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 save for the adoption of the following:

FRS 124 (revised)	Related Party Disclosures (revised)
Amendments to FRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to FRS 112	Income Taxes – Deferred Tax: Recovery of Underlying Assets
IC Interpretation 19	Extinguish Financial Liabilities with Equity Instruments
Amendment to IC Interpretation 14	Prepayments of a Minimum Funding Requirement

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

On 19 November 2011, the Malaysian Accounting Standards Board (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

On 30 June 2012, MASB announced that the Transitional Entities are allowed to extend their deferment on the adoption of MFRS Framework for another year. As such, the MFRS Framework will be mandatory for all companies for annual period beginning on or after 1 January 2014.

The Group falls within the scope definition of Transitional 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 December 2014. The Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of adjustments required on transition will be made, retrospectively, against opening retained profits. The Group will review its accounting policies to assess financial effects of the differences between the current FRSs and accounting standards under the MFRS Framework.

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.

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 2,000 of its own shares at an average price of RM1.28 per share totalling RM2,564 for the quarter ended 31 December 2012. All the purchased transactions were financed by internally generated funds.

At the date of this report, a total of 6,083,700 shares purchased back were held as treasury shares with a total cost of RM5,225,155. 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 31 December 2012.

A8. SEGMENTAL REPORTING

Segmental analysis of the results and assets employed for 12 months ended 31 December 2012.

Business Segment	**Construction (RM'000)**	**Property Development (RM'000)**	**Eliminations (RM'000)**	**Consolidated (RM'000)**
Revenue from external customers	-	54,112	-	54,112
Inter-segment revenue	38,916	-	(38,916)	-
Total Revenue	38,916	54,112	(38,916)	54,112
Segment result	5,310	28,277	(11,112)	22,475
Unallocated income/(expenses)				(1,064)
Interest income				1,351
Profit from operations				22,762
Finance cost				23
Profit Before Tax				22,785
Taxation				(6,336)
Net Profit for the period				16,449

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

There were no material events subsequent to the balance sheet date and up to the date of issuance of this Interim Financial Report.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the quarter ended 31 December 2012 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operation.

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A12. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

	Quarter Ended 31.12.2012 RM'000	Financial Year Ended 31.12.2011 RM'000
A Contingent Liabilities		
Corporate guarantee for credit facilities and guarantee granted to subsidiaries of the company	1,582	1,438

B. BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF THE PERFORMANCE

A comparison of the results of current quarter ended 31 December 2012 and the corresponding periods in the preceding year is as follows:

	Current Year Qtr 01/10/12-31/12/12 (RM'000)	Preceding Year Qtr 01/10/11-31/12/11 (RM'000)	Current Year 01/01/12-31/12/12 (RM'000)	Preceding Year 01/01/11-31/12/11 (RM'000)
Revenue	6,481	15,768	54,112	87,188
Profit before tax	6,151	10,412	22,785	31,350
Profit after tax (before Minority Interest)	3,790	6,995	16,449	23,234
Profit attributable to equity holders of the parent	3,790	6,995	16,449	23,234

a) Current Year-todate vs Previous Year-todate

The revenue from the current year at RM54.1 million was lower compared to RM87.2 million in the preceding year due mainly to adjustments on consolidation in respect of group revenue recognition. The adjustment has no impact on the pre-tax profits and profit after tax reported in previous quarters and the current quarter of 2012.

After-tax profit for the current year ended 31 December 2012 of RM16.4 million was lower by RM6.8 million than the previous year of RM23.2 million. The earnings for the previous year was contributed by on-going projects of Ken Rimba Legian and Ken Rimba Commerical Centre projects whilst in the current year the Ken Rimba Legian project has been completed and handed over.

Performance for the respective operating business segments for the current year to date as at 31 December 2012 as compared to the previous year corresponding period is analysed as follows:-

1) Property development operations – the segmental profit reduced by RM3.4 million to RM28.3 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 RM5.3 million had reduced from RM7.1 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.

b) <u>Current Quarter vs Previous Corresponding Quarter</u>

The revenue from the current quarter of RM6.5 million was lower compared to RM15.8 million in the preceding year corresponding quarter due mainly to adjustments on consolidation in respect of group revenue recognition. The adjustment had also impacted the cost of sales accordingly. The adjustment has no impact on the pre-tax profits and profit after tax reported in previous quarters of 2012 and including the current quarter.

After-tax profit for the current quarter ended 31 December 2012 at RM3.8 million was lower by RM7.0 million compared to the previous year corresponding period of RM3.2 million due mainly to completion of the Ken Rimba Legian project in the current year.

Performance for the respective operating business segments for the 4th Quarter ended 31 December 2012 as compared to the previous year corresponding quarter is analysed as follows:-

1) Property development operations – segmental profit increased by RM9.1 million to RM28.3 million was mainly due higher development activities in the current quarter compared to the preceding year corresponding quarter.
2) Construction operations – segmental profits increased by RM4.6 million from RM5.3 million in the preceding year corresponding period mainly due to higher activities in the current quarter compared to the preceding year corresponding quarter.

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 01/10/12-31/12/12 (RM'000)	Preceding Quarter 01/07/12-30/09/12 (RM'000)
Revenue	6,481	12,030
Profit after tax (before Minority Interest)	3,790	3,820
Profit after tax (after Minority Interest)	3,790	3,820

The revenue for the current quarter ended 31 December 2012 at RM6.5 million was lower than the preceding quarter 30 September 2012 of RM12.0 million, mainly due to adjustments on consolidation in respect of group revenue recognition. The earnings for the previous quarter was comparable to the last quarter despite lower revenue was mainly due to write-back of accruals in the current quarter.

B3. **PROSPECTS FOR 2013**

The Malaysian economy is expected to grow at 5.6% in 2013 with domestic demand continues to drive growth. With the anticipated improvement in global economic growth in the later part of 2013, exports are expected to improve amid better external environment.

The favourable economic prospect is expected to remain supportive of the property sector in Malaysia in 2013. With strong capitalisation and ready access to credit for household and businesses will facilitate growth in the economy which will translate into active property development activities.

The Group is expected to see positive performance from its projects, as KEN Rimba Commercial Centre (KRCC) in Shah Alam will be handed over in early 2013 and the launch of its Ken Rimba Jimbaran project in the second quarter of 2013.

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 2013.

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.

B5. TAX EXPENSE

	Current Year Qtr 01/10/12-31/12/12 (RM'000)	Preceding Year Qtr 01/10/11-31/12/11 (RM'000)	Current Year 01/01/12-31/12/12 (RM'000)	Preceding Year 01/01/11-31/12/11 (RM'000)
In respect of current period				
- income tax	4,153	3,194	9,434	10,785
- deferred tax	(1,809)	117	(3,266)	(2,758)
In respect of prior year				
- income tax	(49)	14	102	(12)
- deferred tax	66	92	66	101
	2,361	3,417	6,336	8,116

The Group's effective tax rate for the 3 months ended 31 December 2012 was higher than the statutory rate of 25% mainly due to realisation of deferred tax provided earlier and also due to disallowed expenses arising from acquisitions.

B6. THE STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as of the date of this report.

B7. BORROWINGS AND DEBT SECURITIES

The group has unsecured short term borrowings of RM4.5 million at the end of the current quarter.

B8. MATERIAL LITIGATION

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

B9. DIVIDEND

The Board has recommended a first and final dividend comprising of 6.0 sen per ordinary share less tax 25% (2011: 6.0 sen dividend per ordinary share less tax 25%) in respect of the year ended 31 December 2012. The proposed dividend shall be subject to approval of the shareholders at the forthcoming Annual General Meeting to be held on a date, which shall be announced later.

B10. EARNINGS PER SHARE

	Quarter Ended 31.12.2012	12 months Ended 31.12.2012
A Basic Earnings		
	RM'000	RM'000
Net profit attributable to shareholders	3,790	16,449
Weighted average number of ordinary shares	89,777	89,788
Basic earnings per share (sen)	4.22	18.32
B Diluted earnings	N/A	N/A

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

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 31.12.2012 RM'000	Group 31.12.2011 RM'000
Total retained earnings of KHB and Its subsidiaries		
- Realised	100,611	83,012
- Unrealised	(698)	(687)
	99,913	82,325
Less:		
Consolidated adjustments	(29,232)	(24,053)
Total Group retained profits and per Consolidated accounts	70,681	58,272

B12. **PROFIT FOR THE PERIOD**

	Current Year Qtr 01/10/12-31/12/12 (RM'000)	Preceding Year Qtr 01/10/11-31/12/11 (RM'000)	Current Year 01/01/12-31/12/12 (RM'000)	Preceding Year 01/01/11-31/12/11 (RM'000)
Profit for the period is arrived at after crediting/(charging)				
Gain on disposal of property plant and equipments	1	-	17	61
Interest income	179	491	1,350	1,427
Other income	645	456	1,871	1,677
Allowance for impairment loss on other receivables	-	-	-	-
Depreciation	(332)	(152)	(812)	(602)

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

By Order of the Board,

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Chow Chooi Yoong
Company Secretary
Date : 28 February 2013