Meeting to provide a written answer to any significant question that may not be readily answered on the spot.

The Board has been proactive by carrying out voting for all resolutions by way of polling via polling station in last year Annual General Meeting with scrutineers being appointed as required by BMSB LR. Although BMSB LR requires 21 days' notice to hold an Annual General Meeting, the Code encourages 28 days' notice. Notice of Annual General Meeting provides further explanation for the resolution proposed to enable shareholders to make an informed decision in exercising their voting rights. These have been fully applied in this Annual Report.

The Board is looking into ways of disseminating the notice or documents via electronic means to provide shareholders with alternative avenues to access the notice or documents within the next 5 years.

CORPORATE GOVERNANCE OVERVIEW *(Cont'd)*

PRINCIPLE C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLERS *(Cont'd)*

II. CONDUCT OF GENERAL MEETINGS *(Cont'd)*

12.2 Attendance

The Directors are aware of their duties of keeping shareholders updated with the Company's development. The Directors always attend the Company's annual general meeting all these while. The Directors take the opportunity to interact with shareholders before and after the general meetings to understand the concerns and insights from shareholders of the Company.

12.3 Electronic voting

The Board has invested in electronic voting for shareholders in its Annual General Meeting.

OTHERS

(1) MATERIAL CONTRACTS

During the financial year under review, there were no material contract, 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 30 to the Financial Statements on pages 174 to 175 of this Annual Report.

(3) UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised from corporate proposals during the financial year under review.

(4) NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year under review was by the External Auditors was RM11,000.

(5) MATERIAL CONTRACT RELATING TO LOAN

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

The Board reviewed and approved this Statement on 28 March 2018.

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 2017, which has been prepared pursuant to paragraph 15.26(b) and Practice Note 9 of of Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements for the Main Market and as guided by Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"). 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.

BOARD RESPONSIBILITIES

The Board of Directors ("the Board") affirms its overall responsibility for maintaining a sound risk management and internal control systems and for reviewing their adequacy and effectiveness so as to so as to achieve the Group's corporate objectives and strategies and to establish risk appetite of the Group based on the corporate objectives, strategies, external environment, business nature and corporate lifecycle as well as safeguard all its stakeholders' interests and protecting the Group's assets. The Board is committed to the establishment and maintenance of an appropriate control environment and framework that is embedded into the corporate culture, processes and strategies of the Group. The Board delegates the duty of identification, assessment and management of key business risks to the Risk and Sustainability Management Committee. As at the date of this statement, the Board has delegated the review roles to the Board Risk Management Committee (for risk management) and Audit Committee (for internal controls) whereby the Board Risk Management Committee and Audit Committee are assigned with the duty, through its terms of reference approved by the Board, to provide assurance to the Board on the effectiveness of risk management and internal control systems of the Group respectively. Through the Board Risk Management Committee and Audit Committee, the Board is kept informed of all significant control issues brought to the attention of the Board Risk Management Committee and Audit Committee by the Management, the internal audit function and the external auditors.

The system of internal controls covers inter-alia, risk assessment as well as financial, operational, environmental and compliance controls. However, in view of the limitations that are inherent in any system of internal controls, the system of internal controls is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business objectives. Accordingly, the system of internal controls can only provide reasonable and not absolute assurance against material misstatement of losses and fraud.

RISK MANAGEMENT

The Board recognises that a sound risk management system is critical in the pursuit of its strategic objectives and maintains an on-going commitment for identifying, evaluating and managing significant risks faced by the Group during the financial year under review. The Board maintains an on-going commitment for identifying, evaluating and managing significant risks faced by the Group systematically during the financial year under review. During the financial year under review, the Board had put in place a structured Risk Management Policy (last updated in November 2017 and approved by the Audit Committee and the Board), as the governance structure and processes for the risk management on enterprise wide, in order to embed the risk management practice into all level of the Group and to manage key business risks faced by the Group adequately and effectively as second line-of-defense. The duties for the identification, evaluation and management of the key business risk are delegated to the Risk and Sustainability Management Committee, led by the Managing Director. The Risk Management Policy is established with reference to ISO 31000:2009 – Principles and Guidelines and Enterprise Risk Management – Integrated Framework 2004 by the Committee of Sponsoring Organizations of the Treadway Commission.

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

RISK MANAGEMENT *(Cont'd)*

The Risk Management Policy established lays down the risk management's objectives and processes established by the Board with formalized governance structure of the risk management activities of the Group established as follows:

Clear roles and responsibilities of the Board, the Audit Committee, Risk and Sustainability Management Committee, risk owners, Key Risk and Sustainability Officer and internal audit function are defined in the Risk Management Policy. In particular, the roles and responsibilities of the Risk & Sustainability Committee in relation to the risk management are as follows:-

(a) implement the risk management policy as approved by the Board;
(b) implement the risk management process which includes the identification of key risks and devising appropriate action plan(s) in cases where existing controls are ineffective, inadequate or non-existence and communicate methodology to the risk owners;
(c) ensure that risk strategies adopted are aligned with the Group's organisational strategies. (e.g. vision/mission, corporate strategies/goals, etc.), risk management policy & process and risk appetite/tolerance;
(d) continuous review and update of the Key Risk Profiles of the Group due to changes in internal business processes, business strategies or external environment and determination of management action plan, if required;
(e) update the Board, through the Audit Committee, on changes to the Key Risk Profiles on periodical basis (at least on annual basis) or when appropriate (due to significant change to the internal business processes, business strategies or external environment) and the course of action to be taken by management in managing the changes; and
(f) to perform risk identification and assessment in relation to major asset/business acquisition or divestment or business diversification or business consolidation and to report the results of the assessment to the Board for strategic decision making.

Apart from the duty to monitor the implementation and compliance with approved risk policies and processes of the Group and that significant risks identified are being responded to appropriately, the Audit Committee is entrusted the duty to review and assess the adequacy and effectiveness of the risk management structure, approved risk policies, processes, and support system and to recommend such changes as may be deemed necessary to the Board.

In addition, the risk owners, i.e. the heads of departments/divisions, is designated as risk owners within their area of expertise and operational responsibilities with the following roles and responsibilities:

(a) manage the risks of the business processes under his / her control;
(b) continuously identify risks and evaluate existing controls. If controls deemed ineffective, inadequate or non-existent, to establish and implement controls to reduce the likelihood and/or impact;
(c) to report to the Risk and Sustainability Management Committee of the emergence of new business risks or change in the existing business risks on a timely manner and assist the Risk and Sustainability Management Committee with the development of the management action plans and implement these action plans;

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

RISK MANAGEMENT *(Cont'd)*

(d) assist the Risk and Sustainability Management Committee with the half-yearly update of the changes in the Key Risks Register, management action plans and the status of these plans; and
(e) ensure that staffs working under the him/her understand the risk exposure of the relevant process under his / her duty and the importance of the related controls.

Systematic risk management process is stipulated in the Policy, whereby each step of the risk identification, risk assessment, control identification, risk treatment and control activities are laid down for application by the Risk and Sustainability Management Committee and the risk owners. Risk assessment, at gross and residual level, are guided by the likelihood rating and impact rating established by the Board, incorporating the risk appetite of the Board, are stipulated in the Policy. Based on the risk management process, key risk registers were compiled by the Risk and Sustainability Management Committee with the participation of the risk owners, with relevant key risks identified rated based on the agreed upon risk rating. The key risk registers are used for the identification of high residual risks which is above the risk appetite of the Group that require the Management and the Board's immediate attention and risk treatment as well as for future risk monitoring. As an important risks monitoring mechanism, the Management is scheduled to review the key risk registers of key operating subsidiaries and assessment of emerging risks identified at strategic and operational level on annual basis or on more frequent basis if circumstances required and to report to the Audit Committee on the results of the review and assessment.

During the financial year under review, the Risk and Sustainability Management Committee conducted review and assessment exercises whereby existing environment, business and strategic, human resources, operational, finance, legal and compliance and information technology risks of key business units were reviewed with emerging risks assessed and incorporated into the key risk registers for on-going risk monitoring and assessment, after taken into consideration of the internal audit findings. Updated key risk registers were tabled to the Audit Committee for review and deliberation and for its reporting to the Board, which assumes the primary responsibility of the risk management of the Group. The control activities and proposed management action plans for each key business risks, as one of the key components of the key register, were tabled to the Audit Committee for review for its adequacy and effectiveness to mitigate the key business risks identified to acceptable level.

At strategic level, business plans, business strategies and investment proposals with risks consideration are formulated by the Group Managing Director and/or Senior Management and presented to the Board for review and deliberation to ensure proposed plans and strategies are in line with the Group's risk appetite approved by the Board. In addition, specific strategic and key operational risks are highlighted and deliberated by the Audit Committee and/or the Board during the review of the financial performance of the Group in the scheduled meetings.

As first-line-of-defense, respective risk owners, i.e. the heads of departments/divisions, are responsible for managing the risks under their responsibilities. Risk owners are responsible for effective and efficient operational monitoring and management by way of maintaining effective internal controls and executing risk and control procedures on a day-to-day basis. Changes in the key operational risks or emergence of new key business risks are identified through daily operational management and controls and review of financial and operational reports by respective level of Management generated by internal management information system supplemented by external data and information collected. Respective risk owners are responsible to assess the changes to the existing operational risks and emerging risks and to formulate and implement effective controls to manage the risks. Critical and material risks are highlighted to the Senior Management or the Risk and Sustainability Management Committee for the final decision on the formulation and implementation of effective internal controls and its reporting to the Audit Committee and/or the Board.

The monitoring of the risk management by the Group is enhanced by the internal audits carried out by the internal audit function with specific audit objectives and business risks identified for each internal audit cycle based on the internal plan approved by the Audit Committee.

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

RISK MANAGEMENT *(Cont'd)*

The above process has been practiced by the Group for the financial year under review and up to the date of approval of this statement.

INTERNAL CONTROL SYSTEM

The key features of the Group's internal control systems are described below:-

- **Board of Directors/Board Committees**

  Board Committees (i.e. Audit Committee, Remuneration Committee and Nomination Committee) are established to carry out duties and responsibilities delegated by the Board, governed by written terms of reference.

  Meetings of Board of Directors and respective Board Committees are carried out on scheduled basis to review the performance of the Group, from financial and operational perspective. Business plans and business strategies are proposed by the Senior Management for the Board's review and approval, after taking into risk consideration and responses.

- **Integrity and Ethical Value**

  The tone from the top on integrity and ethical value are enshrined in formal Code of Business Conduct and Ethics for Directors established and approved by the Board. This formal code forms the foundation of integrity and ethical value for the Group.

  Integrity and ethical value expected from the employees are incorporated in the Employees Handbook whereby the ethical behaviours expected of the employees are stated. Codes of conduct expected from employees to carry out their duties and responsibilities assigned are also established and formalised in Employees Handbook.

  To further enhance the ethical value throughout the Group, formal Conflict of Interest Framework approved by the Board for implementation by the Management to reduce the risk of conflict of interest within the Group.

- **Organisation Structure and Authorisation Procedures**

  The Group has a formal organization structure in place to ensure appropriate level of authorities and responsibilities are delegated accordingly to competent staffs in achieving operational effectiveness and efficiency. The authorisation requirements for key processes are incorporated in the design of the forms and stated in the Group's policies and procedures.

- **Policies and Procedures**

  The Group has documented policies and procedures that are regularly reviewed and updated to ensure its relevance to support the Group's business activities in achieving the Group's business objectives.

- **Human Resource Policy**

  Comprehensive guidelines on the human resource management are in place to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees possessing necessary knowledge, skill and experience in order to carry out their duties and responsibilities assigned effectively and efficiently.

  Performance evaluations are carried out for all levels of staff to identify performance gaps, for training needs identification and talent development.

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

INTERNAL CONTROL SYSTEM *(Cont'd)*

- **Information and Communication**

  At operational level, clear reporting lines established across the Group and operation reports are prepared for dissemination to relevant personnel for effective communication of critical information throughout the Group for timely decision making and execution in pursuit of the business objectives. Matters that require the Board and the Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

  The Group puts in place effective and efficient information and communication infrastructures and channels, i.e. computerized systems, secured intranet, electronic mail system and modern telecommunication, so that operation data and management information can be communicated timely and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders for execution and information collection. Apart from that, relevant financial and management reports are generated for different level of the organization structure for review and decision making. The management and board meetings are held for effective two-way communication of information at different level of management and the Board.

- **Monitoring and Review**

  As Executive Directors are closely and directly involved in daily operations of the Group, regular reviews of operational data including development progress, marketing and financial data are performed by the Executive Directors. Apart from the above, the quarterly financial performance review containing key financial results and comparison against previous corresponding financial results are presented to the Board for their review.

  Periodical management meetings are held to discuss and review financial and operational performance of key divisions/departments of the Group. The monitoring of compliance with relevant laws and regulations are further enhanced by independent review of specific areas of safety, health and environment by independent consultants engaged by the Group, served as the fourth line of defence.

  Apart from the above, monthly management accounts and the quarterly financial statement containing key financial results are presented to the Board for their review. Operational and financial performance report is also presented by the Senior Management during the Board's meeting for the Board to assess the operational performance and future prospect of the Group as well as the external environment faced by the Group ahead.

  Furthermore, internal audits are carried out by the internal audit function (which reports directly to the Audit Committee) on key risk areas identified based on the key risk profile of the Group. The internal audit functions assess the adequacy and effectiveness of internal controls in relation to specific governance, risk and control processes and highlights potential risks and implications of its observations that may impact the Group as well as recommend improvements on the observations made to minimise the risks. The results of the internal audits carried out are reported to the Audit Committee.

INTERNAL AUDIT FUNCTIONS AND ACTIVITIES

The review of the adequacy and effectiveness of the Group's risk management and internal control system is outsourced to independent professional firm, who, through the Audit Committee provides the Board with much of the assurance it requires in respect of the adequacy and effectiveness of the Group's systems of the risk management and internal control.

The outsourced internal audit function is reporting to the Audit Committee directly and the engagement director is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. The internal audits are carried out, in material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global.

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

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

Risk-based internal audit plan in respect of financial year ended 31 December 2017 was drafted by the outsourced internal audit function, after taking into consideration existing and emergent key business risks identified in the key risk profile of the Group, the Senior Management's opinion and previous internal audits performed, and was reviewed and approved by the Audit Committee prior to execution. Each internal audit cycles within the internal audit plan are specific with regard to audit objective, key risks to be assessed and scopes of the internal control review.

As third-line-of-defense, the internal control review procedures performed by the outsourced internal audit function are designed to understand, document and evaluate risks and related controls to determine the adequacy and effectiveness of governance, risk and control structures and processes and to formulate recommendations for improvement thereon. The internal audit procedures applied principally consisted of process evaluations through interviews with relevant personnel involved in the process under review, review of the Standard Operating Procedures and/or process flows provided and observations of the functioning of processes in compliance with results of interviews and/or documented Standard Operating Procedures and/or process flows. Thereafter, testing of controls for the respective audit areas through the review of the samples selected based on sample sizes calculated in accordance to predetermined formulation, subject to the nature of testing and verification of the samples.

During financial year ended 31 December 2017, the outsourced internal audit function has conducted review for the following business processes as approved by the Audit Committee:

1. Sales, procurement, housekeeping, maintenance management of hotel operations in Johor Bahru, Malaysia;
2. Tenancy management of mall operations in Johor Bahru, Malaysia; and
3. Project management (included in-progress project management and monitoring, progress claim, variation order, quality management, tendering management subcontractor and procurement and payment processing) and Sales and Marketing Management (included sales activities and processing, progress billing and discount and rebate) for key subsidiary undertaking property development projects based in Klang, Malaysia.

Upon the completion of the individual internal audit field works during the financial year, the internal audit reports were presented to the Audit Committee during its scheduled meetings. During the presentation, the internal audit findings and recommendations as well as management response and action plans are presented and deliberated with the members of the Audit Committee to ensure its adequacy to address the potential risks identified. Update on the status of action plans as identified in the previous internal audit report are presented at subsequent Audit Committee meeting for review and deliberation.

In addition, during the scheduled Audit Committee meetings, the outsourced internal function reported its staff strength, qualification and experience as well as continuous professional education for the Audit Committee's review.

The cost incurred in maintaining the outsourced internal audit functions for the financial year ended 31 December 2017 amounted to RM48,332.

ASSURANCE PROVIDED BY THE MANAGING DIRECTOR AND FINANCE DIRECTOR

In line with the Guidelines, the Managing Director, being highest ranking executive in the Company and Finance Director, being the person primarily responsible for the management of the financial affairs of the Company have provided assurance to the Board stating that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

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

OPINION AND CONCLUSION

Based on the review of the risk management process and internal control system as well as the monitoring and review mechanism stipulated above coupled with the assurance provided by the Managing Director and the Finance Director, the Board is of the opinion that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

The Board is committed towards maintaining an effective risk management and internal control systems throughout the Group and where necessary put in place appropriate plans to further enhance the Group's systems of internal control. Notwithstanding this, the Board will continue to evaluate and manage the significant business risks faced by the Group in order to meet its business objectives in the current and challenging business environment.

REVIEW OF STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The Board reviewed and approved this Statement on 28 March 2018.

SUSTAINABILITY STATEMENT

Introduction

This is KSL Holdings Berhad's ("the Company") first Sustainability Statement for the financial year ended 31 December 2017. The Board is committed to continuously update the sustainability progress and engage openly with the Company and its subsidiaries' ("the Group") stakeholders through transparent sustainability reporting. We recognise that stakeholder engagement plays an important role to ensure the businesses pursued by the Group is sustainable in the long term. Through Sustainability Statement, we provide our stakeholders a better understanding on our approach to sustainability and progress in meeting these commitments.

The Board of Directors of the Company acknowledges that businesses are not judged not solely on its financial performance but also, not to a lesser extent, on its conducts in respect of governance, economic, environment and social aspect in order to sustain in this challenging environment and to create value to its stakeholders on long term sustainable manner. It is, therefore, the underlying value of the Group to achieve optimum equilibrium between short-term financial performance and its long-term business sustainability and value creation. The Board is committed to promote good sustainability practices and to continuously integrate such practices into its working environment, business processes and strategy making process. As such, the Group is committed to be accountable and transparent in its sustainability performance.

The Board is pleased to present this Sustainability Statement for the financial year ended 31 December 2017 prepared pursuant to paragraph 29 in Part A of Chapter 9 - Appendix 9C Main Market Listing Requirements ("MMLR") of Bursa Securities Malaysia Berhad's ("Bursa Malaysia") whereby the Company is required to prepare a narrative statement of the Company's management of material economic, environmental and social risks and opportunities. In particular, the Company is to disclose the management of material sustainability matters in accordance with Part III of Practice Note 9 of MMLR on the content of the Sustainability Statement and Sustainability Reporting Guide issued by Bursa Securities ('the Guide").

Scope of the Statement

This Statement covers all business operations of the Group, i.e. property development and property investment, for the only geographical location the Group is operating in, namely, Malaysia. The contents of this Statement primarily include activities carried out during the financial year ended 31 December 2017 and up to the date of this Statement. This Statement covers the Group's economic, environmental and social management and performance across all business operations in Malaysia. The Board have adhered the Statement to define stakeholder engagement, materiality assessment, sustainability commitment and achievement, and the complete information of significant economic, environmental, and social impact for assessment of the Group's management and performance.

The disclosures of the corporate governance practices and compliance with relevant provisions and requirements per Main Market Listing Requirements and Malaysia Code on Corporate Governance 2017 are made in the Corporate Governance Overview Statement and Corporate Governance Report in the Annual Report.

Value Championed by the Group

- Creativity, Innovation, Lifestyle and Functionality are the main elements in providing a niche and exclusive development to its buyers
- Shares common values in creating a quality lifestyle and eco-friendly living environment for its residents
- The creation of a holistic community which spurs socioeconomic growth as a whole
- Earning loyalty from customers by providing incessant value for money with good product quality and eminent services in the industry whilst delivering innovative and excellent products that provide customer satisfaction
- Developing an exhilarating concept that exhibits style, elegance and distinct design, creating an invigorating environment, leveraging on the best technological, innovative and creative methods at hand
- Cultivating better investor relations with stakeholders in sustaining business growth, accountability and profitability in providing continuous growth and development
- Creating a good and cohesive working environment between employers and employees to provide the best results and successful outcome

SUSTAINABILITY STATEMENT *(Cont'd)*

Sustainability Principles

As the highest governance body within the Group, the Board assume the ultimate accountability for the integration of sustainability in the Group, including sustainability-related strategy and performance. The sustainability principles instilled by the Board are:

- To observe and comply with all relevant legislation, regulations, recommended trade practice and code of practice applicable and relevant to the Group;
- To consider sustainability matters and integrate these considerations into the Group's business operations and when making and implementing business strategies;
- To manage sustainability matters in structured and systematic manner, whereby sustainability matters are embedded throughout the Group and to be documented, continuously assessed and managed with reporting to the Board on scheduled interval or as and when the materiality of the sustainability matters requires such reporting;
- To continuously promote, train and communicate with all employees, suppliers, business partners and other relevant stakeholders to ensure that they are aware of, and are committed to, implementing and measuring sustainability activities as part of the Group's or their strategy, taking into consideration economic, environment, social and governance aspects;
- To continuously engage and communicate with all relevant stakeholders for the identification, assessment and management of material sustainable issues; and
- To strive to improve the Group's sustainability performance over times.

Sustainability Policy

The Sustainability Policy established by the Board is guided by the 17 Sustainable Development Goals ("SDGs") developed by the United Nations to address a range of social and economic development issues, just name a few, poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, environment and social justice.

SUSTAINABILITY STATEMENT *(Cont'd)*

Sustainability Policy *(Cont'd)*

- **Sustainable Economic Policy**

    - To ensure economic interest of all relevant stakeholders are preserved in all significant business operations and strategic business decisions
    - To promote the economic development of the communities where the significant business operations are carried out or when making business strategy decision or when implementing business strategies

- **Sustainable Environment Policy**

    - To comply with all guidelines and regulations relating to the preservation of environmental aspects in relevant jurisdiction where the Group is operating
    - Comply with good environment practice in the business conducts and implement appropriate measures to reduce the impact on the environmental aspect arising from activities of the Group
    - To avoid contamination and improve the quality of environmental management
    - To reduce carbon footprint through product designs that is energy-efficient, optimise manufacturing efficiency and through investment in energy-efficient production machinery
    - To conserve the consumption of water, electricity and other natural resources in the business operations
    - To implement "Reuse, Reduce and Recycle" policy across the Group and along the internal value chain;
    - To ensure all materials, where possible, are sourced from sustainable, renewable or recycled means and assess and monitor external value chain partners to make sure the Group's environment objectives and procedures are compiled
    - To protect, and proactively manage our impact on biodiversity in the ecosystems over which the Group is operating

- **Sustainable Social Policy**

    - To ensure that all stakeholders should receive fair treatment and do not engage in or support discrimination based on race, nationality, religion, disability, gender, age, sexual orientation, union membership and political body
    - To ensure that the Group's and the suppliers'/subcontractors' human resources are with the right to not be discriminated against, not to be enslaved, to be treated with dignity, to have the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay and the right to freedom of opinion and expression
    - To ensure that the Group, the suppliers/subcontractor to not allow an individual under the age of 18 to be employed at the workplaces of the Group accordance with applicable laws and regulations
    - To provide a safe and healthy workplace for all of its human resources, customers, suppliers, subcontractors, business partners and the public at large and all the relevant stakeholders have the right to work in a safe and healthy environment, consistent with the Occupational Safety and Health Act and any other applicable legislation
    - To prohibit agreements or other coordinated activities with competitors, customers or suppliers that limit competition, abuse of a dominant position, monopolisation or attempted monopolisation and concentrations between companies that may substantially lessen competition
    - To conduct its business in an open, honest and ethical manner with conflict of interest situation properly addressed and to adopt a zero-tolerance approach to all forms of bribery and corruption. To ensure that all level of employees, suppliers/subcontractors, customers, business partners and other stakeholders do not engage in corrupt practice, take unfair advantage of any other person, including without limitation, participating in illegal practices (for example, misleading and deceptive conduct, misrepresentation and undue influence, as well as conduct which are legal but unethical)
    - To promote development of the local communities through direct support of local communities, charitable donations and support of non-profit agencies in the communities in which the Group is operating. To nurture long term relationship with the local communities and to provide safe and healthier environment for the local communities
    - To preserve and respect local heritage and customs of the local communities

SUSTAINABILITY STATEMENT *(Cont'd)*

Sustainability Policy *(Cont'd)*

- **Sustainable Social Policy *(Cont'd)***

  - To work with the local authorities and government bodies for the development of conducive environment for stakeholders
  - To uphold the quality, safety and health of our products and services with expected standard of legitimacy and integrity
  - To uphold the highest standard in the preserving confidentiality and privacy of information collected by us in the course of the Group's business and to ensure employees, customers and business partners receives such information to observe the confidentiality and privacy of such information.

Group Profile

From the humble beginning as property developer in the town of Segamat in the Johor state of Malaysia more than thirty (30) years ago, KSL Holdings Berhad, a public limited company listed on the Main Market of Bursa Malaysia with headquarter at Johor Bahru of the State of Johor, Malaysia, had grown its prominent presence as property developer and property investment, i.e. the hotel and mall management, in Johor and Klang Valley in Peninsular Malaysia. To date, the Group, comprises the Company and twenty-five (25) subsidiaries operating under the corporate brand of KSL (abbreviation of Khoo Soon Lee), had developed more than ten (10) townships in Johor and Selangor, comprised of medium to high-end landed and high-rise properties for both residential and commercial purposes and is operating one of the well-known hotel and mall in Johor Bahru, the capital of the State of Johor, i.e. KSL Resort @ Johor Bahru and KSL City Mall @ Johor Bahru.

From the industry value chain perspective, The Group is operating at the downstream of the property development industry, concentrating in the design, sales and marketing of medium to high-end properties in Malaysia, with majority of the construction activities subcontracted to contractors specialising in respective trade. The property development industry in Malaysia is characterised as labour intensive industry with heavy dependence on the supply of foreign labours on construction works due to perceived "3D" nature (dirty, difficult and dangerous) of the construction industry.

On the other hand, the Group is positioning itself at the downstream of the hotel and mall management industry by providing services directly to the end-customers. As at the date of this report, the Group is actively engaging with 818 suppliers and contractors for the supply of materials and consumables as well as services required for the hotel and mall management.

During the financial year under review, there was no major changes of the composition of the contractors and suppliers for both property development and property investment division.

During the financial year ended 31 December 2017, there was no major changes in the location of operations nor share capital structure (except the share buyback executed during the financial year under review).

The Group employs 196 permanent employees for its property development activities and 320 permanent employees for its property investment activities for the financial year ended 31 December 2017.

	Johor		Klang Valley		Total	
No. of Employees	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Permanent	249	209	30	28	279	237

SUSTAINABILITY STATEMENT *(Cont'd)*

Group Profile *(Cont'd)*

	Property Development		Property Investment		Total	
No. of Employees	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Permanent	104	92	175	145	279	237

At the date of this report, Khoo Soon Lee Realty Sdn Bhd, a wholly-owned subsidiary of the Company, is a member of Real Estate and Housing Developers' Association Malaysia and KSL Resort @ Johor Bahru is a member of Malaysian Association of Hotels.

Governance Structure and Process

The Board affirms its overall responsibility for integration of the recommended sustainable economic, environment and social practices throughout of the Group to ensure business strategies of the Group take into consideration sustainability consideration and to ensure sustainability performance are monitored for its achievement from time to time. The governance structure in relation to the Group's sustainability management is guided by the Guide and to the Toolkit: Governance issued by Bursa Securities with necessary adaption based on the nature and scale of the businesses of the Group.

The Group's commitment towards sustainable business practices is imputed throughout all levels of its organisation. At the leadership level, the Board, Executive Directors and Management recognise the importance of ensuring good sustainable economic, environment and social practices understood and implemented by all level of organisation.

To ensure such commitment of good sustainable economic, environment and social practices is embedded throughout of the Group, the Board put in place formal structure to ensure accountability, oversight and review in the identification, management and reporting of sustainability matters and performance. Such formal structure is important to ensure that execution of the sustainability initiatives at all level of organisation and business units are aligned with the Board's sustainability and business strategy with reporting at predetermined intervals and the Group is able to response timely with the sustainability risks and opportunities applicable to the Group. The duties for the identification, management and reporting of sustainability matters and performance are delegated to the Risk and Sustainability Committee.

The Board had formalised the sustainability principles, policies and processes envisaged by the Board through Sustainability Policy established by it. Furthermore, formal governance structure, based on the existing geographical scope, scale and nature of the business the Group is pursuing, i.e. property development and property investment in Malaysia, for the identification, management and reporting of sustainability matters and performance of the Group is established by the Board in the following manner:

SUSTAINABILITY STATEMENT *(Cont'd)*

Governance Structure and Process *(Cont'd)*

The governance structure defines clearly on the roles and responsibilities expected of the Board, the Audit Committee, Risk and Sustainability Management Committee, head of departments and divisions, key risk and sustainability officer and assurance function. In a nutshell, the Board assumes the ultimate responsible for sustainability management and performance within the Group while the Audit Committee is tasked with the duties to oversee the sustainability management and performance of the Group for reporting to the Board. More importantly, the Risk and Sustainability Management Committee, chaired by the Executive Chairman of the Company, is tasked with the following duties: -

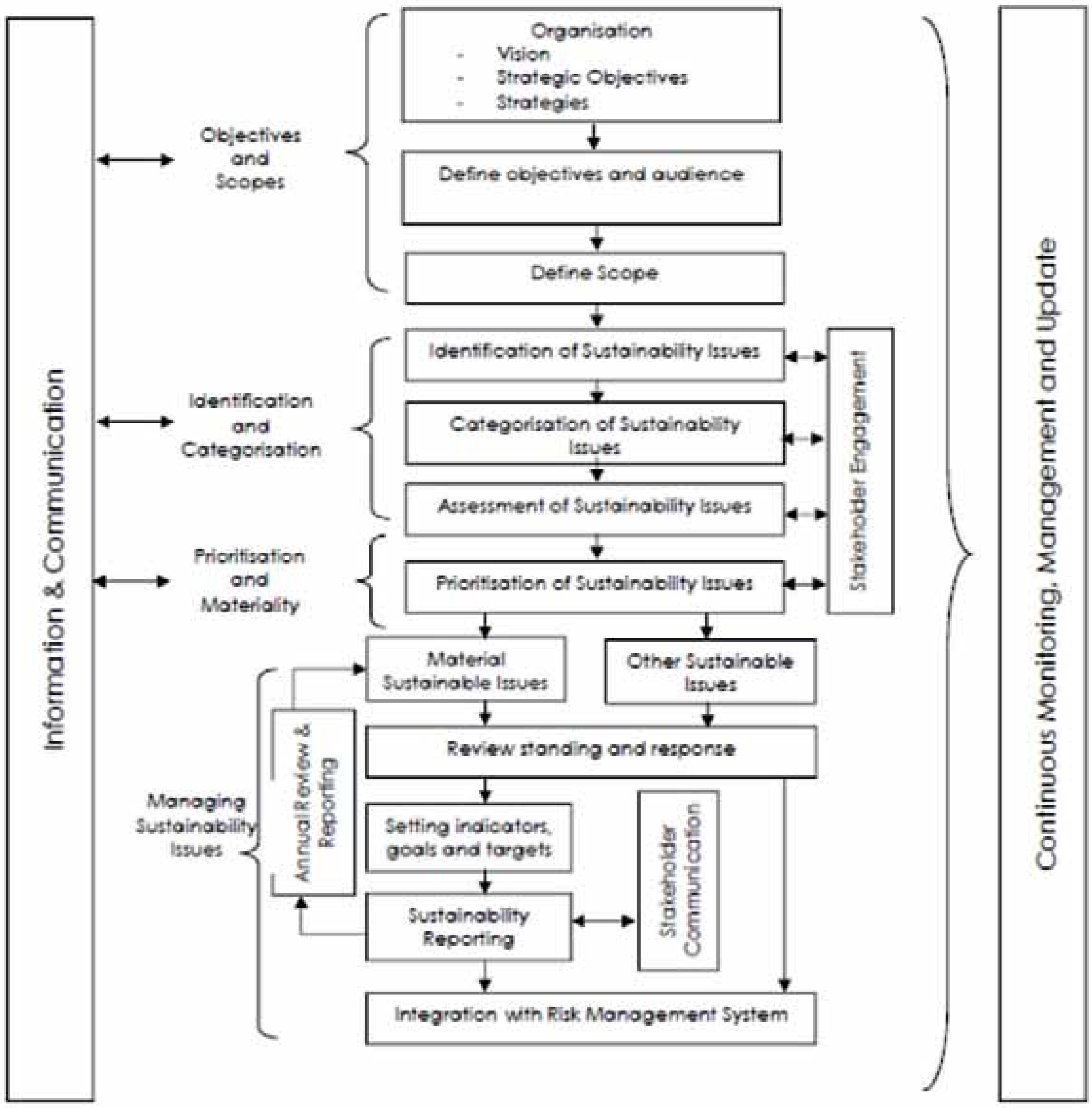
a. implement the sustainability strategy and management policy as approved by the Board;
b. lead and implement the process of sustainability matters identification, assessment and management and devising appropriate action plan in cases where sustainability issues are not adequately or effectively addressed and communicate proposed action plans to the Heads of Department/Division;
c. To conduct periodic review of all sustainability matters of the Group (at least on an annual basis) and determine the adequacy of the response and the current standing of the sustainability matters and to report the review results (including material sustainability matters) and recommendations to the Audit Committee;
d. To manage stakeholder engagement for input for assessment and communication of results of review and response;
e. To implement the material sustainability matters' indicator and the target and performance monitoring thereof and the preparation of sustainability disclosures as required by laws and/or rules, and to report the AC for review;
f. To oversee the Heads of Department/Division in the implementation of systems of sustainability management;
g. To update the Audit Committee on changes to the material sustainability matters on periodical basis (at least on annual basis) respectively or when appropriate (due to change in external environment or internally) and the course of action to be taken by management in managing the changes; and
h. To ensure relevant sustainability trainings are provided for appropriate level of employees to cultivate a positive attitude and promote correct approach toward sustainability management.

As for the heads of departments/divisions, their primary responsibilities are to manage sustainability matters of the business processes under his/her control and to assist the Risk and Sustainability Management Committee with the implementation of the sustainability process of identification, assessment, management and monitoring of all sustainability matters.

The sustainability matters management process established by the Board, in compliance with the Guide and Toolkit: Materiality Assessment issued by Bursa Securities with necessary adaption based on the nature and scale of the businesses of the Group, is as follows:

SUSTAINABILITY STATEMENT *(Cont'd)*

Governance Structure and Process *(Cont'd)*



The material sustainability matters assessment process employed by the Group entails the following major steps for each significant business segment and geographical segment, taking into consideration of the business strategies promoted by the Board:

- Identification of the intended stakeholder groups and sub-groups, the focus areas expected by the intended stakeholders and engagement objective(s) for each stakeholder group through Stakeholders' Mapping and the establishment of the Stakeholders' Profile;

- The stakeholders identified for each significant business segment and geographical segment are prioritised in relation to its influence over and dependence on the Group so that the Group can put in more effort on stakeholder groups that have higher influence and dependency and the concerns of key stakeholders will carry greater weight. The prioritisation of the stakeholders is conducted by the Risk and Sustainability Committee by using Stakeholder Prioritisation Matrix whereby each stakeholder identified are assessed by using influence and dependence criteria and rating scale established by the Board. The results of the prioritisation can be used to determine the level of engagement to be employed by the Group with respective stakeholders (from collaborate/empower to keep informed) based on the perceived influence and dependency of each stakeholder group;

SUSTAINABILITY STATEMENT *(Cont'd)*

Governance Structure and Process *(Cont'd)*

- Identification of sustainability matters for each significant business segment and geographical segment via internal sources (through internal documentations as well as information system and internal stakeholders' communication via engagement medium and direct communication) and from external sources (through internal documentations, management information system, trusted public domains, correspondences with external stakeholders and external stakeholders' communication via engagement medium and direct communication);

- Sustainability matters identified for each significant business segment and geographical segment via internal and external sources are refined, consolidated and categorised into respective sustainability categories determined by the Board and enlisted in the Sustainability Matters Listing, detailing the influential and dependent internal and external stakeholders;

- Sustainability matters categorised in the Sustainability Matters Listing are subjected to internal materiality assessment by the Risk and Sustainability Management Committee in order to prioritise the sustainability matters for assessment by internal and external stakeholders.

  Sustainability issues considered material if:

- it has significant economic, environmental and social impacts on the Group from the organisation's point of view;
- substantively influence the assessments and decisions of stakeholders from the stakeholders' point of view; and
- it has significant economic, environmental and social impacts that affect the ability to meet the needs of the present and future generations.

  The internal materiality assessment entails the assessment by the Risk and Sustainability Management Committee based on the rating scale established by the Board on the significance of each sustainability matters on the revenue, cost, reputation, strategic and operational risk and business opportunities criteria;

  From internal and external stakeholders' perspective, stakeholders' assessment of the sustainability matters is based on the significance of such matters to influence on the assessment and decision by respective stakeholder. The stakeholders' assessment of the sustainability matters is obtained during stakeholders' engagement, either through prescribed checklist or direct communication by Risk and Sustainability Management Committee or Heads of Department/Division, via the rating system established by the Board.

- The identification of the material sustainability matters is performed by the Risk and Sustainability Management Committee by input into the Materiality Matrix, the result of the stakeholder prioritisation exercise (for the priority and weightage of the relevant stakeholder groups), internal materiality assessment by the Group and Stakeholders' assessment of the significance of relevant sustainable matter to influence on the assessment and decision by respective stakeholder.

  The material sustainability matters are identified by reference to the sustainable matters above the acceptable threshold established by the Board.

- Subsequent to the assessment process, sustainable matters identified above are subjected to risk management policy and process established by the Board for the assessment and management of the risk and opportunities identified.

  In the context of the sustainability matters management, the current standing of sustainability matters is assessed for its adequacy and effectiveness by the Risk and Sustainability Management Committee and to formulate management response (if existing controls are inadequate or ineffective) to mitigate the sustainability risk or optimise the sustainability opportunities, in line with the risk appetite and business strategies established by the Board. Please refer to Statement of Risk Management and Internal Control on the risk management system employed by the Group in the identification, management and monitoring of business risks.

SUSTAINABILITY STATEMENT *(Cont'd)*

Governance Structure and Process *(Cont'd)*

- For the management of material sustainability matters, the RSMC to develop position and response with respect to each material sustainability matters in the following manners:
  – developing policies and procedures
  – implementing various initiatives, measures or action plans
  – to comply with applicable laws and regulations
  – setting indicators, goals, targets and timeframe in line with the strategic objectives
  – implementing new, or changing existing systems, to capture, report, analyse, and manage data requirements

  The Risk and Sustainability Management Committee to monitor the current standing (including but not limited to, indicators, target and actual performance) and responses of the material sustainability matters and actual performance and to report to the Audit Committee on half yearly basis for review and for their recommendation to the Board for review and approval.

Sustainability Management Activity

During the first year of adoption by the Group of the formal Sustainability Management Policy established and approved by the Board on the structured management of identification, management and reporting of sustainability matters and performance by the Group, the Group had, during the first phase of implementation of the formal sustainability management during the financial year under review and up to the date of this Statement, performed the following activities in relation to the identification, management and reporting of sustainability matters and performance:

- identification of the internal and external stakeholders for property development segment and property investment segment that have influence over and dependence on the Group through Stakeholder's Mapping and with individual Stakeholder Profile established for each stakeholder identified.

- Internal and external stakeholders for both property development segment and property investment segment identified by the Risk and Sustainability Management Committee were assessed and prioritised for its degree of influence over and dependence on the Group based on the agreed upon criteria and rating scale approved by the Board via the Stakeholder Prioritisation exercise.

- During the first phase of implementation, the Risk and Sustainability Management Committee performed identification of the sustainability matters through internal sources and informal stakeholders' engagement through direct communication with relevant internal and external stakeholders by head of departments/divisions and executive directors. The sustainability matters identified are categorised by the Risk and Sustainable Management Committee accordingly into the relevant sustainable category for assessment purposes by way of Sustainability Matters Listing.

- The Risk and Sustainability Management Committee performed the internal materiality assessment by using predetermined criteria and rating scale approved by the Board in order to prioritise the sustainability matters for assessment by internal and external stakeholders and to determine the significance of the sustainability matters from the Group perspective.

- During the first phase of implementation, the degree of significance of the sustainable matters to influence on the assessment and decision by internal and external stakeholders were performed by the Risk and Sustainability Management Committee by using informal stakeholders' engagement through direct communication with relevant internal and external stakeholders by head of departments/divisions and executive directors.

- The results of the Stakeholder Prioritisation exercise, internal materiality assessment and degree of significance of the sustainable matters to influence on the assessment and decision by internal and external stakeholder are used to prioritised sustainability matters and identification of material sustainable matters by the Risk and Sustainability Management Committee. An identified sustainability issue is considered to be material by the Risk and Sustainability Management Committee if it is above the material threshold established by the Board.

SUSTAINABILITY STATEMENT *(Cont'd)*

Stakeholders' Engagement

The Board recognises and admits that the contribution and support of the internal and external stakeholders are utmost important for the realisation the Group's missions and the Group's long-term business sustainability and excellence. It is on this basis that the Board is pursuing the sustainable strategy of continuous engagement with internal and external stakeholders who is dependent on and influence by the activities undertaken by the Group and to ensure such engagements are to include all internal and external stakeholders across the value chain and to response proactively, via formal and informal channels, to the concerns and views of respective stakeholder groups. By actively engaging with all stakeholders, the Board is able to identify risks and opportunities in the way the businesses of the Group are carried out. During such engagement, the Group is able to validate the sustainable matters identified by the Management of the Group. The Group's stakeholder engagement process is guided by the Guide and Toolkit: Stakeholder Engagement issued by Bursa Securities with necessary adaption based on the nature and scale of the businesses of the Group.

During the financial year and up to the date of this Statement, there is no collective agreement entered between the Group and any trade union in Malaysia that remains effective and the Group do not intend to enter any collective agreement with any trade union in Malaysia.

The Board had determined that, through stakeholder mapping and profiling exercise conducted by the Risk and Sustainability Management Committee and reported to them, the following stakeholders are dependent on and have influence over the Group in the context of the businesses carried out by the Group and industries that the Group is participating in:

Property Development		
Stakeholder Group • Sub-Group	**Focus Areas/ Engagement Objectives**	**Preferred Level of Engagement** [Preferred Frequency]
Investor	Long term sustainable growth/ To ensure continuous financial support from investors	Annual report [Annually], general meeting [Annually], shareholders' dialogue [Annually], press release [On-going] and public announcements [On-going]
Employees • Management • Non-Management • Contract Staffs	Human rights, career development, discrimination, remuneration commensurate with job responsibilities and occupational safety and health	Employees' survey [Annually], employees' dialogue [Annually], annual appraisal [Annually], memorandum [On-going] and electronic mail system [On-going]
Board of Directors	Sustainable business practices	Committee meetings [Quarterly] and Board of Directors meeting [Quarterly]
Property Development		
Stakeholder Group • Sub-Group	**Focus Areas/ Engagement Objectives**	**Preferred Level of Engagement** [Preferred Frequency]
Suppliers • Materials • Consultant • Contractors and Subcontractor	Payment practice, purchasing practices and business sustainability	Supplier's Evaluation and Appraisal [Annually], physical meeting [On-going], Conflict of Interest Policy [On-going] and Code of Conduct and Ethics for Directors [On-going]
Customers • Business • Individual house buyers • Local • Overseas	Safety & comfort, value for money/ affordability, accessibility, level of services and environmental friendliness	Customer's Feedback Form [On-going], Defect Form [On-going], face-to-face conversation [On-going], meetings [On-going], electronic mail system [On-going], social media [On-going] and printed medium [On-going]

SUSTAINABILITY STATEMENT *(Cont'd)*

Stakeholders' Engagement *(Cont'd)*

Financial Institutions	Long term sustainable growth	Annual report [Annually], press release [On-going], public announcements [On-going]and face-to-face meeting [On-going]
Government and Regulators • Construction Industry Development Board • Ministry of Urban Wellbeing, Housing and Local Government • Department of Environment • Department of Occupational Safety and Health • Department of Labour • Immigration Department • Securities Commission and Bursa Malaysia • Inland Revenue Board and Customs Department • Local Authorities	Compliance with law and regulations	Official submission [Monthly/Quarterly/Annually], official letter [On-going], public dialogue involving government officials [On-going], public announcement [On-going], telephone conversation [On-going], face-to-face meeting [On-going] and electronic mail system [On-going]
Media • Professional Reporter - Newspaper & Magazine • Non-Professional Reporter - Social Media	Environmental and social issues/new service and product launch	Press conference/release [On-going], face-to-face interview/visit [On-going]
Property Development		
Stakeholder Group • Sub-Group	**Focus Areas/ Engagement Objectives**	**Preferred Level of Engagement** [Preferred Frequency]
Local Society • Local Community • Local Government • Local Charity Organisation	Local community development and safety and cater for local housing development needs	Corporate social responsibility programme [On-going], face-to-Face meeting [On-going] and press release [On-going]
Industry Peers • Real Estate and Housing Developers' Association Malaysia • National House Buyers Association of Malaysia • Other trade associations	Compliance on the policy of the trade associations	Participation in trade associations through membership or committee members, newsletters and meetings [On-going]
Investor	Long term sustainable growth	Annual report [Annually], general meeting [Annually], shareholders' dialogue [Annually], press release [On-going] and public announcements [On-going]
Employees • Management • Non-Management • Contract Staffs	Human rights, career development, discrimination, remuneration commensurate with job responsibilities and occupational safety and health	Employees' survey [Annually], employees' dialogue [Annually], annual appraisal [Annually], memorandum [On-going] and electronic mail system [On-going]
Board of Directors	Sustainable business practices	Committee meetings [Quarterly] and Board of Directors meeting [Quarterly]

SUSTAINABILITY STATEMENT *(Cont'd)*

Stakeholders' Engagement *(Cont'd)*

Suppliers • Goods and Materials • Contractors	Payment practice, purchasing practices and business sustainability	Supplier's Evaluation and Appraisal [Annually], physical meeting [On-going], Conflict of Interest Policy [On-going] and Code of Conduct and Ethics for Directors [On-going]
Customers • Business • Non-business • Local • Overseas • Shopper • Tenant	Personal & food safety, value for money, accessibility, level of services, cleanliness and environmental friendly	Customer's Feedback Form [On-going], face-to-face conversation [On-going], electronic mail system [On-going], social media and printed medium [On-going]
Property Investment		
Stakeholder Group • Sub-Group	**Focus Areas/ Engagement Objectives**	**Preferred Level of Engagement** [Preferred Frequency]
Financial Institutions	Long term sustainable growth	Annual report [Annually], press release [On-going], public announcements [On-going]and face-to-face meeting [On-going]
Government and Regulators • Food Safety Quality Division, Ministry of Health • Department of Environment • Department of Occupational Safety and Health • Department of Labour • Immigration Department • Securities Commission and Bursa Malaysia • Inland Revenue Board and Customs Department • Local Authorities	Environmental and social issues	Official submission [Monthly/Quarterly/Annually], official letter [On-going], public dialogue involving government officials [On-going], public announcement [On-going], telephone conversation [On-going], face-to-face meeting [On-going] and electronic mail system [On-going]
Media • Professional Reporter - Newspaper & Magazine • Non-Professional Reporter - Social Media	Environmental and social issues/new service and product launch	Press conference/release [On-going], face-to-face interview/visit [On-going]
Local Society • Local Community • Local Government • Local Charity Organisation	Local community development and safety	Corporate social responsibility programme [On-going], face-to-Face meeting [On-going] and press release [On-going]
Industry Peers • Malaysian Association of Hotels • Other trade associations	Compliance on the policy of the trade associations	Participation in trade associations through membership or committee members, newsletters and meetings [On-going]

During the first phase of implementation of the sustainability assessment, management and monitoring process, the Risk and Sustainability Management Committee relied on the informal channels (such as, meetings, face-to-face communication) employed by the Head of Departments and Executive Directors, supported by formal channel of communication (such as, employees' performance appraisal) to engage with the stakeholders.

SUSTAINABILITY STATEMENT *(Cont'd)*

Stakeholders' Engagement *(Cont'd)*

The Board acknowledges that the stakeholder engagement by the Risk and Sustainability Management Committee can be further improved by employing preferred level of engagement per Stakeholders' Profile at preferred frequency as determined by the Board so that key topics and concerns of respective stakeholder group are communicated timely and reliably to the correct governance body of the Group to response to such topics and concerns.

Material Sustainability Matters

The Group's material sustainability matters are identified through the materiality assessment process whereby the Economic, Environmental and Social ("EES") issues matters relevant and important to the Group's long-term sustainability are identified and prioritised through structured process and assessment mechanism as approved by the Board, guided by the Guide Toolkit: Materiality Assessment issued by Bursa Securities with necessary adaption based on the nature and scale of the businesses of the Group on sustainability context, materiality, completeness and stakeholder inclusiveness through a cycle of identification, prioritisation, validation and review. Please refer to the "Governance Structure and Process" section on the details of the process employed.

A list of material sustainability issues was identified and determined by the sustainability matters assessment and prioritisation exercise undertaken by the Risk and Sustainability Management Committee that reflected the critical sustainable considerations expected of the Group in respect of the businesses and geographical extent the Group is operating in and highlighted the expectations and concerns of stakeholder group. The sustainability matters are rated as "Material", "Low and Medium" and "Not Material", through material matrix, in respect of its significance from the Management's perspective on the impact as well as all significant stakeholders' perspectives in terms of its influence on the respective stakeholders' assessments and decisions.

The final list of sustainability matters together with its details of identification and assessment were reviewed by the Audit Committee and reported the Board for its approval during the financial year under review and up to the date of this Statement to ensure effective sustainability management and monitoring.

The following sustainability matters are considered material both by the Management of the Group and the stakeholder groups:

SUSTAINABILITY STATEMENT *(Cont'd)*

Stakeholders' Engagement *(Cont'd)*

Property Development					
			Aspect Boundary		
Sustainability Matters	**Category**	**Definition**	**Internal Stakeholders**	**External Stakeholders**	**Relevant SDG Goals**
Compliance with environmental laws and regulations	Compliance (Environmental)	Compliance identifies the adherence of an organisation's activities to relevant laws and guidelines	Investors, Board of Directors, Employees, Financial Institutions	Local society, customers, media, government & regulators	
Safe & healthy working environment and Management	Occupational Safety and Health	Anticipation, recognition, evaluation and control of hazards arising in or from the workplace that could impair the health and well-being of workers and stakeholders	Investors, Board of Directors, Employees, Financial Institutions	Government & Regulators, Customers, Media, Industry Peers	
Generation and treatment/ disposition of scheduled and unscheduled waste and toxic materials	Waste and effluent	Waste and effluent discharged from operations into public areas	Investors, Board of Directors, Employees, Financial Institutions	Local society, customers, media, government & regulators	

SUSTAINABILITY STATEMENT *(Cont'd)*

Stakeholders' Engagement *(Cont'd)*

Property Investment					
			Aspect Boundary		
Sustainability Matters	**Category**	**Definition**	**Internal Stakeholders**	**External Stakeholders**	**Relevant SDG Goals**
Compliance with social laws and regulations	Compliance (Social)	The adherence of an organisation's activities to relevant laws and guidelines	Investors, Board of Directors, Employees, Financial Institutions	Government & Regulators, Local Society, Customers, Media, Industry Peer	
Corruption with government official and suppliers/ contractors	Anti-corruption	Abuse of entrusted power for private gain. This theme discusses activities that promote transparency and guard against various forms of corruption	Investors, Board of Directors, Financial Institutions	Government & Regulators, Customers, Media, Industry Peers	

Property Investment					
			Aspect Boundary		
Sustainability Matters	**Category**	**Definition**	**Internal Stakeholders**	**External Stakeholders**	**Relevant SDG Goals**
Safe & healthy working environment and Management	Occupational Safety and Health	Anticipation, recognition, evaluation and control of hazards arising in or from the workplace that could impair the health and well-being of workers and stakeholders	Investors, Board of Directors, Employees, Financial Institutions	Government & Regulators, Customers, Media, Industry Peers	

SUSTAINABILITY STATEMENT *(Cont'd)*

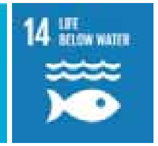
Stakeholders' Engagement *(Cont'd)*

Property Investment					
			Aspect Boundary		
Sustainability Matters	**Category**	**Definition**	**Internal Stakeholders**	**External Stakeholders**	**Relevant SDG Goals**
Compliance with environmental laws and regulations	Compliance (Environmental)	Compliance identifies the adherence of an organisation's activities to relevant laws and guidelines	Investors, Board of Directors, Employees, Financial Institutions	Local society, customers, media, government & regulators	

Property Investment					
			Aspect Boundary		
Sustainability Matters	**Category**	**Definition**	**Internal Stakeholders**	**External Stakeholders**	**Relevant SDG Goals**
Compliance with social laws and regulations	Compliance (Social)	The adherence of an organisation's activities to relevant laws and guidelines	Investors, Board of Directors, Employees, Financial Institutions	Government & Regulators, Local Society, Customers, Media, Industry Peers	

SUSTAINABILITY STATEMENT *(Cont'd)*

Stakeholders' Engagement *(Cont'd)*

Property Investment					
			Aspect Boundary		
Sustainability Matters	**Category**	**Definition**	**Internal Stakeholders**	**External Stakeholders**	**Relevant SDG Goals**
Generation and treatment/ disposition of scheduled and unscheduled waste, Biodegradable materials and toxic materials	Waste and effluent	Waste and effluent discharged from operations into public areas	Investors, Board of Directors, Employees, Financial Institutions	Local society, customers, media, government & regulators	  

SUSTAINABILITY STATEMENT *(Cont'd)*

Safe and Healthy Environment

The Group's long-term sustainability hinged heavily on the safety and well-being of the employees and not to a lesser extent, the customers and contractors. A safe and healthy workplace and our properties are not only the fundamental right of the employees but also relevant stakeholder groups, such as customers and contractors. It is the Group's priority to take the responsibility to maintain a productive workplace and properties by minimising the risk of accidents, injury and exposure to health hazards.

Property Development

The safety and health management at the construction site is managed by Safety and Health Committee in compliance with the Occupational Safety and Health Act 1994 and Occupational Safety and Health (Safety and Health Committee) Regulations 1996 and guided by the Safety and Health Policy established by the Safety and Health Committee. Safety and health rules and regulations are established by the Safety and Health Committee to ensure the construction activities are carried out to minimise industrial accidents. Safety and Health officer is employed by the Group to oversee due observance of safety and health rules and regulations established by the Management at sites and to promote safe and healthy conducts at each active construction sites, in compliance with Occupational Safety and Health Act 1994 and Occupational Safety and Health (Safety and Health Officer) Order 1997. Through routine inspections by the Safety and Health Officer, incidents of non-compliance of the safety and health rules by the construction workers are identified promptly by the Safety and Health Officer and corrective actions are implemented swiftly.

The Group enforce strict compliance of the Green Card requirement on all employees require access to the construction sites and all employees of the contractors and subcontractors performing construction services at the Group's construction sites. With the strict adherence of the Green Card requirement, the Group ensure that all personnel entering the construction sites underwent compulsory safety trainings per Construction Industry Development Board and equipped with required safety awareness and knowledge to ensure safe construction activities undertaken. Furthermore, safety toolbox briefings are given by the Safety and Health Officer to new construction personnel and thereafter at regular interval to ensure that the safety awareness and knowledge are not diminished through the passage of time.

As safety measures, the surrounding of all construction sites of the Group are fully barricaded by protective hoarding before the start of the construction works so that the general public would be protected from work in progress and unauthorised personnel are prevented to enter the work sites. In addition, access to the work sites required all personnel to report to the security personnel to ensure only the authorised and qualified personnel are granted the access to the worksite. It is the Group's important measure to put up safety notice and indicators at relevant and strategic areas. The operating of the construction equipment and scaffolds are guided by Factories & Machinery Act 1967 and Factories & Machinery (Building Operations & Works of Engineering Construction) (Safety) Regulations 1986.

Property Investment

Similarly, KSL Resort @ Johor Bahru and KSL City Mall @ Johor Bahru, operating as integrated resort and mall opened to public, place safety and health of its resort and mall properties as one of its important elements of sustainable business. The tone from the top on safety and health is communicated through Safety and Health Policy established by the Safety and Health Committee. Safety and Health Committee plays a pivotal role in the management of safety and health in the resort and mall by formulate the safety and health rules and regulations to be complied by all employees, tenants, contractors and subcontractors. Regular inspections by representative of the Safety and Health Committee on the compliance of the safety and health rules established with incidents of non-compliance identified and corrective and preventive actions implemented timely. Safety notices/signboards and indicators placed at strategic and hazard-prone locations to convey safety messages and potential safety hazard to the customers, employees, tenants, contractors and subcontractors. Compliance monitoring of relevant requirements per Occupational Safety and Health Act 1994 and Factories & Machinery Act 1967 (and its orders and regulations) are performed by the Safety and Health Committee from time to time.

Property Investment *(Cont'd)*

Door access controls are installed at restricted areas to prevent unauthorised access. Fire preventive equipment and systems are tested at regular interval to ensure its functionalities are not compromised and clear escape route plans are place in strategic locations and every rooms. Equipment used by the public are maintained at predetermined interval to ensure safe usage of the equipment is preserved. Security guards are employed and deployed at important safety control points in the mall and resort, including car park areas to ensure general safety within the building is maintained. Access to the floors with hotel rooms required electronic card access and strategic locations at the mall and resort are monitored through Closed-circuit television system connecting to the surveillance control room. To ensure our readiness in the event of unfortunate event, our emergency response team carried out drills and practice at regular intervals to ensure that such unlikely incident is handled satisfactorily and promptly to minimise damage to the properties and people.

For both property development and property investment business in Malaysia, there was no legal action taken against the Group nor any fine or monetary sanction imposed related to occupational safety and health aspects during the year.

During the first phase of the implementation of structured sustainability management system, the Risk and Sustainability Management Committee and the Board had yet to finalise the indicator(s) and target(s) to be used to measure progress, effectiveness or efficiency of the policies, measures or actions taken to manage associated risks in relation to safe and healthy working environment and management. The Risk and Sustainability Management Committee and the Board are committed to finalise the indicator(s) and target(s) to be used in relation to the safe and healthy working environment and management during the financial year ending 31 December 2018 and to report the actual performance with comparison to preceding financial year(s) and target(s) in the Annual Report for financial year ending 31 December 2018.

Compliance with Environmental Laws and Regulations and Generation and Treatment/Disposition of Scheduled and Unscheduled waste, Biodegradable materials and Toxic materials

The Group is committed to comply with the environmental laws and regulations of the jurisdictions the Group is operating, i.e. Environmental Quality Act and its regulations. As a responsible group of companies in property development and property investment activity, the Group is committed wholeheartedly to ensure strict compliance of relevant environmental laws and regulations pertaining to property development and property investment activity.

In particular, for property development activity, the environmental laws and regulations compliance are delegated to the Executive Directors and Senior Management whereby relevant environmental preservation practices are formulated for compliance by the employees and contractors/subcontractors. For every development projects of more than 50 acres, relevant subsidiary is to perform Environmental Impact Assessment, together with the approved Environmental Impact Assessment consultant, during the feasibility study stage and only to commence construction works upon obtaining approval from Director General of Environmental and Ministry of Natural Resources and Environment. The Group is practicing no open burning by all employees and contractors/subcontractors and routine surveillances are conducted by the Site Supervisor to ensure strict compliance. The noise level at the construction sites are monitored by the Site Supervisors and Manager so that incidents of unacceptable noise level are brought down to recommended level for residential area for sub-urban and urban. No construction activity to be undertaken during night time unless it is approved by the Project Manager for works with low noise level. At construction site, it is the practice of the Group that construction wastes are to be reused and recycled to the extent possible and all disposals of construction waste that cannot be reused and recycled are to comply with the requirements of the relevant environmental laws and regulations and no illegal dumping is allowed. The usages of the pesticide are to be in compliance with Pesticides (Highly Toxic Pesticides) Regulations 1996. It is the policy of the Group that silt traps and sediment control facilities at each construction site to minimise the impact of the construction activities on the environment. Furthermore, the scheduled wastes mandated under Environmental Quality (Scheduled Waste) Regulation 2005 generated from the construction activities are to be monitored by the Project Department and disposed to approved scheduled waste operator in accordance with the regulation.

SUSTAINABILITY STATEMENT *(Cont'd)*

Compliance with Environmental Laws and Regulations and Generation and Treatment/Disposition of Scheduled and Unscheduled waste, Biodegradable materials and Toxic materials *(Cont'd)*

As for property investment activity, the management and monitoring of the environmental compliance is assigned to the Executive Directors and Safety and Health Committee and relevant policies and procedures are established to manage such compliance. It is the practice of the Group that the policy in relation to non-hazardous materials as well as other environmental preservation related activities shall be adhered by all suppliers or contractors. All non-hazardous materials are required to be kept in a different storage room and away from food storage and preparation area, whereby only authorised personnel are allowed to access to the storage room. Suppliers are required to provide the necessary trainings to the relevant staffs of KSL Group on the proper handling procedures in order to minimize the wastage or spillage. Stickers related to the hazardous chemicals or materials are also provided by the suppliers or contractors to the staffs as a reminder of the danger of such hazardous chemicals or materials. The Board place importance on the reduction of food wastes through effective material planning and utilisation process. In the event that the disposal of food and general wastes is inevitable, such disposal of waste is to be through authorized landfill's operators. On the other hand, the discharge of the effluent from the operations is such that such effluent is to be treated in compliance with the relevant laws and regulation before discharge. The Group practices the "Reduce, Reuse and Recycle" policy to uphold its value on environmental proposition. It is worth to note that its KSL Resort @ Johor Bahru is equipped with solar system for heating water to supply hot water to the hot water system of the property. Furthermore, the Group has appointed an independent consultant in studying the electricity consumption of the resorts and is in the midst of engaging the consultant to carry out the proposed electricity conservation program focusing on chiller plant and air handling unit ("AHU").

For both property development and property investment business in Malaysia, there was no legal action taken against the Group nor any fine or monetary sanction imposed related to environmental aspects during the year.

During the first phase of the implementation of structured sustainability management system, the Risk and Sustainability Management Committee and the Board had yet to finalise the performance indicator(s) and target(s) to be used to measure progress, effectiveness or efficiency of the policies, measures or actions taken to manage associated risks in relation to compliance with environmental laws and regulations. The Risk and Sustainability Management Committee and the Board are committed to finalise the indicator(s) and target(s) to be used in relation to the compliance with environmental laws and regulations during the financial year ending 31 December 2018 and to report the actual performance with comparison to preceding financial year(s) and target(s) in the Annual Report for financial year ending 31 December 2018.

Compliance with Social Laws and Regulations

The Group recognises the importance to uphold the social value along with its value chain to cater for the needs of the stakeholders it is affecting through its activities undertaken.

The employees are an important and valuable resource and a key business differentiator for the Group. The Group's success lies heavily in every employee and it is critical to treat them equally, provide them with a safe and sustainable working environment and help them to further develop their skills.

The Group champions the culture that respects and leverages on the multiple cultural and ethnic of our country. This is of paramount important for the Group to respect the needs of respective ethnic groups and cater their needs and requirements in our business. The Group practices equal treatment for all stakeholders regardless of race, religion, nationality, age, marital status, or any other characteristic as protected by local legislation and regulations.

Needless to say, it is paramount for the Group to comply with the relevant social laws and regulations, such as Federal Constitution, Employment Act and Regulations, Minimum Wage Order, Competition Act, Personal Data Protection Act, Minimum Retirement Age Act and Child Act, just to name few important ones.

SUSTAINABILITY STATEMENT *(Cont'd)*

Compliance with Social Laws and Regulations *(Cont'd)*

For employees, management of human resources are embodied in the formal Human Resource Management policy established by the Senior Management for execution on the group-wide whereby minimum requirements of fair treatment of legitimate employees are specified for strict compliance. No discrimination of race, religion, nationality, age, marital/pregnant and disable status is allowed group-wide and strict enforcement of no illegals in the work place, including the contractors and subcontractors. Specific grievance procedure is established by the Management for the channel of the staff grievance to the appropriate level of authority and whistle-blowing mechanism put in place. Privacy Policy is put in place by the Group to collect and manage confidential personal data collected from our stakeholders in compliance with Personal Data Protection Act.

For both property development and property investment business in Malaysia, there was no legal action taken against the Group nor any fine or monetary sanction imposed related to social aspects during the year.

During the first phase of the implementation of structured sustainability management system, the Risk and Sustainability Management Committee and the Board had yet to finalise the performance indicator(s) and target(s) to be used to measure progress, effectiveness or efficiency of the policies, measures or actions taken to manage associated risks in relation to compliance with social laws and regulations. The Risk and Sustainability Management Committee and the Board are committed to finalise the indicator(s) and target(s) to be used in relation to the compliance with social laws and regulations during the financial year ending 31 December 2018 and to report the actual performance with comparison to preceding financial year(s) and target(s) in the Annual Report for financial year ending 31 December 2018.

Anti-Corruption

It is of no argument that the corrupt and bribery malpractice stifle economic growth and necessary public investment for social development due to misallocation of public funds, deprive the access of the basic necessities by the needy, threaten the democratic development of the country and exacerbates the income inequality gap within the country.

The Group is holding the integrity value close to its heart and will walk the extra-mile to combat corruption and bribery practices throughout the Group and along the value chain. The spirit of anti-corruption and bribery of the Group is enshrined in the Code of Business Conduct and Ethics for Directors and Conflict of Interest Framework approved by the Board and ethic requirements as specified in the Human Resources Policy of the Group. Whistle-blowing policy approved by the Board and administered by the Audit Committee is put in place for reporting of malpractices with safeguard of the interest of the whistle blower in place.

For both property development and property investment business in Malaysia, there was no legal action taken against the Group nor any fine or monetary sanction imposed related to corruption or bribery practice during the year.

During the first phase of the implementation of structured sustainability management system, the Risk and Sustainability Management Committee and the Board had yet to finalise the performance indicator(s) and target(s) to be used to measure progress, effectiveness or efficiency of the policies, measures or actions taken to manage associated risks in relation to corruption and bribery practice. The Risk and Sustainability Management Committee and the Board are committed to finalise the indicator(s) and target(s) to be used in relation to corruption and bribery practice during the financial year ending 31 December 2018 and to report the actual performance with comparison to preceding financial year(s) and target(s) in the Annual Report for financial year ending 31 December 2018.

Other Major Economic, Environment and Social Activities Undertaken During Financial Year

Apart from the control activities undertaken to manage material sustainability issues identified as above, the Group had undertaken the following control activities in managing other sustainability matters identified by the Group during the financial year 2017: -

SUSTAINABILITY STATEMENT *(Cont'd)*

Other Major Economic, Environment and Social Activities Undertaken During Financial Year *(Cont'd)*

A. Our Employees and Workforce

The Board believe the employees are a valuable resource and a key business success factor for the Group. The long-term business success and sustainability of the Group lies in every employee and it is critical for the Board aim to treat them equally, provide them with a safe and sustainable working environment and help them to further develop their skills. We have developed Human Resources Policy in that respect.

We respect our people and strive to develop talented and motivated employees to support their performance delivery and growth for our business operations. It is top priority to build a sense of purpose among our people in the work we do throughout the Group. To this end, hence, our people are provided induction programme to equip them with the basic knowledge and skill sets for their job requirements with continuous on-the-job trainings are provided to develop their skills for career development. Furthermore, external trainings on technical knowledge and soft skills development are planned by the Management for identified employees for their personal and professional development and to prepare them for next level of long-term career with the Group.

The Board acknowledges its efforts with to remunerate our people with remuneration and benefits commensurate with their duties and responsibilities, to offer on-going opportunities for training and development, and long-term career prospects. The Board is committed to build performance-based culture by allowing the employees to demonstrate their capabilities. Annual performance appraisals are undertaken by the Management, not only for the performance-based remuneration, but also to have effective two-way communication with our people whereby the past performance and expectations for the future years by the Management on our people are communicated while our people's commitment and concerns are conveyed for future monitoring.

The Board is also championing equal opportunity for all employees regardless of race, religion, nationality, age, marital status, or any other characteristic. In addition, equal access and opportunities are provided to our employees in terms of recruitment, retention and training, notwithstanding the nature of our property development operations which come with not conducive working environment. This is evidenced by the diversity profile of our group. Please refer to the "Group Profile" for the analysis of our human capital.

B. Our Community Commitments

It is our strategy to be a responsible corporate citizen by giving back and investing in the community in which the Group operates. Our strategy is to generate sustainable value for both the community and economic growth through effective use of the Group's capabilities and resources as well as sharing of financial resources with local community for their developments. During the financial year, we have supported various community causes through corporate donations and community events for the less fortunate as well as induction programmes for students pursuing undergraduate programmes. The Group committed to continue to invest in community programmes and other corporate social responsibility initiatives to contribute towards the betterment of local communities.

Our Group's policy has always been to construct quality and affordable houses for the community to buy and own. Over the years, in response to the voice to provide houses at price not to burden further on the general public, our Group has helped hundreds and thousands of people to have their own houses at affordable price. 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 financial year under review, in order to enable next generations are well-educated and armed with relevant knowledge so that people's lives are improved and sustainable development enhanced, the Group is contributing the development of education of the young children by donated to the SJK (C) Bukit Siput, Segamat and SJK (C) Labis. Our donations are not restricted to only education but also to sport association and club for sport development and health awareness in Johor, to non-for-profit associations for the social and economic development initiatives and charity donations for the people in needs.

SUSTAINABILITY STATEMENT *(Cont'd)*

Other Major Economic, Environment and Social Activities Undertaken During Financial Year *(Cont'd)*

B. Our Community Commitments *(Cont'd)*

Our efforts to connect with the communities in places we have operations didn't stop with the monetary donations, we place importance to reach out and give something back to the community directly with our active organisation and participation in the local organised events. We held a charitable event for the 2nd year named, "Sinar Ramadhan – Majlis Berbuka Puasa bersama Anak Yatim" by KSL Resorts @ Johor Bahru. 'Duit Raya' and goodies were awarded to the orphan and buffet event was held in the hotel to bring joy to these children and fulfilled their wishes in celebrating a joyous Hari Raya.

Apart from the sharing the joyous moment during the festive season, the Group sponsored a charity run event, "Run for Child 2017", for charitable fund-raising exercise of World Vision Malaysia for the less fortunate children and promotion of health awareness among the city dwellers.

We see our roles as partner to the communities didn't stop the donations and charitable events. We know that to share our knowledge base for next generation is also important for community developments. As for the past financial years, we continue with our internship programme to provide students with an opportunity to work with us during their semester breaks and at the same time in fulfilling their internship requirements. Such internship programme not only aimed to develop confidence and skill sets of the undergraduate for future job requirements but also to present the Group a ready source of new recruits.

Last but not least, it is the practice of the Group to promote the participation of local community and to improve the well-being of the local community by offering the part-time job opportunities in its food and beverage and banquet operations. The practices by the Group increased the financial capacity of the locals, especially during current economic unfriendly environment.

C. Awards and Recognitions of Excellence

The Group'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 property and hotel sector in recognition of its exemplary performance. The awards recognised the efficiency and effectiveness of the usage of our capital.

This year, the Group has received the following awards for property sector:-

1. Top 30 of The Edge Malaysia Top Property Developers Awards 2017;
2. Gold Medal for Property Sector (below RM 3 billion market capitalisation) in term of highest growth in profit after tax over three years; and
3. Silver Medal for Property Sector (below RM 3 billion market capitalisation) in term of highest return on equity over three years.

The Edge Top Property Developers Awards 2017 ranks the best property players from the consumer's prospective based on their qualitative and quantitative attributes.


RUN
2017
FOR CHILD
1 OCTOBER '17
CANARY GARDEN. KLANG
6AM 3.5KM 7KM


RUN
2017
TECTIC

SUSTAINABILITY STATEMENT *(Cont'd)*

Other Major Economic, Environment and Social Activities Undertaken During Financial Year *(Cont'd)*

C. Awards and Recognitions of Excellence *(Cont'd)*

During the year 2017, the Group has also received an award for Chinese Preferred Hotel 2017 from the online travel agent named Ctrip.com. We have put in much effort such as putting up mandarin signage and menus to make our Chinese guests from Hong Kong, Taiwan and China at ease, which made them feel comfortable staying in our hotel.

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

The Board reviewed and approved this Statement on 28 March 2018.

5 years GROUP FINANCIAL HIGHLIGHTS

YEAR ENDED 31st December

Income Statement

		2013	2014	2015	2016	2017
Revenue	RM Million	680.0	801.0	686.1	689.1	697.5
Profit Before Taxation	RM Million	255.4	431.8	338.5	386.5	280.4
Profit Attributable to Shareholders	RM Million	181.5	342.3	266.1	314.5	220.6

Balance Sheet

		2013	2014	2015	2016	2017
Issued and Paid Up Capital	Million Unit	390.5	788.8	1,007.6	1,037.5	1,037.5
Shareholders' Equity	RM Million	1,289.3	1,601.2	2,013.4	2,351.7	2,566.8

Share Information

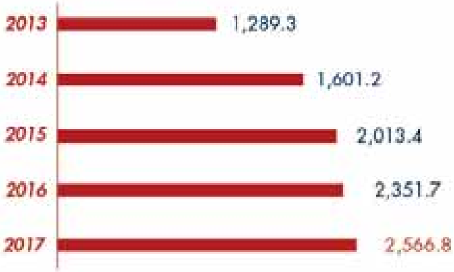
		2013	2014	2015	2016	2017
Basic Earnings Per Share	Sen	23.49	43.85	27.66	30.98	21.51
Dividend Per Share - Gross	Sen	-	10.00	2.00	-	-
Net Assets Per Share	RM	1.65	2.03	2.01	2.28	2.50
Return on Shareholders' Equity	%	14%	21%	13%	13%	9%

5 years GROUP FINANCIAL HIGHLIGHTS

Revenue

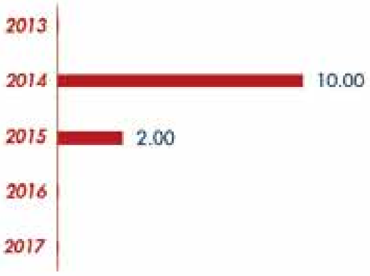
Profit Before Taxation

Shareholders' Equity



Basic Earnings Per Share

Dividend Per Share



Net Assets Per Share

Return on Shareholders' Equity

LIST OF MAJOR PROPERTIES HELD BY THE GROUP
AS AT 31 DECEMBER 2017

No.	Lot No.	Description	Land Area (sq. ft.)	Existing Use	Tenure	Approximate Age (Year)	Net Book Value as at 31.12.2017 (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	7	390,000,000	29.12.2017
02.	Lot 6412 & Lot 6415 Mukim of Klang District of Klang Selangor Darul Ehsan	Subdivided land under development	6,373,555	Bandar Bestari	Freehold	–	274,763,475	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	–	130,942,908	27.02.2002
04.	PTB 22817 Mukim of Johor Bahru District of Johor Bahru Johor Darul Takzim	Resort	295,515	KSL Resort	Freehold	5	100,486,139	21.03.2006
05.	Lot 18973 - 19011, Lot 19013 - 19040, Lot 19048 - 19054, Lot 19062 - 19063, Lot 19105 - 19113, Lot 19041 - 19047, Lot 19055 - 19061, Lot 19064 - 19104, Lot 19114 - 19136 Mukim Simpang Kanan District of Batu Pahat Johor Darul Takzim	Land held for development	12,945,196	Vacant Land	Freehold	-	94,350,795	30.01.2015
06.	PT 143339 Mukim of Klang District of Klang Selangor Darul Ehsan	Commercial complex	788,000	Propose KSL Esplanade Mall	Freehold	–	81,372,818	20.12.2017
07.	Lot 348 Mukim of Tebrau District of Johor Bahru Johor Darul Takzim	Subdivided land under development	257,467	KSL Residence @Daya	Freehold	–	78,424,691	23.10.2008
08.	Lot 3054 - Lot 3059, Lot 3068 - Lot 3071, Lot 3080 - Lot 3088 Mukim of Pulai District of Johor Bahru Johor Darul Takzim	Subdivided land under development	4,318,882	Taman Mutiara Bestari	Freehold	–	69,277,043	21.12.2009
09.	PTD 136166 (Partially) Mukim of Pulai District of Johor Bahru Johor Darul Takzim	Commercial complex	186,872	Giant Nusa Bestari	Freehold	9	63,800,000	29.12.2017
10.	Lot 3047 Mukim of Kluang District of Kluang Johor Darul Takzim	Subdivided land under development	4,378,216	Taman Mengkibol	Freehold	–	56,100,704	12.11.2010

STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES

THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

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 in KSL
"Listing Requirements"	:	The Main Market Listing Requirements of Bursa Securities, including any amendment thereto that may be made from time to time
"Major shareholder"	:	means a person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is – (a) 10% or more of the total number of voting shares in the corporation; or (b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation. For the purpose of this definition, "interest" shall have the meaning of "interest in shares" given in section 8 of the Act.
"NA"	:	Net Assets

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

"Proposed Share Buy-Back"	:	Proposed purchase of up to 10% of total number of issued shares of the Company
"PSSB"	:	Premiere Sector Sdn Bhd (539226-U)
"Person connected"	:	(a) in relation to a director or major shareholder of a corporation, (b) in relation to a member of the management team of a SPAC, (c) in relation to a trustee-manager, director or major shareholder of the trustee-manager, or major unit holder of a business trust, or (d) in relation to a Manager, director or major shareholder of the Manager, (each person mentioned under (a), (b), (c) and (d) above is referred to as "said Person"), means an associate or partner of the said Person
"RM" and "sen"	:	Ringgit Malaysia and sen respectively
"Subsidiary"	:	A subsidiary company of KSL as defined in Section 4 of the Act

[The remaining of this page is intentionally left blank]

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

1. INTRODUCTION

On 28 March 2018, the Company announced that the approval granted by the shareholders at the Seventeenth AGM of KSL held on 30 May 2017 for the Company to purchase its own shares shall expire at the conclusion of the forthcoming Eighteenth AGM and that the Company proposed to seek a renewal of the approval from the shareholders at the forthcoming Eighteenth AGM to be held on 28 May 2018, 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 Eighteenth AGM to be held on 28 May 2018 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.

Section 127 (2) of the Act states that a company shall not purchase its own shares unless:-

a) the company is solvent at the date of the purchase and will not become insolvent by incurring the debts involved in the obligation to pay for the shares so purchased;

b) the purchase is made through the stock exchange on which the shares of the company are quoted and in accordance with the relevant rules of the stock exchange; and

c) the purchase is made in good faith and in the interests of the company.

A company satisfies the solvency test in accordance with Sections 112 and 113 of the Act if :-

i. the share buyback would not result in the Company being insolvent and its capital being impaired at the date of the solvency statement; and

ii. the Company will remain solvent after each share buyback during the period of six months after the date of the declaration made.

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

2. TREATMENT OF THE PURCHASED SHARES

Pursuant to Section 127(4) of the Act, the Directors of the Company may deal with the purchased Shares in the following manner:-

i. cancel all the shares so purchased;
ii. retain all the shares so purchased as Treasury Shares;
iii. retain part of the shares so purchased as Treasury Shares and cancel the remainder of the shares; and
iv. deal with the Treasury Shares in the manners as allowed by the Act from time to time.

It is the present intention of the Board to retain the purchased Shares as Treasury Shares and subsequently resell them on Bursa Securities if the opportunity arises for the Company to realise gains from the resale on Bursa Securities. However, the Board may distribute the Treasury Shares as share dividends, which will depend on the availability of, amongst others, retained earnings and tax credits of the Company, transfer the Treasury Shares for the purpose of or under a share scheme, or cancel the Treasury Shares if the Board decides to change the capital structure of the Company.

An immediate announcement will be made to Bursa Securities in respect of the intention of the Directors to either retain the purchased Shares as treasury shares or cancel them or a combination of both following any transaction(s) executed pursuant to the authority granted under the Proposed Share Buy-Back.

In the event the purchased Shares are held as treasury shares, the rights attaching to them in relation to voting, dividends and participation in any other distribution or otherwise, would be suspended and the Treasury Shares would not be taken into account in calculating the number of percentage of shares, or of a class of shares in the Company for any purposes including the determination of major shareholdings, take-overs, notices, the requisitioning of meetings, the quorum for meetings and the result of a vote on resolution(s) at meetings.

3. 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 *(Cont'd)*

4. 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 maximum amount of funds to be allocated for the Proposed Share Buy-Back shall not exceed the aggregate amount of the retained earnings of the Company.

Based on the audited financial statements of the Company as at 31 December 2017, the retained profits of the Company amounted to RM203,468,683. For information purposes, the latest unaudited retained profits of the Company as at 31 March 2018 amounted to RM203,151,157.

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).

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

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

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

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

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

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

(i) As the Proposed Share Buy-Back can only be made out of retained profits, 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 *(Cont'd)*

6 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, major shareholders and persons connected to Directors and major shareholders of KSL, NA, working capital and EPS are set out below:-

6.1 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 17,307,300 KSL Shares (representing 1.668% of total number of issued shares) that have been purchased and held as treasury shares as at 28 March 2018. In addition, 88,100 KSL Shares (representing 0.008% of total number of issued shares) that have been purchased and held as treasury shares on 29 March 2018. Hence, as at 30 March 2018, a total of 17,395,400 KSL Shares (representing 1.676% of total number of issued shares) that have been purchased and held as treasury shares.*

6.2 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.

6.3 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.

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

6 FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK *(Cont'd)*

6.4 EPS

The effects of the Proposed Share Buy-Back on the consolidated EPS of KSL would depend on the purchase price and the number of KSL Shares purchased. The effective reduction in the issued share 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.

6.5 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.

7. MAJOR SHAREHOLDERS' SHAREHOLDINGS, DIRECTORS' SHAREHOLDINGS AND PERSON CONNECTED TO THEM

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 number of issued shares of KSL and the shareholdings of the major shareholders, Directors and person connected to them. 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 number of issued shares of the Company.

The Proforma effect on the direct and indirect interests of the Directors, major shareholders and person connected with them as at 30 March 2018, 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 *(Cont'd)*

Name	As at 30 March 2018[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	8.27	328,367,722 [a]	32.19	84,394,051	9.04	328,367,722 [a]	35.17
Ku Tien Sek	53,818,457	5.28	323,546,642 [b]	31.72	53,818,457	5.76	323,546,642 [b]	34.65
Ku Hwa Seng	80,889,521	7.93	323,546,642 [b]	31.72	80,889,521	8.66	323,546,642 [b]	34.65
Lee Chye Tee	-	-	-		-	-	-	-
Gow Kow	-	-	-	-	-	-	-	-
Goh Tyau Soon	-	-	-	-	-	-	-	-
Tey Ping Cheng	-	-	-	-	-	-	-	-
Major Shareholders								
PSSB	323,546,642	31.72	-	-	323,546,642	34.65	-	-
Khoo Cheng Hai @ Ku Cheng Hai	84,394,051	8.27	328,367,722 [a]	32.19	84,394,051	9.04	328,367,722 [a]	35.17
Ku Tien Sek	53,818,457	5.28	323,546,642 [b]	31.72	53,818,457	5.76	323,546,642 [b]	34.65
Ku Hwa Seng	80,889,521	7.93	323,546,642 [b]	31.72	80,889,521	8.66	323,546,642 [b]	34.65
Ku Wa Chong	12,164,456	1.21	323,546,642 [b]	31.72	12,164,456	1.30	323,546,642 [b]	34.65
Person connected								
Khoo Lee Feng	853,400	0.084	84,394,051[c]	8.27	853,400	0.09	84,394,051[c]	9.04
Khoo Keng Ghiap	3,967,680	0.389	84,394,051[c]	8.27	3,967,680	0.42	84,394,051[c]	9.04

(i) *After taking into account the total of 17,395,400 KSL Shares (representing 1.676% of the total number of issued shares) that have been purchased and held as treasury shares as at 30 March 2018.*
(ii) *Assuming 10% of KSL Shares are fully purchased.*

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

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

7. PURCHASE OF SHARES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

During the financial year, the Company has repurchased 4,368,900 of its total number of issued shares from the open market for a total consideration of RM5,470,445.84. The average price paid for the shares repurchased was RM1.25 per share

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

	Number of Shares RM	Purchase Price			
		Highest price RM	Lowest price RM	Average Cost RM	RM
As at 1 January 2017	7,917,500	4.100	1.000	1.440	11,420,298
05.09.2017	188,700	1.240	1.240	1.240	234,510.44
06.09.2017	151,900	1.260	1.250	1.260	191,524.36
08.09.2017	196,300	1.260	1.250	1.260	246,664.16
11.09.2017	98,300	1.260	1.260	1.260	124,152.53
15.09.2017	550,000	1.240	1.240	1.240	683,139.80
18.09.2017	262,400	1.240	1.240	1.240	326,024.37
19.09.2017	113,000	1.250	1.250	1.250	141,585.89
20.09.2017	319,600	1.260	1.260	1.260	403,450.92
21.09.2017	67,500	1.260	1.260	1.260	85,252.25
26.09.2017	443,300	1.250	1.240	1.250	552,644.22
27.09.2017	95,500	1.250	1.250	1.250	119,658.87
29.09.2017	332,000	1.260	1.260	1.260	419,096.44
03.10.2017	350,500	1.280	1.260	1.280	449,448.21
09.10.2017	44,100	1.270	1.270	1.270	56,140.18
10.10.2017	263,100	1.270	1.270	1.270	334,797.44
11.10.2017	185,700	1.270	1.270	1.270	236,363.99
20.10.2017	95,900	1.270	1.270	1.270	122,082.62
27.10.2017	361,100	1.260	1.260	1.260	455,812.97
12.12.2017	250,000	1.150	1.150	1.150	288,096.18
As at 31 December 2017	12,286,400	4.100	1.000	1.388	17,058,460

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

As at 31 December 2017, the Company held 12,286,400 issued ordinary shares as treasury shares out of its total number of issued shares of 1,037,508,399 shares.

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

8. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of Shares as traded on Bursa Securities for the past 12 months from March 2017 to February 2018 are as follows:-

	LOWEST (RM)	HIGHEST (RM)
2017		
March	1.15	1.33
April	1.17	1.27
May	1.19	1.25
June	1.19	1.31
July	1.21	1.27
August	1.20	1.27
September	1.23	1.28
October	1.24	1.30
November	1.16	1.26
December	1.02	1.21
2018		
January	1.03	1.11
February	0.99	1.05

Last transacted market price before printing the circular RM0.95
(Source: Kenanga Live Chart)

9. PUBLIC SHAREHOLDING SPREAD

The public shareholding spread of 25% of the number of issued shares of the Company was maintained at all times. Based on the Record of Depositors of the Company as at 30 March 2018, the public shareholding spread of KSL is 45.12%.

10. 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 54.88% of the total issued and paid-up share capital of the Company, collectively. In the event that the Proposed Share Buy-Back of up to 10% is carried out in full in a period of six (6) months, the shareholdings of the PAC in KSL would increase to 59.93% 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 II of the Code, if a person or a group of persons acting in concert holding more than 33% but less than 50% of the voting shares of a company and such person or group of persons acting in concert acquiring or intends to acquire in any period of six (6) months more than 2% of the voting shares of the company, there is an obligation to undertake a mandatory general offer for the remaining ordinary shares of the company not already owned by the said person or persons acting in concert.

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

10. IMPLICATION RELATING TO THE CODE *(Cont'd)*

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

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

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

11. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

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

12. DIRECTORS' RECOMMENDATION

The Board, having considered the rationale for the Proposed Share Buy-Back and after careful deliberation, is of the opinion that the Proposed Share Buy-Back is in the best interests of KSL and its shareholders and accordingly, recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming 18th AGM to be convened.

APPENDIX 1

Further Information

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy, completeness and correctness of the information given herein and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of KSL at Suite 6.1A, Level 6, Menara Pelangi, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru from Mondays to Fridays (except public holidays) during normal business hours from the date of this Statement up to and including the date of the forthcoming 18th AGM:-

i. Memorandum and Articles of Association ("M&A") of KSL*; and
ii. Audited Financial Statements of KSL for the past two (2) financial years ended 31 December 2016 and 2017.

Notes :

* *The M&A of the Company shall have effect and enforceable under Companies Act 2016 pursuant to Section 619(3) of Act.*

STATEMENT OF SHAREHOLDINGS
AS AT 30 MARCH 2018

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	516	20,533	0.00
100 - 1,000	680	365,949	0.04
1,001 - 10,000	2,818	14,490,370	1.42
10,001- 100,000	1,709	52,727,153	5.17
100,001 to less than 5% of issued shares	348	557,250,452	54.62
5% and above of issued shares	2	395,346,642	38.75
	6,073	1,020,201,099*	100.00

* *excluding a total of 17,307,300 KSL Shares (representing 1.668% of total number of issued shares) that have been purchased and held as treasury shares as at 28 March 2018. In addition, 88,100 KSL Shares (representing 0.008% of total number of issued shares) that have been purchased and held as treasury shares on 29 March 2018. Hence, as at 30 March 2018, a total of 17,395,400 KSL Shares (representing 1.676% of total number of issued shares) that have been purchased and held as treasury shares.*

THIRTY LARGEST SHAREHOLDERS

No.	Shareholders	Number of Shares	Percentage of Shares (%)
1.	PREMIERE SECTOR SDN BHD	323,546,642	31.71
2.	LEMBAGA TABUNG HAJI	71,800,000	7.04
3.	KHOO CHENG HAI @ KU CHENG HAI	50,581,813	4.96
4.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD.	49,938,898	4.90
5.	KU HWA SENG	47,815,338	4.69
6.	KU TIEN SEK	42,747,415	4.19
7.	KHOO CHENG HAI @ KU CHENG HAI	33,812,238	3.31
8.	KU HWA SENG	33,074,183	3.24
9.	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	27,455,286	2.69
10.	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	12,573,915	1.23
11.	KU TIEN SEK	11,071,042	1.09
12.	DAMAI MOTOR KREDIT SDN BHD	10,126,087	0.99
13.	STRATA CENTURY SDN BHD	10,117,573	0.99
14.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD	9,453,995	0.93

STATEMENT OF SHAREHOLDINGS *(Cont'd)*
AS AT 30 MARCH 2018

THIRTY LARGEST SHAREHOLDERS *(Cont'd)*

No.	Shareholders	Number of Shares	Percentage of Shares (%)
15.	KU WA CHONG	9,249,879	0.91
16.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	9,077,273	0.89
17.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	8,206,751	0.80
18.	AMANAHRAYA TRUSTEES BERHAD PB SMALLCAP GROWTH FUND	7,996,500	0.78
19.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	6,553,511	0.64
20.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND IZQI FOR GMO EMERGING MARKETS FUND	6,070,888	0.60
21.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK	6,015,435	0.59
22.	LTK (MELAKA) SDN BHD	4,911,315	0.48
23.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	4,681,218	0.46
24.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS SMALL-CAP FUND	4,434,700	0.43
25.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	4,316,485	0.42
26	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	4,097,300	0.40
27	KHOO KENG GHIAP	3,967,680	0.39
28	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR UBS AG SINGAPORE	3,640,300	0.36
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	3,481,816	0.34
30	CITIGROUP NOMINEES (ASING) SDN BHD GOLDMAN SACHS INTERNATIONAL	3,402,300	0.33

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	31.71	-	-
2.	LEMBAGA TABUNG HAJI	73,230,100	7.18	-	-
3.	KHOO CHENG HAI @ KU CHENG HAI	84,394,051	8.27	328,367,722(2)	32.19
4.	KU HWA SENG	80,889,521	7.93	323,546,642(1)	31.71
5.	KU TIEN SEK	53,818,457	5.28	323,546,642(1)	31.71
6.	KU WA CHONG	12,379,075	1.20	323,546,642(1)	31.71

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	8.27	328,367,722(1)	32.19
2.	KU HWA SENG	80,889,521	7.93	323,546,642(2)	31.71
3.	KU TIEN SEK	53,818,457	5.28	323,546,642(1)	31.71
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.

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2017

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. 54, Jalan Kempas Utama 2/2
Taman Kempas Utama
81200 Johor Bahru
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 2017.

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	220,571,981	80,857,926

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

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

SHARE BUY-BACK

During the financial year, the Company has repurchased 4,368,900 (2016: 141,700) of its issued ordinary shares from the open market for a total consideration of RM5,470,464 (2016: RM158,324). The average price paid for the shares repurchased was RM1.25 (2016: RM1.12) per share.

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

As at 31 December 2017, the Company held 12,286,400 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 RM16,890,762. Further information is disclosed in Note 13 to the financial statements.

DIRECTORS' REPORT *(Cont'd)*

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 during the financial year up to the date of this 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

Since the end of the previous financial year, no director has received or become entitled to receive any benefit, other than a benefit included in the aggregate amount of fees and emoluments received or due and receivable by the directors from the Company, or the fixed salary of a full time employee of the Company as disclosed in the financial statements, by reason of a contract made by the Company with the 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 other than certain directors who have substantial financial interests in companies which traded with the Company in the ordinary course of business.

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

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, the interests and deemed interests of directors in office at the end of the financial year in the shares of the Company during the financial year are as follows: -

	<------ Number of ordinary shares of RM0.50 each ------>			
	As at 1.1.2017	**Acquired**	**Disposed**	**As at 31.12.2017**
Company				
Direct interest				
Khoo Cheng Hai @ Ku Cheng Hai	84,394,051	-	-	84,394,051
Ku Hwa Seng	80,889,521	-	-	80,889,521
Ku Tien Sek	53,818,457	-	-	53,818,457
Indirect interest (+)				
Khoo Cheng Hai @ Ku Cheng Hai	3,967,680	853,400	-	4,821,080

DIRECTORS' REPORT *(Cont'd)*

DIRECTORS' INTERESTS *(Cont'd)*

	<------ Number of ordinary shares of RM0.50 each ------->			
	As at 1.1.2017	**Acquired**	**Disposed**	**As at 31.12.2017**
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 children'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.

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in Note 30 to the financial statements.

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 prepared, 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 be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets 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

(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.

DIRECTORS' REPORT *(Cont'd)*

OTHER STATUTORY INFORMATION *(Cont'd)*

(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' REMUNERATION

Details of auditors' remuneration are set out in Note 22 to the financial statements.

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 2018

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 120 to 175 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 2016 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 2017 and of their financial performance and cash flows for the year then ended.

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 2018

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) 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 120 to 175, 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 2018)

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 2017 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 2017, 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, 2016 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.

For each matter below, our description of how our audit addressed the matter is provided in that context. We have determined that there are no key audit matters to be communicated in respect of the audit of the separate financial statements of the Company.

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

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.

How our audit addressed the key audit matter

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 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 using the comparison method was valued by referrence to similar transactions with adjustments made for relevant differences in order to arrive at a common basis for comparison. We compare the fair values fo few samples of properties with the average values of several similar properties in and around the area. We found the comparisons to be with 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, 2016 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.

(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.

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)

(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.

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
02733/07/2019 (J)
Chartered Accountant

JOHOR BAHRU

Date: 28 March 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	3	151,681,177	141,258,134	2	2
Land held for property development	4	759,541,893	700,551,512	-	-
Investment properties	5	789,038,543	740,940,784	-	-
Investment in subsidiaries	6	-	-	175,521,958	175,521,958
		1,700,261,613	1,582,750,430	175,521,960	175,521,960
CURRENT ASSETS					
Property development costs	7	465,176,403	357,268,260	-	-
Inventories	8	328,079,222	359,837,464	-	-
Trade and other receivables	9	224,944,216	501,669,914	385	385
Amount due by subsidiaries	10	-	-	750,741,086	665,045,356
Cash and bank balances	11	254,182,393	42,944,084	151,547	15,547
		1,272,382,234	1,261,719,722	750,893,018	665,061,288
TOTAL ASSETS		2,972,643,847	2,844,470,152	926,414,978	840,583,248
EQUITY AND LIABILITIES					
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	12	518,754,200	518,754,200	518,754,200	518,754,200
Reserves	13	2,048,093,003	1,832,991,486	367,058,245	291,670,783
TOTAL EQUITY		2,566,847,203	2,351,745,686	885,812,445	810,424,983
NON-CURRENT LIABILITIES					
Other payables	14	143,452,218	128,090,689	-	-
Loans and borrowings	15	42,789,350	68,975,741	-	-
Hire purchase payables	16	-	70,979	-	-
Deferred tax liabilities	17	37,216,125	36,962,039	-	-
		223,457,693	234,099,448	-	-

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

STATEMENTS OF FINANCIAL POSITION *(Cont'd)*
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
CURRENT LIABILITIES					
Trade and other payables	14	142,231,631	152,671,869	207,588	230,257
Amount due to subsidiaries	10	-	-	38,814,824	28,407,387
Loans and borrowings	15	26,941,680	90,093,634	-	-
Hire purchase payables	16	69,721	71,773	-	-
Current tax liabilities		13,095,919	15,787,742	1,580,121	1,520,621
		182,338,951	258,625,018	40,602,533	30,158,265
TOTAL LIABILITIES		405,796,644	492,724,466	40,602,533	30,158,265
TOTAL EQUITY AND LIABILITIES		2,972,643,847	2,844,470,152	926,414,978	840,583,248

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 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
REVENUE	18	697,503,528	689,061,503	66,387,000	34,530,000
COST OF SALES	19	(302,269,303)	(285,446,431)	-	-
GROSS PROFIT		395,234,225	403,615,072	66,387,000	34,530,000
ADD: OTHER INCOME	20	35,846,054	123,236,555	21,656,715	19,845,454
LESS: DISTRIBUTION EXPENSES		(39,478,886)	(25,253,970)	(5,775)	(8,052)
LESS: ADMINISTRATIVE EXPENSES		(106,352,913)	(105,599,730)	(1,094,005)	(1,127,391)
LESS: OTHER EXPENSES		(20,807)	(21,406)	-	-
LESS: FINANCE COSTS	21	(4,800,516)	(9,509,845)	(945,801)	(1,052,894)
PROFIT BEFORE TAX	22	280,427,157	386,466,676	85,998,134	52,187,117
INCOME TAX EXPENSE	23	(59,855,176)	(71,949,903)	(5,140,208)	(4,527,923)
PROFIT FOR THE YEAR		220,571,981	314,516,773	80,857,926	47,659,194
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		220,571,981	314,516,773	80,857,926	47,659,194
EARNINGS PER ORDINARY SHARE (SEN): - Basic	24	21.51	30.98		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	<----------- 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 2017

	<---------- Attributable to owners of the Company				---------->	
	<------------- Non-Distributable			------------->	Distributable	
	Share capital (Note 12)	Share premium (Note 13)	Treasury shares (Note 13)	Revaluation reserve (Note 13)	Retained earnings (Note 13)	Total equity
Group	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
At 1 January 2017	518,754,200	180,480,324	(11,420,298)	17,401,150	1,646,530,310	2,351,745,686
Own shares: -						
- acquired	-	-	(5,470,464)	-	-	(5,470,464)
Profit/Total comprehensive income for the year	-	-	-	-	220,571,981	220,571,981
At 31 December 2017	518,754,200	180,480,324	(16,890,762)	17,401,150	1,867,102,291	2,566,847,203

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

STATEMENTS OF CHANGES IN EQUITY *(Cont'd)*
FOR THE YEAR ENDED 31 DECEMBER 2017

	<---- 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 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
Own shares: -						
- acquired	-	-	-	(5,470,464)	-	(5,470,464)
Profit/Total comprehensive income for the year	-	-	-	-	80,857,926	80,857,926
At 31 December 2017	518,754,200	180,480,324	-	(16,890,762)	203,468,683	885,812,445

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	280,427,157	386,466,676	85,998,134	52,187,117
Adjustments for: -				
Bad debts written off	-	170,461	-	-
Depreciation of property, plant and equipment	8,877,933	10,581,038	-	-
Loss on disposal of property, plant and equipment	849	223,255	-	-
Interest expenses	4,373,389	7,543,445	943,314	1,050,382
Property, plant and equipment written off	25	-	-	-
Provision for foreseeable loss realised	-	9,415,113	-	-
Fair value adjustment of investment properties	(18,632,000)	(112,720,691)	-	-
Interest income	(8,035,597)	(3,644,716)	(21,656,715)	(19,845,454)
Operating profit before working capital changes	267,011,756	298,034,581	65,284,733	33,392,045
Decrease/(Increase) in working capital				
Property development costs	(161,418,758)	(87,017,475)	-	-
Inventories	131,977,984	18,718,835	-	-
Trade and other receivables	182,374,903	(174,095,268)	-	(385)
Trade and other payables	(3,068,708)	21,403,236	(22,669)	(172,159)
Amount due by/(to) subsidiaries	-	-	(75,288,293)	11,408,397
Cash generated from/(used in) operations	416,877,177	77,043,909	(10,026,229)	44,627,898
Interest paid	(4,373,389)	(7,543,445)	(943,314)	(1,050,382)
Tax paid	(62,292,913)	(68,341,652)	(5,080,708)	(4,777,420)
Net cash from/(used in) operating activities	350,210,875	1,158,812	(16,050,251)	38,800,096
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in investment in subsidiaries	-	-	-	(82,572,993)
Addition of land held for property development	(3,358,714)	(25,241,122)	-	-
Addition of investment properties	(29,465,759)	(1,624,712)	-	-
Purchase of property, plant and equipment (Note 25)	(19,302,301)	(11,565,588)	-	-
Proceeds from disposal of property, plant and equipment	451	54,811	-	-
Interest received	8,035,597	3,644,716	21,656,715	19,845,454
Net cash (used in)/from investing activities	(44,090,726)	(34,731,895)	21,656,715	(62,727,539)

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

STATEMENTS OF CASH FLOWS *(Cont'd)*
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Repurchase of treasury shares	(5,470,464)	(158,324)	(5,470,464)	(158,324)
Proceeds from issuance of shares through exercise of warrants	-	23,925,199	-	23,925,198
Repayment of term loans	(30,194,391)	(24,303,308)	-	-
Drawdown of revolving credit	5,383,332	20,000,000	-	-
Repayment of revolving credit	(50,000,000)	-	-	-
Drawdown of bankers acceptances	-	17,850,000	-	-
Repayment of bankers acceptances	(5,500,000)	(23,450,000)	-	-
Repayment of hire purchase payables	(73,031)	(76,248)	-	-
Net cash (used in)/from financing activities	(85,854,554)	13,787,319	(5,470,464)	23,766,874
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	220,265,595	(19,785,764)	136,000	(160,569)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	33,916,798	53,702,562	15,547	176,116
CASH AND CASH EQUIVALENTS AT END OF YEAR	254,182,393	33,916,798	151,547	15,547
Cash and cash equivalents comprise the following: -				
Cash and bank balances (Note 11)	254,182,393	42,944,084	151,547	15,547
Bank overdraft (Note 15)	-	(9,027,286)	-	-
	254,182,393	33,916,798	151,547	15,547

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 2017 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 2018.

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, 2016 in Malaysia.

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

(b) Statement of compliance

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

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

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

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

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

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

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

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

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

Malaysian Financial Reporting Standard ("MFRS Framework")

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

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

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

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

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

Application of MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1")

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs.

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

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

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

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

MFRS 15, Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers. In addition, extensive disclosures are required by MFRS 15.

The Group is currently performing a detailed analysis under MFRS 15 to determine its election of the practical expedients and to quantify the transition adjustments on its financial statements.

(c) Basis of consolidation

(i) Subsidiaries

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

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

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

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

(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.

(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.

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

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

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

(v) Associates *(Cont'd)*

When the Group's 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.

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's 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.

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

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

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

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

- Joint operation *(Cont'd)*

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.

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.

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

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

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

(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) 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.

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

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

Financial assets *(Cont'd)*

(b) Held-to-maturity investments

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

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

(c) Loans and receivables

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

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

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

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

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

Financial liabilities

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

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

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

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

(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.

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

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

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

(iii) Financial guarantee contracts *(Cont'd)*

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

(iv) Derecognition

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

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

(e) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

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

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

(f) Leased asset

(i) Finance lease

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

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

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

(ii) Operating lease

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

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

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

(g) 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.

(h) 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.

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

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

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

(i) Investment property carried at fair value *(Cont'd)*

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.

(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.

(i) 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.

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

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

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

(ii) Property development cost *(Cont'd)*

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.

(j) 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.

(k) 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 with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

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

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

(l) 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.

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.

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

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

(l) Impairment *(Cont'd)*

Other assets *(Cont'd)*

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.

(m) Equity instruments

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

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) 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.

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

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

(m) Equity instruments *(Cont'd)*

(ii) Repurchase, disposal and reissue of share capital (treasury shares) *(Cont'd)*

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.

(n) 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.

(o) 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.

(p) 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(i).

(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.

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

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

(p) Revenue and other income *(Cont'd)*

(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.

(q) Borrowing costs

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

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

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

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

(r) 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.

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

(s) 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.

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.

(t) 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.

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

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

(u) 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.

(v) 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.

(w) 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.

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

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

(x) 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.

(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) 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.

(iv) 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.

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

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

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

(v) Provision for foreseeable loss

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

Group 2017 **Cost**	As at 1.1.2017 RM	Additions RM	Disposals/ Written off RM	As at 31.12.2017 RM
Freehold land and buildings-in-progress	15,902,601	16,537,090	-	32,439,691
Freehold land and building	134,131,888	-	-	134,131,888
Plant and machinery	6,434,512	1,323,010	-	7,757,522
Motor vehicles	8,819,410	479,276	(8,390)	9,290,296
Other assets	27,473,435	962,925	(17,360)	28,419,000
	192,761,846	19,302,301	(25,750)	212,038,397

Group 2017 **Accumulated depreciation**	As at 1.1.2017 RM	Charge for the year RM	Disposals/ Written off RM	As at 31.12.2017 RM
Buildings	25,444,241	5,879,368	-	31,323,609
Plant and machinery	1,838,971	668,625	-	2,507,596
Motor vehicles	6,196,363	421,408	(7,065)	6,610,706
Other assets	18,024,137	1,908,532	(17,360)	19,915,309
	51,503,712	8,877,933	(24,425)	60,357,220

Group 2016 **Cost**	As at 1.1.2016 RM	Additions RM	Disposals/ Written off RM	As at 31.12.2016 RM
Freehold land and buildings-in-progress	8,553,175	7,349,426	-	15,902,601
Freehold land and building	134,131,888	-	-	134,131,888
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 2016 **Accumulated depreciation**	As at 1.1.2016 RM	Charge for the year RM	Disposals/ Written off RM	As at 31.12.2016 RM
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

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

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

	2017 RM	2016 RM
Net carrying amount		
Freehold land and buildings-in-progress	32,439,691	15,902,601
Freehold land and building	102,808,279	108,687,647
Plant and machinery	5,249,926	4,595,541
Motor vehicles	2,679,590	2,623,047
Other assets	8,503,691	9,449,298
	151,681,177	141,258,134

Company **2017** **Cost**	As at 1.1.2017 RM	Additions RM	As at 31.12.2017 RM
Signboard	27,853	-	27,853

2017 **Accumulated depreciation**	As at 1.1.2017 RM	Charge for the year RM	As at 31.12.2017 RM
Signboard	27,851	-	27,851

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

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

	2017 RM	2016 RM
Net carrying amount		
Signboard	2	2

Property, plant and equipment of the Group at cost of RM14,469,373 (2016: RM13,441,560) are fully depreciated and still in use.

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

4. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	2017	**2016**
	RM	**RM**
Cost		
Cost At 1 January	700,551,512	731,663,810
Additions	3,358,714	25,241,122
Provision for foreseeable loss for affordable housing	7,990,000	-
Transfer from deposit for acquisition of land	94,350,795	-
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)	(46,709,128)	(15,298,139)
Carrying amount	759,541,893	700,551,512

Freehold land of the Group amounting to RM189,332,766 (2016: RM184,003,829) have been charged as security for loans and borrowings as referred to in Note 15.

5. INVESTMENT PROPERTIES

	Group	
	2017	**2016**
	RM	**RM**
At fair value		
At 1 January	740,940,784	641,223,786
Additions	29,465,759	1,624,712
Transfer from land held for property development (Note 4)	-	49,371,595
Transfer to property development costs (Note 7)	-	(64,000,000)
Fair value adjustments	18,632,000	112,720,691
	48,097,759	99,716,998
At 31 December	789,038,543	740,940,784

Investment properties with an aggregate carrying amount of RM588,535,759 (2016: RM81,070,000) 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.

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

	Group	
	2017	**2016**
	RM	**RM**
Rental income	85,726,114	84,780,160
Direct operating expenses - income generating investment property	(13,012,227)	(12,961,186)
- non-income generating investment property	(3,053)	(3,151)

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

5. INVESTMENT PROPERTIES *(Cont'd)*

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

(a) RM256,782,000 (2016: RM256,450,000) arrived at by reference to transaction prices for similar properties.

(b) RM502,790,784 (2016: RM484,490,784) 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% (2016: 7% to 9%) and weighted average rate at 8% (2017: 8%). The higher the discount rate, the lower the fair value.

(c) RM29,465,759 (2016: Nil) measured at cost because the fair value of the properties under construction is not yet determinable as of 31 December 2017. The fair value of the property is expected to be reliably determinable when construction is complete.

Fair value of investment properties are categorised as Level 3 as described in Note 2(w) to the financial statements.

6. INVESTMENT IN SUBSIDIARIES

	Company 2017 RM	Company 2016 RM
At cost		
Unqouted shares	175,521,958	175,521,958

Details of the subsidiaries are as follows: -

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2017	Effective ownership interest 2016
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%
Harapan Terang Sdn Bhd	Malaysia	Property development	100%	100%
Harapan Terang Properties 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 2017	Effective ownership interest 2016
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 City Management Sdn Bhd (formerly known as 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 2017 RM	2016 RM
At 1 January: -		
- Freehold land	116,174,845	77,937,081
- Development expenditure	321,983,486	454,085,782
	438,158,331	532,022,863
Add:		
Cost incurred during the financial year		
- Leasehold land	4,700,131	-
- Development expenditure	286,209,611	304,505,106
	290,909,742	304,505,106
Less:		
Cumulative costs charged to statements of profit or loss:		
As at 1 January	(83,384,759)	(132,552,442)
- Recognised during the financial year (Note 19)	(129,490,986)	(217,487,631)
	(212,875,745)	(350,040,073)
Transfer from investment properties (Note 5)	-	64,000,000
Transfer from land held for property development (Note 4)	43,403,424	15,298,139
Transfer to inventories	(98,467,830)	(202,696,149)
Transfer to land held for property development (Note 4)	-	(8,316,314)
	(55,064,406)	(131,714,324)
Provision for foresseable loss of affordable housing		
As at 1 January	2,494,688	15,132,201
- Transfer from land held for property development (Note 4)	3,305,704	-
- Recognised during the financial year (Note 19)	-	(9,415,113)
- Transfer to inventories	(1,751,911)	(3,222,400)
	4,048,481	2,494,688
At 31 December	465,176,403	357,268,260

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

	2017 RM	2016 RM
Interest expenses	155,930	204,690
Rental of machinery	6,927,101	4,329,338

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

8. INVENTORIES

	Group	
	2017 RM	2016 RM
Food and beverages	283,507	281,249
General and operating supplies	272,338	376,180
Properties held for sale	327,523,377	359,180,035
	328,079,222	359,837,464

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade receivables	76,052,451	345,672,763	-	-
Other receivables: -				
Accrued billings in respect of property development costs	133,907,778	52,360,140	-	-
Acquisition of land	4,360,373	94,193,796	-	-
Sundry receivables	5,142,111	4,343,804	-	-
Sundry deposits	5,157,332	4,837,682	-	-
Prepayments	324,171	261,729	385	385
	148,891,765	155,997,151	385	385
	224,944,216	501,669,914	385	385

Further information for trade receivables is disclosed in Note 27(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 3.08% (2016: 3.12%) per annum and are repayable on demand.

11. CASH AND BANK BALANCES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deposits placed with licensed banks	102,423,841	5,000,000	-	-
Short-term investment	40,000,000	-	-	-
Cash and bank balances	111,758,552	37,944,084	151,547	15,547
	254,182,393	42,944,084	151,547	15,547

Included in cash at bank of the Company is amount of RM11,852,556 (2016: RM11,304,983) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and are restricted from use in other operations.

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

12. SHARE CAPITAL

	Group and Company			
	2017 Number	**2017 RM**	**2016 Number**	**2016 RM**
Ordinary shares of RM1 each: -				
Authorised: -				
At 1 January/31 December	-	-	2,000,000,000	1,000,000,000
Issued and fully paid: -				
At 1 January	1,037,508,399	518,754,200	1,007,595,651	503,797,826
- Issued for cash via convertion warrants	-	-	29,912,748	14,956,374
At 31 December	1 ,037,508,399	518,754,200	1,037,508,399	518,754,200

The new Companies Act 2016 which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

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.

13. RESERVES

	Group		Company	
	2017 RM	**2016 RM**	**2017 RM**	**2016 RM**
Distributable				
Retained earnings	1,867,102,291	1,646,530,310	203,468,683	122,610,757
Non-distributable				
Share premium	180,480,324	180,480,324	180,480,324	180,480,324
Treasury shares	(16,890,762)	(11,420,298)	(16,890,762)	(11,420,298)
Revaluation reserve	17,401,150	17,401,150	-	-
	180,990,712	186,461,176	163,589,562	169,060,026
	2,048,093,003	1,832,991,486	367,058,245	291,670,783

(a) Share premium

Pursuant to the Section 618 of the Companies Act 2016 (the "Act") upon the commencement of Section 74 of the Act, any amount outstanding to the credit of a company's share premium account and capital redemption reserve shall become part of the company's share capital, notwithstanding, a company may, within twenty-four months upon commencement of Section 74 of the Act, use the amount standing to the credit of its share premium account, for certain purposes as prescribed in the Act.

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

13. RESERVES *(Cont'd)*

(b) Revaluation reserve

	2017 RM	2016 RM
Group		
At 1 January	17,401,150	17,380,028
Realised revaluation deficit/(surplus)	-	885
Reversal of deferred tax arising from change in tax rate (Note 17)	-	20,237
At 31 December	17,401,150	17,401,150

` 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.

(c) Treasury shares

The shareholders of the Company, by an ordinary resolution passed in the Annual General Meeting held on 30 May 2017, renewed their approval for the Company's plan to repurchase its own shares. The directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company has repurchased 4,368,900 (2016: 141,700) of its issued ordinary shares from the open market for a total consideration of RM5,470,464 (2016: RM158,324). The average price paid for the shares repurchased was RM1.25 (2016: RM1.12) 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 2017, the Company held 12,286,400 of the Company's share. The number of outstanding ordinary share in issue after deducting treasury shares is therefore 1,025,221,999 (2016: 1,029,590,899) ordinary shares of RM0.50 each.

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Non-current				
Retention sums	51,457	51,457	-	-
Deposits payable	27,583,048	25,531,518	-	-
Provision for foreseeable loss of affordable housing	115,817,713	102,507,714	-	-
	143,452,218	128,090,689	-	-

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

14. TRADE AND OTHER PAYABLES *(Cont'd)*

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current				
Trade payables	44,614,164	53,470,664	-	-
Other payables: -				
Progress billings in respect of property development costs	25,808,324	32,244,460	-	-
Sundry payables	24,911,796	16,447,720	47,772	71,911
Deposits payable	3,471,327	38,357,545	-	-
Accruals	43,426,020	12,151,480	159,816	158,346
Total other payables	97,617,467	99,201,205	207,588	230,257
	142,231,631	152,671,869	207,588	230,257
	285,683,849	280,762,558	207,588	230,257

Further information for trade payables is disclosed in Note 27(d) to the financial statements.

15. LOANS AND BORROWINGS

	Group	
	2017 RM	2016 RM
Non-current		
Secured		
- Term loans	42,789,350	68,975,741
Current		
Secured		
- Bank overdraft	-	9,027,286
- Bankers acceptance	-	5,500,000
- Revolving credit	5,383,332	50,000,000
- Term loan	21,558,348	25,566,348
	26,941,680	90,093,634
	69,731,030	159,069,375

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.

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

16. HIRE PURCHASE PAYABLES

	2017 RM	2016 RM
Non-current	-	70,979
Current	69,721	71,773
	69,721	142,752

2017	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Less than one year	72,719	(2,998)	69,721
Between one and five years	-	-	-
	72,719	(2,998)	69,721
2016			
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

17. DEFERRED TAX LIABILITIES

	Group	
	2017 RM	2016 RM
Movement in temporary differences during the year		
At 1 January	(36,962,039)	(34,784,238)
Recognised in statements of profit or loss (Note 23)	(254,086)	(2,198,038)
Recognised in equity (Note 13)	-	20,237
At 31 December	(37,216,125)	(36,962,039)
Represented by:		
Deferred tax assets	11,168,840	10,157,926
Deferred tax liabilities	(48,384,965)	(47,119,965)
	(37,216,125)	(36,962,039)

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

17. DEFERRED TAX LIABILITIES *(Cont'd)*

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

	Group Deferred tax assets 2017 RM	Group Deferred tax assets 2016 RM
Tax effect of provision for foreseeable loss		
At 1 January	10,157,926	7,958,090
Recognised in profit or loss	1,010,914	2,199,836
At 31 December	11,168,840	10,157,926

	Fair value adjustment RM	Unrealised revaluation surplus RM	Others RM	Total RM
Group				
Deferred tax liabilities				
2017				
At 1 January	(32,697,677)	(8,711,195)	(5,711,093)	(47,119,965)
Recognised in profit or loss	(1,265,000)	-	-	(1,265,000)
At 31 December	(33,962,677)	(8,711,195)	(5,711,093)	(48,384,965)
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)

18. REVENUE

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Sale of development properties	529,541,968	523,217,637	-	-
Rental income from investment properties	85,726,114	84,660,160	-	-
Hotel, food and beverage revenue	75,188,123	74,277,341	-	-
Car park income	5,048,462	4,937,092	-	-
Sale of land	40,002	-	-	-
Other trade sales	1,958,859	1,969,273	-	-
Dividend income from subsidiaries	-	-	65,400,000	33,600,000
Management fees from subsidiaries	-	-	987,000	930,000
	697,503,528	689,061,503	66,387,000	34,530,000

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

19. COST OF SALES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Property development costs	129,490,986	217,487,631	-	-
Cost of inventories sold	132,224,699	19,514,997	-	-
Post construction cost	5,322,963	1,286,086	-	-
Provision for foreseeable loss realised	-	9,415,113	-	-
Cost of running hotel and food and beverage	21,818,773	23,003,489	-	-
Cost of running investment properties	12,247,792	12,443,721	-	-
Cost of car park	42,368	-	-	-
Other trade cost	1,121,722	2,295,394	-	-
	302,269,303	285,446,431	-	-

20. OTHER INCOME

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income	8,035,597	3,644,716	21,656,715	19,845,454
Rental income	5,877,478	4,858,486	-	-
Sundry income	2,892,904	1,277,836	-	-
Forfeiture income	407,724	734,826	-	-
Fair value adjustment of investment property	18,632,000	112,720,691	-	-
Gain on disposal of property, plant and equipment	351	-	-	-
	35,846,054	123,236,555	21,656,715	19,845,454

21. FINANCE COSTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
Bank charges	1,065,111	1,966,400	2,487	2,512
Bank interest	19,581	33,152	-	-
Bankers acceptance interest	11,784	266,265	-	-
Revolving credit interest	243,182	2,237,269	-	-
Term loans interest	3,456,741	5,001,522	-	-
Hire purchase interest	4,117	5,237	-	-
Inter-companies loan	-	-	943,314	1,050,382
	4,800,516	9,509,845	945,801	1,052,894

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

22. PROFIT BEFORE TAX

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax are stated after charging/(crediting): -				
Auditors' remuneration				
- current year	220,000	213,000	20,000	20,000
- over provision in prior years	-	(2,000)	-	-
- other services	11,000	10,500	3,000	3,000
Bad debts written off	-	170,461	-	-
Depreciation of property, plant and equipment	8,877,933	10,581,038	-	-
Non-executive directors' remuneration:				
- fees	90,000	90,000	90,000	90,000
- other emoluments	15,000	15,000	15,000	15,000
Executive directors' remuneration:				
Other emoluments				
- directors of the Company	30,182,417	30,150,015	787,037	754,635
- directors of subsidiaries	14,853,621	14,518,118	-	-
Loss on disposal of property, plant and equipment	849	223,255	-	-
Property, plant and equipment written off	25	-	-	-
Rental of premises	117,600	111,600	-	-
Staff costs (excludes directors' remuneration):				
- wages, salaries and others	26,593,035	26,866,539	-	-
- contribution to state plans	2,366,297	2,298,252	-	-
- other personnel costs	2,661,986	2,990,049	-	-

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive:				
- salary and bonus	25,383,000	25,354,250	681,000	652,250
- contribution to state plans	4,796,100	4,792,650	102,720	99,270
- other personnel costs	3,317	3,115	3,317	3,115
	30,182,417	30,150,015	787,037	754,635

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

23. INCOME TAX EXPENSE

	2017 RM	2016 RM
Group		
Recognised in profit or loss: -		
Current tax expense: -		
Malaysian		
- current year	62,269,501	69,559,001
- underprovision in prior years	(2,668,411)	192,864
	59,601,090	69,751,865
Deferred tax expense: -		
Relating to origination and reversal of temporary differences (Note 17)	254,086	2,198,038
Total income tax expense	59,855,176	71,949,903
Reconciliation of tax expense: -		
Profit before tax	280,427,157	386,466,676
Income tax calculated using Malaysian tax rate of 24%	67,302,518	92,752,002
Income not subject to tax	(4,351,680)	(28,330,149)
Non-deductible expenses	6,571,043	10,720,116
Deferred tax asset not recognised during the year	-	285,828
Tax savings arising from Investment Tax Allowance	(4,390,000)	(3,670,758)
Tax savings arising from different tax rate on increase in chargeable income	(1,800,000)	-
Utilisation of previously unrecognised tax losses	(808,294)	-
Under/(Over) provision of income tax expense in prior years	(2,668,411)	192,864
Tax expense for the year	59,855,176	71,949,903
Company		
Recognised in profit or loss: -		
Current tax expense: -		
Malaysian		
- current year	4,989,000	4,522,000
- under provision in prior years	151,208	5,923
	5,140,208	4,527,923

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

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

	2017 RM	2016 RM
Reconciliation of tax expense: -		
Profit before tax	85,998,134	52,187,117
Income tax calculated using Malaysian tax rate of 24%	20,639,552	12,524,908
Income not subject to tax	(15,696,000)	(8,064,000)
Non-deductible expenses	45,448	61,092
Under provision of income tax expense in prior years	151,208	5,923
Tax expense for the year	5,140,208	4,527,923

Unrecognised deferred tax assets

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

	Group	
	2017 RM	2016 RM
Unabsorbed capital allowance	-	4,000
Unutilised tax losses	-	2,706,600

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	
	2017	2016
Profit attributable to ordinary shareholders (RM)	220,571,981	314,516,773
Weighted average number of ordinary shares at 31 December	1,025,221,999	1,015,104,729
Basic earnings per ordinary share (sen)	21.51	30.98

Diluted earnings per ordinary share

There are no dilutive potential ordinary shares.

25. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	2017 RM	2016 RM
Additions during the year (Note 3)	19,302,301	11,784,588
Financed by hire purchase agreement	-	(219,000)
	19,302,301	11,565,588

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

26. 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)*

26. OPERATING SEGMENTS *(Cont'd)*

Group	Property development RM	Property investment RM	Carpark operation RM	Investment holding RM	Others RM	Elimination RM	Total RM
2017							
Revenue							
External sales							
- Sales of properties	531,540,829	-	-	-	-	-	531,540,829
- Rental income	-	85,726,114	-	-	-	-	85,726,114
- Hotel, food and beverage	-	75,188,123	-	-	-	-	75,188,123
- Carpark income	-	-	5,048,462	-	-	-	5,048,462
Inter-segment	-	-	-	66,387,000	-	(66,387,000)	-
	531,540,829	160,914,237	5,048,462	66,387,000	-	(66,387,000)	697,503,528
Other income							
- Fair value adjustment	-	20,500,000	-	-	-	(1,868,000)	18,632,000
- Rental income	6 ,699,723	-	-	-	-	(822,245)	5,877,478
- Others	10,502,555	739,178	94,843	-	-	-	11,336,576
Inter-segment	936,073	3,444	3,797	21,656,715	-	(22,600,029)	-
	18,138,351	21,242,622	98,640	21,656,715	-	(25,290,274)	35,846,054
Results							
Segment results	174,063,289	109,575,898	4,529,856	86,943,935	(17,276)	(89,868,029)	285,227,673
Finance cost							(4,800,516)
Income tax							(59,855,176)
Net profit for the year							220,571,981
Other information							
Segment assets	2,176,151,925	830,393,564	6,247,836	926,414,978	125,699	(966,690,155)	2,972,643,847
Consolidated total assets							2,972,643,847
Segment liabilities	1,090,957,661	60,881,973	4,378,830	40,602,533	219,514	(791,243,867)	405,796,644
Consolidated total liabilities							405,796,644
Capital expenditure	740,084	17,421,796	1,140,421	-	-	-	19,302,301
Depreciation of property, plant and equipment	1,404,905	7,447,892	25,136	-	-	-	8,877,933

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

26. 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. 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 2017				
Financial assets				
Trade and other receivables, exclude accrued billings and prepayments	90,712,267	90,712,267	385	385
Amount due by subsidiaries	-	-	750,741,086	750,741,086
Cash and bank balances	254,182,393	254,182,393	151,547	151,547
	344,894,660	344,894,660	750,893,018	750,893,018
Financial liabilities				
Trade and other payables, exclude provision for foreseeable loss and progress billings	(144,057,812)	(144,057,812)	(207,588)	(207,588)
Amount due to subsidiaries	-	-	(38,814,824)	(38,814,824)
Loans and borrowings	(69,731,030)	(69,731,030)	-	-
Hire purchase payables	(69,721)	(69,721)	-	-
	(213,858,563)	(213,858,563)	(39,022,412)	(39,022,412)
31 December 2016				
Financial assets				
Trade and other receivables, exclude accrued billings and prepayments	449,048,045	449,048,045	385	385
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	665,061,288	665,061,288
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	(159,069,375)	(159,069,375)	-	-
Hire purchase payables	(142,752)	(142,752)	-	-
	(305,222,511)	(305,222,511)	(28,637,644)	(28,637,644)

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

27. 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
2017				
Not past due	26,713,478	-	-	26,713,478
Past due 1 to 30 days	20,598,118	-	-	20,598,118
Past due 31 to 60 days	12,736,285	-	-	12,736,285
Past due 61 to 90 days	3,790,612	-	-	3,790,612
Past due 91 to 120 days	2,497,263	-	-	2,497,263
Past due more than 121 days	9,716,695	-	-	9,716,695
	76,052,451	-	-	76,052,451
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

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

27. 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 RM49,338,973 (2016: RM324,637,360) that are past due at the reporting date but not impaired.

Trade receivable comprise substantially of amounts due from house buyers with end financing facilities from end financiers. In respect of house buyers without end financing facilities, the Group retain the legal title to all properties sold until the full contracted sales value is settled. Accordingly, under normal circumstances, amounts due from house buyers are 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 RM69,731,030 (2016: RM159,069,375) 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)*

27. 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 2017	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	144,057,812	-	144,057,812	116,474,764	27,583,048	-
Revolving credit	5,383,332	3.81%	5,383,332	5,383,332	-	-
Term loans	64,347,698	4.77%	75,596,879	22,327,406	35,953,754	17,315,719
Hire purchase payables	69,721	3.60%	72,719	72,719	-	-
	213,858,563		225,038,023	144,185,502	63,536,802	17,315,719
2016						
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
Company						
2017						
Non-derivative financial liabilities						
Other payables	207,588	-	207,588	207,588	-	-
Amount due to subsidiaries	38,814,824	3.08%	38,814,824	38,814,824	-	-
	39,022,412		39,022,412	39,022,412	-	
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	-	

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

27. 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Fixed rate instruments				
Financial assets	142,423,841	5,000,000	-	-
Financial liabilities	(69,721)	(142,752)	-	-
	142,354,120	4,857,248	-	-
Floating rate instruments				
Financial liabilities	(69,731,030)	(159,069,375)	(38,814,824)	(28,407,387)

Interest rate risk sensitivity analysis

- *Fair value sensitivity analysis for fixed rate instruments*
  The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the rreporting period would not affect profit or loss.

- *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 RM697,300 and RM388,000 (2016: RM1,590,700 and RM284,000) 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 the non-current portion of term loans that carry floating interest rates approximate their fair value as they are re-priced to market interest rates on or near the reporting date. The carrying amount of long-term deposits and hire purchase payables that carry fixed interest rates approximate their fair values as the impact of discounting is not material.

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

28. 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 2017.

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	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade and other payables, exclude provision for foreseeable loss and progress billings	144,057,812	146,010,384	207,588	230,257
Amount due to subsidiaries	-	-	38,814,824	28,407,387
Total loans and borrowings	69,800,751	159,212,127	-	-
Less: Cash and cash equivalents	(254,182,393)	(42,944,084)	(151,547)	(15,547)
Net debt	(40,323,830)	262,278,427	38,870,865	28,622,097
Equity	2,566,847,203	2,351,745,686	885,812,445	810,424,983
Total capital	2,566,847,203	2,351,745,686	885,812,445	810,424,983
Capital and net debt	2,526,523,373	2,614,024,113	924,683,310	839,047,080
Gearing ratio	-1.60%	10.03%	4.20%	3.41%

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.

29. COMMITMENTS

(i) Capital commitments

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

	Group	
	2017 RM	2016 RM
Capital expenditure:		
Contracted but not provided for:		
Leasehold land	7,800,000	-

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

29. COMMITMENTS *(Cont'd)*

(ii) Operating lease arrangements (as lessor)

The Group has entered into non-cancellable operating leases agreements on its investment property. The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	Group 2017 RM	Group 2016 RM
Not later than 1 year	22,004,793	28,977,108
Later than 1 year but not later than 5 years	45,351,411	31,580,708
	67,356,204	60,557,816

30. 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	2017 RM	2016 RM
A. Susidiary companies			
Management fees receivable from subsidiaries		987,000	930,000
Loan interest receivable from subsidiaries		21,656,715	19,845,454
Loan interest payable to subsidiaries		943,314	1,050,382
Dividend receivable from subsidiaries		65,400,000	33,600,000
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)	217,580	1,829,283
Rental payable to:			
- Bintang-Bintang Sdn. Bhd.	(c)	200,000	180,000
Purchases from:			
- Wawasan Batu-Bata Sdn. Bhd.	(d)	-	7,841,122

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

30. RELATED PARTIES *(Cont'd)*

C. Key management personnel

Directors		
- Remuneration	38,411,000	38,083,250
- Social security contributions	9,238	8,413
- Contribution to state plans	6,615,800	6,576,470
	45,036,038	44,668,133

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.

31. SUBSEQUENT EVENTS

(a) *Acquisition of land*

On 12 March 2018, Goodpark Development Sdn Bhd, a wholly-owned subsidiary of the Company has entered into a conditional sale and purchase agreement with a third party for the proposed acquisition of two parcels of leasehold land of 99 years, located at Mukim of Tebrau, District of Johor Bahru in the state of Johor, for a total consideration of RM133,593,387.

On 20 March 2018, Gantang Jaya Sdn Bhd and Bintang-Bintang Development Sdn Bhd, both wholly-owned subsidiaries of the Company have entered into a conditional sale and purchase agreements with a third party for the proposed acquisition of three and six parcels of freehold land respectively, located at Mukim of Pulai, District of Johor Bahru in the state of Johor, for a total consideration of RM4,454,322 and RM172,483,062 respectively.

[This page is intentionally left blank]

KSL