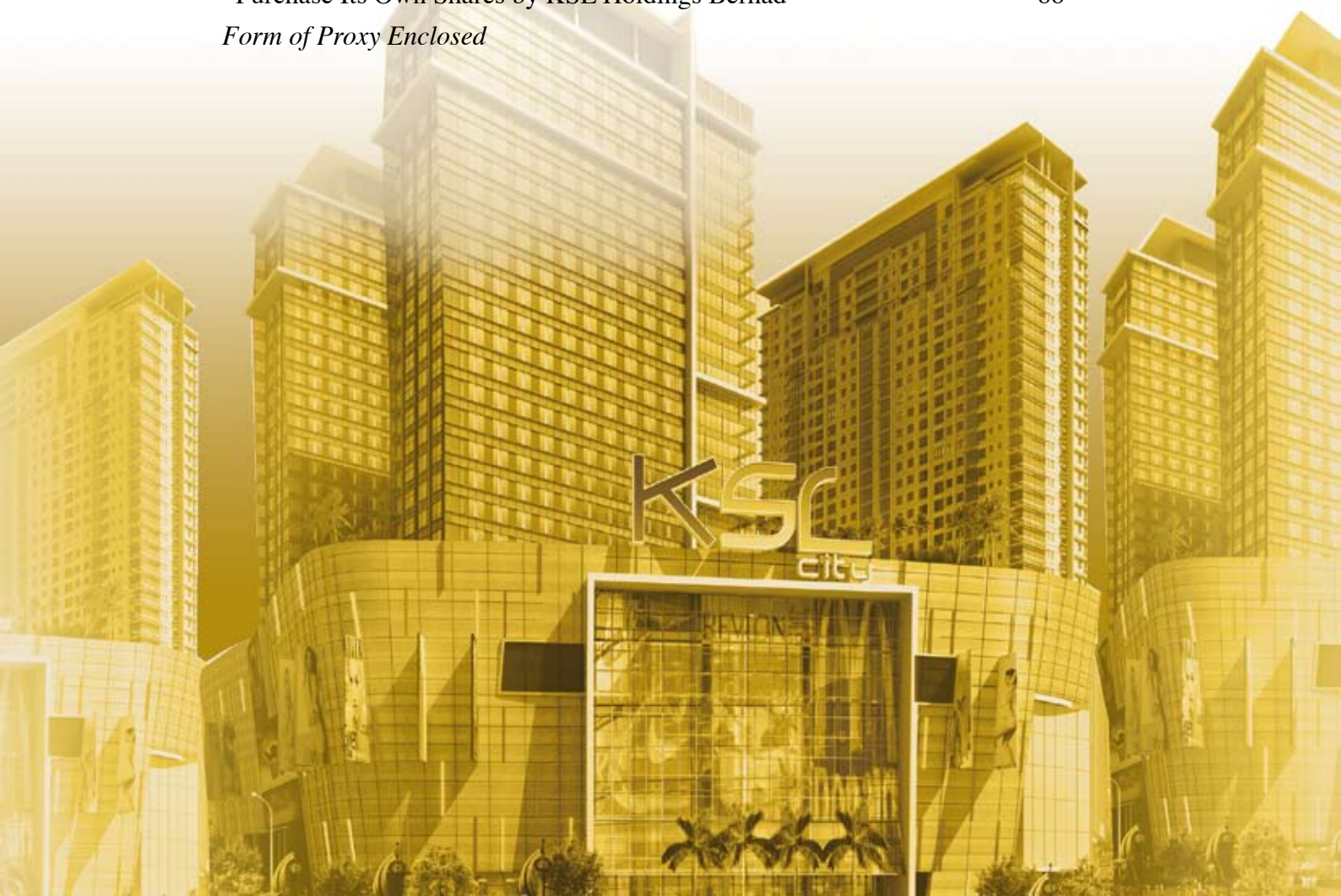




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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Chairman

Gow Kow (Independent Non-Executive Director)

Members

1. Khoo Cheng Hai @ Ku Cheng Hai (Group Managing Director)
2. Goh Tyau Soon (Independent Non-Executive Director)
3. Tey Ping Cheng (Independent Non-Executive Director)

COMPANY SECRETARY

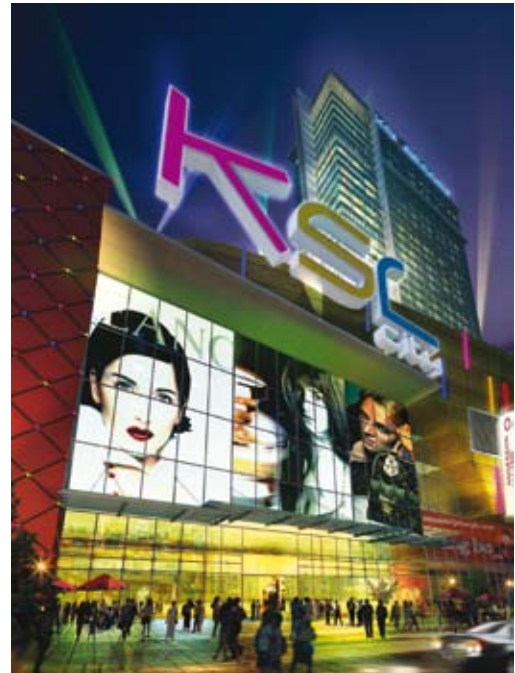
Ng Yim Kong (LS 0009297)

REGISTERED OFFICE

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

AUDITORS

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





PRINCIPAL BANKERS

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

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd (378993-D)
Level 26, Menara Multi-Purpose, Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel: 03-2721 2222 / Fax: 03-2721 2530/2721 2531
Website: <http://www.symphony.com.my>

SOLICITORS

1. Tea, Kelvin Kang & Company
Suite 8.1, Level 8, Menara Pelangi, Jalan Kuning, Taman Pelangi
80400 Johor Bahru, Johor Darul Takzim
Tel: 07-334 5481 / Fax: 07-334 5482
2. Lee Fook Leong & Co
No. 29, 31 & 33, Tingkat 1, Jalan Kekwa
85000 Segamat, Johor Darul Takzim
Tel: 07-931 3479 / Fax: 07-931 4180

STOCK EXCHANGE LISTING

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



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighth Annual General Meeting of the Company will be held at Hotel Sri Pelangi, Room Pelangi 1, 1st Mile, Jalan Buloh Kasap, 85000 Segamat, Johor Darul Takzim on Monday, 23 June 2008 at 12.00 noon for the following purposes:-

AGENDA

- 1) To receive the Audited Financial Statements for the year ended 31 December 2007 together with the Directors' and Auditors' Reports thereon.
- 2) To approve the payment of the Directors' Fees for the year ended 31 December 2007. Resolution 1
- 3) To approve a First and Final Dividend of 16% less 26% tax for the year ended 31 December 2007. 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) Dato' Haji Ishak Bin Ismail Resolution 3
 - b) Mr. Gow Kow Resolution 4
 - c) Mr. Goh Tyau Soon Resolution 5
- 5) To re-appoint Messrs. Ernst & Young, the retiring Auditors of the Company and to authorise the Board of Directors to fix their remuneration. Resolution 6
- 6) **SPECIAL BUSINESS:-**

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

ORDINARY RESOLUTION

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

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

Resolution 7

**ORDINARY RESOLUTION**

Resolution 8

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

“**THAT** subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company, Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”) and all other prevailing laws, rules, regulations and orders issued and/or amended from time to time by the relevant regulatory authorities, the Company be and is hereby authorised to renew the approval granted by the members of the Company at the Seventh Annual General Meeting of the Company held on 20 June 2007, authorising the Company to purchase and/or hold up to 10% of the issued and paid-up share capital 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 of the Company may deem fit and expedient in the interest of the Company and an amount not exceeding the retained profits and share premium account of the Company as at 31 December 2007 of RM153,828,097 and RM5,064,456 respectively be allocated by the Company for the Proposed Share Buy-Back.

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

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

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next AGM is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the members of the Company in a general meeting,

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

SPECIAL RESOLUTION

Resolution 9

- **AMENDMENTS TO ARTICLES OF ASSOCIATION**

“**THAT** the proposed alterations, modifications, amendments or deletions to the Articles of Association of the Company as contained in Appendix A be and are hereby approved.”

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

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a First and Final Dividend of 16% less 26% tax in respect of the year ended 31 December 2007 will be payable on 18 September 2008 to Depositors registered in the Record of Depositors at the close of business on 22 August 2008.

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

- a. Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 22 August 2008 in respect of ordinary transfers; and
- b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order Of The Board

KSL HOLDINGS BERHAD

NG YIM KONG (LS0009297)

Company Secretary

30 May 2008

Notes: -

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

Explanatory Notes on Special Business:-

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

The proposed Resolution 7 under item 6 above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting, authority to allot and issue shares in the Company up to an amount not exceeding in total 10% of the issued capital of the Company for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

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

For the proposed Resolution 8 under item 6 above, is to renew the members' approval for the Company to purchase and/or hold up to 10% of the issued and paid-up share capital of the Company on Bursa Malaysia Securities Berhad.

Members are requested to refer to the Share Buy-Back Statement laid out in pages 88 to 94 of this Annual Report for additional information.



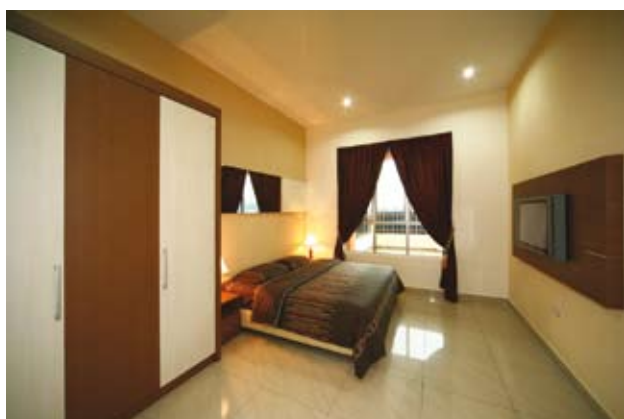
c) **AMENDMENTS TO ARTICLES OF ASSOCIATION**

The proposed Resolution 9 under item 6 above, is to amend the Company's Articles of Association in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad.

The amendments are detailed in Appendix A laid out in pages 8 to 10 of this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Details of Directors who are standing for re-election in Agenda 4 (Dato' Haji Ishak Bin Ismail, Mr. Gow Kow and Mr. Goh Tyau Soon) of the Notice of the Eighth Annual General Meeting are laid out in pages 17 and 19 of this Annual Report.



Appendix A

Proposed Amendments To The Articles Of Association

| Article No. | Existing Articles | Proposed Amendments to the Existing Articles |
|--|---|---|
| 2 – Definition for “Approved Market Place” | A stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption) (No. 2) Order, 1998. | Deleted. |
| 2 – Definition for “Central Depository” | Malaysian Central Depository Sdn. Bhd. | Bursa Malaysia Depository Sdn. Bhd. or by whatever name from time to time called. |
| 2 – Definition for “The Exchange” | Kuala Lumpur Stock Exchange. | Bursa Malaysia Securities Berhad or by whatever name from time to time called. |
| 2 – Definition for “Securities” | Refers to debentures, stocks, shares, bonds of the Company and includes any right or option in respect thereof and any interest in unit trust schemes. | Shall have the meaning given in section 2 of the Capital Markets and Services Act, 2007. |
| 4(d) | no Director shall participate in such issues of shares to employees unless:- (i) the members in general meeting have approved of the specific allotment to be made to such Director; and (ii) he holds office in the Company in an executive capacity. | no Director shall participate in such issues of shares to employees unless the members in general meeting have approved of the specific allotment to be made to such Director. |
| 28 | The register may be closed at such times and for such periods as the Directors may from time to time determine, provided always that it shall not be closed for more than thirty (30) days in any year. The Company shall give the Exchange prior written notice and publication in a daily newspaper circulating in Malaysia of the period of the intended closure and the purposes thereof, which notice shall be at least twelve (12) market days or such number of days as may be prescribed by the Exchange. In relation to the closure, the Company shall give written notice in accordance with the Rules to prepare the appropriate Record of Depositors. | The register may be closed at such times and for such periods as the Directors may from time to time determine, provided always that it shall not be closed for more than thirty (30) days in any year. The Company shall give the Exchange prior written notice and publication in a nationally circulated Bahasa Malaysia or English daily newspaper circulating in Malaysia of the period of the intended closure and the purposes thereof, which notice shall be at least ten (10) market days or such number of days as may be prescribed by the Exchange. In relation to the closure, the Company shall give written notice in accordance with the Rules to prepare the appropriate Record of Depositors. |
| 34(1) | <u>Transmission of securities from Foreign Register.</u> Where :- (a) the securities of the Company are listed on an Approved Market Place; and (b) the Company is exempted from compliance with section 14 of the Central Depositories Act or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such securities, | <u>Transmission of Securities.</u> Where :- (a) the Securities of the Company are listed on another stock exchange ; and (b) the Company is exempted from compliance with section 14 of the Central Depositories Act or section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules in respect of such Securities, |



Appendix A

Proposed Amendments To The Articles Of Association (Cont'd)

| Article No. | Existing Articles | Proposed Amendments to the Existing Articles |
|-------------|--|--|
| | the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the registrar of the Company in Malaysia (hereinafter referred to as "the Malaysian Register") provided that there shall be no change in the ownership of such securities. | the Company shall, upon request of a securities holder, permit a transmission of Securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange , to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such Securities. |
| 34(2) | Where 1(a) and 1(b) above are fulfilled, the Company shall not allow any transmission of securities from the Malaysian Register into the Foreign Register. | Deleted. |
| 53(1) | Subject to the provisions of the Act relating to special resolutions and special notice and the Listing Requirements, a meeting called for the passing of a special resolution or where it is an annual general meeting shall be called by twenty-one (21) days' notice in writing at least and any other meeting of the Company shall be called by fourteen (14) days' notice in writing at least, specifying the place, the day and the hour of every general meeting and shall:- (b) (except in respect of an adjourned meeting adjourned for less than thirty (30) days) be given by advertisement in at least one (1) daily newspaper published in Malaysia; and | Subject to the provisions of the Act relating to special resolutions and special notice and the Listing Requirements, a meeting called for the passing of a special resolution or where it is an annual general meeting shall be called by twenty-one (21) days' notice in writing at least and any other meeting of the Company shall be called by fourteen (14) days' notice in writing at least, specifying the place, the day and the hour of every general meeting and shall:- (b) (except in respect of an adjourned meeting adjourned for less than thirty (30) days) be given by advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper published in Malaysia; and |
| 53(3) | The Company shall also request the Central Depository in accordance with the Rules, to prepare a Record of Depositors as at a date not less than three (3) market days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors"). | The Company shall also request the Central Depository in accordance with the Rules, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be not less than three (3) market days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors"). |
| 86(b) | becomes bankrupt or makes any arrangement or composition with its creditors generally; | becomes bankrupt or makes any arrangement or composition with its creditors generally during his term of office; |
| 86(d) | becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder; | becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder during his term of office; |
| 86(e) | resigns his office by notice in writing to the Company; or | resigns his office by notice in writing to the Company. |
| 86(f) | is absent from more than fifty per cent (50%) of the total Board of Directors' meetings held during a financial year, unless an exemption or waiver is obtained from the Exchange. | Deleted. |

Appendix A

Proposed Amendments To The Articles Of Association

| Article No. | Existing Articles | Proposed Amendments to the Existing Articles |
|-------------|---|--|
| 97 | Subject always to sections 131, 132E, 132F and 132G of the Act, a Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified, by his office, from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company which a Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established. | Subject always to sections 131, 132E and 132F of the Act, a Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified, by his office, from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company which a Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established. |
| 119 | The secretary/joint secretaries shall in accordance with the Act be appointed by the Directors for such term, at such remuneration, and, upon such conditions as they may think fit, and any secretary/joint secretaries so appointed may be removed by them. | The secretary/joint secretaries shall in accordance with the Act be appointed by the Directors for such term, at such remuneration, and, upon such conditions as they may think fit, and any secretary/joint secretaries so appointed may be removed by them. The first Secretary of the Company shall be Ng Yim Kong (Mr). |
| 122 | The Directors shall from time to time in accordance with section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and reports as are referred to in the section. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the Directors' and auditors' reports shall not exceed four (4) months. A copy of the annual report including such document shall not less than twenty-one (21) days before the date of the meeting, provided always that it shall not exceeding six (6) months from the close of a financial year of the Company be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each of such document as may be required by the Exchange or other stock exchange, if any, upon which the Company's shares may be listed, shall at the same time be likewise sent to the Exchange and other stock exchange, if any, provided that these Articles shall not require a copy of these documents to be sent to any person of whose address the Company is not aware, but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy, free of charge on application at the Office. | The Directors shall from time to time in accordance with section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and reports as are referred to in the section. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the Directors' and auditors' reports shall not exceed four (4) months. A copy of the annual report including such document in printed form or in CD-ROM form or in such other form of electronic media , shall not less than twenty-one (21) days before the date of the meeting, provided always that it shall not exceed six (6) months from the close of a financial year of the Company be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each of such document as may be required by the Exchange or other stock exchange, if any, upon which the Company's shares may be listed, shall at the same time be likewise sent to the Exchange and other stock exchange, if any, provided that these Articles shall not require a copy of these documents to be sent to any person of whose address the Company is not aware, but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy, free of charge on application at the Office. In the event that the annual report is sent in CD-ROM form or such other electronic media and a member requires a printed form of such documents, the Company shall send such documents to the member within four (4) market days from the date of receipt of the member's request or such other timeframe as prescribed by the Exchange from time to time. |



GROUP CORPORATE STRUCTURE



KSL Holdings Berhad
(511433-P)



- Investment Holding**
- Property Development**
- Property Management**
- Property Investment**
- Property Investment And Development**

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of KSL HOLDINGS BERHAD GROUP ("Group") for the financial year ended 31 December 2007.



FINANCIAL HIGHLIGHTS

KSL Holdings Berhad ("the Company" or "KSLH") recorded a significant Group consolidated turnover and profit before tax of RM277.4 million and RM138.3 million respectively for the financial year ended 31 December 2007. This represents an increase of 4.2% and 47% over the figures achieved in the previous financial year respectively. Your Group's profitability was mainly contributed by the steady earnings achieved by its core business of property development and the recognition of compensation sum from the land compulsory acquisition by the Land Administrator of a portion of developed land (includes other incidental cost) in one (1) of your Group's flagship project in Mukim of Tebrau, Johor.

Your Group's balance sheet as at 31 December 2007 remained strong with shareholders' funds and total assets of RM585.9 million and RM683.1 million respectively. Net assets per shares soared by 19.6% to RM1.65 per share as compared to RM1.38 per share as at 31 December 2006. Total borrowings of your Group as at 31 December 2007 were RM15.3 million which reflected a gearing level of approximately 0.03 time.

DIVIDENDS

Your Board is pleased to recommend a First and Final Dividend of 16% less 26% tax for the financial year ended 31 December 2007 for shareholders' approval at the forthcoming Eighth Annual General Meeting of KSLH. Your Board is of the view that the recommended dividend provides an adequate balance between rewarding its investors with appropriate return and retaining sufficient profits to sustain future growth.

HAPPENING EVENTS DURING THE FINANCIAL YEAR

The main notable events during the period under review were as follows:-

1. BONUS ISSUE

During the financial year, the Company had issued 88,826,821 new Bonus Shares of RM0.50 each, on the basis of one (1) new ordinary share for every three (3) existing ordinary shares held on the entitlement date. As a result of this, the paid-up share capital of your Company has increased to 355,447,487 from 266,620,666 shares.

This corporate exercise has improved the liquidity of your Company's shares in the market by increasing the number of the Company's share in issue. The success in the said bonus issue would serve to reward you, our shareholders, for your continuous support as well as allowing you to have a greater participation in the Company's equity in terms of the number of shares held while maintaining your percentage of equity interests.

2. LAND BANK REPLENISHMENT

In line with your Group's expansion plan to acquire land of strategic locality within the country, particularly in the growth areas in the Klang Valley for future property development activities, your Group had on 1 November 2007 entered into a conditional sale and purchase agreement to acquire two (2) pieces of freehold land measuring approximately 446.38 acres and held under Geran 24269, Lot No. 6412 and Lot No. 6415 in Mukim of Klang, District of Klang, Selangor for a cash consideration of approximately RM156 million ("the Lands").



The Lands are located at Jalan Klang-Banting within the Blackwater Estate, Klang. The Lands are geographically situated about 45 kilometres due southwest of Kuala Lumpur City Centre and 15 kilometres due south of the Klang town centre. The Lands enjoy a good road access from Kuala Lumpur City Centre via KESAS highway heading towards Pulau Indah thereafter exit at the Klang – Banting interchange followed up by a left turn into Jalan Klang – Banting. Further, the Lands are surrounded by on-going mixed development projects. Your Group plans to develop the Lands into mixed development projects comprising residential and commercial units over a time span of approximately eight (8) years with an estimated development value of at least RM1.5 billion.

This acquisition would serve as a platform for your Group to tap into and enjoy the current boom of Klang Valley properties, both in term of pricing and the opening up of new and upgrading of existing areas.

ECONOMY OUTLOOK AND PROSPECTS OF PROPERTY MARKET

The Malaysian economy of 2007 expanded by 6.3% compared to 5.9% in 2006. The expansion was broad-based, reflecting expansion across all sectors in the economy. Growth was led by the strong performance of the services sector, and supported by the construction and mining sectors.

Going forward, despite the challenges of external uncertainties and risks arising from the high global oil prices, the Malaysian economy is expected to remain strong and healthy with GDP projected to expand by 5-6% in 2008. Growth in 2008 will continue to be supported by robust domestic demand. All economic sectors are projected to record positive growth. The proactive Government's policy to support economic activity will continue to reinforce the strength of the domestic economy. The Ninth Malaysia Plan 2006-2010 ("9MP") which continues to emphasize on private-sector led growth contributes to the positive outlook for the economy. The positive outlook is also based on the rationale that the economy has internal strength and policy flexibility to generate domestic activity. In the event of a severe deterioration in the external environment, Malaysia has at its disposal, policies to contain the implications on the domestic economy. (Source: The 2007 Bank Negara Malaysia Annual Report)

Prospect of property market especially the residential sub-sector is set to be better in year 2008. Government proactive measures such as the exemption of real property gain tax, the removal of the limitation on the number of loans given to non-residents, the reduction of 50% on stamp duty of memorandum of transfer for houses priced below RM250,000 and the lifting of Foreign Investment Committee approval on foreign ownership of residential properties above RM250,000 are expected to support the industry. These policies will entice property owners to take the opportunity to upgrade their houses, hence activating the property market. Another measure of significance which was highlighted in the Budget 2007 is the withdrawal of funds from Employees Provident Fund (EPF) to support the monthly mortgage payments will also help to boost the property market. Buying interest will remain resilient as the positive factors underpinning the property sector such as easy financing, strong economic growth, hedging for inflation, young demographic and inter-state migration remained unchanged. Property sector is positively correlated with economic growth. Rising consumer and business confidence will provide some assurance on job security, which is a critical factor in supporting the monthly mortgage payments.

LAND BANK

As at 31 December 2007, your Group has secured over approximately 2,000 acres (excluding the proposed acquisition of land in Klang Valley mentioned in item (2) above) of land bank strategically located in District of Johor Bahru, Batu Pahat, Kluang, Segamat, Muar and Mersing. Approximately 60% of the land bank is located in the Iskandar Development Region ("IDR") and has the most promising prospect given its proximity to the Sultan Ismail Airport in Senai, the Port of Tanjung Pelepas and the Proposed Senai Desaru Highway, which are touted to be developed into part of the transportation hub in Johor. As a result and in view of your Group's niche market and strong brand name in the Johor property scene, it is expected to be one (1) of the prime beneficiaries of the multiplier and spill over effect of the 9MP in IDR and the construction of the Singapore Integrated Resorts. Approximately 80% of these properties are available for immediate development as they have been granted approval for subdivision. These will help your Group to sustain its medium to long-term development and profitability.

REVIEW OF THE GROUP DEVELOPMENT ACTIVITIES

During the financial year 2007, your Group has four (4) major on-going projects on stream in the District of Johor Bahru and Muar which comprise mixed development of commercial and residential properties. The projects are Taman Nusa Bestari, Taman Bestari Indah, Taman Kempas Indah and Maharani Riviera. Furthermore, your Group also anticipates building a large scale commercial complex (proposed name of KSL City).

1. TAMAN NUSA BESTARI

Taman Nusa Bestari comprising two (2) parcels of freehold lands measuring approximately 227 acres. The lands are located along Jalan Sungai Danga and both sides of the Second Link Highway from Johor Bahru to Singapore. The lands geographically lie about 14 kilometres due north-west of Johor Bahru city centre and enjoy a good road access provided by the Second Link Highway and Jalan Sungai Danga. The development project comprises over 5,100 units of mixed development with estimated sales value of approximately RM900 million. Taman Nusa Bestari is envisaged to spread over a period of four (4) to five (5) years. As at 31 December 2007, about 35% of the land has been developed and completed.

2. TAMAN BESTARI INDAH

Taman Bestari Indah has over 10,000 units of properties with gross sales value of over RM1.6 billion, to spread over a period of eight (8) to ten (10) years. This township covering an estimate area of over 700 acres is located at about 19 kilometres north of Johor Bahru city centre and about 4 kilometres west of Ulu Tiram town. It is strategically positioned to benefit from the proposed expansion along Johor Bahru's eastern growth corridor. At present, the Project is under active construction and is in various stages of completion. As at 31 December 2007, about 33% of the land has been developed and completed.

3. TAMAN KEMPAS INDAH

Taman Kempas Indah is located at about 18 kilometres north of Johor Bahru city centre and is strategically situated along the North-South Highway, Jalan Maju Jaya and adjacent to north-east of the Kempas Interchange. The new township covering an estimate area of 237 acres comprises over 3,300 units of properties with estimated sales value of over RM700 million to spread over a period of four (4) to five (5) years. As at 31 December 2007, about 25% of the land has been developed and completed.

4. MAHARANI RIVIERA

Maharani Riviera which is a new township of your Company planned in Muar, duly approved by the relevant authorities in 2006 is located immediately after the Sultan Ismail Bridge (Muar Bridge) from the Muar town centre and at the waterfront of Sungai Muar and Straits of Malacca respectively. It lies approximately 1 kilometre from Muar town centre. The lands enjoy good road access provided by Jalan Kesang. The project covering an estimated area of 188 acres comprises over 1,400 units of properties with estimated sales value of over RM700 million which development would spread over a period of four (4) to five (5) years. As at 31 December 2007, about 10% of the land has been developed and completed.

5. COMMERCIAL COMPLEX (PROPOSED NAME OF KSL CITY)

Towards the end of the financial year, your Group has taken the necessary steps to diversify its current business, taking off to build a large scale commercial complex (proposed name of KSL City). It comprises a commercial podium which consists of retail shops, departmental store, cinemas, car parks, hotels and condominiums podium. It is well located in the heart of Johor Bahru city centre and is only five (5) minutes drive away from Johor Bahru town district and Johor Bahru new Custom, Immigration and Quarantine (CIQ) to Singapore. KSL City is expected to be completed in year 2010. As at 31 December 2007, about 20% of the piling works has been completed.

LOOKING AHEAD

The coming years are full of challenges and uncertainties due to the impacts of globalisation, local politic situation, inflation, etc. However, your Board strongly believes that with the support of various measures and policies introduced and implemented by the Government, the demand for properties will be stimulated and further to improve economic outlook. The past bold liberalisation measures have improved the overall business climate over the last few years. Real estate restrictions have been relaxed and the property gain tax abolished. With relatively higher margin, efficient planning and tight cost control, we are confident of a good performance by your Group and look forward to a promising and profitability year ahead.

APPRECIATION

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

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

Thank you.

DATO' HAJI ISHAK BIN ISMAIL

Executive Chairman

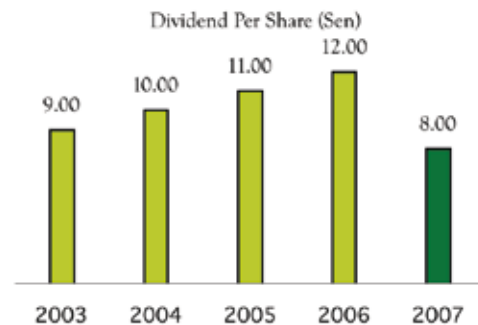
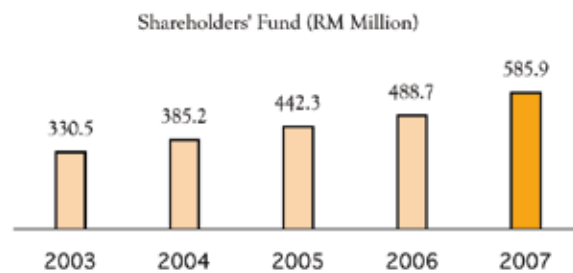
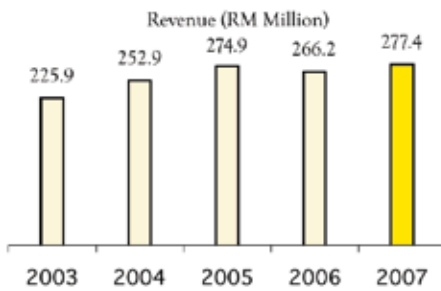


FIVE-YEAR FINANCIAL HIGHLIGHTS YEAR ENDED 31ST DECEMBER

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------------|---------|---------|---------|---------|---------|
| (RM Million) | | | | | |
| Revenue | 225.9 | 252.9 | 274.9 | 266.2 | 277.4 |
| Profit Before Taxation | 96.5 | 98.6 | 106.1 | 94.1 | 138.3 |
| Shareholders' Funds | 330.5 | 385.2 | 442.3 | 488.7 | 585.9 |
| (Sen per share) | | | | | |
| Basic Earnings Per Share | 20.51** | 20.15** | 21.51** | 19.07** | 33.29 |
| Dividend Per Share - Gross | 9.00 | 10.00 | 11.00 | 12.00 | 8.00*** |

** Adjusted for Bonus Issue of 1 for 3

*** No. of share increased by Bonus Issue of 1 for 3





DIRECTORS' PROFILE

DATO' HAJI ISHAK BIN ISMAIL

Executive Chairman

Dato' Haji Ishak Bin Ismail, aged 56, Malaysian, was appointed to the Board on 19 November 2001 as the Executive Chairman. He graduated in 1975 from the John Moore University, Liverpool, United Kingdom ("UK") with a Bachelor of Science degree, majoring in Building Surveying. He is a Chartered Surveyor by profession and was a State Assemblyman of Lenggeng, Negeri Sembilan for the past few years. He has been a Professional Associate of the Royal Institution of Chartered Surveyors (Building Surveying), UK since 1978, and also became the Professional Associate of the Institution of Quantity Surveyors, UK and the Professional Associate of the Association of Rating and Valuation, UK since 1981. Since the year 1980, he has been a member of the Institution of Surveyors Malaysia and also a fellow of the Royal Institution of Chartered Surveyors (Building Surveying, Valuation and Quantity Surveying), UK since 1988.

He started his career in 1976 when he worked at the Malaysia Building Society Berhad ("MBSB") as a Valuation Officer at its head office in Kuala Lumpur. The following year in 1977, he was promoted to Technical Manager for the States of Negeri Sembilan, Melaka and Johor. In 1984, he became the Southern Regional Manager, overseeing the operations of Peninsular Malaysia. In 1988, he was promoted to Director of Property Division. After fourteen (14) years with MBSB, he left to set up a construction company, Jaya Haricon Sdn Bhd, of which he is the Chairman. He has been the head of UMNO Division, Seremban since 1988. He also sits on the board of Yayasan Sungei Ujong.

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

KHOO CHENG HAI @ KU CHENG HAI

Group Managing Director

Members of Audit Committee, Remuneration Committee and Option Committee

Khoo Cheng Hai @ Ku Cheng Hai, aged 56, Malaysian, is the founder of the KSL Holdings Berhad ("KSLH" or "the Company") Group. He was appointed to the Board on 19 November 2001 as the Group Managing Director.

He is the driving force behind the KSLH Group's development, growth and expansion. He is known for his prudence, foresight and business acumen, which has helped to see the KSLH Group through two (2) recessions in the last twenty-six (26) 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 investment business. However, these privately owned companies are not in direct competition with the business of the Company.

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

DIRECTORS' PROFILE *(Cont'd)*

KU HWA SENG

Executive Director

Ku Hwa Seng, aged 52, Malaysian, was appointed to the Board on 19 November 2001 as an Executive Director. He joined the KSLH Group in 1981 and has since gained vast invaluable experience and built a strong business network over the past twenty-six (26) 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 investment business. However, these privately owned companies are not in direct competition with the business of the Company.

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

KU TIEN SEK

Executive Director

Member of Option Committee

Ku Tien Sek, aged 50, Malaysian, was appointed to the Board on 19 November 2001 as an Executive Director. He has been involved in the management of the KSLH Group since 1981 particularly in KSLH Group's public relations as well as the formulation of the KSLH Group's strategic plans and policies. Presently, he is involved in the KSLH Group's business development and operations in south Johor especially Taman Bestari Indah. He is also responsible for the development of the KSLH Group's future expansion plans, particularly in the Klang Valley. He is a director of most of the companies in the KSLH Group and 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 investment business. However, these privately owned companies are not in direct competition with the business of the Company.

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



DIRECTORS' PROFILE *(Cont'd)*

LEE CHYE TEE

Executive Director

Lee Chye Tee, aged 44, Malaysian, was appointed to the Board on 1 December 2003 as Executive Director of the Company. He is a fellow member of the Chartered Association of Certified Accountants. He is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Taxation. He has many years experience in accounting, auditing, taxation and management consultancy. He is presently responsible for the overall accounting and corporate finance functions of the KSLH Group.

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

GOW KOW

Independent Non-Executive Director

Chairman of Audit Committee

Members of Nomination Committee and Remuneration Committee

Gow Kow, aged 54, Malaysian, was appointed to the Board on 19 November 2001 as an Independent Non-Executive Director. He is fellow member of the Association of Chartered Certified Accountants and the Malaysian Institute of Taxation. He is also a member of the Malaysian Institute of Accountants, the Institute of Certified Public Accountants of Singapore and the Institute of Chartered Secretaries and Administrators. He joined Tan Choon Chye & Co (now known as Gow & Tan), a Public Accounting Firm in August 1978 as an Audit Assistant and had been holding various positions in the firm before he was admitted as an Audit Partner in October 1985. He assumed the position of managing partner of the firm since January 1988. He has more than twenty-five (25) years of public practice experience. His working exposures include accounting, auditing, taxation, liquidation and management consultancy.

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

GOH TYAU SOON

Independent Non-Executive Director

Chairman of Nomination Committee

Members of Audit Committee and Remuneration Committee

Goh Tyau Soon, aged 63, Malaysian, was appointed to the Board on 1 April 2002 as an Independent Non-Executive Director. He holds a Master of Law degree (LLM) from Kings College, University of London; Bachelor of Law (LLB) from Hull University and Barrister-at-Law (Middle Temple). He is a practicing lawyer and Principal Partner of Andrew T.S. Goh & Khairil, Malacca. He has been in private practice for more than thirty-one (31) years principally engaged in conveyance and bank work.

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

DIRECTORS' PROFILE *(Cont'd)*

TEY PING CHENG

Independent Non-Executive Director

Chairman of Remuneration Committee

Members of Audit Committee, Nomination Committee and Option Committee

Tey Ping Cheng, aged 39, Malaysian, was appointed to the Board on 15 April 2002 as an Independent Non-Executive Director. He is a member of the Malaysian Institute of Accountants and the CPA Australia. He graduated in 1994 with a degree in Bachelor of Business, majoring in Accounting from Curtin University of Technology, Perth, Australia. He has been a Partner of Tey Consultancy, a company secretarial and tax consultancy firm since 1992. Currently, he is the Council Member of Malaysian Association of Company Secretaries.

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



CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

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

THE BOARD OF DIRECTORS

BOARD BALANCE

The Board currently has five (5) Executive Directors and three (3) Independent Non-Executive Directors and is therefore, in compliance with Paragraph 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”) which stipulates that at least one-third (1/3) of the Board comprises Independent Directors. The Board having reviewed its size and composition is satisfied that its current size and composition is effective for the proper functioning of the Board. Together, the Directors would bring a wide range of business and financial experience relevant to the Company and forming an effective Board for decision-making process. The brief profiles of the Board members are set out in pages 17 to 20 of this Annual Report.

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

The Board meets at least four (4) times a year, with additional meetings convened as necessary. During the year ended 31 December 2007, five (5) Board meetings were held with due notice of issues to be discussed and conclusions in discharging its duties and responsibilities properly recorded. The detailed attendance record of each Director during the financial year under review is as follows:-

| NAME OF DIRECTORS | ATTENDANCE |
|-------------------------------|------------|
| Dato’ Haji Ishak Bin Ismail | 5/5 |
| 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 | 4/5 |
| Tey Ping Cheng | 5/5 |



CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

APPOINTMENTS TO THE BOARD

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

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

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

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

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

RE-ELECTION OF THE DIRECTORS

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

Details of the Directors who submit themselves for re-election this year may be found in pages 7, 17 and 19 of this Annual Report.

SUPPLY OF INFORMATION

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

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

1. the quarterly report highlighting unaudited Group financial results and factors affecting the Group results;
2. minutes of meetings of the Board and all committees of the Board;
3. details of performance of the various business units and management proposals that required Board's approval;
4. list of Directors' circular resolutions passed during the period covered;
5. list of Directors' dealings in securities during the period covered;
6. list of announcements submitted to BMSB during the period covered; and
7. major operational and financial issues.

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

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

DIRECTORS' REMUNERATION

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

1. Tey Ping Cheng (Chairman)
2. Gow Kow
3. Goh Tyau Soon
4. Khoo Cheng Hai @ Ku Cheng Hai

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

1. the framework of remuneration and the remuneration packages for Executive Directors;
2. any performance related pay schemes for Executive Directors; and
3. the guidelines for determining the remuneration of Non-Executive Directors.

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

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

The details of remuneration paid to Directors, in aggregation and analysed into bands of RM50,000 during the financial year ended 31 December 2007:-

| Remuneration | Executive Directors RM '000 | Non-Executive Directors RM '000 |
|---------------------|--|--|
| Directors' Fees | - | 90 |
| Salaries | 2,057 | - |
| Allowances | 197 | 20 |
| Bonuses | 610 | - |
| Benefit-in-kind | 73 | - |
| Total | 2,937 | 110 |



CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

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

| Range of Remuneration | Executive Directors | Non-Executive Directors |
|------------------------------|----------------------------|--------------------------------|
| Below RM50,000 | - | 3 |
| RM100,001 to RM150,000 | 1 | - |
| RM200,001 to RM250,000 | 1 | - |
| RM750,001 to RM800,000 | 1 | - |
| RM800,001 to RM850,000 | 1 | - |
| RM950,001 to RM1,000,000 | 1 | - |
| Total | 5 | 3 |

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

EMPLOYEES' SHARE OPTIONS SCHEME COMMITTEE

The Employees' Share Option Scheme Committee ("Option Committee") was established on 9 January 2004 primarily to administer the Employees' Share Option Scheme in accordance with the scheme's objectives, by-laws and guidelines affecting the scheme. The Option Committee determines the participation eligibility, option offers and allocations and attends to such other matters as may be required affecting the scheme. The Option Committee consists of two (2) Executive Directors, one (1) Independent Non-Executive Director of the Company and two (2) Management representatives. The Option Committee meets as and when required.

The details of the Employees' Share Options Scheme may be found in the Directors Report on page 38 and Note 21 of the Notes to the Financial Statements on pages 71 and 72 of this Annual Report.

DIRECTORS' TRAINING

In compliance with the Listing Requirements of BMSB on continuous training for Directors, the Board of Directors has attended briefings on changes/amendments to the Listing Requirements of BMSB, the revised Code, the amended Companies Act conducted by the Company Secretary.

The Board of Directors will continue to undergo other relevant training programmes to further enhance their knowledge and keep abreast with the changing business developments and relevant to the industry the Group is in.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

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

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Board of Directors is required under Paragraph 15.27(a) of BMSB's Listing Requirements to issue a statement explaining their responsibility in the preparation of the annual financial statements. The Directors are also required by the Companies Act, 1965 to prepare financial statements for each financial year, which have been made out in accordance with the approved accounting standards and give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year.

CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

In preparing these financial statements, the Directors have:-

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

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

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

INTERNAL CONTROL

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

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

The Group's Statement on Internal Control is set out on pages 28 to 29 of this Annual Report.

RELATIONSHIP WITH THE EXTERNAL AUDITORS

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

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

SHAREHOLDERS

INVESTORS' RELATIONS AND SHAREHOLDERS' COMMUNICATION

The Board believes that investors and shareholders should be informed of all material business matters, which influence the Company. In view of this, the Group has established a direct line of communication through timely release of information on the Group's performance and major developments via appropriate channels of communication. In addition to various announcements made during the year, the timely release of quarterly financial results provides shareholders with an up to date overview of the Group's performance and operations. At the Annual General Meeting, the Board also provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Members of the Board as well as the Auditors of the Company are present to answer questions raised at the meeting. Where appropriate, the Chairman of the Board will provide a written answer to any significant question that may not be readily answered on the spot.



CORPORATE GOVERNANCE STATEMENT *(Cont'd)*

OTHERS

MATERIAL CONTRACTS

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

SANCTIONS AND/OR PENALTIES

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

REVALUATION POLICY OF LANDED PROPERTIES

The Group does not adopt any revaluation policy on the landed properties.

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

During the financial year, the Company did not sponsor any ADR or GDR programme.

PROFIT GUARANTEE

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

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

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

NON-AUDIT FEE PAID TO EXTERNAL AUDITORS

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year by the external auditors and their affiliated company was RM116,200.00.

RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions entered into by the Group during the year are disclosed in Note 31 to the Financial Statements on page 77 of this Annual Report.

SHARE BUY-BACK

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

VARIATION OF RESULTS

There was no material variance between the results for the financial year and the unaudited results previously announced by the Group.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

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

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

THE BOARD'S RESPONSIBILITY

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

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

RISK MANAGEMENT FRAMEWORK

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

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

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

OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

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



STATEMENT ON INTERNAL CONTROL *(Cont'd)*

2. full board meetings are held quarterly. Schedule of matters are set and brought to discussion, ensuring that the Board maintains supervision over appropriate controls. Detailed explanation is given on pertinent issues. Thorough deliberation and discussion by the Board is demanded before reaching any conclusion.
3. the Group maintains a simple yet clearly-defined organizational structure with distinguishable operating, management and senior management level. The organizational structure streamlines reporting processes and encourages responsive actions by facilitating information flow vertically and horizontally across the Group.
4. delegation of authority also serves as a reference tool for the identification and verification of transactions that requires proper approval.
5. the job descriptions of employees enable the employees to understand what needs to be achieved within their scope of responsibilities. Employees' knowledge, skills and abilities are further enhanced through continuing education, training and development activities, which enable them to operate and monitor the system of internal control effectively.
6. every development cycle is under absolute supervision from both the managerial personnel and operational employees. Both spending and progress are closely monitored throughout the project life cycle via project financial reports, progress status reports and project meetings.
7. comprehensive computerized financial system enables the production of timely, reliable and relevant management reports for the purposes of resources allocation decision making.
8. internal control systems in place are subject to regular review and amendment, whenever necessary, to respond to emerging changes in the environment the Group operates. The systems ensure that reports are timely, relevant and reliable for decision making and review purposes. These reports cover both quantitative and qualitative areas.

AUDIT COMMITTEE REPORT

TERMS OF REFERENCE

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

MEMBERSHIP AND MEETINGS

The Audit Committee comprises three (3) Independent Non-Executive Directors and one (1) Executive Director of the Board with Mr. Gow Kow as Chairman. During the financial year ended 31 December 2007, the Audit Committee has held five (5) meetings. The Group's Financial Controller attended all meetings. Other Executive Directors attended the meetings upon invitation by the Chairman of the Audit Committee, when necessary. The Group's external Auditors attended all meetings. Details on the attendance record of the Audit Committee members at the Audit Committee Meetings are set out as follow:-

NUMBER OF MEETINGS AND DETAILS OF ATTENDANCE

| | ATTENDANCE |
|---|------------|
| Gow Kow Chairman (Independent Non-Executive Director) | 5/5 |
| Khoo Cheng Hai @ Ku Cheng Hai (Group Managing Director) | 5/5 |
| Goh Tyau Soon (Independent Non-Executive Director) | 4/5 |
| Tey Ping Cheng (Independent Non-Executive Director) | 5/5 |

SUMMARY OF ACTIVITIES

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

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



AUDIT COMMITTEE REPORT *(Cont'd)*

As there was no allocation of options in respect of the Company's Employees' Share Option Scheme during the financial year under review, no verification on the allocation of options was carried out by the Audit Committee as required under Paragraph 8.21A of BMSB's Listing Requirements.

INTERNAL AUDIT FUNCTIONS

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

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

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

1. reviewing the adequacy of Group's policies and procedures with regards to sales, billings, collections and payments process;
2. ascertaining the extent to which the Company's and the Group's assets are accounted for and safeguarded from losses of all kinds;
3. recommending improvements to the existing systems of controls;
4. identifying opportunities to improve the operations and processes in the Company and the Group;
5. reviewing and appraising the soundness, adequacy and application of accounting, bank reconciliation and taxation;
6. appraising the reliability and usefulness of information developed within the Company and the Group for management;
7. ascertaining the extent of compliance with established policies and procedures on human resource including evaluation of contractors; and
8. assessing the adequacy of the Company's existing control procedures on project management and material control.

TERMS OF REFERENCE OF AUDIT COMMITTEE

OBJECTIVES

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

In addition, the Audit Committee shall:-

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

COMPOSITION

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

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

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

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

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

QUORUM

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



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

ATTENDANCE AND MEETINGS

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

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

SECRETARY

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

FUNCTIONS AND RESPONSIBILITIES

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

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

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

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

MINUTES

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

RIGHTS OF THE AUDIT COMMITTEE

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

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

AUDIT COMMITTEE REPORT

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

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

REPORTING OF BREACHES TO BMSB

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



FINANCIAL STATEMENTS

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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 2007.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

| | Group RM | Company RM |
|---------------------|---------------------|-----------------------|
| Profit for the year | <u>118,169,063</u> | <u>131,987,954</u> |

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2006 were as follows :

RM

In respect of the financial year ended 31 December 2006
as reported in the directors' report of that year:

| | |
|---|-------------------|
| First and final dividend of 24% less 27% taxation, on 266,480,466 ordinary shares, paid on 14 September 2007 | <u>23,343,688</u> |
|---|-------------------|

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2007 of 16% less 26% taxation will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2008.

DIRECTORS

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

Dato' Haji Ishak Bin Ismail
Khoo Cheng Hai @ Ku Cheng Hai
Ku Hwa Seng
Ku Tien Sek
Gow Kow
Goh Tyau Soon
Tey Ping Cheng
Lee Chye Tee



DIRECTORS' REPORT *(Cont'd)*

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Options Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 9 to the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

DIRECTORS' INTEREST

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

| | Number of Ordinary Shares of 50 sen each | | | | 31.12.2007 |
|---|--|-------------|-----------|-------------|-------------|
| | 1.1.2007 | Bonus Issue | Acquired | Sold | |
| Holding in the name of director, spouse or child | | | | | |
| Direct interest | | | | | |
| Dato' Haji Ishak Bin Ismail | 2,800,000 | 528,332 | - | (1,215,000) | 2,113,332 |
| Khoo Cheng Hai @ Ku Cheng Hai | 13,638,132 | 4,546,535 | - | - | 18,184,667 |
| Ku Hwa Seng | 12,949,315 | 4,316,437 | - | - | 17,265,752 |
| Ku Tien Sek | 8,784,795 | 3,046,731 | 355,400 | - | 12,186,926 |
| Indirect interest * | | | | | |
| Khoo Cheng Hai @ Ku Cheng Hai | - | 366,666 | 1,100,000 | - | 1,466,666 |
| Lee Chye Tee | 300,000 | 33,333 | 100,000 | (300,000) | 133,333 |
| Deemed interest | | | | | |
| Khoo Cheng Hai @ Ku Cheng Hai | 108,600,000 | 36,200,000 | - | - | 144,800,000 |
| Ku Hwa Seng | 108,600,000 | 36,200,000 | - | - | 144,800,000 |
| Ku Tien Sek | 108,600,000 | 36,200,000 | - | - | 144,800,000 |

* It represents the interests of spouse and child of the directors of the Company in shares of the Company under section 134(12)(c) of the Companies (Amendment) Act, 1967.

| | Number of Options Over Ordinary Shares of 50 sen each | | | 31.12.2007 |
|-------------------------------|---|---------|-----------|------------|
| | 1.1.2007 | Granted | Exercised | |
| Dato' Haji Ishak Bin Ismail | 600,000 | - | - | 600,000 |
| Khoo Cheng Hai @ Ku Cheng Hai | 600,000 | - | - | 600,000 |
| Ku Hwa Seng | 450,000 | - | - | 450,000 |
| Ku Tien Sek | 450,000 | - | - | 450,000 |
| Lee Chye Tee | 450,000 | - | (100,000) | 350,000 |

DIRECTORS' REPORT *(Cont'd)*

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

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

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

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM132,889,333 to RM177,723,744 by way of:

- (a) the issuance of 842,000 ordinary shares of RM0.50 each for cash pursuant to the Company's Employee Share Options Scheme at an average exercise price of RM2.22 per ordinary share; and
- (b) the issuance of 88,826,821 new bonus ordinary shares of RM0.50 each in the Company on the basis of one bonus share for every three existing shares held in the Company.

The new ordinary shares issued during the financial year ranked *pari passu* in all respects with the existing ordinary shares of the Company.

TREASURY SHARES

As at 31 December 2007, the Company held as treasury shares a total of 140,200 of its 355,447,487 issued ordinary shares. Such treasury shares are held at a carrying amount of RM215,258 and details are disclosed in Note 25 to the financial statements.

There were no repurchase or disposal of treasury shares by the Company during the financial year.

EMPLOYEE SHARE OPTIONS SCHEME

The KSL Holdings Berhad Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 20 August 2003. The ESOS was implemented on 22 December 2003 and is to be in force for a period of 5 years from the date of implementation.

The salient features and other terms of the ESOS are disclosed in Note 21 to the financial statements.

There were no share options granted during the financial year.

Details of options granted in prior year to directors are disclosed in the section on Directors' Interest in this report.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.



DIRECTORS' REPORT *(Cont'd)*

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 25 and Note 34 to the financial statements.

SUBSEQUENT EVENT

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

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2008.

KHOO CHENG HAI @ KU CHENG HAI

LEE CHYE TEE



STATEMENT BY DIRECTORS

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

We, KHOO CHENG HAI @ KU CHENG HAI and LEE CHYE TEE, being two of the directors of KSL HOLDINGS BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 42 to 82 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 25 April 2008.

KHOO CHENG HAI @ KU CHENG HAI

LEE CHYE TEE

STATUTORY DECLARATION

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

I, LEE CHYE TEE, being the director primarily responsible for the financial management of KSL HOLDINGS BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 42 to 82 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed)
LEE CHYE TEE at Segamat in)
the State of Johor Darul Ta'zim)
on 25 April 2008

LEE CHYE TEE

Before me,

No. J191
TAN MUI HONG
Commissioner for Oaths



REPORT OF THE AUDITORS TO THE MEMBERS OF KSL HOLDINGS BERHAD (Incorporated in Malaysia)

We have audited the financial statements set out on pages 42 to 82. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

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

ERNST & YOUNG
AF: 0039
Chartered Accountants

LEE AH TOO
2187/09/09(J)
Partner

Johor Bahru, Malaysia
Date: 25 April 2008

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

| | Note | 2007 RM | Group 2006 RM | 2007 RM | Company 2006 RM |
|--|-------|---------------------------|--------------------------|---------------------------|--------------------------|
| Revenue | 3 | 277,416,312 | 266,238,207 | 182,521,000 | 111,380,000 |
| Cost of sales | 4 | (123,479,397) | (155,469,034) | - | - |
| Gross profit | | <u>153,936,915</u> | <u>110,769,173</u> | <u>182,521,000</u> | <u>111,380,000</u> |
| Other income | 5 | 3,390,371 | 3,341,030 | - | - |
| Administrative expenses | | (15,434,764) | (14,243,558) | (1,646,470) | (1,448,635) |
| Distribution expenses | | (3,150,776) | (3,983,579) | - | - |
| Operating profit | | <u>138,741,746</u> | <u>95,883,066</u> | <u>180,874,530</u> | <u>109,931,365</u> |
| Finance costs | 6 | (442,336) | (1,793,223) | (2,881) | (3,055) |
| Profit before tax | 7 | <u>138,299,410</u> | <u>94,089,843</u> | <u>180,871,649</u> | <u>109,928,310</u> |
| Income tax expense | 10 | (20,130,347) | (26,629,058) | (48,883,695) | (30,809,397) |
| Profit for the year | | <u><u>118,169,063</u></u> | <u><u>67,460,785</u></u> | <u><u>131,987,954</u></u> | <u><u>79,118,913</u></u> |
| Earnings per share attributable to equity holders of the Company (sen): | | | | | |
| Basic, for profit for the year | 11(a) | <u><u>33.29</u></u> | <u><u>19.03</u></u> | | |
| Diluted, for profit for the year | 11(b) | <u><u>33.29</u></u> | <u><u>19.03</u></u> | | |

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



BALANCE SHEETS

AS AT 31 DECEMBER 2007

| | Note | 2007 RM | Group 2006 RM | 2007 RM | Company 2006 RM |
|---|-------|--------------------|---------------------|--------------------|-----------------------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 13 | 49,885,844 | 11,666,508 | 9,732 | 12,518 |
| Land held for property development | 14(a) | 274,333,387 | 286,883,219 | - | - |
| Investment properties | 15 | 26,900,000 | 37,855,005 | - | - |
| Intangible assets | 16 | 113,855 | 193,019 | - | - |
| Investments in subsidiaries | 17 | - | - | 81,924,953 | 81,924,951 |
| | | <u>351,233,086</u> | <u>336,597,751</u> | <u>81,934,685</u> | <u>81,937,469</u> |
| Current assets | | | | | |
| Property development costs | 14(b) | 144,155,347 | 173,187,342 | - | - |
| Inventories | 18 | 91,250,161 | 83,258,319 | - | - |
| Trade and other receivables | 19 | 72,134,813 | 51,061,910 | 261,924,419 | 159,924,771 |
| Cash and bank balances | 20 | 24,306,540 | 6,070,378 | 51,658 | 51,228 |
| | | <u>331,846,861</u> | <u>313,577,949</u> | <u>261,976,077</u> | <u>159,975,999</u> |
| TOTAL ASSETS | | <u>683,079,947</u> | <u>650,175,700</u> | <u>343,910,762</u> | <u>241,913,468</u> |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to equity holders of the Company | | | | | |
| Share capital | 25 | 177,723,744 | 132,889,333 | 177,723,744 | 132,889,333 |
| Share premium | 25 | 5,064,456 | 3,648,316 | 5,064,456 | 3,648,316 |
| Treasury shares | 25 | (215,258) | (215,258) | (215,258) | (215,258) |
| Revaluation reserve | 26 | 22,405,823 | 23,165,299 | - | - |
| Retained earnings | 27 | 380,970,050 | 329,234,006 | 153,828,097 | 89,597,242 |
| Total equity | | <u>585,948,815</u> | <u>488,721,696</u> | <u>336,401,039</u> | <u>225,919,633</u> |
| Non-current liabilities | | | | | |
| Borrowings | 22 | 10,955,000 | 14,975,000 | - | - |
| Deferred tax liabilities | 24 | 7,866,632 | 8,716,158 | - | - |
| | | <u>18,821,632</u> | <u>23,691,158</u> | <u>-</u> | <u>-</u> |
| Current liabilities | | | | | |
| Borrowings | 22 | 4,356,239 | 54,546,995 | - | - |
| Trade and other payables | 23 | 68,816,086 | 74,562,543 | 7,509,148 | 15,974,468 |
| Current tax payable | | 5,137,175 | 8,634,714 | 575 | 773 |
| Dividends payable | | - | 18,594 | - | 18,594 |
| | | <u>78,309,500</u> | <u>137,762,846</u> | <u>7,509,723</u> | <u>15,993,835</u> |
| Total liabilities | | <u>97,131,132</u> | <u>161,454,004</u> | <u>7,509,723</u> | <u>15,993,835</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>683,079,947</u> | <u>650,175,700</u> | <u>343,910,762</u> | <u>241,913,468</u> |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

| | Note | ← Non-Distributable → | | | Distributable | | Total Equity RM |
|--|------|-------------------------------------|-------------------------------------|---------------------------------------|---|---|---------------------------|
| | | Share capital (Note 25) RM | Share premium (Note 25) RM | Treasury shares (Note 25) RM | Revaluation reserve (Note 26) RM | Retained earnings (Note 27) RM | |
| At 1 January 2006 | | 132,889,333 | 3,648,316 | (141,227) | 26,392,136 | 279,482,504 | 442,271,062 |
| Revaluation surplus realised | | - | - | - | (3,333,599) | 3,333,599 | - |
| Reversal of deferred tax arising from change in tax rate | | - | - | - | 106,762 | - | 106,762 |
| Net income recognised directly in equity | | - | - | - | (3,226,837) | 3,333,599 | 106,762 |
| Profit for the year | | - | - | - | - | 67,460,785 | 67,460,785 |
| Total recognised income and expense for the year | | - | - | - | (3,226,837) | 70,794,384 | 67,567,547 |
| Dividends | 12 | - | - | - | - | (21,042,882) | (21,042,882) |
| Purchase of treasury shares | 25 | - | - | (74,031) | - | - | (74,031) |
| At 31 December 2006 | | 132,889,333 | 3,648,316 | (215,258) | 23,165,299 | 329,234,006 | 488,721,696 |
| At 1 January 2007 | | 132,889,333 | 3,648,316 | (215,258) | 23,165,299 | 329,234,006 | 488,721,696 |
| Revaluation surplus realised | | - | - | - | (1,324,080) | 1,324,080 | - |
| Reversal of deferred tax arising from change in tax rate | | - | - | - | 564,604 | - | 564,604 |
| Net income recognised directly in equity | | - | - | - | (759,476) | 1,324,080 | 564,604 |
| Profit for the year | | - | - | - | - | 118,169,063 | 118,169,063 |
| Total recognised income and expense for the year | | - | - | - | (759,476) | 119,493,143 | 118,733,667 |
| Dividends | 12 | - | - | - | - | (23,343,688) | (23,343,688) |
| Issue of ordinary shares pursuant to ESOS | 25 | 421,000 | 1,416,140 | - | - | - | 1,837,140 |
| Issue of ordinary shares pursuant to bonus issue | 25 | 44,413,411 | - | - | - | (44,413,411) | - |
| At 31 December 2007 | | 177,723,744 | 5,064,456 | (215,258) | 22,405,823 | 380,970,050 | 585,948,815 |

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



COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

| | Note | ← Non-Distributable → | | | Distributable | Total Equity RM |
|--|------|-------------------------------------|-------------------------------------|---------------------------------------|---|---------------------------|
| | | Share capital (Note 25) RM | Share premium (Note 25) RM | Treasury shares (Note 25) RM | Retained earnings (Note 27) RM | |
| At 1 January 2006 | | 132,889,333 | 3,648,316 | (141,227) | 31,521,211 | 167,917,633 |
| Profit for the year, representing total recognised income and expense for the year | | - | - | - | 79,118,913 | 79,118,913 |
| Dividends | 12 | - | - | - | (21,042,882) | (21,042,882) |
| Purchase of treasury shares | 25 | - | - | (74,031) | - | (74,031) |
| At 31 December 2006 | | <u>132,889,333</u> | <u>3,648,316</u> | <u>(215,258)</u> | <u>89,597,242</u> | <u>225,919,633</u> |
| At 1 January 2007 | | 132,889,333 | 3,648,316 | (215,258) | 89,597,242 | 225,919,633 |
| Profit for the year, representing total recognised income and expense for the year | | - | - | - | 131,987,954 | 131,987,954 |
| Dividends | 12 | - | - | - | (23,343,688) | (23,343,688) |
| Issue of ordinary shares pursuant to ESOS | 25 | 421,000 | 1,416,140 | - | - | 1,837,140 |
| Issue of ordinary shares pursuant to bonus issue | 25 | 44,413,411 | - | - | (44,413,411) | - |
| At 31 December 2007 | | <u>177,723,744</u> | <u>5,064,456</u> | <u>(215,258)</u> | <u>153,828,097</u> | <u>336,401,039</u> |

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

| | Note | 2007 RM | Group 2006 RM | 2007 RM | Company 2006 RM |
|--|------|---------------|---------------------|---------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Profit before taxation | | 138,299,410 | 94,089,843 | 180,871,649 | 109,928,310 |
| Adjustments for : | | | | | |
| Interest income | 5 | (1,054,064) | (1,062,957) | - | - |
| Interest expense | 6 | 120,524 | 1,392,428 | - | - |
| Depreciation of property, plant and equipment | 7 | 924,384 | 1,342,833 | 2,786 | 2,785 |
| Amortisation of intangible assets | 7 | 85,389 | 84,825 | - | - |
| Fair value adjustment on investment properties | 7 | (164,936) | - | - | - |
| Property, plant and equipment written off | 7 | 1,237 | 6,868 | - | - |
| Loss/(Gain) on disposal of property, plant and equipment | 7 | 37,035 | (8,213) | - | - |
| Gain on disposal of land | 7 | (77,321) | (7,986) | - | - |
| Operating profit before working capital changes | | 138,171,658 | 95,837,641 | 180,874,435 | 109,931,095 |
| (Increase)/Decrease in property development costs | | (131,949,534) | 29,997,610 | - | - |
| Decrease/(Increase) in inventories | | 166,336,170 | (25,644,858) | - | - |
| (Increase)/Decrease in trade and other receivables | | (21,036,517) | 13,449,493 | (101,999,649) | (64,164,467) |
| (Increase)/Decrease in trade and other payables | | (5,746,457) | 18,366,390 | (8,465,319) | 11,041,369 |
| Cash generated from operations | | 145,775,320 | 132,006,276 | 70,409,467 | 56,807,997 |
| Interest paid | | (1,099,125) | (2,424,948) | - | - |
| Taxes paid | | (23,949,194) | (27,591,774) | (48,883,893) | (30,788,624) |
| Net cash generated from operating activities | | 120,727,001 | 101,989,554 | 21,525,574 | 26,019,373 |



CASH FLOW STATEMENTS *(Cont'd)* FOR THE YEAR ENDED 31 DECEMBER 2007

| | Note | Group 2007 RM | Group 2006 RM | Company 2007 RM | Company 2006 RM |
|---|------|---------------------|---------------------|-----------------------|-----------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Development expenditure on land held for property development | | (6,986,492) | (62,616,805) | - | - |
| Development expenditure on investment properties | | (2,790,032) | (33,755,005) | - | - |
| Purchase of property, plant and equipment | | (18,469,366) | (4,963,798) | - | - |
| Purchase of intangible assets | | (6,225) | (21,295) | - | - |
| Proceeds from disposal of property, plant and equipment | | 363,110 | 421,862 | - | - |
| Acquisition of a subsidiary | | - | - | (2) | (2) |
| Additional investment in a subsidiary | | - | - | - | (4,999,998) |
| Proceeds from disposal of land | | 80,000 | 719,473 | - | - |
| Interest received | | 1,054,064 | 382,756 | - | - |
| Net cash used in investing activities | | (26,754,941) | (99,832,812) | (2) | (5,000,000) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from issuance of ordinary shares | | 1,837,140 | - | 1,837,140 | - |
| Purchase of treasury shares | 25 | - | (74,031) | - | (74,031) |
| Repayment of term loan | | (10,959,175) | (26,070,768) | - | - |
| Repayment of short term borrowings | | (18,100,000) | - | - | - |
| Repayment of hire purchase and lease financing | | - | (285,969) | - | - |
| Drawdown of term loans | | - | 20,000,000 | - | - |
| Drawdown of short term borrowings | | - | 941,000 | - | - |
| Dividends paid | | (23,362,282) | (21,042,882) | (23,362,282) | (21,042,882) |
| Net cash used in financing activities | | (50,584,317) | (26,532,650) | (21,525,142) | (21,116,913) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | |
| | | 43,387,743 | (24,375,908) | 430 | (97,540) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR | | | | | |
| | | (19,417,442) | 4,958,466 | 51,228 | 148,768 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR | | | | | |
| | 20 | 23,970,301 | (19,417,442) | 51,658 | 51,228 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2007

1. CORPORATE INFORMATION

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 April 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act 1965 and applicable Financial Reporting Standards (FRSs) in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2007 as fully described in Note 2.3.

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

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

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has a long term equity interest and where it has power directly or indirectly to exercise control over the financial and operating policies so as to obtain benefits from its activities.

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

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2.2 Summary of Significant Accounting Policies (Cont'd)

(a) Subsidiaries and Basis of Consolidation (Cont'd)

(ii) Basis of Consolidation (Cont'd)

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

Other acquisition of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

(b) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of the intangible assets are assessed to be finite and are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

(c) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

2.2 Summary of Significant Accounting Policies *(Cont'd)*

(c) Property, Plant and Equipment and Depreciation *(Cont'd)*

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(d) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

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

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

(e) Land Held for Property Development and Property Development Costs

(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 costs

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

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

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



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

2.2 Summary of Significant Accounting Policies *(Cont'd)*

(e) Land Held for Property, Development and Property Development Costs *(Cont'd)*

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

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

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

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

(f) Impairment of Non-financial Assets

The carrying amounts of assets, other than investment property, property development costs, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

An impairment loss is recognised in profit or loss in the period in which it arises.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

(g) Inventories

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

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

(h) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at bank and deposits at call, which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(ii) Trade receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2.2 Summary of Significant Accounting Policies (Cont'd)

(h) Financial Instruments (Cont'd)

(iii) Trade payables

Trade payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest-bearing borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(v) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(i) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases with the following exceptions :

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.2(d)); and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(ii) Operating leases - the group as lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2 (n)(ii)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(j) Borrowing Costs

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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(k) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.



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

2.2 Summary of Significant Accounting Policies *(Cont'd)*

(k) Income Tax *(Cont'd)*

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(l) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(m) Employee Benefits

(i) Short term benefits

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

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(iii) Share-based compensation

The KSL Holdings Berhad Employee Share Options Scheme ("ESOS"), an equity-settled, share based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

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

2.2 Summary of Significant Accounting Policies *(Cont'd)*

(m) Employee Benefits *(Cont'd)*

(iii) Share-based compensation *(Cont'd)*

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the options expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

(n) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised :

(i) Sale of properties

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 2.2(e) (ii).

(ii) Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

(iii) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(iv) Dividend income

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

(v) Management fees

Management fees are recognised when services are rendered.

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the adoption of the following new FRSs on 1 January 2007 as discussed below :

(i) FRS 117: Leases

(ii) FRS 124: Related Party Disclosures

(iii) FRS 6: Exploration for and Evaluation of Mineral Resources

(iv) Amendment to FRS 119²⁰⁰⁴ Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

The revised FRS 117, 124 and Amendment to FRS 119²⁰⁰⁴ do not result in significant changes in accounting policies of the Group and the Company whilst FRS 6 is not relevant to the Group and the Company's operations.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2.4 Standards and Interpretations Issued but Not Yet Effective

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

| FRS, Amendments to FRS and Interpretations | Effective for financial periods beginning on or after |
|---|--|
| FRS 139: Financial Instruments: Recognition and Measurement | Deferred |
| FRS 107: Cash Flow Statements | 1 July 2007 |
| FRS 111: Construction Contracts | 1 July 2007 |
| FRS 112: Income Taxes | 1 July 2007 |
| FRS 118: Revenue | 1 July 2007 |
| FRS 120: Accounting for Government Grants and Disclosure of Government Assistance | 1 July 2007 |
| FRS 134: Interim Financial Reporting | 1 July 2007 |
| FRS 137: Provisions, Contingent Liabilities and Contingent Assets | 1 July 2007 |
| Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation | 1 July 2007 |
| IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities | 1 July 2007 |
| IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments | 1 July 2007 |
| IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | 1 July 2007 |
| IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | 1 July 2007 |
| IC Interpretation 7: Applying the Restatement Approach under FRS 129 ²⁰⁰⁴ Financial Reporting in Hyperinflationary Economies | 1 July 2007 |
| IC Interpretation 8: Scope of FRS 2 | 1 July 2007 |

The above new and revised FRS, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

The preparation of financial statements in accordance with FRSs requires the use of certain accounting estimates and exercise of judgement. Estimate and judgements are continually evaluated and are based on past experience, reasonable expectations of future events and other factors.

No major judgements have been made by management in applying the Group and the Company's accounting policies. There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

Classification between investment properties and property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

2.5 Significant Accounting Estimates and Judgements (Cont'd)

(a) Critical Judgements Made in Applying Accounting Policies (Cont'd)

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

(b) Key Sources of Estimation Uncertainty

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

(i) Property development

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

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

(ii) Depreciation of property, plant and equipment

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

3. REVENUE

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

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Sales of development properties | 197,540,218 | 261,747,613 | - | - |
| Compensation sum from compulsory acquisition | 77,372,500 | - | - | - |
| Rental income from investment properties | 920,578 | - | - | - |
| Dividend income from subsidiaries | - | - | 181,000,000 | 110,000,000 |
| Management fees from subsidiaries | - | - | 1,521,000 | 1,380,000 |
| Maintenance fees from residents | 610,586 | 558,348 | - | - |
| Other trade sales | 892,430 | 2,677,895 | - | - |
| Sales of land | 80,000 | 1,254,351 | - | - |
| | <u>277,416,312</u> | <u>266,238,207</u> | <u>182,521,000</u> | <u>111,380,000</u> |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

4. COST OF SALES

| | Group | | Company | |
|--|--------------------|--------------------|------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Property development costs (Note 14(b)) | 85,821,683 | 129,978,285 | - | - |
| Cost of inventories sold | 24,114,109 | 20,344,003 | - | - |
| Cost of land | 2,679 | 1,052,872 | - | - |
| Cost of land arising from compulsory acquisition (Note 14(b)) | 11,505,920 | - | - | - |
| Cost of maintenance | 711,224 | 465,714 | - | - |
| Other trade cost | 1,323,782 | 3,628,160 | - | - |
| | <u>123,479,397</u> | <u>155,469,034</u> | <u>-</u> | <u>-</u> |

5. OTHER INCOME

| | Group | | Company | |
|-----------------|------------------|------------------|------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Interest income | 1,054,064 | 1,062,957 | - | - |
| Rental income | 1,705,029 | 1,518,976 | - | - |
| Sundry income | 631,278 | 759,097 | - | - |
| | <u>3,390,371</u> | <u>3,341,030</u> | <u>-</u> | <u>-</u> |

6. FINANCE COSTS

| | Group | | Company | |
|---|------------------|------------------|--------------|--------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Interest expense on: | | | | |
| Bank borrowings | 1,099,125 | 2,424,948 | - | - |
| Bank charges | 321,812 | 400,795 | 2,881 | 3,055 |
| | <u>1,420,937</u> | <u>2,825,743</u> | <u>2,881</u> | <u>3,055</u> |
| Less: Amount capitalised in development properties and land held for property development | (78,374) | (1,032,520) | - | - |
| Less: Amount capitalised in property, plant and equipment | (900,227) | - | - | - |
| | <u>442,336</u> | <u>1,793,223</u> | <u>2,881</u> | <u>3,055</u> |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

7. PROFIT BEFORE TAX

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | RM | RM | RM | RM |
| Profit before tax is stated after charging/(crediting) : | | | | |
| Staff costs (Note 8) | 9,251,402 | 8,905,961 | 1,220,168 | 1,195,446 |
| Non-executive directors' remuneration (Note 9) | | | | |
| - Fee | 90,000 | 90,000 | 90,000 | 90,000 |
| - Other emoluments | 20,000 | 17,000 | 20,000 | 17,000 |
| Auditors' remuneration: | | | | |
| - Statutory audits | 89,500 | 88,500 | 17,000 | 17,000 |
| - Other services | 9,500 | 7,000 | - | - |
| Amortisation of intangible assets (Note 16) | 85,389 | 84,825 | - | - |
| Depreciation (Note 13) | 924,384 | 1,342,833 | 2,786 | 2,785 |
| Fair value adjustment of investment properties (Note 15) | (164,936) | - | - | - |
| Rental expenses | 13,000 | 15,600 | - | - |
| Rental income | (1,705,829) | (1,518,976) | - | - |
| Royalty income | (125,242) | - | - | - |
| Management fee received from subsidiaries | - | - | (1,521,000) | (1,380,000) |
| Interest income | (1,054,064) | (1,062,956) | - | - |
| Loss/(Gain) on disposal of property, plant and equipment | 37,035 | (8,213) | - | - |
| Gain on disposal of land | (77,321) | (7,986) | - | - |
| Property, plant and equipment written off | 1,237 | 6,868 | - | - |
| | <u>9,251,402</u> | <u>8,905,961</u> | <u>1,220,168</u> | <u>1,195,446</u> |

8. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | RM | RM | RM | RM |
| Wages and salaries | 8,368,631 | 8,043,110 | 1,086,500 | 1,064,231 |
| Social security contributions | 71,500 | 71,341 | 3,276 | 3,475 |
| Contributions to defined contribution plan | 737,700 | 721,710 | 130,392 | 127,740 |
| Other staff related expenses | 73,571 | 69,800 | - | - |
| | <u>9,251,402</u> | <u>8,905,961</u> | <u>1,220,168</u> | <u>1,195,446</u> |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM3,929,974 (2006 : RM3,772,051) and RM1,216,892 (2006 : RM1,191,971) respectively as further disclosed in Note 9.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

9. DIRECTORS' REMUNERATION

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Executive directors' remuneration (Note 8): | | | | |
| Other emoluments | 3,929,974 | 3,772,051 | 1,216,892 | 1,191,971 |
| | <u>3,929,974</u> | <u>3,772,051</u> | <u>1,216,892</u> | <u>1,191,971</u> |
| Non-executive directors' remuneration (Note 7): | | | | |
| Fees | 90,000 | 90,000 | 90,000 | 90,000 |
| Other emoluments | 20,000 | 17,000 | 20,000 | 17,000 |
| | <u>110,000</u> | <u>107,000</u> | <u>110,000</u> | <u>107,000</u> |
| Estimated money value of benefits-in-kind | 84,500 | 84,500 | - | - |
| | <u>84,500</u> | <u>84,500</u> | <u>-</u> | <u>-</u> |
| Total directors' remuneration including benefits-in-kind | <u>4,124,474</u> | <u>3,963,551</u> | <u>1,326,892</u> | <u>1,298,971</u> |

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

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Executive: | | | | |
| Salaries and other emoluments | 1,946,260 | 1,939,071 | 785,500 | 781,231 |
| Bonus | 610,030 | 523,600 | 301,000 | 283,000 |
| Defined contribution plan | 306,936 | 295,140 | 130,392 | 127,740 |
| Estimated money value of benefits- in-kind | 73,400 | 73,400 | - | - |
| | <u>2,936,626</u> | <u>2,831,211</u> | <u>1,216,892</u> | <u>1,191,971</u> |
| Non-Executive : | | | | |
| Fees | 90,000 | 90,000 | 90,000 | 90,000 |
| Other emoluments | 20,000 | 17,000 | 20,000 | 17,000 |
| | <u>110,000</u> | <u>107,000</u> | <u>110,000</u> | <u>107,000</u> |
| | <u>3,046,626</u> | <u>2,938,211</u> | <u>1,326,892</u> | <u>1,298,971</u> |

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

| | Number of Directors | |
|--------------------------|---------------------|------|
| | 2007 | 2006 |
| Executive directors: | | |
| RM100,001 - RM150,000 | 1 | 1 |
| RM150,001 - RM200,000 | - | - |
| RM200,001 - RM250,000 | 1 | 1 |
| RM250,001 - RM300,000 | - | - |
| RM750,001 - RM800,000 | 1 | 2 |
| RM800,001 - RM850,000 | 1 | - |
| RM950,001 - RM1,000,000 | 1 | 1 |
| Non-Executive directors: | | |
| Below RM50,000 | 3 | 3 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

10. INCOME TAX EXPENSE

| | Group | | Company | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Current income tax: | | | | |
| Malaysian income tax | 20,232,715 | 27,052,047 | 48,870,000 | 30,806,400 |
| Under/(Over)provision in prior years: | | | | |
| Malaysian income tax | 182,554 | (60,535) | 13,695 | 2,997 |
| | <u>20,415,269</u> | <u>26,991,512</u> | <u>48,883,695</u> | <u>30,809,397</u> |
| Deferred tax (Note 24): | | | | |
| Relating to origination and reversal of temporary differences | (292,071) | (360,791) | - | - |
| Overprovision in prior years | - | (1,663) | - | - |
| Relating to reduction on Malaysia income tax rate | 7,149 | - | - | - |
| | <u>(284,922)</u> | <u>(362,454)</u> | <u>-</u> | <u>-</u> |
| Total income tax expense | <u><u>20,130,347</u></u> | <u><u>26,629,058</u></u> | <u><u>48,883,695</u></u> | <u><u>30,809,397</u></u> |

Domestic income tax is calculated at the Malaysian statutory rate of 27% (2006 : 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% effective year of assessment 2009. The computation of deferred tax as at 31 December 2007 has reflected these changes.

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

| Group | 2007 RM | 2006 RM |
|---|--------------------------|--------------------------|
| Profit before taxation | <u>138,299,410</u> | <u>94,089,843</u> |
| Taxation at Malaysian statutory tax rate of 27% (2006 : 28%) | 37,340,841 | 26,345,156 |
| Effect of different tax rate of 20% (2006 : 20%) on first RM500,000 (2006 : RM100,000) for companies qualified as small and medium enterprise | (102,194) | (160,380) |
| Income not subject to tax | (17,788,055) | (9,894) |
| Expenses not deductible for tax purposes | 493,301 | 514,298 |
| Deferred tax assets not recognised during the year | - | 4,543 |
| Utilisation of previously unrecognised tax losses | (1,223) | (14,407) |
| Deferred tax recognised at difference tax rate | 16,167 | 15,349 |
| Effect of reduction in Malaysia tax rates on opening balance of deferred tax | (11,044) | (3,409) |
| Under/(over)provision of income tax expense in prior years | 182,554 | (60,535) |
| Overprovision of deferred tax in prior years | - | (1,663) |
| Tax expense for the year | <u><u>20,130,347</u></u> | <u><u>26,629,058</u></u> |
| | 2007 RM | 2006 RM |
| Company | | |
| Profit before taxation | <u>180,871,649</u> | <u>109,928,310</u> |
| Taxation at Malaysian statutory tax rate of 27% (2006 : 28%) | 48,835,345 | 30,779,927 |
| Expenses not deductible for tax purposes | 34,655 | 26,473 |
| Underprovision of income tax expense in prior years | <u>13,695</u> | <u>2,997</u> |
| Tax expense for the year | <u><u>48,883,695</u></u> | <u><u>30,809,397</u></u> |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

11. EARNINGS PER SHARE

(a) Basic

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

| | 2007 | 2006 |
|--|--------------------|--------------------|
| Net profit for the year (RM) | 118,169,063 | 67,460,785 |
| Weighted average number of ordinary share in issue | 354,929,537 | 265,676,840 |
| Effect of bonus issue | - | 88,826,821 |
| | <u>354,929,537</u> | <u>354,503,661</u> |
| Basic earnings per share (sen) | <u>33.29</u> | <u>19.03</u> |

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of share options granted to employees.

| | 2007 | 2006 |
|---|--------------------|--------------------|
| Net profit for the year (RM) | 118,169,063 | 67,460,785 |
| Weighted average number of ordinary shares in issue | 354,929,537 | 265,676,840 |
| Effect of dilution of share options | - * | - * |
| Effect of bonus issue | - | 88,826,821 |
| Adjusted weighted average number of ordinary shares in issue and issuable | <u>354,929,537</u> | <u>354,503,661</u> |
| Diluted earnings per share (sen) | <u>33.29</u> | <u>19.03</u> |

* Not computed as the effect is anti-dilutive.

The comparative basic and diluted earnings per share have been restated for the increase in the weighted average number of ordinary shares in issue as a result of the bonus issue of 88,826,821 new ordinary shares issued during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

12. DIVIDENDS

| | ← Dividends in respect of year → | | | Dividends Recognised in Year | |
|---|----------------------------------|-------------------|-------------------|---------------------------------|-------------------|
| | 2007 RM | 2006 RM | 2005 RM | 2007 RM | 2006 RM |
| Recognised during the year : | | | | | |
| Ordinary final dividend of 22% less 28% taxation on 265,692,966 ordinary shares (7.92 sen per ordinary share) | - | - | 21,042,882 | - | 21,042,882 |
| Ordinary final dividend of 24% less 27% taxation on 266,480,466 ordinary shares (8.76 sen per ordinary share) | - | 23,343,688 | - | 23,343,688 | - |
| Proposed for approval at AGM (not recognised as at 31 December): | | | | | |
| Final dividend for 2007 : 16% less 26% taxation | 21,034,191 | - | - | - | - |
| | <u>21,034,191</u> | <u>23,343,688</u> | <u>21,042,882</u> | <u>23,343,688</u> | <u>21,042,882</u> |

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2007 of 16% less 26% taxation will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2008.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

13. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land and building RM | Freehold land and building in progress RM | Leasehold land and building in progress RM | Plant and machinery RM | Motor vehicles RM | *Other property, plant and equipment RM | Total RM |
|---|-------------------------------|---|--|------------------------|-------------------|---|-------------------|
| At 31 December 2007 | | | | | | | |
| Cost | | | | | | | |
| At 1 January 2007 | 4,368,886 | 4,024,054 | - | 1,650,334 | 3,924,087 | 4,469,896 | 18,437,257 |
| Additions | - | 18,037,421 | 86,848 | 3,350 | 1,139,339 | 102,635 | 19,369,593 |
| Disposal | - | - | - | - | (530,000) | (3,555) | (533,555) |
| Transfer from investment properties (Note 15) | - | 13,909,973 | - | - | - | - | 13,909,973 |
| Transfer from land held for property development (Note 14(a)) | - | - | 6,265,536 | - | - | - | 6,265,536 |
| Written off | - | - | - | - | (3,995) | (1,472) | (5,467) |
| At 31 December 2007 | 4,368,886 | 35,971,448 | 6,352,384 | 1,653,684 | 4,529,431 | 4,567,504 | 57,443,337 |
| Accumulated Depreciation | | | | | | | |
| At 1 January 2007 | 1,238,539 | - | - | 1,075,669 | 2,477,675 | 1,978,866 | 6,770,749 |
| Depreciation charge for the year (Note 7) | 170,662 | - | - | 105,001 | 250,154 | 398,567 | 924,384 |
| Disposal | - | - | - | - | (132,000) | (1,410) | (133,410) |
| Written off | - | - | - | - | (3,994) | (236) | (4,230) |
| At 31 December 2007 | 1,409,201 | - | - | 1,180,670 | 2,591,835 | 2,375,787 | 7,557,493 |
| Net Carrying Amount | 2,959,685 | 35,971,448 | 6,352,384 | 473,014 | 1,937,596 | 2,191,717 | 49,885,844 |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

| Group | Freehold land and building RM | Freehold land and building in progress RM | Plant and machinery RM | Motor vehicles RM | *Other property, plant and equipment RM | Total RM |
|--|---|---|---------------------------------|-------------------------|---|-------------------|
| At 31 December 2006 | | | | | | |
| Cost | | | | | | |
| At 1 January 2006 | 4,368,886 | - | 1,594,483 | 3,849,700 | 4,375,898 | 14,188,967 |
| Additions | - | 4,024,054 | 123,850 | 699,387 | 116,507 | 4,963,798 |
| Disposal | - | - | (68,000) | (625,000) | (2,707) | (695,707) |
| Written off | - | - | - | - | (19,802) | (19,802) |
| At 31 December 2006 | 4,368,886 | 4,024,054 | 1,650,333 | 3,924,087 | 4,469,896 | 18,437,256 |
| Accumulated Depreciation | | | | | | |
| At 1 January 2006 | 1,067,876 | - | 988,295 | 2,075,775 | 1,590,961 | 5,722,907 |
| Depreciation charge for the year (Note 7) | 170,663 | - | 113,440 | 657,151 | 401,579 | 1,342,833 |
| Disposal | - | - | (26,067) | (255,251) | (740) | (282,058) |
| Written off | - | - | - | - | (12,934) | (12,934) |
| At 31 December 2006 | 1,238,539 | - | 1,075,668 | 2,477,675 | 1,978,866 | 6,770,748 |
| Net Carrying Amount | 3,130,347 | 4,024,054 | 574,665 | 1,446,412 | 2,491,030 | 11,666,508 |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

| Company | Signboard RM |
|---|-------------------------|
| At 31 December 2007 | |
| Cost | |
| At 1 January 2007 | 27,853 |
| Additions | - |
| | 27,853 |
| Accumulated Depreciation | |
| At 1 January 2007 | 15,335 |
| Depreciation charge for the year (Note 7) | 2,786 |
| | 18,121 |
| | 9,732 |
| At 31 December 2006 | |
| Cost | |
| At 1 January 2006 | 27,853 |
| Additions | - |
| | 27,853 |
| Accumulated Depreciation | |
| At 1 January 2006 | 12,550 |
| Depreciation charge for the year (Note 7) | 2,785 |
| | 15,335 |
| | 12,518 |

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

- (a) Included in property, plant and equipment of the Group are fully depreciated assets which are still in use costing RM1,626,368 (2006 : RM1,609,768).
- (b) During the year, the Group acquired property, plant and equipment with an aggregate cost of RM19,369,593 (2006 : RM4,963,798).
- (c) Freehold land and building-in-progress with carrying value of RM35,971,448 (2006 : RMNil) is pledged as securities for borrowings (Note 22).
- (d) Interest expense capitalised during the financial year under freehold land and building-in-progress of the Group amounted to RM900,227 (2006 : RMNil), as disclosed in Note 6.

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

14. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

(a) Land held for property development

| | Freehold land RM |
|--|-----------------------------|
| At 31 December 2007 | |
| Cost | |
| At 1 January 2007 | 286,883,219 |
| Additions | 6,986,492 |
| Transfer to property development costs | (13,268,109) |
| Transfer to property, plant and equipments (Note 13) | (6,265,536) |
| Disposal | (2,679) |
| | <hr/> |
| At 31 December 2007 | 274,333,387 |
| | <hr/> <hr/> |
| Carrying amount at 31 December 2007 consisting of: | |
| At cost | 224,428,828 |
| At valuation | 49,904,559 |
| | <hr/> |
| | 274,333,387 |
| | <hr/> <hr/> |
| At 31 December 2006 | |
| Cost | |
| At 1 January 2006 | 277,324,579 |
| Additions | 62,616,805 |
| Transfer to property development costs | (52,346,677) |
| Disposal | (711,488) |
| | <hr/> |
| At 31 December 2006 | 286,883,219 |
| | <hr/> <hr/> |
| Carrying amount at 31 December 2006 consisting of: | |
| At cost | 233,434,442 |
| At valuation | 53,448,777 |
| | <hr/> |
| | 286,883,219 |
| | <hr/> <hr/> |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

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

(b) Property development costs

| | 2007 RM | 2006 RM |
|--|--------------------|--------------------|
| Cumulative property development costs at 1 January : | | |
| Freehold land | 98,870,617 | 83,027,437 |
| Development costs | 132,011,782 | 132,049,091 |
| | <hr/> | <hr/> |
| | 230,882,399 | 215,076,528 |
| Cost incurred during the year : | | |
| Development costs | 86,488,292 | 153,994,325 |
| | <hr/> | <hr/> |
| | 317,370,691 | 369,070,853 |
| | <hr/> | <hr/> |
| Transfers to inventories | (174,328,012) | (190,507,471) |
| Transfers from land held for property development | 13,268,109 | 52,346,677 |
| | <hr/> | <hr/> |
| | (161,059,903) | (138,160,794) |
| Cumulative costs recognised in income statement : | | |
| At 1 January | (57,323,334) | (65,240,654) |
| Recognised during the year (Note 4) | (85,821,683) | (129,978,285) |
| Reversal of cost previously recognised in income statement upon completion | 142,908,526 | 137,895,605 |
| Cost of land recognised for compulsory acquisition (Note 4) | (11,505,920) | - |
| | <hr/> | <hr/> |
| At 31 December | (11,742,411) | (57,323,334) |
| | <hr/> | <hr/> |
| Disposal of lands: | | |
| Land cost | - | (9,814) |
| Development cost | - | (17,846) |
| | <hr/> | <hr/> |
| | - | (27,660) |
| Foreseeable losses : | | |
| At 1 January | (371,723) | (30,120) |
| Addition | (501,502) | (505,287) |
| Recognised during the year | 88,472 | 163,684 |
| Reversal of completed project | 371,723 | - |
| | <hr/> | <hr/> |
| At 31 December | (413,030) | (371,723) |
| | <hr/> | <hr/> |
| Property development costs at 31 December | <u>144,155,347</u> | <u>173,187,342</u> |

Freehold land of the Group with the carrying values of RM36,873,312 (2006 : RM128,628,669) are pledged as securities for borrowings (Note 22).

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

| | 2007 RM | 2006 RM |
|---------------------|------------|------------|
| Interest | 78,374 | 1,032,520 |
| Rental of machinery | 1,630,054 | 638,125 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

15. INVESTMENT PROPERTIES

| | 2007 RM | Group 2006 RM |
|---|--------------|---------------------|
| At 1 January | 37,855,005 | 4,100,000 |
| Additions from acquisition | 2,790,032 | 33,755,005 |
| Transfer to property, plant and equipment (Note 13) | (13,909,973) | - |
| Fair value adjustments (Note 7) | 164,936 | - |
| | 26,900,000 | 37,855,005 |
| | 26,900,000 | 37,855,005 |

Investment properties with an aggregate carrying value of RM1,567,000 (2006 : RM35,322,005) are pledged as securities for borrowings (Note 22).

Investment properties comprise a number of freehold shophouses and commercial property leased to third parties (Note 28).

16. INTANGIBLE ASSETS

| | 2007 RM | Group 2006 RM |
|--|------------|---------------------|
| Computer Software | | |
| Cost | | |
| At 1 January | 376,265 | 355,124 |
| Additions | 6,225 | 21,295 |
| | 382,490 | 376,419 |
| Accumulated Amortisation and Impairment | | |
| At 1 January | 183,246 | 98,575 |
| Amortisation (Note 7) | 85,389 | 84,825 |
| | 268,635 | 183,400 |
| Net Carrying Amount | 113,855 | 193,019 |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

17. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|--------------------------|------------|------------|
| | 2007 RM | 2006 RM |
| Unquoted shares, at cost | 81,924,953 | 81,924,951 |

Details of the subsidiaries are as follows :

| Name of subsidiaries | Country of Incorporation | Equity Interest Held | | Principal Activities |
|---|--------------------------|----------------------|-----------|-------------------------------------|
| | | 2007 % | 2006 % | |
| Held by the Company | | | | |
| Khoo Soon Lee Realty Sdn. Bhd. | Malaysia | 100 | 100 | Property development |
| Goodpark Development Sdn. Bhd. | Malaysia | 100 | 100 | Property development |
| Harapan Terang Sdn. Bhd. | Malaysia | 100 | 100 | Property development |
| Bintang-Bintang Development Sdn. Bhd. | Malaysia | 100 | 100 | Property investment and development |
| Tai Lik Development (Batu Anam) Sdn. Bhd. | Malaysia | 100 | 100 | Property development |
| Sejota Sdn. Bhd. | Malaysia | 100 | 100 | Property development |
| Eversonic Sdn. Bhd. | Malaysia | 100 | 100 | Property development |
| Bintang-Bintang Enterprise Sdn. Bhd. | Malaysia | 100 | 100 | Property development |
| Prosper Plus Industry Sdn. Bhd. | Malaysia | 100 | 100 | Property investment |
| Harapan Terang Properties Sdn. Bhd. | Malaysia | 100 | 100 | Property development |
| Harapan Terang Realty Sdn. Bhd. | Malaysia | 100 | 100 | Property development |
| Exportex Sdn. Bhd. | Malaysia | 100 | 100 | Property development |
| Villa Bestari Sdn. Bhd. | Malaysia | 100 | 100 | Property management |
| KSL Properties Sdn. Bhd. | Malaysia | 100 | 100 | Property investment |
| Clarion Housing Development Sdn. Bhd. | Malaysia | 100 | 100 | Property investment |
| Sering Cemerlang Sdn. Bhd. | Malaysia | 100 | - | Property investment |
| Held through subsidiaries: | | | | |
| KSL Realty Sdn. Bhd. * | Malaysia | 100 | 100 | Property development |
| KSL Development Sdn. Bhd.** | Malaysia | 100 | 100 | Property investment and development |

* Subsidiary of Khoo Soon Lee Realty Sdn. Bhd.

** Subsidiary of Harapan Terang Sdn. Bhd.

During the year, the Company acquired and subscribed for 100% equity interests in Sering Cemerlang Sdn. Bhd. for cash consideration of RM2.

18. INVENTORIES

| Cost | Group | | Company | |
|--------------------------|------------|------------|------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Properties held for sale | 91,250,161 | 83,258,319 | - | - |

Inventories with an aggregate carrying value of RM Nil (2006 : RM17,608,956) are pledged as securities for borrowings (Note 22).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

19. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|--|--------------------------|--------------------------|---------------------------|---------------------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Current | | | | |
| Trade receivables | | | | |
| Third parties | 40,514,394 | 39,788,493 | - | - |
| Accrued billings in respect of property development cost | 1,956,263 | 6,694,774 | - | - |
| | <u>42,470,657</u> | <u>46,483,267</u> | <u>-</u> | <u>-</u> |
| Other receivables | | | | |
| Subsidiaries | - | - | 261,924,419 | 159,924,771 |
| Tax recoverable | 85,544 | 49,158 | - | - |
| Deposit for acquisition of land | 7,000,000 | 2,060,000 | - | - |
| Other deposits | 1,128,429 | 1,019,357 | - | - |
| Prepayment | 4,570 | 25,710 | - | - |
| Sundry receivables | 2,102,488 | 1,424,418 | - | - |
| Compensation sum receivable for compulsory acquisition | 19,343,125 | - | - | - |
| | <u>29,664,156</u> | <u>4,578,643</u> | <u>261,924,419</u> | <u>159,924,771</u> |
| | <u><u>72,134,813</u></u> | <u><u>51,061,910</u></u> | <u><u>261,924,419</u></u> | <u><u>159,924,771</u></u> |

The amounts due from subsidiaries are unsecured, interest free and are repayable on demand.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

20. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|----------------------------------|--------------------------|----------------------------|----------------------|----------------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Cash on hand and at banks | 13,006,540 | 4,948,838 | 51,658 | 51,228 |
| Repurchase agreement | 11,300,000 | 1,121,540 | - | - |
| | <u>24,306,540</u> | <u>6,070,378</u> | <u>51,658</u> | <u>51,228</u> |
| Cash and bank balances | 24,306,540 | 6,070,378 | 51,658 | 51,228 |
| Less : Bank overdrafts (Note 22) | (336,239) | (25,487,820) | - | - |
| | <u>23,970,301</u> | <u>(19,417,442)</u> | <u>51,658</u> | <u>51,228</u> |
| Cash and cash equivalents | <u><u>23,970,301</u></u> | <u><u>(19,417,442)</u></u> | <u><u>51,658</u></u> | <u><u>51,228</u></u> |

Included in cash and banks of the Group are amount of RM6,128,494 (2006 : RM4,118,583) 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)

21. EMPLOYEE BENEFITS

Employee Share Options Scheme ("ESOS")

The KSL Holdings Berhad Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 20 August 2003. The ESOS was implemented on 22 December 2003 and is to be in force for a period of 5 years from the date of implementation.

The salient features of the ESOS are as follows:

- (a) The ESOS shall be in force for a period of five years from the date of the receipt of the last of the requisite approvals.
- (b) Eligible persons are employees of the Group (including executive directors) who have been confirmed in the employment of the Group and have served for at least one year before the date of the offer. The eligibility for participation in the ESOS shall be at the discretion of the Options Committee appointed by the Board of Directors.
- (c) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS.
- (d) The option price for each share shall be the average of the mean market quotation of the shares of the Company in the Daily Official List issued by Bursa Malaysia Securities Berhad for the five market days immediately preceding the date on which the option is granted, or the par value of the shares of the Company of RM0.50, whichever is higher.
- (e) No option shall be granted for less than 1,000 shares to any eligible employee.
- (f) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company commencing from the date of the offer but before the expiry of five years from the date of the receipt of the last of the requisite approvals.
- (g) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.
- (h) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

Information with respect to the number of options granted under the ESOS is as follows :

| | Number of Share Options |
|---------------------------------------|--------------------------------|
| At 1 January 2007 | 5,877,500 |
| Exercised | (842,000) |
| Cancellation due to staff resignation | (22,500) |
| | <hr/> |
| At 31 December 2007 | 5,013,000 |
| | <hr/> <hr/> |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

21. EMPLOYEE BENEFITS (Cont'd)

Employee Share Options Scheme ("ESOS") (Cont'd)

Details of share option exercised during the year and fair value at the exercise date of shares issued are as follows:

| Exercise Date | Exercise Price RM | Consideration Received RM | Number of Share Option | Fair Value of Shares RM |
|----------------|----------------------|---------------------------------|------------------------------|-------------------------------|
| 23 May 2007 | 2.17 | 62,930 | 29,000 | 2.58 |
| 21 June 2007 | 2.17 - 2.27 | 1,051,600 | 480,000 | 2.78 |
| 23 July 2007 | 2.17 | 681,380 | 314,000 | 2.66 |
| 20 August 2007 | 2.17 | 41,230 | 19,000 | 2.22 |
| | | 1,837,140 | 842,000 | |

The terms of share options outstanding as at the end of the year are as follows :

| Exercise Period | Exercise Price RM | Number of Share Options Options Outstanding |
|------------------------------------|-------------------------|--|
| 13 January 2004 - 21 December 2008 | 2.17 | 4,663,000 |
| 1 July 2004 - 21 December 2008 | 2.27 | 350,000 |

22. BORROWINGS

| | Group | | Company | |
|------------------------------|------------|------------|------------|------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Short term borrowings | | | | |
| Secured : | | | | |
| Bank overdrafts | 336,239 | 25,487,820 | - | - |
| Bank acceptance | - | 18,100,000 | - | - |
| Term loans | 4,020,000 | 10,959,175 | - | - |
| | 4,356,239 | 54,546,995 | - | - |
| Long term borrowings | | | | |
| Secured: | | | | |
| Term loans | 10,955,000 | 14,975,000 | - | - |
| Total Borrowings | | | | |
| Bank overdrafts (Note 20) | 336,239 | 25,487,820 | - | - |
| Bank acceptance | - | 18,100,000 | - | - |
| Term loans | 14,975,000 | 25,934,175 | - | - |
| | 15,311,239 | 69,521,995 | - | - |

The secured bank overdrafts and term loans of the Group are secured by certain assets of the Group as disclosed in Notes 13,14, 15 and 18.

The term loans are secured by the following:

- (a) First legal charge over the freehold land and building-in-progress of the Group as disclosed in Note 13;
- (b) Corporate guarantees by the Company and a subsidiary.

Other information on financial risks of borrowings are disclosed in Note 32.



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

23. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|--------------------------|--------------------------|-------------------------|--------------------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Current | | | | |
| Trade payables | | | | |
| Third parties | 49,322,347 | 55,984,767 | - | - |
| Related party | 375,180 | 224,260 | - | - |
| Progress billings in respect of property development cost | 4,318,955 | 4,506,534 | - | - |
| | <u>54,016,482</u> | <u>60,715,561</u> | <u>-</u> | <u>-</u> |
| Other payables | | | | |
| Amount due to subsidiaries | - | - | 7,183,382 | 15,754,207 |
| Other deposits | 3,168,244 | 1,308,405 | - | - |
| Accruals | 2,274,949 | 3,764,778 | 190,131 | 190,200 |
| Sinking fund collected | 115,558 | - | - | - |
| Sundry payables | 9,240,853 | 8,773,799 | 135,635 | 30,061 |
| | <u>14,799,604</u> | <u>13,846,982</u> | <u>7,509,148</u> | <u>15,974,468</u> |
| | <u><u>68,816,086</u></u> | <u><u>74,562,543</u></u> | <u><u>7,509,148</u></u> | <u><u>15,974,468</u></u> |

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

(b) The related party refer to a company in which certain directors have substantial financial interest.

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

24. DEFERRED TAX LIABILITIES

| | Group | | Company | |
|---|-------------------------|-------------------------|-----------------|-----------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| At 1 January | 8,716,158 | 9,185,374 | - | - |
| Recognised in income statement (Note 10) | (284,922) | (362,454) | - | - |
| Recognised in revaluation reserve (Note 26) | (564,604) | (106,762) | - | - |
| At 31 December | <u><u>7,866,632</u></u> | <u><u>8,716,158</u></u> | <u><u>-</u></u> | <u><u>-</u></u> |

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

24. DEFERRED TAX LIABILITIES (Cont'd)

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

Deferred Tax Liabilities of the Group:

| | Accelerated capital allowances RM | Revaluation of freehold and leasehold land RM | Total RM |
|---|--|---|------------------|
| At 1 January 2007 | 292,681 | 8,423,477 | 8,716,158 |
| Recognised in income statement (Note 10) | 3,212 | (288,134) | (284,922) |
| Recognised in revaluation reserve (Note 26) | - | (564,604) | (564,604) |
| At 31 December 2007 | <u>295,893</u> | <u>7,570,739</u> | <u>7,866,632</u> |
| At 1 January 2006 | 292,681 | 8,892,693 | 9,185,374 |
| Recognised in income statement (Note 10) | - | (362,454) | (362,454) |
| Recognised in revaluation reserve (Note 26) | - | (106,762) | (106,762) |
| At 31 December 2006 | <u>292,681</u> | <u>8,423,477</u> | <u>8,716,158</u> |

25. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

| | Number of Ordinary Shares of 50 Sen Each | | ← Amount → | | | |
|---|--|--------------------|--|------------------------|---|--------------------------|
| | Share Capital (Issued and Fully Paid) | Treasury Shares | Share Capital (Issued and Fully Paid) RM | Share Premium RM | Total Share Capital and Share Premium RM | Treasury Shares RM |
| At 1 January 2006 | 265,778,666 | (85,700) | 132,889,333 | 3,648,316 | 136,537,649 | (141,227) |
| Purchase of treasury shares | - | (54,500) | - | - | - | (74,031) |
| At 31 December 2006 | <u>265,778,666</u> | <u>(140,200)</u> | <u>132,889,333</u> | <u>3,648,316</u> | <u>136,537,649</u> | <u>(215,258)</u> |
| Ordinary shares issued during the year: | | | | | | |
| Pursuant to ESOS (Note 21) | 842,000 | - | 421,000 | 1,416,140 | 2,679,140 | - |
| Bonus issue | 88,826,821 | - | 44,413,411 | - | 133,240,232 | - |
| At 31 December 2007 | <u>355,447,487</u> | <u>(140,200)</u> | <u>177,723,744</u> | <u>5,064,456</u> | <u>272,457,021</u> | <u>(215,258)</u> |

| | Number of Ordinary Shares of 50 Sen Each | | Amount | |
|---------------------------------|---|----------------------|--------------------|--------------------|
| | 2007 | 2006 | 2007 RM | 2006 RM |
| Authorised share capital | | | | |
| At 1 January/31 December | <u>1,000,000,000</u> | <u>1,000,000,000</u> | <u>500,000,000</u> | <u>500,000,000</u> |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

25. SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (Cont'd)

(a) Bonus Issue

During the financial year, the Company had on 4 December 2007 issued 88,826,821 new bonus shares of RM0.50 each, on the basis of one new ordinary share for every three existing ordinary shares held in the Company. The bonus issue was effected by way of capitalisation of up to RM44,413,411 from the retained profits of the Company. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(b) Treasury Shares

This amount relates to the acquisition cost of treasury shares net of the proceeds received on their subsequent sale or issuance.

The shareholders of the Company, by an ordinary resolution passed in Annual General Meeting held on 20 June 2007, renewed their approval for the Company's plan to repurchase its own ordinary shares. The directors of the Company are committed to enhance the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

There were no repurchase or disposal of treasury shares by the Company during the financial year.

26. REVALUATION RESERVE

| Group | Revaluation Reserve- Freehold Land RM |
|--|---|
| At 1 January 2006 | 26,392,136 |
| Realised revaluation reserve | (3,333,599) |
| Reversal of deferred tax arising from change in tax rate (Note 24) | 106,762 |
| | <hr/> |
| At 31 December 2006 | 23,165,299 |
| | <hr/> |
| At 1 January 2007 | 23,165,299 |
| Realised revaluation reserve | (1,324,080) |
| Reversal of deferred tax arising from change in tax rate (Note 24) | 564,604 |
| | <hr/> |
| At 31 December 2007 | 22,405,823 |
| | <hr/> |

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

27. RETAINED EARNINGS

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

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

27. RETAINED EARNINGS *(Cont'd)*

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

As at 31 December 2007, the Company has tax exempt profits available for distribution of approximately RM855,000 (2006 : RM855,000), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained earnings as at 31 December 2007.

28. OPERATING LEASE ARRANGEMENTS

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

| | 2007 RM | 2006 RM |
|--|--------------------------|--------------------------|
| Not later than 1 year | 3,461,514 | 79,200 |
| Later than 1 year but not later than 5 years | 10,682,234 | - |
| Later than 5 years | 18,699,973 | - |
| | <u>32,843,721</u> | <u>79,200</u> |

Investment property rental income recognised in profit or loss during the financial year is disclosed in Note 3.

29. CAPITAL COMMITMENTS

| | 2007 RM | Group | 2006 RM | Company | 2007 RM | 2006 RM |
|------------------------------|--------------------------|--------------|--------------------------|----------------|--------------------------|--------------------------|
| Capital expenditures | | | | | | |
| Approved and contracted for: | | | | | | |
| Acquisition of freehold land | 149,524,965 | | - | | - | - |
| | <u>149,524,965</u> | | <u>-</u> | | <u>-</u> | <u>-</u> |

30. CONTINGENT LIABILITIES

| | 2007 RM | Group | 2006 RM | Company | 2007 RM | 2006 RM |
|---|--------------------------|--------------|--------------------------|----------------|--------------------------|--------------------------|
| Unsecured: | | | | | | |
| Corporate guarantees given to banks for credit facilities granted to subsidiaries | - | | - | | 15,678,953 | 69,948,245 |
| | <u>-</u> | | <u>-</u> | | <u>15,678,953</u> | <u>69,948,245</u> |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. RELATED PARTY DISCLOSURES

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

| Company | 2007 RM | 2006 RM |
|---|------------|------------|
| Management fees received from the subsidiaries | 1,521,000 | 1,380,000 |
| Group | | |
| Related companies:* | | |
| Maintenance fee and sinking fund paid to a fellow subsidiary | 378,202 | - |
| Purchase of land held for property development from a fellow subsidiary | 6,268,000 | - |
| Rental received from : | | |
| Bestari Bestmart Sdn. Bhd. (Note a) | 1,227,000 | 1,152,000 |
| Damai Motor Kredit Sdn. Bhd. (Note b) | - | 3,185 |
| Harapan Terang Motor Sdn. Bhd. (Note c) | 20,400 | 13,960 |
| Rental paid : | | |
| Segamat Quarry (1981) Sdn. Bhd. (Note d) | - | 6,000 |
| Transport charges paid to | | |
| Segamat Quarry (1981) Sdn. Bhd. (Note d) | 118,440 | 110,340 |
| Purchases from : | | |
| Harapan Terang Motor Sdn. Bhd. (Note c) | 22,241 | 19,681 |
| Segamat Quarry (1981) Sdn. Bhd. (Note d) | 60,798 | - |
| Sri Temenggong Sdn. Bhd. (Note e) | 208 | 183,222 |
| Wawasan Batu-bata Sdn. Bhd. (Note e) | 2,285,784 | 1,120,560 |

* Related companies are companies within the KSL Holdings Berhad group.

Note :

- (a) In which Ku Hwa Seng has interest.
- (b) In which a former director of certain subsidiary companies, Ahmad Bin Ab. Rahman has interest.
- (c) In which Ku Tien Sek and a former director of certain subsidiary companies, Ahmad Bin Ab. Rahman, have interest.
- (d) In which Khoo Cheng Hai @ Ku Cheng Hai, Ku Hwa Seng, Ku Tien Sek and a director of certain subsidiary companies, Ku Wa Chong, have interest.
- (e) In which Khoo Cheng Hai @ Ku Cheng Hai, Ku Hwa Seng, Ku Tien Sek, a director and a former director of certain subsidiary companies, Ku Wa Chong and Ahmad Bin Ab. Rahman respectively, have interest.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31. RELATED PARTY DISCLOSURES (Cont'd)

(b) Compensation of Key Management Personnel

The remuneration of directors and other members of key management during the year was as follows:

| | Group | | Company | |
|------------------------------|------------------|------------------|------------------|------------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Short-term employee benefits | 3,640,650 | 3,497,451 | 1,086,500 | 1,064,231 |
| Post-employment benefits : | | | | |
| Defined contribution plan | 373,824 | 359,100 | 130,392 | 127,740 |
| | <u>4,014,474</u> | <u>3,856,551</u> | <u>1,216,892</u> | <u>1,191,971</u> |

Included in the total key management personnel are:

| | Group | | Company | |
|-------------------------|------------------|------------------|------------------|------------------|
| | 2007 RM | 2006 RM | 2007 RM | 2006 RM |
| Directors' remuneration | <u>4,014,474</u> | <u>3,856,551</u> | <u>1,216,892</u> | <u>1,191,971</u> |

Executive directors of the Group and the Company have been granted the following number of options under the Employee Share Options Scheme ("ESOS"):

| | Group and Company | |
|---------------------------------|-------------------|------------------|
| | 2007 | 2006 |
| At 1 January | 3,900,000 | 3,900,000 |
| Exercised | (100,000) | - |
| Cancellation due to resignation | (450,000) | - |
| At 31 December | <u>3,350,000</u> | <u>3,900,000</u> |

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 21).

32. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

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



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

32. FINANCIAL INSTRUMENTS (Cont'd)

(b) Interest Rate Risk

The Group has exposure to changes in interest rates primarily on interest-bearing borrowings and repurchase agreements. Borrowings at floating rates expose the Group to cash flow interest rate risk. There is no formal hedging policy with respect to interest rate exposure.

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

| | | | Within 1 | 1 - 2 | 2 - 3 | 3 - 4 | 4 - 5 | More than | Total |
|----------------------------|-------|------|------------|-----------|-----------|-----------|-------|-----------|------------|
| | WAEIR | | Year | Years | Years | Years | Years | 5 Years | RM |
| Note | % | RM | RM | RM | RM | RM | RM | RM | RM |
| At 31 December 2007 | | | | | | | | | |
| Floating rate | | | | | | | | | |
| Term loans | 22 | 5.24 | 4,020,000 | 4,020,000 | 4,020,000 | 2,915,000 | - | - | 14,975,000 |
| Bank overdrafts | 22 | 8.00 | 336,239 | - | - | - | - | - | 336,239 |
| Repurchase agreement | 20 | 2.41 | 11,300,000 | - | - | - | - | - | 11,300,000 |

At 31 December 2006

| | | | | | | | | | |
|----------------------|----|------|------------|-----------|-----------|-----------|-----------|---|------------|
| Floating rate | | | | | | | | | |
| Term loans | 22 | 5.36 | 10,959,175 | 4,020,000 | 4,020,000 | 4,020,000 | 2,915,000 | - | 25,934,175 |
| Bankers' acceptances | 22 | 3.82 | 18,100,000 | - | - | - | - | - | 18,100,000 |
| Bank overdrafts | 22 | 7.44 | 25,487,820 | - | - | - | - | - | 25,487,820 |
| Repurchase agreement | 20 | 2.30 | 1,121,540 | - | - | - | - | - | 1,121,540 |

(c) Liquidity Risk

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

(d) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

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

32. FINANCIAL INSTRUMENTS *(Cont'd)*

(e) Fair Values

The carrying amounts of cash and cash equivalents, trade and other receivables/payables of the Group and of the Company at the balance sheet date approximated their fair values due to the relatively short term maturity of the financial instruments.

The carrying amount of the Group's current financial instruments approximate their fair values due to their short term nature. The carrying amount of the Group's long term bank borrowings also approximate their fair values since interest on these bank borrowings vary with the prevailing market interest rates.

33. SEGMENT INFORMATION

(a) Business Segments:

The Group is organised into four major business segments:

- (i) Property development - the development of residential and commercial properties;
- (ii) Property management - management of apartments;
- (iii) Property investment - investment in real properties; and
- (iv) Investment holding - provision of management services to the subsidiaries.

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

| 2007 | Property development RM | Property management RM | Property investment RM | Investment holding RM | Eliminations RM | Consolidated RM |
|--------------------------------|-------------------------------|------------------------------|------------------------------|-----------------------------|----------------------|--------------------|
| REVENUE | | | | | | |
| Revenue | | | | | | |
| External sales | 283,073,726 | 954,396 | - | - | (6,611,810) | 277,416,312 |
| Inter-segment | - | - | - | 182,521,000 | (182,521,000) | - |
| Total revenue | 283,073,726 | 954,396 | - | 182,521,000 | (189,132,810) | 277,416,312 |
| RESULTS | | | | | | |
| Segment results | 138,934,218 | 68,631 | (133,169) | 180,874,530 | (181,002,464) | 138,741,746 |
| Finance cost | | | | | | (442,336) |
| | | | | | | 138,299,410 |
| Taxation | | | | | | (20,130,347) |
| Net profit for the year | | | | | | 118,169,063 |



NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

33. SEGMENT INFORMATION (Cont'd)

| | Property development RM | Property management RM | Property investment RM | Investment holding RM | Eliminations RM | Consolidated RM |
|----------------------------------|-------------------------------|------------------------------|------------------------------|-----------------------------|--------------------|----------------------------|
| ASSETS | | | | | | |
| Segment assets | 644,579,596 | 475,665 | 45,733,429 | 343,910,762 | (351,619,505) | 683,079,947 |
| Consolidated total assets | | | | | | 683,079,947 |
| LIABILITIES | | | | | | |
| Segment liabilities | 318,470,170 | 390,568 | 40,451,759 | 7,509,723 | (269,691,088) | 97,131,132 |
| Consolidated total liabilities | | | | | | 97,131,132 |
| OTHER INFORMATION | | | | | | |
| Capital expenditure | 17,067,225 | 1,952 | 5,096,673 | - | - | 22,165,850 |
| Depreciation and amortisation | 1,002,438 | 4,521 | 28 | 2,786 | - | 1,009,773 |
| 2006 | | | | | | |
| REVENUE | | | | | | |
| Revenue | | | | | | |
| External sales | 265,499,859 | 558,348 | 180,000 | - | - | 266,238,207 |
| Inter-segment | - | - | - | 111,380,000 | (111,380,000) | - |
| Total revenue | 265,499,859 | 558,348 | 180,000 | 111,380,000 | (111,380,000) | 266,238,207 |
| RESULTS | | | | | | |
| Segment results | 97,377,837 | (16,141) | (29,995) | 109,931,365 | (111,380,000) | 95,883,066 |
| Finance cost | | | | | | (1,793,223) |
| Taxation | | | | | | 94,089,843 (26,629,058) |
| Net profit for the year | | | | | | 67,460,785 |
| ASSETS | | | | | | |
| Segment assets | 615,380,403 | 143,695 | 34,587,857 | 63,745 | - | 650,175,700 |
| Consolidated total assets | | | | | | 650,175,700 |
| LIABILITIES | | | | | | |
| Segment liabilities | 142,004,182 | 110,072 | 19,100,122 | 239,628 | - | 161,454,004 |
| Consolidated total liabilities | | | | | | 161,454,004 |
| OTHER INFORMATION | | | | | | |
| Capital expenditure | 38,720,663 | 19,435 | - | - | - | 38,740,098 |
| Depreciation and amortisation | 1,421,365 | 3,508 | - | 2,785 | - | 1,427,658 |

(b) Geographical Segments :

Segmental reporting by geographical has not been prepared as the Group operates within Malaysia.

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

34. OTHER SIGNIFICANT EVENTS

(a) Compulsory acquisition of land

During the financial year ended 31 December 2007, a subsidiary of the Company, Khoo Soon Lee Realty Sdn. Bhd. (KSLR), recognised the compensation sum of approximately RM77.37 million for the compulsory acquisition of 28.06 acres of freehold land (includes other incidental cost) in year 2006. As at 31 December 2007, KSLR has only received approximately RM58 million, representing 75% of the compensation sum. The directors after seeking professional opinion and advice, had decided to recognise the full compensation sum as it is probable that the economic benefits will flow to KSLR, the revenue can be reliably measured and the legal possession of the land has been transferred.

(b) Acquisition of freehold land

On 1 November 2007, KLSR entered into a conditional sale and purchase agreement for the acquisition of freehold land for a cash consideration of RM156,524,965. The acquisition of freehold land has not been completed as at the date of this report as certain conditions precedent have not been fulfilled.

35. MATERIAL LITIGATION

On 11 April 2005, a subsidiary company, KSL Realty Sdn. Bhd. entered into a conditional sale and purchase agreement with Danaharta Hartanah Sdn. Bhd. (Danaharta) for the acquisition of three parcels of freehold land for a cash consideration of RM264,147,840. On 25 November 2005, Danaharta terminated the agreement due to their failure in meeting certain condition precedent stipulated in the Sale and Purchase Agreement by cut-off date.

On 29 November 2005, KSL Realty Sdn. Bhd. served a writ of summons and statement of claim against Danaharta in relation to the termination of the Sale and Purchase Agreement. As at the date of this report, the matter is still pending.

36. SUBSEQUENT EVENT

Subsequent to the financial year end, the Company acquired 100% equity interests in Sure Success Properties Sdn. Bhd., which is incorporated in Malaysia, for cash consideration of RM2. Its principal activity is that of property investment.



LIST OF MAJOR PROPERTIES HELD BY THE GROUP AS AT 31 DECEMBER 2007

| No. | Lot No. | Description | Area (sq. ft.) | Existing Use | Tenure | Approximate Age (Year) | Net Book Value as at 31.12.2007 (RM) | Date of Last Revaluation or if none, Date of of Acquisition |
|-----|--|---|-------------------|---------------------------|---------------------------------------|------------------------------|---|--|
| 1. | Lot 2437 (CT 13581) Mukim of Tebrau District of Johor Bahru Johor Darul Takzim | Subdivided land under development | 22,084,943 | Taman Bestari Indah | Freehold | – | 115,994,191 | 27.2.2002 |
| 2. | HS(D) 258295 PTD 71065 & HS(D) 257249 PTD 71047 Mukim of Pulau District of Johor Bahru Johor Darul Takzim | Subdivided land under development | 6,561,397 | Taman Nusa Bestari | Freehold | – | 84,041,212 | 17.4.2003 |
| 3. | PTD 84133 Mukim of Tebrau District of Johor Bahru Johor Darul Takzim | Development land approved for development | 8,330,156 | Taman Kempas Indah | Freehold | – | 62,141,557 | 16.08.2002 |
| 4. | Lot 11896 HS(D) 2917 Lot 11997 HS(D) 3912 Lot 11840 Geran 71899 Mukim of Johor Bahru District of Johor Bahru Johor Darul Takzim | Development land approved for hotel and complex | 295,515 | Proposed KSL City | Freehold | – | 35,971,447 | 21.03.2006 |
| 5. | PTD 4343 & PTD 4344 Mukim of Kesang District of Muar Johor Darul Takzim | Subdivided land for mix development | 7,025,855 | Maharani Riviera | Leasehold expired on 12.09.2098 | – | 21,584,838 | 26.10.2004 |
| 6. | Lot 6530 Mukim of Kesang District of Muar Johor Darul Takzim | Commercial Complex | 175,677 | Giant Muar | Leasehold expired on 12.09.2098 | 1 | 20,000,000 | 17.12.2007 |
| 7. | Lot 111-120, Lot 134-135 Mukim Pulau District of Johor Bahru Johor Darul Takzim | Subdivided land for mixed development | 3,644,942 | Vacant land | Freehold | – | 14,168,084 | 11.01.2005 |
| 8. | Lot PTD 71045 HS(D) 257248 (Part) Mukim of Pulau District of Johor Bahru Johor Darul Takzim | Subdivided for complex and petrol land | 554,083 | Taman Nusa Bestari II | Freehold | – | 9,985,912 | 31.3.2000 |
| 9. | Lot 211 EMR 176 Lot 214 EMR 179 Lot 215 EMR 180 Lot 224 EMR 189 Lot 225 EMR 190 Lot 228 EMR 193 Lot 230 EMR 195 Mukim of Pulau District of Johor Bahru Johor Darul Takzim | Development land approved for mixed development | 2,871,040 | Vacant land | Freehold | – | 9,878,978 | 31.3.2000 |



LIST OF MAJOR PROPERTIES HELD BY THE GROUP *(Cont'd)* AS AT 31 DECEMBER 2007

| No. | Lot No. | Description | Area (sq. ft.) | Existing Use | Tenure | Approximate Age (Year) | Net Book Value as at 31.12.2007 (RM) | Date of Last Revaluation or if none, Date of Acquisition |
|-----|--|---|-------------------|-------------------------|----------|------------------------------|---|---|
| 10. | Lot 1230 GN7225 Lot 1231, 1233 & 1235 CT51 Mukim of Sg Segamat District of Segamat Johor Darul Takzim | Development land approved for mixed development | 974,324 | Taman Impian Emas | Freehold | – | 9,152,781 | 31.3.2000 |

PROPOSED ACQUISITION DATED 1 NOVEMBER 2007

| | | | | | | | | |
|----|---|---|------------|-------------|----------|---|---|------------|
| 1. | GERAN 24269 (LOT 6415) LOT 6412 Mukim of Klang District of Klang Selangor | Agricultural land zoned for mixed development | 20,315,295 | Vacant Land | Freehold | – | – | 01.11.2007 |
|----|---|---|------------|-------------|----------|---|---|------------|



ANALYSIS OF SHAREHOLDINGS

| | | |
|--------------------------|---|--|
| Authorised Share Capital | : | RM500,000,000.00 (1,000,000,000 Ordinary Shares of RM0.50 each) |
| Issued and fully paid-up | : | RM177,723,743.50 (355,447,487 Ordinary Shares of RM0.50 each) |
| Class of Shares | : | Ordinary Shares of RM0.50 each |
| Voting Rights | : | One (1) Vote per Ordinary Share |

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 30 APRIL 2008

| Size of Holdings | No. of Shareholders | No. of Shareholdings | Percentage of Shareholdings (%) |
|---------------------------|---------------------|-----------------------|---------------------------------|
| 1 – 99 | 232 | 9,178 | 0.00 |
| 100 – 1,000 | 105 | 64,415 | 0.02 |
| 1,001 – 10,000 | 1,575 | 6,496,341 | 1.84 |
| 10,001 – 100,000 | 466 | 13,637,723 | 3.86 |
| 100,001 – 17,650,208 (*) | 94 | 155,794,685 | 44.14 |
| 17,650,209 and above (**) | 2 | 177,001,845 | 50.14 |
| Total | 2,474 | 353,004,187*** | 100.00 |

Notes:

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

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

*** The number of 353,004,187 Ordinary Shares was arrived at after deducting 2,443,300 treasury shares retained by the Company from the issued and paid-up share capital of 355,447,487 Ordinary Shares.

DIRECTORS' SHAREHOLDINGS AS PER THE REGISTER OF DIRECTORS' SHAREHOLDINGS AS AT 30 APRIL 2008

| No. | Directors | Direct Shareholdings | | Indirect Shareholdings | |
|-----|-------------------------------|----------------------|------|------------------------|-------|
| | | No. of Shares | % | No. of Shares | % |
| 1. | Dato' Haji Ishak Bin Ismail | 1,848,332 | 0.52 | - | - |
| 2. | Khoo Cheng Hai @ Ku Cheng Hai | 18,184,667 | 5.15 | 146,266,666* | 41.43 |
| 3. | Ku Hwa Seng | 17,265,752 | 4.89 | 144,800,000** | 41.02 |
| 4. | Ku Tien Sek | 12,186,926 | 3.45 | 144,800,000** | 41.02 |
| 5. | Gow Kow | - | - | - | - |
| 6. | Goh Tyau Soon | - | - | - | - |
| 7. | Tey Ping Cheng | - | - | - | - |
| 8. | Lee Chye Tee | - | - | 133,333*** | 0.04 |

Notes:

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

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

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

ANALYSIS OF SHAREHOLDINGS *(Cont'd)*

OPTIONS ALLOCATED TO THE DIRECTORS PURSUANT TO THE EMPLOYEES' SHARE OPTION SCHEME AS AT 30 APRIL 2008

| No. | Directors | Granted | % | Exercised as at 30 April 2008 | % |
|-----|-------------------------------|---------|------|----------------------------------|------|
| 1. | Dato' Haji Ishak Bin Ismail | 600,000 | 8.14 | Nil | Nil |
| 2. | Khoo Cheng Hai @ Ku Cheng Hai | 600,000 | 8.14 | Nil | Nil |
| 3. | Ku Hwa Seng | 450,000 | 6.10 | Nil | Nil |
| 4. | Ku Tien Sek | 450,000 | 6.10 | Nil | Nil |
| 5. | Lee Chye Tee | 450,000 | 6.10 | 100,000 | 1.36 |

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2008

| No. | Substantial Shareholders | Direct Shareholdings | | Indirect Shareholdings | |
|-----|-------------------------------|----------------------|-------|------------------------|-------|
| | | No. of Shares | % | No. of Shares | % |
| 1. | Premiere Sector Sdn. Bhd. | 144,800,000 | 41.02 | - | - |
| 2. | Khoo Cheng Hai @ Ku Cheng Hai | 18,184,667 | 5.15 | 146,266,666 * | 41.43 |
| 3. | Ku Tien Sek | 12,186,926 | 3.45 | 144,800,000 ** | 41.02 |
| 4. | Ku Hwa Seng | 17,265,752 | 4.89 | 144,800,000 ** | 41.02 |
| 5. | Ku Wa Chong | 4,496,630 | 1.27 | 144,800,000 ** | 41.02 |
| 6. | Lembaga Tabung Haji | 32,921,845 | 9.33 | - | - |

Notes:

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

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

LIST OF TOP THIRTY (30) SHAREHOLDERS AS AT 30 APRIL 2008

| No. | Name | No. of Shares | % |
|-----|---|---------------|-------|
| 1. | Premiere Sector Sdn. Bhd. | 144,800,000 | 41.02 |
| 2. | Lembaga Tabung Haji | 32,201,845 | 9.12 |
| 3. | Citigroup Nominees (Asing) Sdn. Bhd. - Exempt An For Citibank NA, Singapore | 13,777,777 | 3.90 |
| 4. | Ku Hwa Seng | 10,666,666 | 3.02 |
| 5. | Khoo Cheng Hai @ Ku Cheng Hai | 10,666,666 | 3.02 |
| 6. | Khoo Cheng Hai @ Ku Cheng Hai | 7,518,001 | 2.13 |
| 7. | Ku Tien Sek | 7,431,104 | 2.11 |
| 8. | Strata Century Sdn. Bhd. | 6,621,401 | 1.88 |
| 9. | Ku Hwa Seng | 6,599,086 | 1.87 |
| 10. | Citigroup Nominees (Asing) Sdn. Bhd. - Exempt An For American International Assurance Company Limited | 6,586,967 | 1.87 |
| 11. | Mayban Nominees (Tempatan) Sdn. Bhd. - Mayban Trustees Berhad For Public Ittikal Fund | 6,236,622 | 1.77 |



ANALYSIS OF SHAREHOLDINGS (Cont'd)

| No. | Name | No. of Shares | % |
|-----|--|---------------|------|
| 12. | Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Public Savings Fund | 4,657,956 | 1.32 |
| 13. | Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Amanah Saham Wawasan 2020 | 4,313,466 | 1.22 |
| 14. | Cartaban Nominees (Asing) Sdn. Bhd. - SSBT Fund BZ20 For Zephyr Aurora Master Fund, L.P. | 4,144,000 | 1.17 |
| 15. | Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Public Growth Fund | 4,080,133 | 1.16 |
| 16. | Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Skim Amanah Saham Bumiputera | 3,834,933 | 1.09 |
| 17. | Mayban Nominees (Tempatan) Sdn. Bhd. - Mayban Trustees Berhad For Public Regular Savings Fund | 3,595,910 | 1.02 |
| 18. | Ku Tien Sek | 3,555,556 | 1.01 |
| 19. | Citigroup Nominees (Tempatan) Sdn. Bhd. - ING Insurance Berhad | 3,358,444 | 0.95 |
| 20. | Ku Wa Chong | 3,339,912 | 0.95 |
| 21. | HSBC Nominees (Asing) Sdn. Bhd. - HPBS SG For Atlanta Enterprises Overseas Limited | 3,000,000 | 0.85 |
| 22. | Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Public Islamic Opportunities Fund | 2,873,600 | 0.81 |
| 23. | Damai Motor Kredit Sdn. Bhd. | 2,725,166 | 0.77 |
| 24. | Citigroup Nominees (Asing) Sdn. Bhd. - GSCO For Truffle Hound Global Value LLC | 2,666,666 | 0.76 |
| 25. | HSBC Nominees (Tempatan) Sdn. Bhd. - HSBC (M) Trustee Bhd. For Prudential Equity Income Fund | 2,606,666 | 0.74 |
| 26. | Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Public Far-East Property & Resorts Fund | 2,000,000 | 0.57 |
| 27. | Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Public Smallcap Fund | 1,672,000 | 0.47 |
| 28. | Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Public Equity Fund | 1,667,200 | 0.47 |
| 29. | Khoo Keng Ghiap | 1,466,666 | 0.42 |
| 30. | Mayban Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Dato' Haji Ishak Bin Ismail | 1,333,333 | 0.38 |

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

THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

DEFINITIONS

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

| | |
|------------------------------|--|
| “Act” | : Companies Act, 1965 |
| “AGM” | : Annual General Meeting |
| “Board” or the “Directors” | : The Board of Directors of KSL Holdings Berhad |
| “Bursa Securities” | : Bursa Malaysia Securities Berhad (635998-W) |
| “Code” | : Malaysian Code on Take-Overs and Mergers, 1998 and any amendments made thereto from time to time |
| “EPS” | : Earnings per share |
| “KSL” or the “Company” | : KSL Holdings Berhad (511433-P) |
| “KSL Group” or the “Group” | : KSL and its subsidiary companies |
| “KSL Shares” or the “Shares” | : Ordinary shares of RM0.50 each in KSL |
| “Listing Requirements” | : The listing requirements of Bursa Securities |
| “NA” | : Net Assets |
| “Proposed Share Buy-Back” | : Proposed purchase of up to 10% of the issued and paid-up share capital of the Company |
| “PSSB” | : Premiere Sector Sdn. Bhd. (539226-U) |
| “RM” and “sen” | : Ringgit Malaysia and sen respectively |
| “Statement” | : Statement in relation to Proposed Renewal of Authority to purchase its own shares by the Company |

1. INTRODUCTION

On 28 April 2008, the Company announced that the approval granted by the shareholders at the Seventh AGM of KSL held on 20 June 2007 for the Company to purchase its own Shares shall expire at the conclusion of the forthcoming Eighth AGM.

The Company proposed to seek a renewal of the approval from the shareholders at the forthcoming Eighth AGM to be held on 23 June 2008, to purchase and/or hold as treasury shares, its own Shares representing up to 10% of the issued and paid-up share capital of the Company through Bursa Securities.



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

The renewal of approval for the Proposed Share Buy-Back will be effective immediately upon the passing of the ordinary resolution for the Proposed Share Buy-Back at the Company's Eighth AGM to be held on 23 June 2008 until:-

- (i) the conclusion of the next AGM of the Company at which time it shall lapse, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM of KSL after that date is required by law to be held; or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting,

whichever occurs first.

2. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

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

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

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

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

3. SOURCES OF FUNDS

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

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

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

Based on the audited financial statements of the Company as at 31 December 2007, the retained profits and share premium account of the Company amounted to RM153,828,097 and RM5,064,456 respectively. For information purposes, the latest unaudited retained profits and share premium account of the Company as at 31 March 2008 amounted to RM153,392,762 and RM5,064,456 respectively.

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

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

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

- (i) All things being equal, the Proposed Share Buy-Back shall enhance the EPS of the Group. This is expected to have a positive impact on the market price of KSL Shares, which will benefit the shareholders of KSL.
- (ii) The Company may be able to stabilise the supply and demand of its Shares in the open market and thereby supporting the fundamental values of KSL Shares.
- (iii) If the purchased Shares are retained as treasury shares, it will provide the Board with an option to sell the Shares at a higher price and therefore make an exceptional gain for the Company. Alternatively, the purchased KSL Shares can be distributed as share dividends to the shareholders.

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

- (i) As the Proposed Share Buy-Back can only be made out of retained profits and the share premium account, it may reduce the financial resources available for distribution to the shareholders of the Company in the immediate future.
- (ii) It may result in the Company foregoing other investment opportunities that may be emerged 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 the shareholders in implementing the Proposed Share Buy-Back.

5. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

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

5.1 Share Capital

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

| | As at 30 April 2008 | | As at 30 April 2008 and Assuming Full Exercise of Outstanding ESOS Options | |
|---|---------------------|--------|--|--------|
| | No. of Shares | % | No. of Shares | % |
| Authorised Share Capital | 1,000,000,000 | 100.0 | 1,000,000,000 | 100.0 |
| Issued and paid-up share capital | 355,447,487 | 100.0 | 390,992,236 | 100.0 |
| Less:- | | | | |
| Shares purchased amounting to 10% of the issued and paid-up share capital pursuant to the Proposed Share Buy-Back | *(35,544,749) | (10.0) | *(39,099,224) | (10.0) |
| Reduces issued and paid-up share capital in the event that the purchased Shares are cancelled | 319,902,738 | 90.0 | 351,893,012 | 90.0 |

Note:-

* Includes 2,443,300 KSL Shares that have been purchased and held as treasury shares as at 30 April 2008.



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

5.2 Substantial Shareholders' Shareholdings and Directors' Shareholdings

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

The tables below illustrate the direct and indirect interests of the Directors and substantial shareholders of KSL as at 30 April 2008, being the most practicable date prior to the printing of this Statement assuming that:-

- KSL purchases 35,544,749 Shares, representing approximately 10% of the Company's issued and paid-up share capital as at that date, from parties other than the Directors and substantial shareholders; and
- KSL purchases 39,099,224 Shares, representing approximately 10% of the Company's enlarged issued and paid-up share capital (assuming the full exercise of all outstanding ESOS options).

Effects of the Proposed Share Buy-Back on Directors' and Substantial Shareholders' Shareholdings

| As at 30 April 2008 and Assuming No Exercise of ESOS Options | | | | | | | | |
|--|------------------------------------|-------|----------------------------|-------|---|-------|----------------------------|-------|
| Name | As at 30 April 2008 ⁽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 | | | | | | | | |
| Dato' Haji Ishak Bin Ismail | 1,848,332 | 0.52 | - | - | 1,848,332 | 0.58 | - | - |
| Khoo Cheng Hai @ Ku Cheng Hai | 18,184,667 | 5.15 | 146,266,666 ^(a) | 41.43 | 18,184,667 | 5.68 | 146,266,666 ^(a) | 45.72 |
| Ku Tien Sek | 12,186,926 | 3.45 | 144,800,000 ^(b) | 41.02 | 12,186,926 | 3.81 | 144,800,000 ^(b) | 45.26 |
| Ku Hwa Seng | 17,265,752 | 4.89 | 144,800,000 ^(b) | 41.02 | 17,265,752 | 5.40 | 144,800,000 ^(b) | 45.26 |
| Lee Chye Tee | - | - | 133,333 ^(c) | 0.04 | - | - | 133,333 ^(c) | 0.04 |
| Gow Kow | - | - | - | - | - | - | - | - |
| Goh Tyau Soon | - | - | - | - | - | - | - | - |
| Tey Ping Cheng | - | - | - | - | - | - | - | - |
| Substantial Shareholders | | | | | | | | |
| PSSB | 144,800,000 | 41.02 | - | - | 144,800,000 | 45.26 | - | - |
| Khoo Cheng Hai @ Ku Cheng Hai | 18,184,667 | 5.15 | 146,266,666 ^(a) | 41.43 | 18,184,667 | 5.68 | 146,266,666 ^(a) | 45.72 |
| Ku Tien Sek | 12,186,926 | 3.45 | 144,800,000 ^(b) | 41.02 | 12,186,926 | 3.81 | 144,800,000 ^(b) | 45.26 |
| Ku Hwa Seng | 17,265,752 | 4.89 | 144,800,000 ^(b) | 41.02 | 17,265,752 | 5.40 | 144,800,000 ^(b) | 45.26 |
| Ku Wa Chong | 4,496,630 | 1.27 | 144,800,000 ^(b) | 41.02 | 4,496,630 | 1.41 | 144,800,000 ^(b) | 45.26 |
| Lembaga Tabung Haji | 32,921,845 | 9.33 | - | - | 32,921,845 | 10.29 | - | - |

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

Effects of the Proposed Share Buy-Back on Directors' and Substantial Shareholders' Shareholdings

| As at 30 April 2008 and Assuming Full Exercise of Outstanding ESOS Options | | | | | | | | |
|--|------------------------------------|-------|----------------------------|-------|---|-------|----------------------------|-------|
| Name | As at 30 April 2008 ⁽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 | | | | | | | | |
| Dato' Haji Ishak Bin Ismail ^(d) | 3,848,332 | 0.99 | - | - | 3,848,332 | 1.09 | - | - |
| Khoo Cheng Hai @ Ku Cheng Hai ^(d) | 20,184,667 | 5.19 | 146,266,666 ^(a) | 37.64 | 20,184,667 | 5.74 | 146,266,666 ^(a) | 41.57 |
| Ku Tien Sek ^(e) | 13,686,926 | 3.52 | 144,800,000 ^(b) | 37.27 | 13,686,926 | 3.89 | 144,800,000 ^(b) | 41.15 |
| Ku Hwa Seng ^(e) | 18,765,752 | 4.83 | 144,800,000 ^(b) | 37.27 | 18,765,752 | 5.33 | 144,800,000 ^(b) | 41.15 |
| Lee Chye Tee ^(e) | 1,500,000 | 0.39 | 133,333 ^(c) | 0.03 | 1,500,000 | 0.43 | 133,333 ^(c) | 0.04 |
| Gow Kow | - | - | - | - | - | - | - | - |
| Goh Tyau Soon | - | - | - | - | - | - | - | - |
| Tey Ping Cheng | - | - | - | - | - | - | - | - |
| Substantial Shareholders | | | | | | | | |
| PSSB | 144,800,000 | 37.27 | - | - | 144,800,000 | 41.15 | - | - |
| Khoo Cheng Hai @ Ku Cheng Hai ^(d) | 20,184,667 | 5.19 | 146,266,666 ^(a) | 37.64 | 20,184,667 | 5.74 | 146,266,666 ^(a) | 41.57 |
| Ku Tien Sek ^(e) | 13,686,926 | 3.52 | 144,800,000 ^(b) | 37.27 | 13,686,926 | 3.89 | 144,800,000 ^(b) | 41.15 |
| Ku Hwa Seng ^(e) | 18,765,752 | 4.83 | 144,800,000 ^(b) | 37.27 | 18,765,752 | 5.33 | 144,800,000 ^(b) | 41.15 |
| Ku Wa Chong ^(f) | 5,496,630 | 1.41 | 144,800,000 ^(b) | 37.27 | 5,496,630 | 1.56 | 144,800,000 ^(b) | 41.15 |
| Lembaga Tabung Haji | 32,921,845 | 8.47 | - | - | 32,921,845 | 9.36 | - | - |

Notes:-

- (i) After taking into account the 2,443,300 Shares that have been purchased and held as treasury shares.
- (ii) Assuming that the purchase of KSL Shares pursuant to the Proposed Share Buy-Back is based on the maximum number of KSL Shares that may be purchased under the respective scenarios.
- (a) Deemed interested by virtue of his interest in PSSB pursuant to Section 6A of the Act and pursuant to Section 134(12)(c) of the Act.
- (b) Deemed interested by virtue of their respective interest in PSSB pursuant to Section 6A of the Act.
- (c) Deemed interested pursuant to Section 134(12)(c) of the Act.
- (d) Director of KSL and holder of 2,000,000 ESOS options as at 30 April 2008.
- (e) Director of KSL and holder of 1,500,000 ESOS options as at 30 April 2008.
- (f) Director of subsidiary of KSL and holder of 1,000,000 ESOS options as at 30 April 2008.

5.3 NA

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

5.4 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 BY KSL HOLDINGS BERHAD (*Cont'd*)

5.5 EPS

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

5.6 Dividends

Subject to the approval of shareholders at the forthcoming Eighth AGM, the Board has on 27 February 2008 recommended the First and Final Dividend of 16% less 26% Income Tax in respect of the year ended 31 December 2007.

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

5.7 Purchase of Shares during the financial year ended 31 December 2007

During the financial year ended 31 December 2007, the Company has not made any purchase/ resale of KSL shares.

6. PUBLIC SHAREHOLDING SPREAD

As at 30 April 2008, the public shareholding spread of the Company was approximately 42.46 %. Assuming the Proposed Share Buy-Back of 10% of the total issued and paid-up share capital of the Company is carried out in full, and the number of KSL Shares held by the substantial shareholders, Directors and persons related to the substantial shareholders and/or Directors remain unchanged, the public shareholding spread of the Company would reduce to approximately 36.50%. However, the Company will ensure that it will not purchase its own Shares which will result in KSL's public shareholding spread falling below the minimum requirement of 25%.

7. IMPLICATION RELATING TO THE CODE

The substantial shareholders of KSL, namely PSSB, Khoo Cheng Hai @ Ku Cheng Hai, Ku Tien Sek, Ku Hwa Seng and Ku Wa Chong, who are deemed to be persons acting in concert are holding more than 50% of the total issued and paid-up share capital of the Company, collectively, before and after the Proposed Share Buy-Back. However, PSSB owns 144,800,000 KSL Shares individually based on the Register of Substantial Shareholders as at 30 April 2008, representing 41.02% of the total issued and paid-up share capital of the Company. In the event that the Proposed Share Buy-Back of up to 10% is carried out in full in a period of six (6) months, the shareholdings of PSSB in KSL would increase to 45.26% of the total issued and paid-up share capital of the Company, if the number of KSL Shares held by PSSB 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.

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

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

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

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

8. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

9. 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 Eighth AGM to be convened.



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 Eighth Annual General Meeting of the Company to be held at Hotel Sri Pelangi, Room Pelangi 1, 1st Mile, Jalan Buloh Kasap, 85000 Segamat, Johor Darul Takzim on Monday, 23 June 2008 at 12.00 noon 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 | | |

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

Dated this day of 2008

| | |
|------------------------|--|
| Number of shares held: | |
|------------------------|--|

(Signature/Common Seal of Member)

Notes: -

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

Fold this flap for sealing

Then fold here

STAMP

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

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