

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 FRSS, IC Interpretation and Amendments to FRS during the financial year:

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 and the Company falls within the scope of IC Interpretation 15, *Agreements for the Construction of Real Estate/MFRS 141, Agriculture*. Therefore, the Group and the Company are currently exempted from adopting the Malaysian Financial Reporting Standards (“MFRS”) and is referred to as a “Transitioning Entity”. Being a Transitioning Entity, the Group and the Company will adopt the

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

A1. BASIS OF PREPARATION (Cont'd)

MFRS and present its first set of MFRS financial statements when adoption of the MFRS is mandated by the MASB.

The following FRSs, Amendments to FRS and IC Interpretation have been issued but are not yet adopted by the Group and the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to FRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to FRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to FRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to FRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to FRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to FRS 140, *Investment Properties (Annual Improvements 2011-2013 Cycle)*

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

A1. BASIS OF PREPARATION (Cont'd)

FRSs, Interpretations and amendments effective for [annual periods beginning on or after 1 January 2015]:

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- FRS 9, *Financial Instruments* (2013)
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of FRS 9 and Transition Disclosures*

The Group and the Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014, except for amendments to FRS 12 which are not applicable to the Company.
- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014 and 1 January 2015, except for amendments to FRS 2 and amendments to FRS 138 which are not applicable to the Company.

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.

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

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.

A7. DIVIDEND PAID

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

A8. SEGMENTAL REPORTING

Segmental analysis of the results and assets employed for 12 months ended 31 December 2013.

Business Segment	Construction (RM'000)	Property Development (RM'000)	Eliminations (RM'000)	Consolidated (RM'000)
Revenue from external customers	-	55,829	-	55,829
Inter-segment revenue	33,775	-	(33,775)	-
Total Revenue	33,775	55,829	(33,775)	55,829
Segment result	7,489	37,596	(16,798)	28,287
Unallocated income/(expenses)				144
Interest income				117
Profit from operations				28,548
Interest expense				(261)
Profit Before Tax				28,287
Taxation				(7,362)
Net Profit for the period				20,925

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.

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

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

On 26 December 2013, the Company acquired 2 ordinary shares of RM1 each representing 100% of the equity interest in Ken JBCC Holdings Sdn. Bhd. (“KJH”) and Ken Estate Sdn Bhd (“KESB”) for a total cash consideration of RM2 per company.

On 27 December 2013, KJH acquired 2 ordinary shares of RM1 each representing 100% of the equity interest in Ken JBCC Land Sdn. Bhd. (“Ken JBCC Land”) for a total cash consideration of RM2.

On 27 December 2013, the KESB acquired the following six companies for a cash consideration of RM2.00 per company:

- (1) Ken Estate Penang Sdn. Bhd. (“Ken Estate Penang”)
- (2) Ken Estate (Melaka) Sdn. Bhd. (“Ken Estate Melaka”)
- (3) Ken Pahang Land Sdn. Bhd. (“Ken Pahang Land”)
- (4) Ken Selangor Land Sdn. Bhd. (“Ken Selangor Land”)
- (5) Ken Kelantan Land Sdn. Bhd. (“Ken Kelantan Land”)
- (6) Ken Damansara Land Sdn. Bhd. (“Ken Damansara Land”)

The above transactions were completed during the year. Consequently, KJH, KESB, Ken JBCC Land, Ken Estate Penang, Ken Estate Melaka, Ken Pahang Land, Ken Selangor Land, Ken Kelantan Land and Ken Damansara Land became wholly-owned subsidiaries of Ken Holdings Berhad.

There were no changes in the composition of the Group for the quarter ended 31 December 2013 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operation, save as disclosed above.

A12. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS

	Quarter Ended 31.12.2013 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	1,431	1,582

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

B. BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF THE PERFORMANCE

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

	Current Year Qtr 01/10/13- 31/12/13 (RM'000)	Preceding Year Qtr 01/10/12- 31/12/12 (RM'000)	Current Year 01/01/13- 31/12/13 (RM'000)	Preceding Year 01/01/12- 31/12/12 (RM'000)
Revenue	15,218	6,481	55,829	54,112
Profit before tax	9,809	6,151	28,287	22,785
Profit after tax (before Minority Interest)	5,939	3,790	20,925	16,449
Profit attributable to equity holders of the parent	5,939	3,790	20,925	16,449

Current Year-todate vs Previous Year-todate

Pre-tax profit for the current quarter ended 31 December 2013 of RM9.8 million was higher by RM3.6 million compared to the previous year corresponding period of RM6.2 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 31 December 2013 at RM5.9 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 31 December 2013 as compared to the previous year corresponding period is analysed as follows:-

- 1) Property development operations - the segmental profit increased by RM7.7 million to RM16.8 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 period at RM9.1 million which was mainly from its Ken Rimba Commercial Centre.
- 2) Construction operations - segmental profit at RM1.3 million for the current quarter was lower compared to the preceding year corresponding period of RM4.6 million mainly due to lower margins mix from work done during the current quarter.

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

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 01/10/13- 31/12/13 (RM'000)	Preceding Quarter 01/07/13- 30/09/13 (RM'000)
Revenue	15,218	16,646
Profit after tax (before Minority Interest)	5,939	7,545
Profit after tax (after Minority Interest)	5,939	7,545

The revenue for the current quarter ended 31 December 2013 at RM15.2 million was marginally lower than the preceding quarter of RM16.6 million, mainly due to lower revenue recorded in the current quarter. Profit after tax for the current quarter was lower than the preceding quarter due mainly to higher tax expense arising from tax under provision for prior year.

B3. PROSPECTS FOR 2014

The global economic outlook is expected to strengthen moderately in 2014 with economic recovery in the advanced major economies. The Asian region is expected to grow moderately but at healthy levels. The Malaysian economy is expected to remain stable in 2014 with the Government's forecast of real GDP to grow by 5% to 5.5% with support by private consumption and investment activities as well as an improving external environment.

The Group expects to see positive opportunities for residential properties arising from continuing household formation with the Government's initiatives on increasing home ownership, stable house prices and control on excessive speculative activities. The Group expects positive contribution from its on-going project - KEN Rimba Jimbaran Residences project and also from the Ken Rimba Condominium project which is planned for launch this year.

With external forces such as raw material costs, fuel and energy costs and manpower resources in the construction sector, it will continue to exert pressure on the Group's operating performance. 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 2014.

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FOURTH QUARTER ENDED 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 01/10/13- 31/12/13 (RM'000)	Preceding Year Qtr 01/10/12- 31/12/12 (RM'000)	Current Year 01/01/13- 31/12/13 (RM'000)	Preceding Year 01/01/12- 31/12/12 (RM'000)
In respect of current period				
- income tax	2,374	4,104	9,282	9,536
- deferred tax	<u>529</u>	<u>(1,743)</u>	<u>(1,920)</u>	<u>(3,200)</u>
	<u>2,903</u>	<u>2,361</u>	<u>7,362</u>	<u>6,336</u>

The Group's effective tax rate for the 12 months ended 31 December 2013 was higher than the statutory rate of 25% mainly due to tax under provision in respect of prior year and 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 RM1.5 million as at the end of the current quarter, 31 December 2013.

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 single tier dividend comprising of 4.5 sen per ordinary share (2012: 6.0 sen dividend per ordinary share less tax 25%) in respect of the financial year ended 31 December 2013. 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.

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

B10. EARNINGS PER SHARE

	Quarter Ended 31.12.2013	12 months Ended 31.12.2013
A Basic Earnings		
	RM'000	RM'000
Net profit attributable to shareholders	<u>5,939</u>	<u>20,925</u>
Weighted average number of ordinary shares	89,675	89,776
Basic earnings per share (sen)	6.62	23.31
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 31.12.2013 RM'000	Group 31.12.2012 RM'000
Total retained earnings of KHB and Its subsidiaries		
- Realised	129,223	102,196
- Unrealised	<u>(6,704)</u>	<u>(2,283)</u>
	122,519	99,913
Less:		
Consolidated adjustments	<u>(34,948)</u>	<u>(29,232)</u>
Total Group retained profits and per Consolidated accounts	<u>87,571</u>	<u>70,681</u>

KEN HOLDINGS BERHAD (106173-M)

UNAUDITED QUARTERLY REPORT ON FINANCIAL RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

B12. PROFIT FOR THE PERIOD

	Current Year Qtr 01/10/13- 31/12/13 (RM'000)	Preceding Year Qtr 01/10/12- 31/12/12 (RM'000)	Current Year 01/01/13- 31/12/13 (RM'000)	Preceding Year 01/01/12- 31/12/12 (RM'000)
Profit for the period is arrived at after crediting/(charging)				
Gain on disposal of property plant and equipments	-	1	36	17
Interest income	16	179	117	1,351
Other income	705	645	2,771	1,871
Allowance for impairment loss on other receivables	-	-	-	-
Depreciation	(333)	(332)	(836)	(812)
Interest expense	(55)	(14)	(261)	(14)

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 : 21 February 2014