

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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’. MASB recently announced that transitioning entities will be required to adopt MFRSs from annual period beginning from 1 January 2015.

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2013

A1. BASIS OF PREPARATION (Cont'd)

The Group's financial statements and of the company for the annual period beginning on 1 January 2015 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

There were no shares purchased during the current quarter. At the date of this report, a total of 6,185,700 shares purchased back were held as treasury shares with a total cost of RM5,354,080. All the purchased transactions were financed by internally generated funds. 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 THIRD QUARTER ENDED 30 SEPTEMBER 2013

A7. **DIVIDEND PAID**

No dividend has been paid for the current quarter ended 30 September 2013.

A8. **SEGMENTAL REPORTING**

Segmental analysis of the results and assets employed for 9 months ended 30 September 2013.

Business Segment	Construction (RM'000)	Property Development (RM'000)	Eliminations (RM'000)	Consolidated (RM'000)
Revenue from external customers	-	40,611	-	40,611
Inter-segment revenue	21,189	-	(21,189)	-
Total Revenue	21,189	40,611	(21,189)	40,611
Segment result	6,167	20,799	(7,247)	19,719
Unallocated income/(expenses)				(170)
Interest income				101
Profit from operations				19,650
Finance cost				(206)
Profit Before Tax				19,444
Taxation				(4,460)
Net Profit for the period				14,984

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 30 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 2013

A12. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

	Quarter Ended 30.09.2013 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	1,108	1,582

B. BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF THE PERFORMANCE

A comparison of the results of current quarter ended 30 September 2013 and the corresponding periods in the preceding year is as follows:

	Current Year Qtr 01/07/13- 30/09/13 (RM'000)	Preceding Year Qtr 01/07/12- 30/09/12 (RM'000)	Current Year 01/01/13- 30/09/13 (RM'000)	Preceding Year 01/01/12- 30/09/12 (RM'000)
Revenue	16,646	12,030	40,611	47,631
Profit before tax	9,493	4,744	19,444	16,633
Profit after tax (before Minority Interest)	7,545	3,820	14,984	12,658
Profit attributable to equity holders of the parent	7,545	3,820	14,984	12,658

Current Year-todate vs Previous Year-todate

Pre-tax profit for the current quarter ended 30 September 2013 of RM9.5 million was higher by RM4.7 million compared to the previous year corresponding period of RM4.8 million. The higher pre-tax profit for the current quarter was mainly due to higher revenue recorded during the current quarter from its Ken Rimba Jimbaran project.

After-tax profit for the current quarter ended 30 September 2013 at RM7.5 million was higher than the previous year correspondence quarter of RM3.8 million mainly due to higher revenue recorded in the current quarter.

Performance for the respective operating business segments for the current quarter to date as at 30 September 2013 as compared to the previous year corresponding period is analysed as follows:-

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

- 1) Property development operations - the segmental profit increased by RM6.5 million to RM11.9 million for the current quarter mainly due to higher volume of work done from its Ken Rimba Jimbaran project compared to the preceding year corresponding current quarter which was mainly from its Ken Rimba Commercial Centre.
- 2) Construction operations - segmental profit at RM4.7 million was higher compared to the preceding year corresponding period of RM0.7 million mainly due to higher volume of work done from the construction activities on the Ken Rimba Jimbaran project during the current 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 01/07/13- 30/09/13 (RM'000)	Preceding Quarter 01/04/13- 30/06/13 (RM'000)
Revenue	16,646	13,393
Profit after tax (before Minority Interest)	7,545	4,143
Profit after tax (after Minority Interest)	7,545	4,143

The revenue for the current quarter ended 30 September 2013 at RM16.6 million was higher than the preceding quarter 30 June 2013 of RM13.4 million, mainly due to higher revenue from its Ken Rimba Jimbaran project which commenced in the preceding quarter.

B3. PROSPECTS FOR 2013

The global economic growth remains generally slow, although there have been recent signs of stabilisation in the global economy. The Malaysian economy is expected to improve from a slower first half growth rate of 4.2% with growth rate of between 4.5% - 5.0% forecasted for 2013. While the external sector is likely to remain soft, domestic demand will continue to support the economy, underpinned by sustained private consumption and investment.

The Group is expected to see positive performance from its on-going project - KEN Rimba Jimbaran project. The Ken Rimba Condominium projects have been planned for launch in early next year.

With external forces such as raw material costs, fuel and energy costs including manpower resources in the construction sector and control measures on household debts, it will continue to exert pressure on the Group's operating performance. Barring

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013

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 01/07/13- 30/09/13 (RM'000)	Preceding Year Qtr 01/07/12- 30/09/12 (RM'000)	Current Year 01/01/13- 30/09/13 (RM'000)	Preceding Year 01/01/12- 30/09/12 (RM'000)
In respect of current period				
- income tax	2,373	1,015	6,908	5,432
- deferred tax	<u>(425)</u>	<u>(91)</u>	<u>(2,448)</u>	<u>(1,457)</u>
	<u>1,948</u>	<u>924</u>	<u>4,460</u>	<u>3,975</u>

The Group's effective tax rate for the 9 months ended 30 September 2013 was lower than the statutory rate of 25% mainly due to adjustment for deferred taxation.

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 RM7.1 million as at the end of the current quarter, 30 September 2013.

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 (2012 - Nil).

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2013

B10. EARNINGS PER SHARE

	Quarter Ended 30.09.2013	9 months Ended 30.09.2013
A Basic Earnings		
	RM'000	RM'000
Net profit attributable to shareholders	<u>7,545</u>	<u>14,984</u>
Weighted average number of ordinary shares	89,676	89,676
Basic earnings per share (sen)	8.41	16.71
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 30.09.2013 RM'000	Group 31.12.2012 RM'000
Total retained earnings of KHB and Its subsidiaries		
- Realised	118,815	100,611
- Unrealised	<u>(698)</u>	<u>(698)</u>
	118,117	99,913
Less:		
Consolidated adjustments	<u>(36,487)</u>	<u>(29,232)</u>
Total Group retained profits and per Consolidated accounts	<u>81,630</u>	<u>70,681</u>

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED
30 SEPTEMBER 2013

B12. PROFIT FOR THE PERIOD

	Current Year Qtr 01/07/13- 30/09/13 (RM'000)	Preceding Year Qtr 01/07/12- 30/09/12 (RM'000)	Current Year 01/01/13- 30/09/13 (RM'000)	Preceding Year 01/01/12- 30/09/12 (RM'000)
Profit for the period is arrived at after crediting/(charging)				
Gain on disposal of property plant and equipments	-	-	36	16
Interest income	79	368	101	1,172
Other income	730	552	2,066	1,226
Allowance for impairment loss on other receivables	-	-	-	-
Depreciation	(99)	(165)	(503)	(480)

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 : 13 November 2013