

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED
31 MARCH 2013

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 2012.

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 2012 save for the adoption of the following:

FRS 10	Consolidated Financial Statements
FRS 11	Joint Arrangement
FRS 12	Disclosure of Interest In Other Entities
FRS 13	Fair Value Measurement
FRS 119	Employee Benefits (2011)
FRS 127	Separate Financial Statement (2011)
FRS 128	Investments in Associates and Joint Ventures (2011)
Amendments to FRS 1	First Adoption of Financial Reporting Standards - Government Loans
Amendments to FRS 1, 101, 116, 132 and 134	Annual Improvement 2009 – 2011 Cycle: First Adoption of Financial Reporting Standards, Presentation of Financial Statements, Property, plant and Equipment, Financial Instruments - Presentation and Interim Financial Reporting
Amendments to FRS 7	Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 10, 11 and 12	Transition Guideline: Consolidated Financial Statements, Joint Arrangement and Disclosure of Interest In Other Entities

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

The Group is an entity within the scope of IC Interpretation 15 Agreements for Construction of Real Estate (IC 15) and will be exempted from adopting Malaysian Financial Reporting Standards (MFRSs) and as such is referred to as ‘Transitional Entity’. Being a Transitional Entity, the Group is required to adopt MFRSs from annual period beginning from 1 January 2014.

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2013

A1. BASIS OF PREPARATION (Cont'd)

The Group's financial statement and of the company for the annual period beginning on 1 January 2014 will be prepared in accordance with the MFRSs issued by MASB and International Financial Reporting Standards (IFRSs). 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 2012 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 100,000 of its own shares at an average price of RM1.26 per share totalling RM125,860 for the quarter ended 31 March 2013. All the purchased transactions were financed by internally generated funds.

At the date of this report, a total of 6,183,700 shares purchased back were held as treasury shares with a total cost of RM5,351,015. None of the treasury shares held were resold or cancelled during the quarter under review and up to the date of this report.

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2013

A7. **DIVIDEND PAID**

No dividend has been paid for the current quarter ended 31 March 2013.

A8. **SEGMENTAL REPORTING**

Segmental analysis of the results and assets employed for 3 months ended 31 March 2013.

Business Segment	Construction (RM'000)	Property Development (RM'000)	Eliminations (RM'000)	Consolidated (RM'000)
Revenue from external customers	-	10,572	-	10,572
Inter-segment revenue	4,949	-	(4,949)	-
Total Revenue	4,949	10,572	(4,949)	10,572
Segment result	327	3,821	723	4,871
Unallocated income/(expenses)				(73)
Interest income				18
Profit from operations				4,816
Finance cost				(131)
Profit Before Tax				4,685
Taxation				(1,389)
Net Profit for the period				3,296

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 2012.

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 March 2013 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operation.

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED
31 MARCH 2013

A12. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

	Quarter Ended 31.03.2013 RM'000	Financial Year Ended 31.12.2012 RM'000
A Contingent Liabilities		
Corporate guarantee for credit facilities and guarantee granted to subsidiaries of the company	1,401	1,582

B. BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF THE PERFORMANCE

A comparison of the results of current quarter ended 31 March 2013 and the corresponding periods in the preceding year is as follows:

	Current Year Qtr 01/01/13- 31/03/13 (RM'000)	Preceding Year Qtr 01/01/12- 31/03/12 (RM'000)	Current Year 01/01/13- 31/03/13 (RM'000)	Preceding Year 01/01/12- 31/03/12 (RM'000)
Revenue	10,572	11,586	10,572	11,586
Profit before tax	4,685	4,158	4,685	4,158
Profit after tax (before Minority Interest)	3,296	3,108	3,296	3,108
Profit attributable to equity holders of the parent	3,296	3,108	3,296	3,108

Current Year-todate vs Previous Year-todate

Pre-tax profit for the current quarter ended 31 March 2013 of RM4.7 million was marginally higher at RM0.5 million or 11.9% compared to the previous year corresponding period of RM4.2 million. The higher pre-tax profit for the current quarter was mainly due to the launching of the Ken Rimba Jimbaran project consisting of 168 units of 2½ storey link houses.

After-tax profit for the current quarter ended 31 March 2013 at RM3.3 million was marginally higher than the previous year correspondence quarter of RM3.1 million.

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED
31 MARCH 2013

Performance for the respective operating business segments for the current quarter to date as at 31 March 2013 as compared to the previous year corresponding period is analysed as follows:-

- 1) Property development operations - the segmental profit reduced by RM0.6 million to RM3.8 million from the preceding year corresponding period mainly due to completion of Ken Rimba Legian project in previous year and lower volume of work done on completion of the Ken Rimba Commercial Centre project in the current quarter.
- 2) Construction operations - segmental profit at RM0.3 million was comparable to the preceding year corresponding period of RM0.3 million mainly due to similar volume of work done during the two respective periods.

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 01/01/13- 31/03/13 (RM'000)	Preceding Quarter 01/10/12- 31/12/12 (RM'000)
Revenue	11,572	6,481
Profit after tax (before Minority Interest)	3,296	3,791
Profit after tax (after Minority Interest)	3,296	3,791

The revenue for the current quarter ended 31 March 2013 at RM11.6 million was higher than the preceding quarter 31 December 2012 of RM6.5 million, mainly due to an adjustment on consolidation in respect of reclassification of group revenue. The adjustment had also impacted the cost of sales accordingly for the preceding year quarter. However, it has no impact on the pre-tax profits and profit after tax reported in the preceding year 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.

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2013

The Group is expected to see positive performance from the soft launch of its projects - KEN Rimba Jimbaran project in the current quarter. KEN Rimba Commercial Centre (KRCC) in Shah Alam is to be handed over in the second quarter of 2013.

It is envisage that external forces such as raw material costs, fuel and energy costs including manpower resources 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 2013.

B5. TAX EXPENSE

	Current Year Qtr 01/01/13- 31/03/13 (RM'000)	Preceding Year Qtr 01/01/12- 31/03/12 (RM'000)	Current Year 01/01/13- 31/03/13 (RM'000)	Preceding Year 01/01/12- 31/03/12 (RM'000)
In respect of current period				
- income tax	1,111	1,332	1,111	1,332
- deferred tax	<u>278</u>	<u>(282)</u>	<u>278</u>	<u>(282)</u>
	<u>1,389</u>	<u>1,050</u>	<u>1,389</u>	<u>1,050</u>

The Group's effective tax rate for the 3 months ended 31 March 2013 was higher than the statutory rate of 25% mainly due to realisation of deferred tax provided earlier.

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 RM5.0 million at the end of the current quarter to 31 March 2013.

B8. MATERIAL LITIGATION

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

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED
31 MARCH 2013

B9. DIVIDEND

The Board does not recommend any interim dividend for current quarter under review (2012 - Nil).

B10. EARNINGS PER SHARE

	Quarter Ended 31.03.2013	3 months Ended 31.03.2013
A Basic Earnings		
	RM'000	RM'000
Net profit attributable to shareholders	<u>3,296</u>	<u>3,296</u>
Weighted average number of ordinary shares	89,677	89,677
Basic earnings per share (sen)	3.68	3.68
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 31.03.2013 RM'000	Group 31.12.2012 RM'000
Total retained earnings of KHB and Its subsidiaries		
- Realised	104,465	100,611
- Unrealised	<u>(698)</u>	<u>(698)</u>
	103,767	99,913
Less: Consolidated adjustments	<u>(29,790)</u>	<u>(29,232)</u>
Total Group retained profits and per Consolidated accounts	<u>73,977</u>	<u>70,681</u>

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED
31 MARCH 2013

B12. PROFIT FOR THE PERIOD

	Current Year Qtr 01/01/13- 31/03/13 (RM'000)	Preceding Year Qtr 01/01/12- 31/03/12 (RM'000)	Current Year 01/01/13- 31/03/13 (RM'000)	Preceding Year 01/01/12- 31/03/12 (RM'000)
Profit for the period is arrived at after crediting/(charging)				
Gain on disposal of property plant and equipments	35	13	35	13
Interest income	18	389	18	389
Other income	777	331	777	331
Allowance for impairment loss on other receivables	-	-	-	-
Depreciation	(203)	(111)	(203)	(111)

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 : 23 May 2013