

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2012

A. EXPLANATORY NOTES PURSUANT TO THE INTERIM FINANCIAL REPORT – IN COMPLIANCE WITH FINANCIAL REPORTING STANDARD (“FRS”)

A1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with the requirement of FRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2011.

The significant accounting policies and methods of computation adopted in the unaudited interim financial statements are consistent with those adopted in the Group’s audited financial statements for the year ended 31 December 2011.

The Group adopted the following new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2012:

Effective for annual periods beginning on or after 1 July 2011:

IC Interpretation 19, Extinguish Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement

Effective for annual periods beginning on or after 1 January 2012:

FRS 124, Related Party Disclosures (revised)
Amendments to FRS 1, First-time Adoption of Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7, Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Adoption of the above standards and interpretations did not have any material effect on the financial performance or position of the Group.

As at 31 March 2012, the following FRSs and IC Interpretations were in issue but not yet effective and have not been applied by the Group:

Effective for annual periods commencing on or after 1 July 2012:

Amendments to FRS 101, Presentation of Items of Other Comprehensive Income

Effective for annual periods commencing on or after 1 January 2013

FRS 10, Consolidated Financial Statements
FRS11, Joint Arrangements
FRS12, Disclosure of Interest in Other Entities

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FRS 13, Fair Value Measurement
FRS 119, Employee Benefits (2011)
FRS 127, Separate Financial Statements (2011)
FRS 128, Investment in Associates and Joint Ventures (2011)
IC interpretation 20, Stripping cost in the Production Phase of a Surface Mine
Amendments to FRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 7, Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures

Malaysian Financial Reporting Standards (“MFRS Framework”)

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

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

Transitional Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitional Entities will be mandatory for annual periods on or after 1 January 2013.

The Group falls within the scope definition of Transitioning Entities and have opted to defer adoption of the new MFRS Framework. Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the quarter ending 31 March 2013.

A2. AUDITORS’ REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the financial statements for the year ended 31 December 2011 was not qualified.

A3. SEASONAL OR CYCLICAL FACTORS

The Group’s operations were not significantly affected by any seasonal or cyclical factors.

A4. UNUSUAL ITEMS

There were no items affecting the assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the current quarter.

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A5. MATERIAL CHANGES IN ACCOUNTING ESTIMATES

There were no changes in accounting estimates of amounts reported in prior interim period which have a material effect on the current interim period save as disclosed in item A1 above.

A6. ISSUANCE OR REPAYMENT OF DEBTS AND EQUITY SECURITIES

Save as disclosed below, there were no issuance and repayment of debts and equity securities, shares buy-back, share cancellations, shares held as treasury shares or resale of treasury shares during the current quarter under review and financial year to date:-

Share Buy-back

The Company had purchased a total of 20,000 of its own shares at an average price of RM1.24 per share totalling RM24,881 for the quarter ended 30 September 2012. All the purchased transactions were financed by internally generated funds.

At the date of this report, a total of 6,081,700 shares purchased back were held as treasury shares with a total cost of RM5,222,592. None of the treasury shares held were resold or cancelled during the quarter under review and up to the date of this report.

A7. DIVIDEND PAID

No dividend has been paid for the current quarter ended 30 September 2012.

A8. SEGMENTAL REPORTING

Segmental analysis of the results and assets employed for 9 months ended 30 September 2012.

Business Segment	Construction (RM'000)	Property Development (RM'000)	Eliminations (RM'000)	Consolidated (RM'000)
Revenue from external customers	-	47,631	-	47,631
Inter-segment revenue	26,301	-	(26,301)	-
Total Revenue	26,301	47,631	(26,301)	47,631
Segment result	722	19,190	(4,376)	15,536
Unallocated income/(expenses)				(76)
Interest income				1,173
Profit from operations				16,633
Finance cost				-
Profit Before Tax				16,633
Taxation				(3,975)
Net Profit for the period				12,658

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A9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The values of property, plant and equipment have been brought forward without amendments from the previous financial statements for the year ended 31 December 2011.

A10. SUBSEQUENT MATERIAL EVENTS

On 14 November 2012, the Company completed the acquisition of 3,970,635 ordinary shares of RM1.00 each in Gadini Sdn Bhd (“Gadini”) representing the entire issued and paid-up share capital of Gadini for a total cash consideration of RM40.56 million (“Proposed Acquisition”) which also included the settlement of the advances by MBSB to Gadini and other liabilities totalling RM15.61 million.

Save for the above, there were no material events subsequent to the balance sheet date up to the date of issuance of this Interim Financial Report.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

On 14 August 2012, KEN Property Sdn Bhd, a wholly owned subsidiary of the Company, acquired 2 ordinary shares for cash consideration of RM2.00 in JB Capital Sdn Bhd (“JB Capital”) representing the entire issued and paid-up share capital, resulting in JB Capital becoming a wholly owned subsidiary of KEN Property Sdn Bhd. JB Capital has since changed its name to KEN Capital Sdn Bhd.

There were no changes in the composition of the Group for the quarter ended 30 September 2012 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operation, save as disclosed in A10 and above.

A12. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

	Quarter Ended 30.09.2012 RM’000	Financial Year Ended 31.12.2011 RM’000
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A Contingent Liabilities

Corporate guarantee for credit facilities and guarantee granted to subsidiaries of the company	1,450	1,438
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B. BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF THE PERFORMANCE

A comparison of the results of current quarter ended 30 September 2012 and the corresponding periods in the preceding year is as follows:

	Current Year Qtr 01/07/12- 30/09/12 (RM'000)	Preceding Year Qtr 01/07/11- 30/09/11 (RM'000)	Current Year 01/01/12- 30/09/12 (RM'000)	Preceding Year 01/01/11- 30/09/11 (RM'000)
Revenue	12,030	26,230	47,631	71,420
Profit before tax	4,744	6,331	16,633	20,938
Profit after tax (before Minority Interest)	3,820	5,004	12,658	16,239
Profit attributable to equity holders of the parent	3,820	5,004	12,658	16,239

a) Current Year-todate vs Previous Year-todate

Pre-tax profit for the current quarter ended 30 September 2012 of RM4.7 million was lower by RM1.6 million than the previous year corresponding period of RM6.33 million. The earnings for the current quarter was mainly from the Shah Alam projects.

Performance for the respective operating business segments for the current year to date as at 30 September 2012 as compared to the previous year corresponding period is analysed as follows:-

- 1) Property development operations – the segmental profit reduced by RM6.3 million to RM19.2 million from the preceding year corresponding period due mainly to lower volume of work done on completion of the KEN Rimba Legian project.
- 2) Construction operations – segmental profit at RM0.7 million had reduced from RM4.1 million in the preceding year corresponding period mainly due to lower volume of work done during the current year to date period compared to the preceding year corresponding period.

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B2. MATERIAL VARIATION AGAINST THE PRECEDING QUARTER RESULTS

A comparison of the quarterly results of the current and preceding quarter is as follows:

	Current Quarter 01/07/12- 30/09/12 (RM'000)	Preceding Quarter 01/04/12- 30/06/12 (RM'000)
Revenue	12,030	24,015
Profit after tax (before Minority Interest)	3,820	5,730
Profit after tax (after Minority Interest)	3,820	5,730

The revenue for the current quarter ended 30 September 2012 at RM12.0 million was lower than the preceding quarter ended 30 June 2012 of RM24.0 million mainly due to lower volume of revenue recognised in the current quarter from its KRCC project as the KEN Rimba Legian project has been completed.

B3. PROSPECTS FOR 2012

The Malaysian economy is likely to grow at a moderate pace in the second half of the year due to slowing industrial production and exports. For 2012, the economy is expected to grow by 4 - 5%, largely supported by resilient domestic demand. Businesses have been expected to grow further, underpinned by implementation of projects under the Economic Transformation Programme and the 10th Malaysia Plan, and the Government's continuous efforts to support the growth of private sector businesses will translate to increase consumer disposable income and spending.

The Group is expected to see positive performance from its projects, as KEN Rimba Commercial Centre (KRCC) in Shah Alam which is expected to be handed over by end of 2012 whereas KEN Rimba Legian has been handed over in the earlier quarter. The next phases of development, KEN Rimba Jimbaran consisting of 168 units of larger double storey link houses and the condominium project are expected to be launched next year.

External forces such as raw material costs, fuel and energy costs including shortage of manpower in the construction sector are expected to continue to exert pressure on the Group's operating margin. Barring any unforeseen circumstances, the Board of Directors is of the view that the Group will record favourable performance for the financial year ending 31 December 2012.

B4. PROFIT FORECAST AND ESTIMATES ANNOUNCED OR DISCLOSED

No applicable as there were no profit forecast or estimates that has been announced or disclosed for the financial year 2012.

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B5. TAX EXPENSE

	Current Year Qtr 01/07/12- 30/09/12 (RM'000)	Preceding Year Qtr 01/07/11- 30/09/11 (RM'000)	Current Year 01/01/12- 30/09/12 (RM'000)	Preceding Year 01/01/12- 30/09/12 (RM'000)
In respect of current period				
- income tax	1,515	2,688	3,975	7,567
- deferred tax	<u>(91)</u>	<u>(1,361)</u>	<u>(1,457)</u>	<u>(2,868)</u>
	<u>924</u>	<u>1,327</u>	<u>3,975</u>	<u>4,699</u>

The Group's effective tax rate for the 3 months ended 30 September 2012 was below the statutory rate of 25% mainly due to realisation of deferred tax provided earlier.

B6. THE STATUS OF CORPORATE PROPOSALS

Save as disclosed in Note A 10, there were no corporate proposals announced but not completed as of the date of this report.

B7. BORROWINGS AND DEBT SECURITIES

There were no group borrowings and debt securities at the end of the current quarter to 30 September 2012.

B8. MATERIAL LITIGATION

There were no material litigation pending as at the date of this report.

B9. DIVIDEND

The Board does not recommend any interim dividend for current quarter under review (2011 - Nil).

B10. EARNINGS PER SHARE

	Quarter Ended 30.09.2012	9 months Ended 30.09.2012
A Basic Earnings	RM'000	RM'000
Net profit attributable to shareholders	<u>3,820</u>	<u>12,658</u>
Weighted average number of ordinary shares	89,788	89,833
Basic earnings per share (sen)	4.25	14.09
B Diluted earnings	N/A	N/A

There is no impending effect on the diluted earnings per share.

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B11. REALISED AND UNREALISED PROFITS

In compliance with Bursa Malaysia directive to all listed issuers pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, requiring the disclosure and breakdown of the unappropriated profits and accumulated losses as at the reporting period, into realised and unrealised profit or losses and also to Bursa Malaysia issued guidance on the disclosure and the format required, the break down or retained profits of the Group as at the reporting date, into realised and unrealised profits pursuant to the directive, is as follows:-

	Group 30.09.2012 RM'000	Group 31.12.2011 RM'000
Total retained earnings of KHB and Its subsidiaries		
- Realised	95,819	83,012
- Unrealised	<u>(687)</u>	<u>(687)</u>
	95,132	82,325
Less:		
Consolidated adjustments	<u>(28,031)</u>	<u>(24,053)</u>
Total Group retained profits and per Consolidated accounts	<u>67,101</u>	<u>58,272</u>

B12. PROFIT FOR THE PERIOD

	Current Year Qtr 01/07/12- 30/09/12 (RM'000)	Preceding Year Qtr 01/07/11- 30/09/11 (RM'000)	Current Year 01/01/12- 30/09/12 (RM'000)	Preceding Year 01/01/11- 30/09/11 (RM'000)
Profit for the period is arrived at after crediting/(charging)				
Gain on disposal of property plant and equipments	-	-	16	61
Interest income	368	491	1,172	988
Other income	552	456	1,226	1,155
Allowance for impairment loss on other receivables	-	-	-	-
Depreciation	(165)	(152)	(480)	(330)

Save as disclosed above, the other items as required under Appendix 9B, Part A (16) of the Bursa Listing Requirements are not applicable.

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By Order of the Board,

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Chow Chooi Yoong
Company Secretary
Date : 29 November 2012